

**The Liberalization of the Financial Market and the Service Quality of
Commercial Bank of Ethiopia (CBE) rendered to Select International
Investors.**



Mekelle University

College of Business and Economics

Department of Management

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Requirement for the Award of Degree of Masters of Art in Business Administration

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Approval Sheet-Exam Committee

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Declaration

I declare that this thesis is my genuine work, and that all sources of materials used for this thesis have been profoundly acknowledged. This thesis has been submitted in partial fulfillment of the requirements for Master's Arts in Business Administration at Mekelle University, and I declare that this thesis is not submitted to any other institution anywhere for the award of any academic degree, diploma or certificate.

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List of Abbreviations and Acronyms

ANOVA	Analysis of Variance
CBE	Commercial Bank of Ethiopia
CLRM	Classical Linear Regression Model
FDI	Foreign Direct Investment
SERVPERF	Service Performance
SERVQUAL	Service Quality Measurement
SPSS	Statistical Package for the Social Sciences
VIF	Variance Inflation Factor
WTO	World Trade Organization

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Abstract

This study investigates the service quality of BGI Ethiopia, Safaricom Ethiopia, and Moha Soft Drinks S.C. in the context of Ethiopia's recent policy reforms that opened the banking sector to international investors. The study evaluates whether the Commercial Bank of Ethiopia's (CBE) financial products, digital platforms, transaction speed, and customer service meet the expectations of these multinational corporations. The research employed both descriptive and explanatory research designs alongside a mixed-methods approach. In addition, a stratified random sampling technique was used to select participants. The study utilized questionnaires and interviews to gather data from 106 respondents, selected from a total population of 143 employees and managers within the target organizations. Secondary data were also collected from various sources, including relevant books, journals, reports, newspapers, and related research articles. The collected data were analyzed using descriptive and inferential statistical tools such as frequency and mean. Key findings indicate that all four service quality dimensions tangibility, reliability, responsiveness, and assurance have a significant positive relationship with international investor satisfaction. Reliability was identified as the most influential factor, while gaps were found in responsiveness and digital innovation compared to international standards. The study recommends that the management of CBE prioritize investments in advanced digital infrastructure and implement specialized customer service training for staff to meet the high expectations of global investors. These findings are expected to help policymakers and bank management align CBE's service quality with global standards to attract and retain foreign direct investment (FDI).

Key words: Investor satisfaction, Services, Service quality, International Investor.

Chapter One

1. Introduction

1.1. Background of the Study

In today's competitive business environment, maintaining high service quality has become a key factor for organizational success. Service quality is widely recognized as a critical determinant for the sustainability of an organization, as any decline in customer satisfaction due to poor service delivery becomes a significant matter of concern (Daniel et al., 2013). Although service quality plays a vital role in organizational performance, many organizations still fail to give it sufficient attention (Van Der Wiele et al., 2002).

With the ongoing global technological revolution and international integration, foreign investment has become a crucial driver of economic development. For emerging economies, attracting outside investment capital, particularly foreign direct investment (FDI), is essential to modernize underdeveloped sectors. According to Dwight et al. (2004), powerful trends are under way to convert national financial systems into an integrated global system that operates 24 hours a day to attract savings and extend credit. This process of integrating financial systems globally has been aided by the gradual deregulation of financial institutions and services. As leading nations harmonize their regulations, financial service firms now operate under similar rules regardless of where they are located. This has resulted in increasingly intense competition, the development of new financial services, and a wave of mergers among institutions.

In this increasingly global marketplace, the banking industry remains one of the world's most essential service industries, making rapid economic growth possible (Global Banking Outlook, 2015). Modern banks differentiate themselves by offering higher standards of customer service—such as extended opening hours and faster product applications—to meet transformed customer expectations. Consequently, traditional banks must invest in improved technology and service delivery to avoid losing business to new entrants who prioritize the customer experience.

Comparing FDI with local business conditions without understanding the specific needs of the "demand" side (foreign investors) would not make much economic sense. Denisia (2010) stated that to

understand FDI, one must first understand the basic motivations that cause a firm to invest abroad rather than export or outsource production to national firms. From a theoretical perspective, neo-classical and endogenous growth models suggest that FDI influences economic growth by introducing new capital and externalities. While neo-classical models argue that FDI affects growth primarily in the short run (Anderson et al., 2014), recent studies suggest a more permanent long-run impact on economic development determination.

In the Ethiopian context, the government has initiated significant reforms to join the World Trade Organization (WTO) and liberalize the financial sector. As the Commercial Bank of Ethiopia (CBE) prepares for international market entry and increased local competition, it must gain the assurance and trust of its international clients. It is envisioned that the data collected in this study will reflect whether CBE's service quality is on par with the expectations of multinational corporations such as BGI Ethiopia, Safaricom Ethiopia, and Moha Soft Drinks S.C. The feedback from these respondents will enable the CBE to develop strategies to improve its services, sustain loyalty, and successfully navigate the opening of Ethiopia's banking sector to global competition.

1.2. Statement of the Problem

As Ethiopia prepares to open its banking sector to international investors, the Commercial Bank of Ethiopia (CBE) faces a critical strategic juncture. According to the African Economic Outlook (2015) and the Global Retail Development Index (2014), Ethiopia's growing economy and large population make it a highly attractive market for foreign banks. The impending entry of global financial giants creates an "unmerciful" competitive environment, necessitating that the CBE develops robust strategies to counter upcoming pressures.

While the CBE has introduced significant measures to improve service delivery—including Business Process Re-engineering (BPR), branch expansion, and heavy investment in electronic banking—serious challenges remain. Despite these efforts, customer complaints persist regarding service delivery systems. In a liberalized market, failing to meet the expectations of sophisticated international clients can lead to a steady decline in market share and threaten the bank's survival (Collier et al., 2006).

A significant research gap exists in this context. Although many studies have assessed the service quality of Ethiopian commercial banks, most have focused on domestic retail customers. There is a critical lack of evidence regarding whether CBE's services, digital platforms, and financial products

meet the specific standards of international investors such as BGI Ethiopia, Safaricom Ethiopia, and Moha Soft Drinks S.C. Furthermore, to the best of the researcher's knowledge, no previous work in Ethiopia has specifically targeted respondents with prior experience in world-class international banking services.

This study utilizes a modified SERVQUAL model consisting of four dimensions: Tangibility, Reliability, Responsiveness, and Assurance. The Empathy dimension was intentionally excluded because, in the context of corporate and international investment banking, multinational corporations prioritize functional efficiency, technical accuracy, and professional assurance over the individualized emotional attention typically measured by empathy. For institutional investors, "operational excellence" is defined by being "world-class" in technical delivery rather than personal relationship-driven empathy (Institute of Operational Excellence, 2012).

Without this research, policymakers and bank managers lack a clear understanding of whether CBE's service quality is aligned with global standards. This study aims to fill this gap by assessing the relationship between service quality and international investor satisfaction, providing the CBE with the timely data needed to achieve its vision of becoming a world-class competitor.

1.3. Research Questions

This study aims to answer specific questions regarding the service quality of the Commercial Bank of Ethiopia (CBE) as perceived by international investors within the context of the liberalizing financial market. The research specifically seeks answers to the following questions:

1. What service quality dimension do customers consider most important for their satisfaction with CBE?
2. What is the current level of services provided by CBE to its international investor segment customers?
3. What adequate banking services does CBE need to provide to fully meet the needs of international investors such as BGI Ethiopia, Safaricom Ethiopia, and Moha Soft Drinks S.C?
4. Which of the service quality dimensions of the SERVQUAL model is the strongest determinant of satisfaction for the international investor segment?

1.4. Objectives

1.4.1. General Objectives

The general objective of this study was to assess the service quality provided by the Commercial Bank of Ethiopia (CBE) in relation to the liberalization of the financial sector for selected international investors, specifically focusing on BGI Ethiopia, Safaricom Ethiopia, and Moha Soft Drink Factory in the Tigray Region.

1.4.2. Specific Objectives

To achieve the general aim of evaluating the impact of financial liberalization on banking service standards, this study sets out to accomplish the following specific objectives:

1. To assess satisfaction level of CBE customers on the delivery of service quality dimensions.
2. To determine the level of the services provided by CBE to their international investor sector customers.
3. To determine the degree of international investor sectors in CBE.
4. To determine service quality dimension of SERVQUAL model determines the international investor sectors more.

1.5. Research Hypothesis

To address the research questions and satisfy the study objectives, the following null and alternative hypotheses have been formulated for testing:

Hypothesis 1 Tangibility

H01: Tangibility has no significant positive effect on the satisfaction level of the international investor segment.

Ha1: Tangibility has a significant positive effect on the satisfaction level of the international investor segment. Hypothesis

Hypothesis 2 Reliability

H02: Reliability has no significant positive effect on the satisfaction level of the international investor segment

Ha2: Reliability has a significant positive effect on the satisfaction level of the international investor segment.

Hypothesis 3 Responsiveness

H03: Responsiveness has no significant positive effect on the satisfaction level of the international investor segment.

Ha3: Responsiveness has a significant positive effect on the satisfaction level of the international investor segment.

Hypothesis 4 Assurance

H04: Assurance has no significant positive effect on the satisfaction level of the international investor segment.

Ha4: Assurance has a significant positive effect on the satisfaction level of the international investor segment.

1.6. Significance of the Study

As banks invest significant resources to retain existing customers and acquire new ones, providing high-quality service has become a vital strategic tool for organizational success. In the context of Ethiopia's financial liberalization, the need for banks to upgrade their service standards necessitates the rigorous measurement of service quality. Therefore, the results of this study are significant for various stakeholders at different levels.

First, the findings allow the management of the Commercial Bank of Ethiopia (CBE) to identify the relative importance of each service quality dimension as perceived by the international investor segment. By pinpointing specific service gaps that require urgent management attention, the study provides a roadmap for addressing the needs of global clients and fostering long-term loyalty. Second, the approaches and experiences gained from this research may serve as a benchmark for other financial institutions operating within the same industry as they adapt to a more competitive, liberalized market.

Third, this study holds substantial significance for future research and the academic community. By applying the SERVPERF model to the specific context of international investors in Ethiopia, this research provides a validated empirical groundwork for scholars. It serves as a reference point for future

studies exploring the long-term impact of financial reforms on banking competitiveness. Furthermore, researchers can use the findings of this study to conduct comparative analyses across different regions or to explore additional variables—such as digital banking adoption or corporate relationship management—that were beyond the scope of this paper.

In general, the results of this study help the Ethiopian banking industry become better acquainted with the expectations of global customers. By identifying the gap between customer expectations and perceptions, this study provides CBE management and employees with the necessary insights to align their service delivery with international standards.

1.7 Scope of the Study

Conceptually; this study was only focused on the assessment of the relationship between the overall services quality dimensions (tangibility, responsiveness, reliability, and assurance) and relation to the CBE for the opening international investor sectors.

Geographically; the study was focused only in Tigray region like BGI Ethiopia at Raya brewery, Moha soft drink factory in Mekelle, and Safaricom Ethiopia in Mekelle. Not include In Ethiopian sectors.

Methodologically, the study was used both a mixed research approaches, primary and secondary source of data, the primary data had gone to be collected from the employees of the international sectors by using the filled of questionnaires and interviews' respectively, and the study also used the descriptive and explanatory types of research designs. This research is based on the representative samples that reach to conclusion for the population. The main source of data is questionnaire that will be distributed and collect from employee who queue in the selected banks.

Temporal Scope

The temporal scope of this study covers the nine-month period from October 2024 to June 2025 G.C. This timeframe was specifically chosen to capture the immediate perceptions of international investors during the active phase of Ethiopia's financial liberalization. The study is cross-sectional in nature, providing a comprehensive assessment of service quality levels at the Commercial Bank of Ethiopia (CBE) during the fiscal year

1.8. Limitations of the Study

While this study provides valuable insights, it was conducted under certain constraints. First, there was a shortage of recent reference books and literature specifically relating to the Commercial Bank of Ethiopia's (CBE) service quality in the context of the newly liberalized international investor segment. Additionally, certain internal human resource manuals and corporate documents were not easily accessible due to organizational confidentiality.

Beyond these administrative constraints, the study faces specific methodological and temporal limitations:

Methodological limitations

this research primarily utilizes a cross-sectional survey design, which captures investor perceptions at a single point in time rather than tracking changes over a longer period. Furthermore, the study focuses exclusively on the SERVPERF dimensions (tangibility, reliability, responsiveness, and assurance). While these are critical, there may be other intervening factors such as political stability, foreign exchange policies, or macroeconomic shifts that affect international investor satisfaction but were beyond the scope of this research. The sample was also limited to 106 respondents from three specific multinational companies, which may limit the generalizability of the findings to the entire foreign investment community in Ethiopia.

Temporal Limitations

the temporal scope of the study was restricted to the period between. Because the financial liberalization decree is relatively recent, the long-term effects of these reforms on service quality may not have fully matured at the time of data collection. Consequently, the findings reflect the immediate transitional reactions of investors rather than long-term trends.

1.9. Organization of the Paper

This thesis was organized in to five chapters as point out below. Chapter one: This chapter introduces the topic and explains why the effect of service quality on customer satisfaction is the focus of the study. Background of the study, statement of the problems, the research objective, questions, it's significant, scope, and limitation of study and definition of terms are also outlined here. Chapter two: Literature review of the study is presented in this chapter. Overviews of literatures on theoretical review, empirical studies as well as conceptual framework studies on service quality and international satisfaction will be

covered. Chapter three: Presents the research methodology and provides the research approach, research design, target population, sampling technique, sample size, data sources and types, data collection procedures and methods of data analysis, reliability and validity and ethical considerations. Chapter four also contains the results and discussions the finding and the last chapter will be conclusions and recommendations

Chapter Two

Literature Review

2.1. Theoretical Literature

2.1.1. Understanding Service Concept

Services are economic movements that create value and convey profits to the customer at a particular point with respect to what the customer's desire or expect (Lovelock, 2001). Other researchers gave different meanings of what a service is all about. According to Gronroos (1984), services are produced, distributed, and consumed in the interaction between the service provider and the service receiver. Service is defined by John (1998, p 78) as:

Service is the balance between choice and perceived control which depends upon the relative competences of customer and service provider (that is to make the choice or to exert control). Aspects of service experience include core benefit, performance, approaching the service, departing from it, interacting with other customers and the environment in which the service transaction takes place (service escape). Service interaction involves interpersonal attentiveness from the service personnel who are to provide core services and this contributes to customer satisfaction with the service offered **Bateson (1985)**.

Hence, services must be viewed from an interactive perspective. 'Service' has many meanings which lead to some confusion in the way the concept is defined in management literature, service could mean an industry, a performance, an output or offering or a process. Services are mostly described as 'intangible' and their output viewed as an activity rather than a tangible object which is not clear because some service outputs have some substantial tangible components like physical facilities, equipments and personnel Jones (1988). According to Gummesson (1994) a service design which details a service, service system and the service delivery process must consider customers, staff, technology, the physical environment, and the consumption goods.

Gummesson (1994) identified three management paradigms; manufacturing paradigm which focuses on goods and mainly concerned with productivity technical standards, the bureaucratic-legal paradigm used mainly in the public sector is more concerned with regulations and rituals before end results. The service paradigm mainly focuses on service management particularly in the marketing area and stresses the importance of customer interaction with service provider in delivering service and creating value. There

has been a shift from the goods-focused to service-focused management due to automation of manufacturing and the introduction of electronics and technology.

Service process is that which consists of either, delivery of service, interpersonal interaction, performance or customer's experience of service. According to a study carried out by Johns (1998), service is viewed differently by both the provider and the consumer; for the provider, service is seen as a process which contains elements of core delivery, service operation, personal attentiveness and interpersonal performance which are managed differently in various industries. However, factors that are common for both parties include; value (benefit at the expense of cost), service quality and interaction "Quality is a set of three distinct states of an offerings" attribute" relative performance generated while producing, experiencing and evaluating the offering" (Golder et al., 2012).

2.1.2. Understanding Quality Concept

Quality has many different definitions and there is no universally acceptable definition of quality. It is because of the elusive nature of the concept from different perspectives and orientations and the measures applied in a particular context by the person defining it. Different meaning could be attached to the word quality under different conditions (Hardie and Walsh, 1993; Sower and Fair, 2005; Wicks and Roethlein, 2009). Some of the common definitions of quality pointed out by Hardie & Walsh (1994) include; "Quality is product performance which results in customer satisfaction freedom from product deficiencies, which avoids customer dissatisfaction". According to Gitlow et al (1989), "Quality is the extent to which the customers or users believe the product or service surpasses their needs and expectations". Wickes and Roethlein (2009) view quality as: "Quality is defined as the summation of the affective evaluations by each customer of each attitude object that creates customer satisfaction". These definitions of quality shed light in understanding quality concept and point out that quality has many views. In addition, quality is an important aspect that drives companies to competition and customers are driven to make decisions on a product or services by the quality of the product or service, quality is powerful component in transforming the market place (Golder, Mitra, & Mooman, 2012).

Wicks & Roethlein (2009) highlight that the definition of quality is evolving, but that the common factor throughout the evolution process is a focus on both the technical and functional aspects of quality and that in order to become world-class, organizations need a user-based definition that is more important to the customer, and a process-based definition that is more important to the manufacturer or service

provider. The quality concept of products and services is a little bit different. Various scholars have attempted to provide distinction of product and quality concept.

2.1.2.1 Product Quality Concept

Garvin (1987) and (Gronroos, 1984) suggested eight dimensions of product quality which are very important to consumers since they lay much emphasis on quality when buying among many similar products and they include;

Performance: primary operating characteristics of a product or service,

Features- refer to the secondary characteristics that supplement the product's basic functioning.

Reliability: probability of a product failing within a specified period of time.

Durability: measure of a product life.

Conformance: degree that a product's design matches established standards.

Service ability: speed and competency of repair.

Aesthetics: subjective measure of how a product looks, feels, sounds, smells or tastes.

Perceived quality: refers to indirect measures of quality comparison by using perception of quality such as images, advertising, and brand names rather than the reality itself (most subjective). It is a subjective measure of how the product measures up against a similar product.

Technical quality: refers to what the customer receives as a result of his/her interaction with the service firm and functional quality refers to how the technical components are delivered to the customer (Gronroos, 1984).

The definition of quality considers quality as subjective meaning it is determined by the customer through his/her perceptions. This is also supported by the view of Muffatto & Panizzolo (1995), who believe that the most accepted definition of quality is, defining quality as the extent to which a product and/or service meets and/or exceeds customer's expectation. The user-based view of quality has been particularly useful in trying to define quality in the domain of service (Schneider & White, 2004). This approach is good for services of the nature of service delivery.

2.1.2.2. Service Quality Concept

Service quality is considered an important tool for a firm's struggle to differentiate itself from its competitors (Ladhari, 2008). The relevance of service quality to companies is emphasized here especially the fact that it offers a competitive advantage to companies that strive to improve it and hence bring customer satisfaction and loyalty (Negi, 2009). Understanding service quality must involve acknowledging the four inherent characteristics of service not found in goods, which are intangibility (lack of tangible assets of service characteristics, which can be seen, touched and or smelled prior to purchase), heterogeneity (Services, specifically those with high labor content, are heterogeneous; their performance often varies from producer to producer, from customer to customer, and from day to day. Consistency of behavior from service personnel is difficult to assure (Parasuraman, Zeithaml and Berry, 1985), perishable (inability of a service to be inventoried, saved or stored for use at later date, service marketers need to balance demand and supply in a way that maximizes profitability), variability (unwanted or random levels of service quality customers receive when they patronize a service firm. Because of the variability characteristics of service, standardization is more difficult) and inseparability (simultaneous production and consumption of a service), (Parasuraman et al., 1985); (Ladhari, 2008).

Customer's expectation serves as a foundation for evaluating service quality because, quality is high when actual performance exceeds expectation and quality is low when performance does not meet their expectation. Expectation is viewed in service quality literature as desires, needs or wants of consumer. In other words what they feel a service provider should offer rather than would offer. Perceived service is the outcome of the customer's view of the service dimensions, which are both technical and functional in nature (Gronroos, 1984; Parasuraman et al., 1988; Asubonteng et al., 1996).

The customer's total perception of a service is based on his/her perception of the outcome and the process; the outcome is either value added or quality and the process is the role undertaken by the customer. Perceived quality is a form of attitude, related but not equal to satisfaction, and results from a consumption of expectations with perceptions of performance (Edvardsson, 1998; Parasuraman et al., 1988). Customer-perceived service quality has been given increased attention in recent years, due to its specific contribution to business competitiveness and developing satisfied customers. This makes service quality a very important construct to understand by firms by knowing how to measure it and making necessary improvements in its dimensions where appropriate especially in areas where gaps between expectations and perceptions are wide (Negi, 2009).

Douglas & Connor (2003), emphasize that the consumer who has developed heightened perception of quality has become more demanding and less tolerant of assumed shortfalls in service or product quality and identify the intangible elements (inseparability, heterogeneity and perish ability) of a service as the critical determinants of service quality perceived by a customer. It is very vital to note here that, service quality is not only assessed as the end results but also on how it is delivered during service process and its ultimate effect on consumer's perceptions (Douglas & Connor, 2003). Thus, defining and measuring service quality are not as easy as product quality.

Different researchers have developed models in order to get a better understanding of service quality. To conceptualize in a nutshell, service quality is increasingly recognized as being of key strategic value by organizations. The costs and major benefits to be derived from successful service quality are highlighted by several authors (Crosby, 1991; Edvardsson 1991; Adil, 2013) may be summarized as relating to:

- Satisfied and retained customers and employees
- Opportunities for cross-selling;
- The attraction of new customers;
- Development of customer relationships;
- Increased sales and market shares;
- Enhanced corporate image;

2.1.3. Service Quality Dimensions

Service quality has several dimensions. An instrument developed by Parasurman et al (1985), SERVQUAL, has ten dimensions. These are: Reliability, Responsiveness, Competence, Access, Courtesy, Communication, Credibility, Security, Understanding, Tangibles. The original ten dimension of the SERVQUAL measuring instrument was reduced to five dimensions after a refined empirical study conducted by the authors (Parasuraman, et al., 1988). These five dimensions include Tangibility, Reliability, Responsiveness, Assurance and Empathy.

Tangibility: due to the intangible nature of a service which makes it difficult for customers to evaluate the services before decisions are made, customers then turned to evaluate the tangible aspects of the service firm to have a clue about what the service firm might be capable to delivering.

Reliability: this dimension enables a check of whether or not the service provider is reliable in delivering services as promised.

Responsiveness: this dimension questions are asked in relation to what the consumers think about company's employees. That is if the company's employees are supportive and able to provide services as fast as it is demanded by the consumers.

Assurance: knowledge and courtesy of employees and their ability to inspire trust and confidence.

2.1.4. Service Quality Measurement

With respect to this increased in quality consciousness in the service sector, the need to measure the quality of service was raised and provoked the need to create an instrument that will be used to measure service quality (Bogomolova, 2011). Ample research bodies have made immense efforts to identify variables and instruments that are suitable to measure service quality and came up with a good number of these instrument. The issue here is not how many of these instruments are available, but which of these instruments are more reliable and valid in measuring service quality. Amongst these instruments the most prevalent are the SERVQUAL and SERVPERF (Motlagh, 2011).

2.1.4.1. SERVQUAL Instrument

The SERVQUAL model, developed by Parasuraman, Zeithaml, and Berry (1988), remains the most widely utilized framework for assessing service quality through gap analysis ($(P-E=Q)$). While the original model proposed five dimensions, various scholars in the banking sector have adapted the instrument to fit specific market segments. For instance, Taap (2009) and other researchers in emerging markets have often consolidated the dimensions into four tangibles, reliability, responsiveness, and assurance finding that in corporate banking contexts, these factors explain the highest variance in customer satisfaction. Extensive research across the global banking industry demonstrates that SERVQUAL is an effective diagnostic tool for identifying service gaps. Studies by Athanassopoulos et al. (2001) and Bloemer et al. (1998) suggest that the instrument is particularly useful for benchmarking an organization against its competitors and tracking quality trends over time. In the context of developing economies, scholars have noted that while the "tangibles" dimension is often highly rated due to modern infrastructure, the "reliability" and "responsiveness" dimensions frequently show the largest gaps between customer expectations and actual perceptions (Daniel et al., 2013). Recent literature specifically focusing on international investors highlights that the "assurance" dimension

encompassing employee knowledge and courtesy becomes the critical determinant of loyalty when financial markets undergo liberalization. Scholars argue that as competition increases from foreign banks, domestic institutions like the Commercial Bank of Ethiopia (CBE) must use the SERVQUAL framework not just to measure basic service delivery, but to categorize customers into quality segments that prioritize high-level trust and dependable records (Van Der Wiele et al., 2002).

2.1.4.2. SERVPERF Instrument

Cronin and Taylor (1992) in their empirical work converted the framework of Parasuraman, Zeithaml and Berry (1988) with respect to conceptualization and measurement of service quality, and propounded a performance-based measure of service quality called ‘SERVPERF’ illustrating that service quality is a form of consumer attitude. They argued that SERVPERF is an enhanced means of measuring the service quality construct. SERVQUAL grounded in the Gap model, measures service quality as the calculated difference between customer expectations and performance perceptions of a service encounter (Parasuraman et al., 1988). Cronin and Taylor (1992) challenged this approach and developed the SERVPERF scale based on Parasuraman's SERVQUAL methodology which directly captures customers’ performance perceptions in comparison to their expectations of the service encounter. Leveling maximum criticism against SERVQUAL scale, Cronin and Taylor (1992) provided empirical evidences across four industries viz. fast food, pest control, dry cleaning and banking to support the superiority of their ‘performance only’ scale over SERVQUAL scale retaining the same items as had been proposed by the Parasuraman, Zeithaml and Berry (1988).

SERVPERF only measures performance perceptions and operationalizes service quality as customers’ evaluations of the service encounter. It uses only performance data because it assumes that respondents provide their ratings by automatically comparing performance perceptions with performance expectations. As a result, SERVPERF uses only the performance items of the SERVQUAL scale (Brady et al., 2002; Cronin and Taylor, 1992).

The SERVPERF model developed by Cronin & Taylor, (1992), was derived from the SERVQUAL model by dropping the expectations and measuring service quality perceptions just by evaluating the customer’s the overall feeling towards the service. SERVPERF model has four equations.

$SERVQUAL = Performance - Expectations$

$Weighted\ SERVQUAL = importance \times (performance - expectations)$

SERVPERF = performance

According to Brady & Cronin (2001), service quality is defined by either or all of a customer's perception regarding 1) an organizations' technical and functional quality; 2) the service product, service delivery and service environment; or 3) the reliability, responsiveness, empathy, assurances, and tangibles associated with a service experience.

In another approach, Saravanan and Rao (2007), outlined six critical factors that customer-perceived service quality is measured from after extensively reviewing literature and they include; Beyond the traditional SERVQUAL model, scholars have sought to expand the dimensions of service quality to capture broader organizational impacts. Saravanan and Rao (2007) proposed a multidimensional approach that integrates human aspects, such as reliability and responsiveness, with technical and corporate factors. Their research highlights that in high-stakes service environments, customer perception is influenced not only by the core service content but also by the systematization of service delivery, which includes the technological processes and procedures used by the firm.

Extensive reviews of banking literature suggest that this broader framework is particularly relevant for international investors, who often evaluate a bank based on its social responsibility and corporate image alongside traditional tangibles. Scholars argue that by including employee appearance and equipment within a wider "service marketing" context, banks can better differentiate themselves in a competitive market. This aligns with findings from other researchers who suggest that for corporate segments, the efficiency of the underlying systems (systematization) is as critical as the interpersonal attentiveness of the staff (Saravanan & Rao, 2007).

2.1.5. International Investor Sectors Related to Banks

Developing and emerging market economies' increasing participation in FDI inflows over the past two decades reflects both push and pull factors (Reinhart & Reinhart, 2008; Forbes & Warnock, 2012; Fratzscher, 2012). On the push side, declining transportation costs, significant differences in factor prices, and slowing growth rates in developed countries drove an increasing number of firms to establish operations abroad. On the pull side, many governments, seeing FDI as key to bringing the capital, technology, and know-how needed to move their economies from traditional activities to higher-end manufacturing and services, not only liberalized flows but actively competed for FDI with a variety of preferential incentives and policies (Harding & Javorcik, 2007).

Theoretical benefits notwithstanding, empirical studies of the effects of FDI have produced mixed evidence. Lipsey (2004) observes that the overall evidence from macro-level empirical research favors positive effects of foreign presence on wages and the volume and diversity of domestic exports, but finds no consistent relationship between the size of inward FDI stocks or flows and GDP or growth. On the micro side, a first generation of cross-sectional studies generally found a positive correlation between foreign presence and within-industry productivity, for example Caves (1974) in Australia and Blomström (1986) and Blomström & Wolff (1994) in Mexico. However, controlling for the fact that foreigners selectively enter the most profitable firms and industries, Aitken & Harrison (1999) show productivity to improve in plants that receive FDI investment and decline in domestically owned plants in the same industry, rendering the net effect of FDI on sector productivity quite small. Evidence of positive spillover effects has tended to be more favorable in vertically related industries (Javorcik, 2004), and more generally in developed countries.

The focus on the FDI-finance-development nexus omits many other aspects of the rich macro literature on FDI including non-finance related determinants of global FDI flows, and the important role of host-country institutions and complementarities other than finance.⁴ Focusing on development outcomes, this review also omits discussion of developed-to-developed country FDI and home-market effects of FDI. We predominantly take a host-country perspective rather than a firm perspective and thus only highlight the key insights from the rich firm-level literature on MNCs, including motives for international expansion, internal organization, choice of market entry mode, and productivity drivers. Discussion of the link between finance and the development benefits of FDI also excludes consideration of FDI in the financial sector including how it can shape the quality of local financial institutions.⁵ Analysis of financial-sector-FDI (such as multinational banks setting branches or subsidiaries in developing countries) is discussed in detail by Poelhekke (2017) in Chapter 3 of the current volume. Finally, although it raises certain policy implications, the review does not delve into government policies aimed at attracting FDI, and what is known about their effects.

2.1.6. Definitions, Types, and Drivers of Foreign Direct Investment

International capital flows associated with investments in firms in which a foreign investor acquires a controlling stake are classified as direct investments and those associated with purchases of stocks or bonds without a controlling stake as portfolio or equity investments.⁶ That control can be exercised in many ways and to varying degrees complicates measurement of foreign direct investment at the macro

level. The Organization for Economic Development (OECD), International Monetary Fund (IMF), United Nations Conference on Trade and Development (UNCTAD), and U.S. Department of Commerce, among others, classify a firm as “foreign-owned” if a non-national investor (the “parent”) holds at least 10 percent of the equity of a local firm (the “affiliate”).⁷ The somewhat arbitrary 10 percent threshold is meant to reflect the notion that large stockholders, even if they do not hold a majority stake, will have a strong say in a company’s decisions and participate in its management.

Total FDI is an account in the national balance of payments that sums up, at the country level, the total value of the affiliate equity, reinvested earnings and net inter-company loans attributable to foreign parents. An FDI flow is a change in FDI, year-to-year. Note that FDI thus defined obscures some of the interesting variation in the actual activities of foreign firms in a host economy. Specifically, FDI statistics fail to capture the portion of the foreign enterprise financed by local debt or equity. They do, on the other hand, capture components that do not necessarily involve a movement of financial capital across borders in the current period, for example increases in affiliate reinvested earnings. Increases in inter-company loans will also increase FDI, but there is evidence that MNCs adjust levels of inter-company loans opportunistically on the basis of tax rates (Blouin et al., 2014), in which case such FDI inflows are likely to be driven by financial rather than operational considerations. As noted by Hausmann & Fernandez-Arias (2000): “FDI is not the firm and its assets. Instead, it is just one of the sources of financing for the firm.”

2.1.7. Service Quality in Banking Sector

In the changing banking scenario of 21st century, the banks had to have a vital identity to provide excellent services. Banks nowadays have to be of world-class standard, committed to excellence in customer’s satisfaction and to play a major role in the growing and diversifying financial sector (Guo *et al.*, 2008). Consequently, service quality is a critical motivating force to drive the bank up in the high technology ladder. Banking industry is a demand driven industry, which constitute an important part of the service industry (Newman & Cowling, 1996). Banks have to redefine their corporate image to that emphasizes service quality since it provides many advantages to a company such as allowing the company to differentiate itself from its competitors by increasing sales and market shares, providing opportunities for cross selling, improving customer relations thus enhancing the corporate image, reliability, responsiveness, credibility and communication results in the satisfaction and retention of customers and employee, thus reducing turnover rate (Newman, 2001).

2.1.8. International Investors Legal Framework

Although the history of regulations about FDI goes back to the Ottoman Empire, a comprehensive FDI law firstly came into force in 1951. As explained in the previous section, first foreign capital entered to the Ottoman Empire with the bilateral trade agreement with Great Britain in 1838. After the establishment of the Republic of Turkey, the protection of value of Turkish currency law (No. 1667) in 1930 and the No.14 decree in 1947 came into force in Turkey. Some substance of the law and decree were related to FDI. According to the No.14 decree, foreign capital could enter the industry, agriculture and transportation sectors if a foreign investor gets permission from the Ministry of Finance in Turkey. The permission would be provided if the investor contributed to the economic development of Turkey. When democrat party came to power in 1950, the perspective of government totally changed, especially for foreign investors. This political change from a nationalist perspective to a liberal one - led to significant changes in the investment environment in Turkey. As explained in the previous section, during the 1930s and the 1940s, the governments nationalised plenty foreign companies, instead of trying to attract foreign investors to invest in Turkey. The first law about the FDI was acknowledged on 08.09.1951 by the parliament and the law was called “foreign capital investment incentive law (No. 5821)”. The law (No. 5821) allowed foreign investors to invest in industry, energy, mining, transportation and 61 | P a g e tourism sectors in Turkey (Tuncer, 1986). In addition, the law allowed foreign companies or investors to transfer their 10% profit (Alpar, 1977).

Service quality has been linked with international investment within the banking industry (Avkiran, 1994; Blanc and Nguyen, 1988; Blanchard and Galloway, 1994). Banks now know that delivering quality service to customers is essential for success and survival in today's global and competitive banking environment (Lewis and Pescetto, 1996; Wang et al., 2003). Research has shown that satisfying customers is not enough to retain them because even satisfied customers ‘defect’ at a high rate in many industries (Schneider and Bowen, 1999).

The decisions of 24.01.1980 demonstrated that foreign capital is vitally important for the development of Turkey. At the same direction of the decision, the provision of incentives for foreign investors increased and also the foreign capital decree was acknowledged on 25.01.1980. Moreover, the office of foreign capital was found at the same time. During 1980- 85, there were distinctive increases in the permission of FDI inflows, especially in the service sector. For instance, while there were 4 foreign banks in Turkey in 1980, the number of the foreign banks in Turkey reached to 23 at the end of 1980s

(Denizer, 1997). Some changes were done in the Foreign Capital Decree (No.8/168) in 1986 and 1992. Finally, the Foreign Capital Decree (No.95/6990) came into force on 07.06.1995.

2.1.9. Relationship Between Service Quality and International Investors

Due to the significance of the issue about the relationship between service quality and international investor, several effort has been made to lighten the relationship between satisfaction and service quality (Parasuraman, Zeithaml and Berry, 1985; Bolton and Drew, 1991). In a situation where customers' expectations are greater than their perceptions; they are classified as unsatisfied customers. Meanwhile, in a situation where customers' perceptions exceed their expectations they are said to be satisfied (Zeithaml, 1988; Parasuraman et al., 1985). It has been attested by researchers how important the concept of service quality and customers satisfaction is for researchers, marketers and businesses as a whole and this has caused greater attention in this area of literature during the past years (Donnelly et al., 2006).

Stating the differences between service quality and customer satisfaction is important to managers and researchers alike since it is also important for service providers to know whether their objective should be to have "satisfied" consumers with respect to their performance or whether their objective should be to deliver the maximum level of "perceived service quality". Quality in service can be determined by the extent to which customers' needs and expectations can be satisfied. Customer service quality is the driving force in both the traditional and virtual business worlds. In today's dynamic business environment, it is about building and sustaining a strong relationship with an organization's customers by understanding the ingredients of customer satisfaction (Banerjee, 2012).

Quality, customer satisfaction and loyalty have long been recognized as playing a crucial role for success and survival in today's competitive market. Regarding the relationship between customer satisfaction, customer loyalty and service quality, Oliver (1993) first suggested that service quality would be antecedent to customer satisfaction regardless of whether these constructs were cumulative or transaction-specific. Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service (Wilson et al., 2008). Although it is stated that other factors such as price and product quality can affect customer satisfaction, perceived service quality is a component of customer satisfaction (Zeithaml & Bitner, 2003).

2.1.10. Customer Perceptions of Value

Gronroos (1982) and Parasuraman et al (1985) have proposed that customer's perception of service quality is based on the comparison of their expectations (what they feel service providers should offer) with their perceptions of the performance of the service provider. Customer's perception of the service acquired plays a significant role in the level of satisfaction as well as the employees in charge of services delivery also have an important role to play in the process of delivering service quality and customer satisfaction (Swar, 2012). Customer's perception of service quality is based on the assessment of their expectations that is, what customers think service providers should deliver considering their perceptions of the performance of the service provider (Parasuraman et al., 1985). Tam, (2005) states that it is important for firms to have an influencing power in order to attain customer satisfaction and also understands how customer expectations changes so as to make constant update even in a situation where expectation is unclear and hard to understand.

Whereas Parasuraman et al (1988) point out that expectation is viewed differently in both satisfaction literature and service quality literature. In satisfaction literature, expectations are considered as 'predictions' by customers about what is likely to happen during a particular transaction while in service quality literature, they are viewed as desires or wants of consumers, that is, what they feels a service provider 'should' offer rather than 'would' offer. Thus, in this study Perceptions of customers are based solely on what they receive from the service encounter.

Today, customers are more value oriented in their consumption of services because they have alternative choices (Slater, 1997; Woodruff, 1997). Gale and Wood (1994) explained how customers make purchase decisions between competing providers. Customers buy value and they do not simply buy products. Interestingly, it was observed that customers learn to think objectively about value in the form of preferred attributes, attribute performance, and consequences from using a product in a use situation (Woodruff, 1997). Reidenbach (1995) argued that customer value is a more viable element than customer satisfaction because it includes not only the usual benefits that most banks focus on but also a consideration of the price that the customer pays. Customer value is a dynamic that must be managed. Customer satisfaction is merely a response to the value proposition offered in specific products or markets. By this view, banks must determine how customers define value in order to provide added-value services.

Increased customer satisfaction leads to behavioral outcomes such as commitment, intent to stay (customer retention), creation of a mutually rewarding relationship (bond) between the service provider and the user, increased customer tolerance for service failures and positive word-of-mouth advertising about the organization (Gounaris et al., 2003; Reichheld, 1996; Newman, 2001). Only customer-centered companies that can deliver superior value to their target customers will win or survive in the market. Customer-perceived service quality has been given increased attention in recent years, due to its specific contribution to business competitiveness and developing satisfied customers. This makes service quality a very important construct to understand by firms by knowing how to measure it and making necessary improvements in its dimensions where appropriate especially in areas where gaps between expectations and perceptions are wide (Negi, 2009).

2.1.11. Banking Sector Liberalization and FDI theory

A study by Al Nasser and Soydemir (2010) revealed the existence of a feedback relationship between banking sector development and FDI inflows in Latin American countries. However, Adam and Tweneboah (2009) found the existence of a long run relationship between FDI inflows and banking sector size in Ghana. The same study by Adam and Tweneboah (2009) did not go further to investigate the directional causality between FDI and banking sector development. According to Girma et al (2008), Chinese companies which had access to domestic bank loans and foreign capital inflows were not only innovative but recorded greater success in general. FDI inflows positively impacted innovation among Chinese firms which had access to domestic finance, revealed Girma et al (2008).

The same study also discovered a uni-directional causality relationship from FDI inflows to domestic credit finance provided by banks among those companies controlled by the Chinese government. FDI inflows into China played a very influential role in assisting Chinese companies avoid some credit constraints and other financial huddles, revealed Hericourt and Poncet (2009). FDI inflow made sure that Chinese companies encountered less difficulties and hurdles in accessing credit and financial assistance from the financial institutions. On the other hand, Havrylchuk and Poncet (2007) found out that banking sector development was the prime architect behind different quantities of FDI inflow distribution across Chinese provinces. Easy credit finance access in the United States (US) attracted plenty of FDI projects into the US from Japanese firms (Klein et al, 2000).

The same study by Klein et al (2000) noted that the number of FDI projects undertaken by Japanese firms in the US economy positively correlated with the financial health status of United States (US)

banks in general. On the contrary, a study by Bevan et al (2004) revealed that non-bank financial sector development played no role or a very insignificant impact in determining FDI inflows into transitional economies because foreign investors relied more on their own financial resources and made little or no use of local capital market institutions. Asiedu (2002) discovered that higher rate of return on an investment, stable and efficient banking system and good infrastructure attracted FDI inflows into non-SSA countries whilst having an insignificant influence on FDI flows to SSA countries. The same study further revealed that banking sector development and financial markets development in general including good infrastructure attracted FDI inflow towards non-resource endowed countries as compared to resource endowed countries.

2.1.12. Customer Service as a Competitive Advantage

In a highly competitive market, the shortest route to differentiation is through the development of brands and active promotion to both intermediaries and final consumers (Parasuraman, 1997). In the long run, however, branding, targeting and positioning would all be much more effective if the supplier had some tangible advantage to offer consumers (Baker, 1993). This is evident in the banking industry, where many banks are providing more or less the identical products for nearly the same price. Unless a bank can extend its product quality beyond the core service with additional and potential service features and value, it is unlikely to gain a sustainable competitive advantage (Chang, Chan, and Leck, 1997). Thus, the most likely way to both retain customers and improve profitability is by adding value via a business strategy of differentiation (Baker, 1993) while increasing margins through higher prices.

Today's customers do not just buy core quality products or services; they also buy a variety of added value or benefits. This forces the service providers such as banks to adopt a market orientation approach that identifies consumer needs and designs new products and redesigns current ones (Ennew and Binks, 1996; Woodruff, 1997). Further, competitive pressures then push other financial service firms to actively target consumer segments by integrating service quality, brand loyalty, and customer retention strategies (Ennew and Binks, 1996).

In order to compete successfully in today's competitive marketplace again, banks must focus on understanding the needs, attitudes, satisfactions and behavioral patterns of the market (Kaynak and Kucukemiroglu, 1992; Kibrom Aregawi, 2010). Consumers evaluate a number of criteria when choosing a bank. However, the prioritization and use of these criteria differs across countries cannot be generalized. In a study of Canadian customers' in Montreal, Laroche and Taylor (1988) found that

convenience is the principal reason for bank selection, followed by parental influence with respect to the status of the bank. In contrast, Kaynak and Kucukemiroglu's (1992) study of the Hong Kong banking market discovered that customers choose their banks because of convenience, long association, recommendations of friends and relatives, and accessibility to most wanted bank products such credit and foreign currency.

2.2. Empirical Literature

2.2.1. International Experience

Parasuraman, Zeithaml and Berry (1988) attempted to develop SERVQUAL to assess perception of customer about service quality in service and retail organization. They came up with five dimensions namely tangibles, reliability, responsiveness, assurance and empathy. Parasuraman, Berry and Zeithaml (1991) investigated the impact of organizational barriers to deliver high quality service performance with the help of customer perceptions and expectations. The model developed was used and tested in which five gaps involving marketing information gap, standard gap, service performance gap, communication gap and service quality gap were studied. The results have shown that Gap 3 (service performance gap) and 4 (communication gap) found to be significant in explaining Gap 5 that is service quality.

Cronin and Taylor (1992) investigated conceptualization and measurement of service quality. An alternative method of operationalizing relationship, significance of relationship, perceived service quality, customer satisfaction and purchase intentions were studied. 22 items of SERVQUAL were taken and un-weighted measure of performance was compared with SERVQUAL weighted SERVQUAL and weighted SERVPERF. The sample size of 660 respondents was taken across for industries. The result of factor analysis has shown that SERVPERF scale measures more of variance in service quality than alternative scales. It has been observed that both service quality and satisfaction affect purchase intentions. SERVQUAL had a good fit in two industries of four whereas SERVPERF had an excellent fit in all four industries.

Zeithaml, Berry and Parasuraman (1996) have undertaken with the objective to summarize the evidence about behavioral consequences at individual customer level. The sample size of respondent was 1316 respondents. The results have shown that increased level of service quality leads to positive loyalty and readiness to pay more for the service, decreased intentions to switch. Angur, Natarajan and Jahera

(1999) studied various measures of service quality in a developing country, specifically the performance of alternative measure proposed by Cronin and Taylor (1992) 22 expectation, performance and importance statements were used. 143 respondents were covered. The results have shown that SERVPERF measure and SERVQUAL measure have same convergent validity. SERVQUAL gaps show greater variability across banks and greater diagnostic information than SERVPERF scale. SERVPERF, however, has higher discriminate validity and SERVPERF explains more variance in overall service quality than SERVQUAL. But at the same time average difference in variance explained is very small that is negligible.

Hackl & Westlund, (2000), acknowledged that service quality and customer satisfaction have a strong effect on customer repeated purchase intention which indicates that both service quality and customer satisfaction are important aspects for organizations to pay attention to in order to deliver success over competition and capture greater market shares and profitability. Researchers confirmed that there has been a continuous investigation in the realm of service quality and customer satisfaction to enable clarity about the link between customer satisfaction and service quality. Notwithstanding, countless results have shown that these two concepts are inter-related, that is an increase in one leads to an increase in the other. Where service quality is greater or equal to expectations (satisfaction) is derived and where expectations greater than perceptions (unsatisfied).

Brady & Cronin, (2001), proposed a multidimensional and hierarchical construct, in which service quality is explained by three primary dimensions; interaction quality, physical environment quality and outcome quality. Each of these dimensions consists of three corresponding sub-dimensions. Interaction quality made up of attitude, behavior and expertise; physical environment quality consisting of ambient conditions, design and social factors while the outcome quality consists of waiting time, tangibles and valence. According to these authors, hierarchical and multidimensional model improves the understanding of three basic issues about service quality: (1) what defines service quality perceptions; (2) how service quality perceptions are formed; and (3) how important it is where the service experience takes place and this framework can help managers as they try to improve customers' service experiences.

Sureshchandar, Rajendran and Anantharaman (2003) conceptualized service quality as a multidimensional construct having five dimensions namely, core service (content of the service), service delivery (human elements such as reliability, responsiveness, assurance, empathy, moment of truth and

critical incident and recovery) non-human element (process, procedures, systems and technology) tangibles (equipment, machinery, signage and employee appearance, and social responsibility (wellbeing of society). The results have shown significant different between service quality offered by public, private and foreign banks regarding all the five factors of service quality. Technological factor was found to be contributing more than human elements.

Fen & Lian, (2005) found that both service quality and customer satisfaction have a positive effect on customer's re-patronage intentions showing that both service quality and customer satisfaction have a crucial role to play in the success and survival of any business in the competitive market. This study proved a close link between service quality and customer satisfaction.

Hazra and Srivastava (2009) used 22 item SERVQUAL scale and identified four factors involving assurance-empathy, reliability, tangibles and security. Customer commitment, satisfaction and trust have been identified as separate factors. Assurance – empathy being the most valued dimension of service quality and impacting customer loyalty to a company, willingness to pay, customer commitment and customer trust. Kumar, Lee and Charles (2010) undertook a study involving 22 item of SERVQUAL with additional 4 items relating to the dimension of convenience. The response was taken related to expectations and perceptions of the customer. The analysis has shown service quality consisted of four dimensions involving tangibility, reliability, convenience and competence. Competence and convenience were found to be relatively dominating factor as compared to tangibility and reliability. These two dimensions were found to be reducing 72 percent of overall service quality gap.

Kumar et al, (2009) used the SERVQUAL model in a research to determine the relative importance of critical factors in delivering service quality of banks in Malaysia. In this article they modified the SERVQUAL model and considered six dimensions; tangibility, reliability, responsiveness, assurance empathy and convenience and these consist of 26 statements. They considered convenience because it is an important determinant of satisfaction for banking customers in Malaysia and contributes very highly in the customers' appreciation of the quality of services offered by the bank. After they carried out their study they realized that there are four critical factors; tangibility, reliability, convenience and competence. These variables had significant differences between expectations and perceptions with tangibility having the smallest gap and convenience has the largest gap. They end up with the recommendation that banks need to be more competent in delivering their services and fulfilling the assurance of customers and providing the banking services more conveniently.

2.2.2. Ethiopia's Experience

Aregawi (2010), in his study, assessed the interaction among service quality, corporate image, price, customer satisfaction and service loyalty from customers' perspective in the case of Wegagen Bank, Mekelle Branch in Ethiopia. The study finds out that the demographic aspect has an impact on investor satisfaction and service loyalty. The overall findings of his study revealed the dimensions of service quality vary in the degree to which they drive customer satisfaction and service loyalty. The results further illustrated that there was significant positive relationship between service quality and customer satisfaction. Both service quality and corporate image were found to have positive and significant association with service loyalty. Price though has no significant impact both on customer satisfaction and service loyalty. In addition to these, there was a significant relationship between customer satisfaction and service loyalty. By using regression test, the author presented that customer satisfaction plays a mediating role in between the independent variables service quality, corporate image and price towards service loyalty.

From these researches, it can be concluded that service quality, customer satisfaction and loyalty have a positive relationship in which service quality is an antecedent as well as an important factor impacting on customer satisfaction and loyalty. Most of the researchers pointed out that there is a positive relation between the service quality attributes, customer satisfaction and customer loyalty.

After an extensive review of existing research, the following three gaps have been identified:

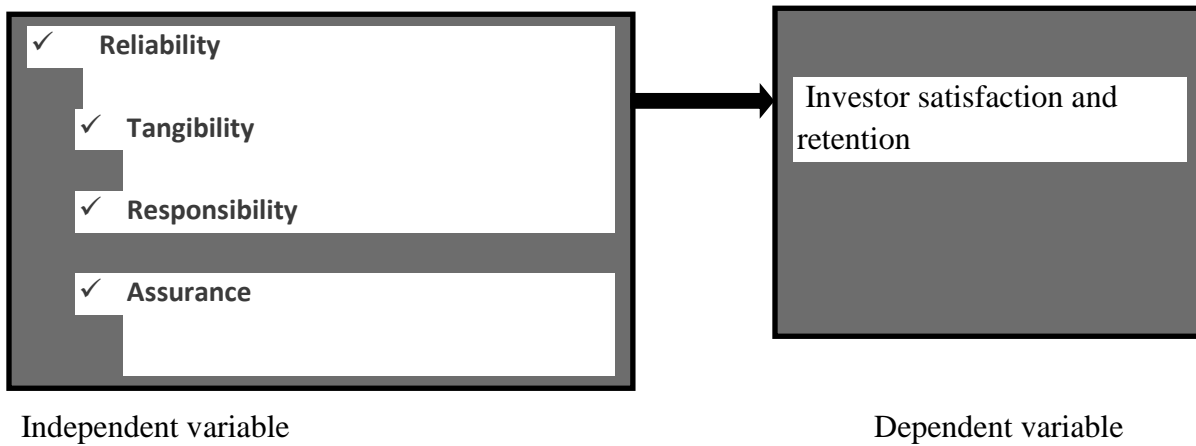
Contextual Gap: Most previous studies on CBE focus on general retail customers. There is no significant research that specifically evaluates the service quality perceptions of the international investor segment (such as Safaricom and BGI Ethiopia) within the Ethiopian banking context.

Temporal Gap: Existing literature is outdated and does not reflect the 2025 financial liberalization environment. This study fills a critical gap by providing a current assessment of how CBE is performing as Ethiopia opens its banking sector to foreign competition.

Methodological Gap: While many local studies are purely descriptive, this research uses a mixed-methods approach (combining surveys and interviews) to deeply analyze which specific service dimensions are most critical for multinational corporations.

2.3. Conceptual Framework Work for the Study

The conceptual frame work explains the underlying process, which is applied to guide and helps to answer the research objectives and research questions of this study. Based on the findings in the literature review, the following conceptual model can be drawn. In every organization in most cases, the service quality is being evaluated mainly by the principal tool called “SERVQUAL” proposed and designed by (Parasuraman et al., 1985; 1991). In this study, however, the researcher utilizes SERVPERF model which have four dimensions (Tangibility, Reliability, Assurance, and Responsiveness, all considered as independent variable whereas international investor sectors is the dependent variables that the study wants to measure with the independent variables.



Source: Own compilation (2016)

Figure 2. 1 shows, international investor sectors (dependent variable) is influenced by bank specific (, Reliability, Tangibility, Responsibility, Assurance,)

Chapter Three

Research Methodology

3.1. Introduction

This chapter presents details of the research design and methodology. This includes the research design, sample size and sampling technique, data source and collection method and procedure of data collection. After the data collected, it is necessary to utilize statistical techniques to analyze the information as this study will be quantitative in nature. Therefore, the survey data are processed using SPSS (version 26). At the end the method of data analysis will be presented.

3.2. Research Design and Approaches

This study was used explanatory and descriptive types of research. Descriptive research includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present. It also tries to see the effects of service quality on international investor sectors by running regression and tries to describe the relationship among service quality and opening of international investor sectors.

Additionally, this research has been used as the explanatory types of research methods. Explanatory research is used to investigate how or why a phenomenon takes place. The main reason why explanatory research designs is used to understand the nature and relationship between the independent and dependent variables, to measure the degree of association, correlation between variables. Explanatory research design helps to determine cause and effect relationships with a primary purpose of determining new events that occur and which events affects or influence a particular outcome (Christensen et al., 2015). Explanatory research helps you analyze these patterns, formulating hypothesis that can guide future endeavors. If you are seeking a more complete understanding of a relationship between variables, explanatory research is a great place to start.

3.3. Research Approach

This study was used mixed research approach as a result of the nature of the research objectives which is answered by those approaches. Because quantitative approach is an approach in which the study asks the respondent close ended questions and gather numeric data from the respondent and to analyze this numbers using statistics. And also, the qualitative approach was asked to the open-ended questions

through interviews to the manager of the banks. We can also classify research as either quantitative or qualitative research approaches. Quantitative approach is based on the measurement of quantity or amount. It is applicable to phenomena that can be expressed in terms of quantity. Qualitative research, on the other hand, is concerned with qualitative phenomenon, i.e., phenomena relating to or involving quality or kind. This research is quantitative research in which the questionnaire is designed and analysis has been done in quantitative way.

3.4. Data Type and Source

This study was used primary and secondary source of data. The primary data was used to collect responses of employees by administering questionnaire and secondary data also used to collected data from different sources that includes mainly past studies, journals, articles, published literatures that support the study from empirical and conceptual background.

3.5. Population of the Study

This study was conducted on selected Tigray international investor sectors, like BGI Ethiopia, Moha Soft Drink factory, and Safaricom telecommunication. So the population of the study was the employees of the three sectors related with CBE opening (those who are Accountants, finance managers, and investment officers). From those sectors such employees are related to the CBE which are found only in Tigray region, 143 was taken to this study. The participants (respondents) have been from all the international sectors in Tigray region. (From the human resource management of the international sectors)

3.6. Sample Size and Sampling Technique

3.6.1. Sample Size

Sample Size refers to the number of items to be selected from the universe to constitute a sample. According to Kothari(2004), determining sample size is a very important issues because samples that are too large consumes a lot of time, resource and money, while sample that are to small may lead to inaccurate result and conclusions. The chosen sectors of employee's a total population is 143. From that, 106 respondents (those who respondents are Accountants, finance managers, and investment officers and others who are related to banks) are selected to get the relevant primary data and to ensure appropriate used of maximum likelihood estimation. To generate valid fit. measures and to avoid the drawing of inaccurate inferences. Of which percent 106 of the participants were related to CBE

customers. Sample size is selected so that it fulfills the purpose of efficiency, representativeness, reliability and flexibility. In current research, number of sample selection from the population was easy because

$$n = \frac{N}{1 + N * (e)^2}$$

there are large numbers of employees and customers were available for the study. This sample size was obtained by using simplified formula of Kothari's (2004) sampling formula.

$$n = 143 / 1 + 143 (0.05)^2 \quad n = 106$$

Where; “n” is the sample size, “N” is the population size and “e” is the level of precision. At 95% confidence level, degree of variability=0.05 and level of precision/sampling error= 5%.

3.6.2. Sampling Technique

The study utilized a stratified simple random sampling technique to ensure that the final sample was representative of the target population across the three organizations. The practical implementation was conducted as follows:

Identification of Strata: The total population of 143 was divided into three distinct strata based on the specific organizations: BGI Ethiopia, Safaricom Ethiopia, and Moha Soft Drinks S.C. This ensured that each multinational firm was proportionally represented in the data.

Accessing the Sampling Frame: To maintain accuracy, a comprehensive list of all eligible employees and managers was obtained from the respective Human Resource (HR) offices and District Managers of the three organizations. This list served as the formal sampling frame.

Proportional Allocation: The sample size of 106 was distributed across the three strata based on their relative size within the total population. This ensured that larger organizations contributed a proportionately larger number of respondents to the study.

Random Selection: Within each stratum (company), individuals were selected using a simple random sampling method. This was achieved by assigning a number to each name on the HR lists and using a random number generator to select the participants.

Distribution: The selected employees were then contacted directly to participate in the survey and interviews, ensuring a bias-free selection process that reflects the specific service quality perceptions of the international investor segment.

3.7. Data Collection tools

As indicated in previous section, questioners and interviews was the primary data collection tools used in this study. A questionnaire is a set of carefully formulated written questions to which respondents recorded the answers, usually with in rather closely defined alternatives. Questionaries' are an efficient data collection method when the study knows exactly what is requires and how to measure the variables of interest. For the purpose of this study, a questionnaire comparing of major categories of questions was used to collected data from the selected sectors. The first one is a set of questions regarding the Demographic variables which includes ages of respondent's, gender of respondents, education background of respondents, and marital status of respondents. The second is which is the main part of questionnaire's'', consisting of a difference items directly related to different aspects of service quality dimensions (independent variables). The third one is deals with the dependent variables of the study or dimensions of overall international investors. Consists of different items presented to indicate the levels of agreement or disagreement used a five-point Likert scale of strongly agree, agree, medium, disagree and strongly disagree with numerical value of 5, 4, 3, 2, and 1 respectively. There different data gathering instrument based on the purpose and the objective of the study, the study customers used questionnaires to the comparative of service quality on investor satisfaction the case tigray region. When the study was distributed the questionnaires to the current years of 2025. The questionnaire's also used closed ended questions and have a variety of items to obtain the necessary data related to the basic questions of the thesis. The questionaries' includes closed ended questions about the effect of service quality on investor satisfactions. And the interviews ask some open-end questions to the managers.

3.8. Method of Data Analysis

The study was analyze the research paper by used simple explanatory tools like percentage, different types of charts and tables in order to further analyses the data was used Mixed research approaches week take to analysis and interpret its data, frequency and percentages was used they are present in tables and graphs as well after analyze and present the data, the analysis was involved the data and running descriptive statics analysis, data processing including the editing, coding, transcription, in to computer and verification of data. Quantitative data from employees on that line manager through questionnaires

are processed, analyzed and interpreted through SPSS (Statistical Package for Social Science) software (version 26) that includes percentages, mean, standard deviations, correlation tests. Before presenting the data, analysis methods adopted, the study tried to specify the variables and models used under the study. Accordingly, the study identified five variables including one dependent, and four independent variables. The data which were collected from the respondents is analyzed by used descriptive statistics such as, mean, percentage and standard deviation through correlation and regression analysis. In order to know the strength of the relationship between independent and dependent variables correlation test has been employed.

Finally, to test hypothesis, regression analysis was used. In analyze data the study was used SPSS software (version 26). The descriptive analysis also used to interpret a variable which deals with demographic questions the respondent and mean scores of service quality dimensions and international investor in terms of tabular, frequency distribution, charts and percentage forms. Correlation analysis is a statistical tool which used to show the relationship between service quality dimension and investor satisfaction. Based on this multiple regression analysis model was used in this study on analysis concerning relationship between the dependent and independent variables with multiple regression equation describes its relationship to them.

3.9. Model specification

It could infer from the works review in the previous sections that customer satisfaction were determined by the factors of service quality. Thus, in respect of the hypotheses stated above, the main issue is an investigation of relationship that exist between customer satisfaction and each of the explanatory variables that have identify through literature and theories such as access to Tangibility, Reliability, Responsiveness, and Assurance. Other factors that are not explicitly included in the model were captured by the error term in the model. The basic objective of using regression equation on this study was made the study more effective at describing, understanding, predicting, and controlling the stated variable.

Table 3. 1 Model Specification. Source; own source 2025

Independent variables	dependent variable
Tangibility,	International Satisfactions or investor

Reliability	
Responsiveness	
Assurance	

Mathematically, International Satisfactions = f (access to Tangibility, reliability, responsiveness and assurance) + e

$$IS = \beta_0 + \beta_1 T + \beta_2 R + \beta_3 RS + \beta_4 AS + e$$

Where,

IS = International Satisfactions RS= Responsiveness

T= Tangibility AS= Assurance

R= Reliability e = model error term

$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$ i.e. Where, Y were the dependent variable (International Satisfactions) $X_1, X_2, X_3,$ and $X_4,$ were the explanatory variables. β_0 was an intercept. $\beta_1, \beta_2, \beta_3, \beta_4,$ refer to the coefficient of their respective independent variable which measures the change in the mean value of Y, per unit change in their respective independent variables.

3.10. Tests for Classical Linear Regression Model (CLRM) Assumptions

Classical linear regression models i.e. Multiple regression is a statistical technique that can be used to analyze the relationship between a single dependent variable and several independent variables. The objective of multiple regression analysis is to used the independent variables whose values are known to predict the value of the single dependent value. Multiple linear regression models have been used in this study needs to fulfill the following basic assumptions. Before regression analysis is employed, the following basic assumptions should be tested

3.10.1. Multi-Collinearity Test

Multi collinearity occurs once on any single independent variable is greatly correlated with a set of additional independent variables. An extreme case of multicollinearity is a singularity (McNabb, 2018)) in which an independent variable is perfectly predicted (i.e., correlation of 1.0) by one or more other

independent variables. According to Friday and (Dormann et al., 2013), multicollinearity is a violation of one of the basic assumptions of the classical linear regression model.

H0: No multi co-linearity

H1: Multi co-linearity

3.10.2. Heteroscedasticity Test

Homoscedasticity: Homoscedasticity means that the conditional variances of each error term of the identical across all observations. The opposite of homoscedasticity is heteroscedasticity. When the variances of the error term become variable; this condition is known as heteroscedasticity. The problem of heteroscedasticity is more likely to be present in the case of cross-sectional data than time-series data (Dormann et al., 2013) There are several tests available for identifying the problem of heteroscedasticity, among them Test, has used in this study to check whether heteroscedasticity problems exist or not (Beckett, 2012)

3.10.3. Normality Test

According to (Yazici & Yolacan, 2007) mentioned is his study, one of the classical linear regression model's assumptions is about the error term should be normally distributed or the expected value of the error term should be normally distributed or the expected value of the error terms should be zero. This study has been used a histogram to identify the normal distribution of residuals and it should be fairly close more to the curve and the histogram is must be bell-shaped structure. This implies that the majority of scores lie around the center of the distribution so the histogram would all around the central value. Therefore, this indicates that the residuals are normally distributed. But any violation of the normality rule might lead to overestimation or underestimation of the inference statistic.

Ho= Error terms are normally distributed

H1 = Error terms are not normally distributed

3.11. Reliability and Validity

Validity is the accuracy and meaningfulness of inference, which is based on the research results and it's important to determine what survey questions to use, and helps ensure that the study has been used questions that they measure the issues of importance. It has assessed the content validity technique

which is ensured through supervisor review. Validity survey refers to the extent to which an empirical measure adequately reflects the meaning of the concept under considerations. The study has been tested the validity of the data before analysis by using appropriate tests including Cronbach alpha. On the other reliability is the quality of measurement method that suggests that the same data would have been collected each time in repeated observations of the same phenomenon. Reliability refers to the consistence, stability, or dependability of the data. Cronbach alpha has been used to examine the reliability of the measurement scale of the pilot test. Cronbach's alpha value ranges from 0 to 1:

1. Cronbach's alpha > 0.9----- Excellent
2. Cronbach's alpha > 0.8 -----good,
3. Cronbach's alpha > 0.7----- acceptable
4. Cronbach's alpha > 0.6 -----questionable
5. Cronbach's alpha > 0.5----- poor and
6. Cronbach's alpha < 0.5 -----unacceptable

Source: George & Mallery (2003), (Zikmund et al, 2010)

Table 3. 2 Reliability test measurement dependent and independent variables,

Variables	No. of Items	Frequency	Sign	Cronbach's alpha
International Satisfaction	6	60	+	0.878
Access to tangibility	4	60	+	0.790
Responsiveness	4	60	+	0.930
reliability	4	60	+	0.858
assurance	4	60	+	0.83

Chapter Four

Data Analysis and Interpretation

This chapter deals with the analysis and interpretation of the collected data. Based on the methodology stated, data were collected from selected sectors of employees of the selected International Organizations. As indicated in the methodology part, the data were collected using a structured, close ended questionnaires adopted from the SERQUAL model which consists 16 service quality measurement items under four major dimensions. In addition, three demographic related questions were included. The analysis is done as per the appearance of the questions in the questionnaires.

4.1. Summary of Response Rate

Table 4. 1 Respondents' Response rate

Name of Organizations	Questionnaires Distributed	Returned Questionnaires	Questionnaires not returned
BGI Ethiopia, Moha Soft drink, Safaricom	106	97	9
Percentage	100 %	95.3 %	4.7%

Source own survey, 2025

As it can be observed from table 4.1, a total of 106 questionnaires were distributed to selected respondents from the selected international sectors, of which 97 questionnaires from international sectors, were returned, yielding an approximately 95.3 percent response rate.

4.2. Demographic Characteristics of the Respondent

The demographic backgrounds of the sample respondents in four parameters are presented in Table 4.2 to understand the customer profiles i.e., age, gender, education, and customer types.

Table 4. 2 Demographic Characteristics of Respondents

No	Items	Categories	Frequency	Percentage
1	Gender	Female	24	24.7
		Male	73	75.3
		Total	97	100.0
2	Age category	Below 31	14	14.4
		31-45	44	45.4
		Above 46	39	40.2
		Total	97	100.0
3	Education	Diploma	15	15.5
		Degree	53	54.6
		MSc and above	29	29.9
		Total	97	100.0

Source: survey result, 2025.

The first demographic variable which is explained in the above table is gender. By which the majority of the respondents are male 75.3 percent and nearly 24.7 percent are female. This shows the participation of men in financial service is better in comparison with female.

As it can be seen the majority of the respondents fall under the age group of 31 -45 years which accounts 45.4 %, followed by above 45 years accounts 40.2 % and in the third place below 31 years which gets 14.4 %.

Concerning the education of the respondents, the majority of the respondents are first degree (54.6 %) followed by Master’s degree that indicates 29.9 and the remaining was diploma and certificates which is 15.5% percent respectively.

4.3. Service Quality Perception of Customers

H1: There are significant differences in perceived service quality of public owned Banks customers in terms of tangibility dimensions of service quality.

4.3.1. The Tangibility Dimension of Perception

Table 4. 3 Tangibility responses of respondents of the bank

Item of tangibility	Number of respondents (N)	Mean	St.Deviation
The bank has modern looking equipment.	97	3.979	0.829
The bank physical facilities are visually appealing.	97	3.195	1.213
Appearance, attitude and dressing of employees	97	4.309	0.507
Location of office/ branches visually ttractive	97	2.556	1.457
Total	97	3.509	0.999

As seen in table 4.3 the service quality perception of customers on tangibility in international investor It indicates that the perceived service quality in respect to tangibility items is above average (Mean > 3). This is also true for the case of BGI Ethiopia, moha soft drink and safaricom Ethiopia..

Concerning the first item of tangibility; “the bank has modern looking equipment”, the perception of Commercial Bank customers’ perception which accounts mean of 3.979 and the standard deviation indicates that 0.829 respectively.

The second item which refers; “the bank physical facilities are visually appealing”, the result in the table shows that CBE even if there is a mean score difference of 3.195 And the standard deviation was indicates 1.213 respectively.

From the third dimension in the same table, it is evident that Commercial Bank of Ethiopia in respect to the banks customer are neat appearing which the banks are following as a culture. Accordingly, the mean score 4.309 of CBE shows that Bank customers perceive above average service quality (Mean > 3). And the standard deviation has indicates 0.507.

The last item of tangibility assesses location of office or branches visually attractive are appealing at the bank. As it can be seen from the table 4.3, like to the above three dimensions of tangibility the last dimension is significantly different between the banks customers. 2.556 mean scores of CBE, and the standard deviation has indicates 1.457.

Here, it is interesting to note that while Parasuraman *et al.* (1988) stated that tangibles were the least critical dimension for service customers, the tangibles dimension has proved to be a significant factor in the banking studies carried out in other developing countries (Caruana, 2002; Yavas *et al.*, 1997; Beerliet *et al.*, 2004 in Angure *et al.*, 1999) which might be true for the case of Ethiopia Banks too.

Finally, the grand mean of customers perception of service quality in respect to the overall tangibility shows that 3.509 of Commercial Bank of Ethiopia, and the standard deviation has indicates 0.999. Service quality in respect to tangibility, which is an important dimension for providing the desired service to customers and to facilitate the service provision or delivery. So access of tangibility is good for Commercial Bans of Ethiopia.

This finding is substantiated by Daniel et al. (2013), who noted that while the Commercial Bank of Ethiopia has invested significantly in modernizing its equipment and physical appearance, maintaining a consistent brand image across all branches remains a challenge.

4.3.2. The Reliability Dimension of Perception

Table 4. 4 Reliability responses of respondents

Item of Reliability	Number of respondents (N)	Mean	St.Deviation
The bank performs the service right first time	97	4.36	0.482
The bank provides its service at the time it promise to do so	97	3.855	1.613
The bank insists on error free records	97	4.886	0.349
The bank has convenience operating hours to its customers	97	3.536	0.693
Total	97	4.159	0.784

Source: Survey result, 2025

The reliability dimension of service quality was measured using four indicators. As shown in Table 4.4, the overall mean score was 4.159 with a standard deviation of 0.784, indicating that respondents generally agreed that CBE provides high reliable service quality. Specifically, the highest mean (4.886)

was recorded for the statement “The bank insists on error-free records,” suggesting excellent performance in maintaining accurate records. Conversely, the lowest mean (3.536) was for “The bank has convenient operating hours,” showing moderate satisfaction and indicating a potential area for improvement. The relatively low standard deviations (mostly below 1.0) demonstrate consistent responses among participants, except for service timeliness (SD = 1.613), which indicates varied perceptions regarding whether CBE delivers services at promised times.

As it is observed from item 1 in table 4.4; “the bank performs the service right for the first time there is a significant perception variation of the commercial bank customers with a mean score of 4.360. Furthermore, the mean score of CBE customers which have more than average (Mean > 3).

Again, in the second item of reliability, the bank of customers’ perception of “the bank provides its service at the time it promises to do so”, It is also shown in the table that a mean score of 3.855 and standard deviation of 1.613 respectively.

The responses of CBE customers on “the bank insists on error free records revealed that customers perceive more than an average 3 and above on getting service right the first time with a mean score 4.886 and the standard deviation was indicates 0.349 respectively.

As it can be also seen from table 4.4, regarding “the bank has convenience operating hours to its customers”, of Commercial bank of Ethiopia (Mean 3.536) perceives a better service quality and the standard deviation was indicates 0.693 respectively.

As indicated by Parasuraman et al. (1988) where the reliability dimension appears as the most important to provide service quality to customers. Zeithaml et al. (2000) suggests that poor performance by service firms is primarily due to not knowing what their customers expect from them.

These results are consistent with the findings of Lemma (2016), who argued that while CBE is perceived as highly dependable in its record-keeping and technical accuracy, it frequently faces varied perceptions regarding service timeliness due to infrastructural constraints.

4.3.3. The Responsiveness Dimension Perception

Table 4. 5 Responsiveness responses of respondents of the banks

Item of Responsivness	Number of respondents (N)	Mean	St.Deviation
Employees of the bank tell you exactly when services will be performed.	97	2.546	1.348
Employees of the bank give your prompt service.	97	2.659	1.088
When the bank promises to do something by a certain time it does so	97	3.958	0.254
Employees of the bank are never too busy to respond to your request	97	4.391	0.569
Total	97	3.388	0.814

Source: Survey result, 2025

As shown in Table 4.4, the overall mean score for responsiveness was 3.388 (SD = 0.814), indicating a moderate level of responsiveness among CBE employees. The highest mean (4.391) was observed for the statement “Employees are never too busy to respond to your request,” suggesting that customers appreciate staff availability. Conversely, the lowest mean (2.546) was for “Employees tell you exactly when services will be performed,” implying a lack of clear communication about service timing. These findings suggest that while CBE employees are generally responsive, the bank should focus on improving service promptness and communication—key expectations of international investors operating in Ethiopia.

As clearly seen in the table 4.5 concerning responsiveness dimension of service quality, the CBE customers perceive are most essential. When perceptions of the banks’, CBE customers on “Employees of the bank tell you exactly when services will be performed.” are evaluated, there are significant for 2.548. It is also significantly observable in the remaining three items; “Employees of the bank give your

prompt service, Employees of the bank are always willing to help you and Employees of the bank are never too busy to respond to your request”.

Again, in the second item of responsiveness, Employees of the bank give your prompt service.”, It is also shown in the table that a mean score of 2.659 and standard deviation of 1.088 respectively.

The responses of CBE customers on “When the bank promises to do something by a certain time it does so more than an average 3 and above on getting service right the first time with a mean score 3.958 and the standard deviation was indicates 0.254 respectively. And the fourth item of the responsiveness ‘Employees of the bank are never too busy to respond to your request’ of the CBE of the employees quickly response was the mean of 4.391 and the standard deviation was indicates 0.596 respectively.

The relatively low means in communication and promptness may show that CBE staff needs better training in proactive service delivery, which is crucial for meeting international investor expectations. The higher means in dependability and willingness to respond reflect good employee attitude and effort, which strengthens CBE’s image for reliability.

Overall, the results indicate a moderate responsiveness, suggesting room for improvement as CBE opens to international investors who expect high service standards and efficient communication

This moderate perception of responsiveness aligns with research by Mesay (2012), which identified that large public banks in Ethiopia often struggle with prompt communication and timely service delivery when compared to the expectations of corporate clients.

4.3.4. The Assurance Dimension of Perception

Due to the service sector special characteristics i.e. heterogeneity, intangibility etc., the customer-employee contact and its effectiveness have a major impact on the formation of customer perception of the service quality received (Gummerson, 1998 in Lo ling and et al., 2004). Accordingly, Table 4.6 shows the summary of customers’ perception on the four items under the assurance dimension of service quality.

Table 4. 6 Assurance responses of respondents of the bank

Item of Assurance	Number of
-------------------	-----------

	respondents (N)	Mean	St.Deviation
The behavior of employees of the bank instills confidence in you	97	2.0619	1.078
You feel safe in your transactions with the bank	97	4.061	1.087
The employees of the bank understand your specific needs	97	3.855	1.030
Employees of the bank have the knowledge to answer your question	97	4.278	1.067
Total	97	3.563	1.065

Source: Survey result, 2025

As the table depicts almost the bank customers have perceived more than three (out of four) mean score. This shows that the customers are receiving a better service quality with respect to assurance. Even if the majority of the scores are above average (Mean > 3), there are significant differences observed from the bank customers' perception. The behavior of employees instills confidence" Mean = 2.06 (Low), Respondents believe employees' behavior does not strongly inspire confidence. This may indicate a lack of professionalism or assurance for international investors. The second question were indicates "You feel safe in your transactions with the bank" Mean = 4.06 (High), the Respondents generally feel secure when making transactions, showing trust in CBE's systems and operations. And the third items was interprets "Employees understand your specific needs" Mean = 3.86 (High) then, The bank's employees are seen as fairly understanding of customer or investor needs. The las item was "Employees have the knowledge to answer questions" Mean = 4.28 (Very High)

This is the strongest area of performance, showing high employee competence and confidence in communication.

The overall assurance level is high, meaning that CBE provides a sense of confidence and reliability to investors, though employee behavior could be improved, Overall Mean = 3.56 (High) When overall assurance for the bank employees is compared, there is a significant difference in terms of assurance dimension. CBE employees perceived their bank is providing more service quality in terms of assurance. This may have occurred by the fact that, the government banking sector in Ethiopia mostly hired those individuals who were the x-employees of public bank who have a sufficient experience and knowledge to provide the desired service with courteous and confidently.

The analysis of assurance dimension indicates that international investors generally perceive CBE as a reliable and knowledgeable bank, particularly appreciating the competence and safety of transactions. However, the low mean score for employee behavior instilling confidence suggests a need for improvement in interpersonal communication and customer service training to strengthen investor trust.

The findings regarding employee competence and customer trust are supported by Sadek et al. (2010), who found that customers generally perceive high levels of safety and security in public banks, even when individualized professional courtesy varies among staff.

4.4. The International Satisfaction Dimension of Perception

Table 4. 7 International satisfaction responses of respondents of the bank

Item of International satisfaction	Number of respondents (N)	Mean	St.Deviation
CBE provides adequate banking services that meet the needs of international investors such as BGI Raya, Safaricom, and Moha soft drink	97	4.128	1.049
The opening of the banking sector to foreign investors has improved the quality	97	3.86	0.897

of services at CBE			
CBE has improved its digital banking systems to support multinational companies operating in Ethiopia	97	3.299	1.569
The entry of international investors encourages CBE to adopt global banking standards and practices.	97	3.556	0.912
CBE's customer service staff are well-trained to handle the needs of international investors.	97	3.041	1.478
The presence of international investors creates opportunities for innovation and better service delivery at CBE	97	2.804	1.699
Total	97	3.448	1.267

Source: Survey result, 2025

The findings in Table 4.7 reveal that the overall mean score for international investor satisfaction with CBE's service quality is 3.448, indicating a moderate level of satisfaction. Among the specific items, the highest mean (4.128) was recorded for CBE's adequacy in meeting investor needs, suggesting that the bank generally provides satisfactory services to international clients such as BGI Ethiopia, Safaricom, and Moha Soft Drink Factory. Conversely, the lowest mean (2.804) was observed for the item relating to innovation and improved service delivery, implying limited progress in this area. The relatively high standard deviations for some items (e.g., SD = 1.699) suggest diverse opinions among respondents, reflecting uneven service experiences across investors. Overall, the results demonstrate that while CBE has made improvements following the liberalization of the banking sector, further efforts are needed to strengthen digital systems, customer service training, and innovation to fully meet international standards.

Therefore, the overall satisfaction of international investors with CBE's service quality is **moderate**; indicating that while the bank meets basic expectations, there is room for improvement—especially in digital service efficiency, staff competence, and innovation. CBE is performing well in providing essential banking services and adapting to the demands of international investors. However, there are gaps in innovation, staff training, and digital banking systems that require strategic attention. The entry of international investors has positively influenced service quality, but CBE needs to continue upgrading its systems, service delivery, and staff capacity to meet global standards and sustain competitiveness.

This moderate level of satisfaction is similar to the results reported by Belay (2020), who concluded that international investors appreciate institutional stability but expect higher service innovation from the Commercial Bank of Ethiopia.

4.5. Pearson Correlation Analysis

This study was planned to investigate the relationship between independent variables i.e. Tangibility, Reliability, Responsibility and Assurance and the dependent variable i.e. international satisfaction in the opening of CBE. As a result, correlation analysis was done to examine the relationship between service quality and international satisfaction

Correlation analysis is a statistical tool that is used to measure the strength or degree of linear association between two variables. The Pearson Product-Moment Correlation Coefficient was used to measure the above two variables. Pearson correlation is a statistical tool that indicates the degree to which two variables are related to one another. The sign of a correlation coefficient (+ or -) indicates the direction of the relationship between -1.00 and +1.00. The variables may be positively or negatively correlated. A positive correlation indicates that there is a direct positive relationship between two variables. On the other hand, a negative Pearson correlation indicates that there is an inverse, negative relationship between two variables. Besides, to this, a Pearson correlation coefficient of 0 shows that there is no linear relationship between independent and dependent variables (Vogt & Johnson, 2015).

According to (Kotrlík et al., 2011) posited on the strength of the correlation and correlation coefficient(r). It is possible to decide as of the 0.10 up to 0.29 is a low association, and from 0.30 up to 0.49 moderate associations, and the correlation value from 0.50 up to 1.00 is considered as substantial associations. Determining the degree of association between the selected service quality dimensions i.e.

Tangibility, Reliability, Responsibility and Assurance with the dependent variable i.e. customer satisfaction were the main purposes of conducting an analysis using Pearson correlation.

Table 4. 8 Pearson Correlation Coefficient

Correlations

		T	R	RS	ASS	IS
T	Pearson Correlation	1	.637**	.365**	.173	.007
	Sig. (2-tailed)		.000	.000	.091	.944
	N	97	97	97	97	97
R	Pearson Correlation	.637**	1	.339**	.303**	.387**
	Sig. (2-tailed)	.000		.001	.003	.000
	N	97	97	97	97	97
RS	Pearson Correlation	.365**	.339**	1	.643**	.258*
	Sig. (2-tailed)	.000	.001		.000	.011
	N	97	97	97	97	97
ASS	Pearson Correlation	.173	.303**	.643**	1	.182
	Sig. (2-tailed)	.091	.003	.000		.075
	N	97	97	97	97	97
IS	Pearson Correlation	.007	.387**	-.258*	.182	1

Sig. (2-tailed)	.944	.000	.011	.075	
N	97	97	97	97	97

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

* . Correlation is significant at the 0.05 level (2-tailed).

NB:T= Tangibility, R= reliability, RS= responsiveness, ASS= assurance, IS= international satisfaction,

Source: Own Survey, 2025

From the correlation table results, multicollinearity is not a significant problem because the highest correlation between any two independent variables is .643 (the relationship between Responsiveness and Assurance). In academic research, multicollinearity only becomes a serious concern if the correlation between independent variables exceeds the threshold of 0.80. Since all pairwise correlations in this study are below 0.80, the independent variables are sufficiently distinct for a stable regression analysis.

In this topic the researcher going to analysis the relationship between Tangibility and responsiveness with the other variables separately. Correlation analysis is a method of statistical evaluation used to study the strength of a relationship between two, numerically measured, continuous variables (. Tangibility and Responsiveness).The particular type of analysis is useful when researcher wants to establish if there are possible connections between variables. It's often misunderstood that correlation analysis determines cause and effect., however ,this is not the case because other variable that are not present in the research may have impacted on the results., so the researcher uses correlation to analysis the direct and inverse relationship between the variables each other's. According to the above correlation matrix, all the Pearson Correlation coefficients are significant because all the sign value is less than the 5% level of significant.

The coefficient of correlation between Tangibility and International satisfactions' is 0.944. The relationship is significant at 0.007 percent level. The relationship between the variable is significant with Strong correlation. This implies that the Tangibility practices have a significant strong positive impact on International satisfactions'. So, the correlation between International satisfactions', Tangibility is strong and positive.

The coefficient of correlation Responsiveness and International satisfactions' is 0.258. It shows that there is a Medium and positive relationship between them. The relationship is significant at 0.011 percent level. This implies that any change in access to Responsiveness has positive significant with high correlated with International satisfactions' at the International sectors.

The coefficient of correlation between individual's Reliability and International satisfactions' is 0.387. It shows that there is a strong and positively relationship between them. The relationship is significant at 0.000 levels. This implies that any change in individual Reliability has positively and strong significantly affected International satisfactions' in the studied organizations.

The coefficient of Pearson correlation between individual's Assurance and International satisfactions' is 0.182. It shows that there is a Medium and positively relationship between them. The relationship is significant at 0.075 level of significance. This result implies that how many substantially important individuals having the autonomy of Assurance role in the International satisfactions' of the international sectors.

Therefore the correlation between tangibility, responsiveness, Reliability, and Assurance are .944, .258, .387, and 0.182 respectively. Based on the classification of Dancey and Reidy's (2004), the correlation between International satisfactions', tangibility, responsiveness, Reliability, and Assurance are weak and non-significant.

4.6. Assumption of Multiple Linear Regressions

The assumptions of Multiple Regression that are identified as primary concern in the research include collinearity, linearity, normality, and homoscedasticity.

4.6.1. Multi-Collinearity Testing

Collinearity (also called Multicollinearity) refers to the assumption that the independent variables are uncorrelated (Ruengvirayudh & Brooks, 2016), Multicollinearity occurs when several independent variables correlate at high levels with one another, or when one independent variable is a near linear combination of other independent variables (Ruengvirayudh & Brooks, 2016). When a predictor variable has a strong linear association with other predictor variables, the associated VIF is large and is evidence of Multicollinearity. The result on this data showed no significant collinearity.

Table 4. 9 Collinearity Statistics for the employee empowerment (independent variable)

Collinearity Statistics

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	T	.530	3.844
	R	.384	4.115
	RS	.243	2.060
	ASS	.260	1.888

Source: Own Survey, 2025

The results from the Table 4.10 showed that there is no Multicollinearity problem among all the independent variables as tolerance value and variance inflation value are above 0.1 and below 10 respectively for both banks. According to (Yoo et al., 2014), Finally, Table 4.10 exhibits the association between different dimensions of service quality. As can be seen from this data, all of the Tolerance level is < or equal to 1; and all VIF /Variance Inflation Factor/ values are well below 10. The measures selected for assessing independent variables in this study are found acceptable for banks. Thus, the data in this research has No Multicollinearity problem.

Tolerance value above 0.1	No Multicollinearity problems
Variance inflation value below 10	No Multicollinearity problems

Source: (Yoo et al., 2014)

4.6.2. Linearity

Relationships between variables are considered linear when they are consistent and directly proportional to each other. Violations of this assumption may result in the estimates obtained from the analysis, such as R², regression coefficients, standard errors, and statistical significance, being biased; therefore, not portraying the accurate or true population values (Osborne & Waters, 2003), (McNabb, 2018). If the linearity assumption is met, the standardized residuals will scatter randomly around a horizontal line which represents the standardized residuals equaling zero. The relationship between the dependent and independent variable should be linear in respect to their parameter, checked by the scatter plot of the dependent variable to that of standardized predicted. As it has indicated below, the plot shows that there is approximately linear relationship between customer satisfaction and the set of predictor variables represented by standardize predicted.

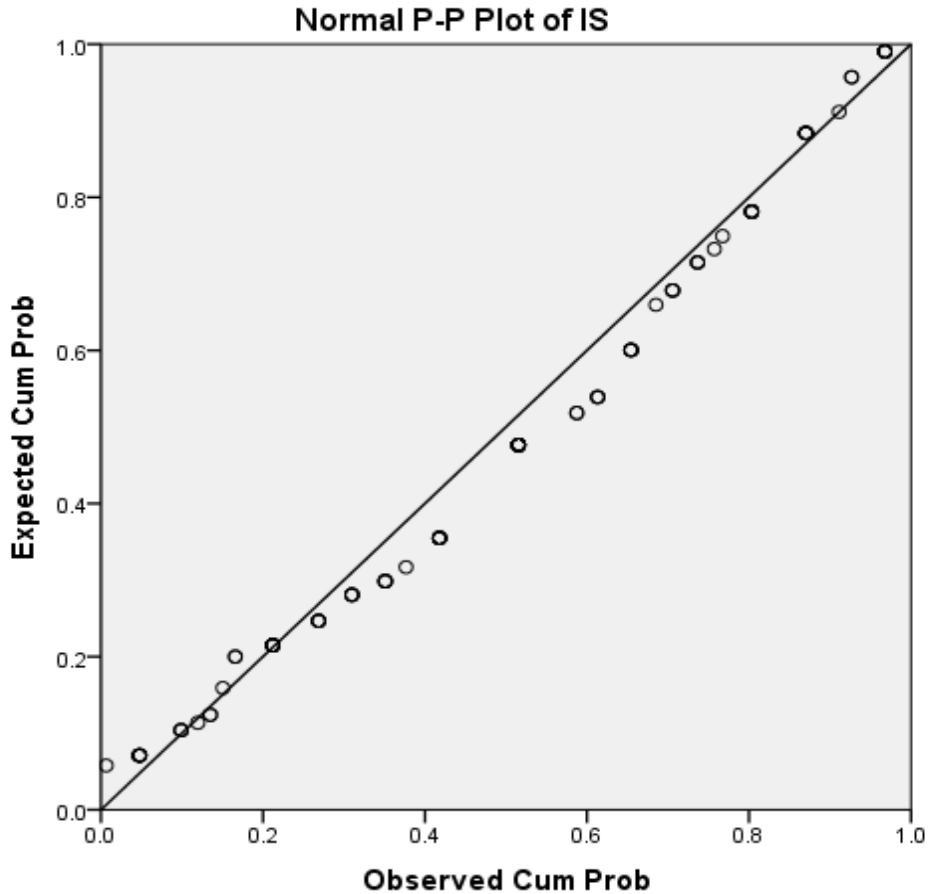


Figure 4. 1 Linearity graph of dependent and independent variables for the bank Source: Sample Survey 2025.

4.6.3. Normality

Screening for normality is an important early step when conducting a multiple regression, as residuals are normally distributed is assumed. Non- normal distributions that are positively or negatively skewed, contain large kurtosis, or have extreme outliers can distort the obtained significance levels of the analysis, resulting in the standard errors (Osborne & Waters, 2003), becoming biased. The assumption of Homoscedasticity refers to equal variance of errors across all levels of the independent variables). This means that researchers assume that errors are spread out consistently between the variables (Kidson & Richards, 2005), One of the assumptions of linear regression model is the normal distribution of the residual part of The model. As noted by Gujarati (2004), dependent variable is being a linear function of residuals, is itself normally distributed with the mean and variance. If the residuals are normally distributed around its mean of zero, the histogram shows a bell shaped. The shape of the histogram

shown in the appendix is bell shape and this indicates that the residual is approximately normally distributed around its mean zero for the bank.

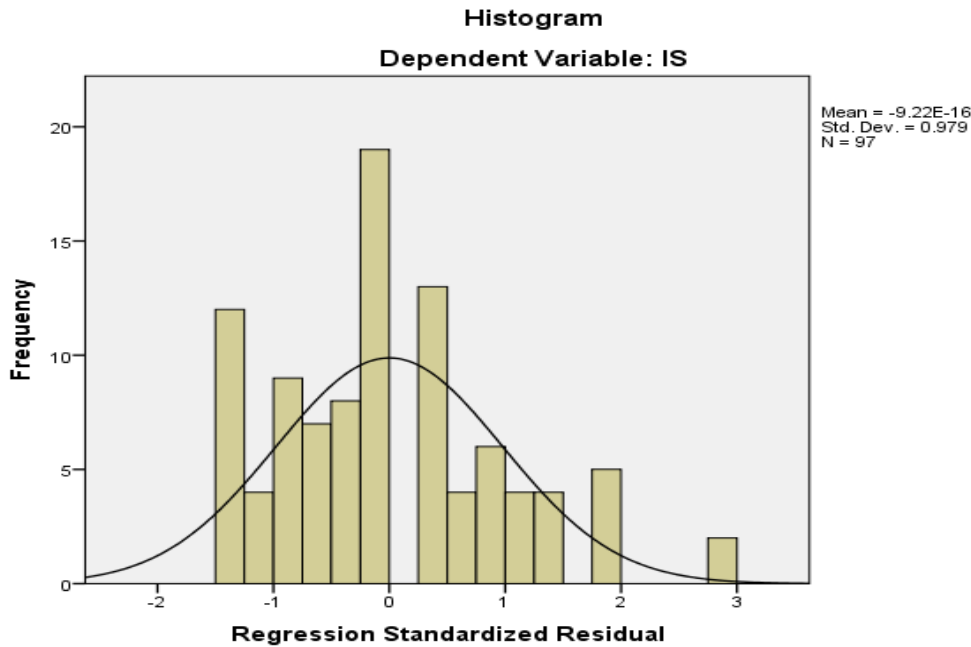


Figure 4. 2 Normality graph of dependent and independent variables

Source: Sample Survey 2025

4.6.4. Constant Variance (Homoscedasticity):

The assumption of Homoscedasticity refers to equal variance of errors across all levels of the independent variables (Osborne & Waters, 2003) this means that researchers assume that errors are spread out consistently between the variables. Homoscedasticity can be checked by visual examination of a plot of the standardized residuals by the regression standardized predicted value (Osborne & Waters, 2003). Specifically, statistical software scatter plots of residuals with independent variables are the method for examining this (Kidson & Richards, 2005) ideally, residuals are randomly scattered around zero (the horizontal line) providing even distribution (Osborne & Waters, 2003). The third assumption of multiple linear regressions is error assumption that is error terms should have a constant variance; if this assumption violated; there is a problem of Homoscedasticity, which is a problem of data treated before analysis. This had checked by drawing the scatter plot of standardized residual versus standardized predicted value. To attain this assumption, the distribution or the scattered ness of the point

on the graph should be random. As indicated below the distribution of points has not any pattern, which is random, so the assumption of constant variance has approximately attained.

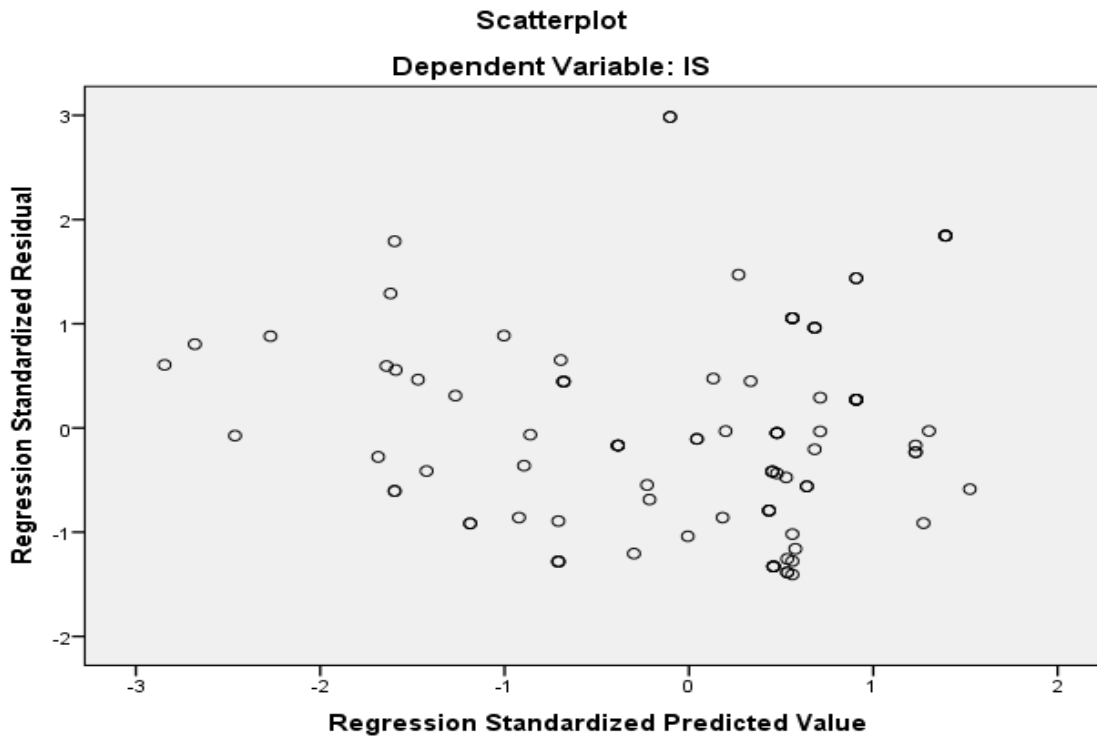


Figure 4. 3. Scatter Plot Homoscedasticity Measures

Source: Sample Survey 2025

Regression is concerned with describing and evaluating the relationship between a given variable and one or more other variables on which the given variable depends. The given variable is referred to as the dependent or response variable. The variables, which are thought to affect it, are referred to as independent (explanatory or regressed) variables.

Multiple linear regression models have conducted mainly to determine which independent variables affect more the dependent variable. In this study multiple linear regressions was carried out mainly to determine which independent variables (Access to Tangiability, reliability, responsiveness and assurance) affect more on the dependent variable (International Satisfaction). According to (Manaye, 2019), a major weakness of Pearson Correlations is that they do not allow identifying causes from consequences. To evaluate the study models, the value of R² has considered determining the amount of variance in the dependent variables, which has explained by independent variables, (Manaye, 2019).

4.7. Multiple Linear Regressions Model Summary

Table 4. 10 multiple linear regressions Model Summary.

Model Summary^b

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate	Sig. F change	Durbin-Watson
1	.714 ^a	.546	.535	1.90551	.000	1.7982

a. Predictors: (Constant), RI, AS, RS, Ta

b. Dependent Variable: CS

Source: Sample Survey 2025

Refer to the Table 4.10, the multiple R shows a substantial correlation between four independent variables and the dependent variable, which is International Satisfaction (R=.714 for the bank which converted to percentage is given as 71.4 % for the bank.

The R-Square value identifies the portion of the variance accounted for by the independent variable. Approximately 54.6% of the variance in the International Satisfaction is accounted for by; access to tangibility, reliability, responsiveness, and assurance and the rest 46.4 % of the variation in International Satisfaction has remained unexplained for the bank. I.e. it is explained by other factors which are not included in the regression model. The modified version of R-squared which is then adjusted R-square is adjusted for the number of explanatory variables in the model. The Adjusted R square is considered a better population estimate and is useful when comparing the R square value between models with different number of independent variables. The value of Adjusted R Square obtained is 0.546 that 54.6 changes of dependent variables, which is International Satisfaction, can be explained by the four independent variables of access to tangibility, reliability, responsiveness, and assurance for bank The R is the coefficient of correlation it shows that there is a positive correlation between the variables entered for this analysis. This means that there is a positive relationship between service quality and International Satisfaction

The table is indicated the R is 0.714 which converted to percentage is given as 71.4 %, which means that there is 71.4% correlation between service quality and International Satisfaction for the CBE. This is the part that service quality played a great role in International Satisfaction. According to the rule of thumb, the model is strong fit. R2 value as follows R2 value < 0.1 Poor fit.

R2 value 0.11 to 0.30 Modest fit.

R2 value 0.31 to 0.50 Moderate fit.

R2 value 0.50 Strong fit.

Source: (Muijs, 2004,) cited in Habtamu.

Finally, For R2 square result shown in Table 4.10 indicates, The R2 square is the coefficient of determination it tries to show that a change in the dependent variable on independent variables. From the analysis, the R square is given as 0.546, which converted to percentage, is given 54.6 % which means that 54.6 % change in the dependent variable is accounted for by the independent variable. Thus, according of the rule of thumb, the model R2 is strong fit.

4.8. Analysis of Variance (ANOVA)

According to (Field,., 2009), ANOVA (Analysis of Variance) is an omnibus test, which means that it tests for an overall experimental effect; there are things that ANOVA cannot tell us. Although ANOVA tells us whether the experimental manipulation was generally successful, it does not provide specific information about which groups were affected. The advantage of ANOVA was that we could look at the effects of more than one independent variable (and how these variables interact).

Table 4. 11 multiple linear regressions ANOVA

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	371.744	4	92.936	13.914	.000 ^b
	Residual	614.511	92	6.679		

Total	986.255	96			
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a. Dependent Variable: IS

b. Predictors: (Constant), ASS, T, R, RS

Source: Own Survey, 2025

The ANOVA table 4.11. Above reveals that the summary of the analysis of deviation and F- statistics; the ANOVA report shows the general significance of the model. As p is less than 0.05, in CBE, the model is significant. And this depicted that the combination of the independent variables (T, ASS, R, RS,) significantly predicts the dependent variable (International satisfaction) (F=13.914; p <0.05). Generally, it indicated that the combined model was significant in CBE at the sectors.

4.9. Multiple Regression Coefficients

The regression coefficients are the least-squares estimates of the parameters. The value indicates how much change in the dependent variable occurs for a one-unit change in that particular independent variable when the remaining independent variables are held constant. These coefficients are often called partial-regression coefficients since the effect of the other independent variables is removed. Table 4.12, below shows that the regression model standardized and unstandardized coefficient for the four independent variables i.e. Tangibility, Reliability, Assurance and Responsiveness. The p-value of, is 0.001, 0.000, 0.001, and 0.005, respectively which are less than 0.01(1%) or 0.05(5%) on the CBE. This indicates the existence of a significant relationship between the dependent and independent variables.

Table 4. 12 Multiple Regression Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-28.948	9.084		-3.187	.002
	T	.835	.239	.395	3.493	.001

R	1.468	.222	.877	6.601	.000
RS	.594	.384	.258	1.546	.005
ASS	.977	.283	.556	3.446	.001

Note: * and ** indicates the regression coefficients is significant at 1% and 5% level of Significance respectively.

a. Dependent Variable: CS

Source: own survey, 2025

Finally, the model fit on Commercial bank of Ethiopia, the regression equation of international satisfaction became:

$$EJS = 0.001Ta + 0.005RS + 0.001ASS + 0.000R + ie$$

Where, IS = international satisfaction

T= Tangibility

RS = Responsiveness

ASS = Assurance

R= Reliability

i = 1, 2, 3.

A multiple linear regression analysis carried to predict the values of a dependent variable. In multiple linear regressions, there are explanatory variables and the relationship between dependent variable and explanatory variables represented by the following equation.

$Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_P X_P + e$. Where B_0 is the constant term $B_1, B_2, B_3 + B_4 + B_P$ are estimated regression coefficients. The coefficients estimated as $B_1T + B_2ASS + B_3R + B_4R + e$ where B_0 to B_4 is the coefficients relating the P of the explanatory variables.

Therefore, $EP = 0 + 0.001Ta + 0.001ASS + 0.000R + 0.005RS + e$ the Beta value for the four independent variables (Tangibility, Reliability, Assurance and Responsiveness) has explained international satisfaction with Beta value of (0.395 and 0.877, 0.556 and 0.258, respectively. Standardization Regression Equation international satisfaction = $0.395 + \text{Tangiability}, 0.877 + \text{reliability}, 0.556 + \text{Assurance}, 0.258 + \text{Responsiveness}$) on the international sectors. .

Hypothesis refers to the tentative assumption about a population parameter and a provisional idea whose merit needs evaluated. Hypothesis testing or the significance level is precedence for checking the validity of a statistical hypothesis. To achieve the intended purpose as well as to answer the research problem stated above based on the extensive literature review; and major findings the study has devised the following hypotheses based on their alternative form.

4.10. Hypothesis Testing and Interpretation of Regression Coefficients

The regression coefficients indicate that the effect of each independent variable on the dependent variable and the direction or sign of relationship. Positive regression coefficient indicates that the variable has positive effect on the dependent variable whereas negative regression coefficient indicates that the variable has negative effect on the dependent variable. Therefore, the regression coefficient infers the effect of a unit change in the independent variable on the dependent variable. The p-value indicates the level of the statistical significance of the independent variable included in the regression model in explaining the dependent variable i.e. international satisfaction at the conventional level of significance either 1% or 5%. The constant (intercept) term indicates the value of the dependent variable i.e. international satisfaction if all independent variables are held constant i.e. zero.

Test of Hypothesis 1

As per (Kantar et al., 2016) access to Tangibility, to the regression analysis of the above model, access to tangibility with a coefficient value of 0.395 has a positive and statistically significant effect (since p-value <0.01) on international satisfaction on CBE. This implies that keeping other variables (RL, AS, and RS) constant in every enhancement of tangibility leads to an increase in international satisfaction by 0.395 or 39.5% on average in CBE. Based on this the tangibility in CBE is more positively significant value impacts to customer satisfaction. And if there is an access of providing a links to helpful people when they needed to carried out their work and the tangibility provide specific timely feedback in their working issues have an increase and a significant positive impact on international satisfaction on the bank.

As the regression coefficient table displayed that there is a positive relationship between access to tangibility and international satisfaction ($\beta=0.395$, $p=0.001$) and accept H_A . The result is consistent with previous studies done by (Moueed et al., 2015), and (Qureshi, Syed, et al., 2019), they suggested that tangibility has positively and significantly affect international satisfaction in CBE. This implies that the

continuous development and improvement in tangibility has increase “ level of international satisfaction. In doing so, creating access to tangibility in the workplace can play a vital role in increasing international satisfaction in CBE related to the international sectors.

Test of Hypothesis 2

According to (Fernandez & Moldogaziev, 2013) The regression result of the below table 4.13 also shows that access to responsiveness has a positive and statistically significant effect since (p-value < 0.01) on international satisfaction with a regression coefficient of 0.258 for CBE. This means, keeping other things constant, an increase in responsiveness by 1 unit or 1% leads to an increase in international satisfaction by 0.258 units or 25.8 % on average. This indicates that if the organization management of the sector leaders encourage advanced educational opportunities to their employees; job exchange promoted to expanding employees skill and experience sharing; employees are motivated to play an expanded role in their job; employees trained in a way that prepares them to face new challenges and developmental tasks within their organizations; and if carrier rankings are maintained in organizations based on their skill rather than status; customers should be given the chance to participate in special task forces or important organizational committees and to network with colleagues through task forces, or group works have an increase and a significant positive impact on international satisfaction

The second hypothesis of the study states that there is a positive significant effect of opportunity to responsiveness on customer satisfaction. According to the findings of the research, the responsiveness has a significant positive impact on customer satisfaction ($\beta = 0.258$, $p = 0.005$) and we cannot reject H_A . As the finding of this study found, the responsiveness has a positive and significant impact on overall international satisfaction on the sectors.

Test of Hypothesis 3

According to (Spreitzer, 1995) The regression result of the below table 4.13 also shows that Assurance of employees in their work has a positive and statistically significant effect since (p-value < 0.01) on international satisfaction with a regression coefficient of 0.556 and 0.0.001 in CBE. This means, keeping (Ta, RS, and ,RL) constant, an increase in assurance by 1 unit or 1% leads to an increase in customer satisfaction by 0.556 units or 55.6% on average in CBE.. This indicates that if the bank management of the organization developed a habit of motivating customers to feel confident about their ability and to mastering the skills necessary for their jobs; assuring in some extent about self-assurance for their work

and assigning customers based on his/her service quality have an increase and a significant positive impact on customer satisfaction.

The third hypothesis of the study states that there is a positive significant impact between the assurance and banks in related to international satisfaction. As of the findings of the research, the service quality assurance has a significant positive effect with customer satisfaction since ($\beta = 0.556, p = 0.001$) and we cannot reject H_A in CBE.

Test of Hypothesis 4

The regression result of the below table 4.13 also shows that the individual Reliability has a positive and statistically significant effect since ($p\text{-value} < 0.01$) on international satisfaction with a regression coefficient of 0.877 in CBE. This means, keeping (Ta, AS, and RS) constant, an increase in the freedom and independence of an individual customers' right of reliability by 1 unit or 1% leads to an increases in banks customer satisfaction by 0.877 units or 87.7% on average for CBE. Based on this indicates that the result of CBE has more reliability on its customers has positively significant affects to the banks international satisfaction

The fourth hypothesis of the study states that there is a positive and significant relationship between reliability and customer satisfaction. According to the findings of the research, having individual freedom of reliability has a significant positive relation with the overall customers satisfaction since ($\beta = 0.877, p = 0.000$) and we cannot reject H_A . As the finding of this study, individual freedom of reliability has a positive and significant impact on CBE of international satisfaction

Table 4. 13 Summary of Hypothesis Testing

Hypothesis	Findings	Results	Reasons
H1	Positive significant	Accept H_A	$P < 0.01$
H2	Positive significant	Accept H_A	$P < 0.01$
H3	Positive significant	Accept H_A	$P < 0.01$

H4	Positive significant	Accept HA	$P < 0.01$
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Source; own survey 2025

Chapter Five

Conclusion and Recommendation

5.1. Summary of Major Findings

The general objective of this research was to analyze and examine based on customer's perception the relationships and the impact between service quality dimensions and International satisfaction and analysis along with other specific objectives. In order to achieve the stated research objective, the for SERVPERF dimensions model with 22 statements developed by Cronin and Taylor (1992) was utilized. Besides convenience sampling was employed to select sectors and employees respectively. After gathering data from the respondents, descriptive statistic and inferential statistics analysis like mean score standard deviation, correlation analysis and regression analysis were applied to analyze the collected data. Besides, the study used both primary and secondary data type and source of data. The primary data was collected through self-administered questionnaire from 97 respondents. Confirmatory factor analysis was applied to examine whether the variables were included in the domains or factors. This study is considered the confirmatory because the dimensions are already determined. Thus, accordingly, the following are summary of the major findings of the analysis.

This study was conducted to assess the **service quality of the Commercial Bank of Ethiopia (CBE)** in relation to the **opening of the banking sector to international investors**, using selected organizations such as BGI Ethiopia, Moha Soft Drink Factory, and Safaricom Ethiopia as cases. The SERVQUAL model was applied, which included four major service quality dimension **tangibility, reliability, responsiveness, and assurance** to measure their influence on **international investor satisfaction**.

Regarding to tangibility Dimension CBE's service quality in terms of tangibility (Mean = 3.509) is above average. Respondents agreed that the bank has modern equipment and neat employees, but the physical attractiveness of branch locations needs improvement. Tangibility was found to have a strong and positive correlation ($r = 0.944$) with international satisfaction.

Regarding to Reliability Dimension the reliability dimension scored a high mean (4.159), showing that CBE performs its services correctly the first time, maintains error-free records, and keeps accurate data. However, customers expressed moderate satisfaction with operating hours. Reliability showed the strongest positive effect ($\beta = 0.877$, $p < 0.01$) on international satisfaction.

Regarding to Responsiveness Dimension the responsiveness score was moderate (Mean = 3.388). Although employees are willing to help customers and respond promptly, communication about service timing is weak. Responsiveness had a significant positive effect ($\beta = 0.258$, $p < 0.01$) on satisfaction, indicating room for improvement in timely service and information delivery.

Regarding to Assurance Dimension the assurance dimension (Mean = 3.563) revealed that customers trust CBE's safety and employee competence. However, employee behavior did not always instill confidence, which could reduce the perceived assurance level. Still, assurance showed a significant positive influence ($\beta = 0.556$, $p < 0.01$) on international satisfaction.

Regarding to International Investor Satisfaction Overall satisfaction among international investors was moderate (Mean = 3.448). Investors appreciated CBE's basic banking services and operational reliability but found gaps in innovation, digital systems, and specialized services for global clients.

Based on Correlation and Regression Results Tangibility, reliability, responsiveness, and assurance all had positive and significant relationships with international satisfaction. The regression model showed an $R = 0.714$ and $R^2 = 0.546$, meaning 54.6% of the variation in satisfaction is explained by these service quality dimensions. The model was statistically significant ($F = 13.914$, $p < 0.05$). And the Hypothesis Testing Results All four hypotheses (H1–H4) were accepted, confirming that each dimension of service quality significantly and positively affects international satisfaction.

5.2. Conclusions

Findings indicate that service quality and all its dimensions such as tangibles, reliability, assurance and responsiveness have significant and positive association with International Satisfaction towards their respective service quality of the bank. These findings are in conformity with the existing literature (Athanasopoulos et al., 2001; Bloemer et al., 1998); therefore justifiable up to great extent. This study conducted to assess whether there is significant similarities or differences of service quality provision of public bank as perceived by customers. To successfully meet the objectives, data were collected and analyzed and based on the finding of the research/study the following conclusion is drawn:

Service quality has a significant positive influence on international investor satisfaction. Among the SERVQUAL dimensions, reliability is the strongest predictor, followed by assurance, tangibility, and responsiveness. CBE provides dependable and accurate services that meet international clients' needs, yet it still faces challenges in service innovation, communication efficiency, and digital transformation.

Moderate satisfaction among international investors suggests that while CBE maintains basic service quality, it is not yet fully aligned with global banking standards required to compete in a liberalized financial market.

The entry of foreign investors has encouraged CBE to improve, but the pace of adaptation in technology, customer service training, and innovation remains limited. Improving tangibility and responsiveness such as modernizing facilities, enhancing customer interaction, and ensuring prompt service will be crucial for CBE's competitiveness. To sustain growth and trust among international investors, CBE must continue upgrading its digital infrastructure, develop globally competent staff, and strengthen customer assurance mechanisms.

Service quality is a key determinant of international investor satisfaction with CBE. The bank has demonstrated commendable performance in tangibility and reliability but needs improvement in responsiveness and innovation.

Reliability emerged as the most influential factor, highlighting the importance of accuracy, dependability, and consistent service delivery in banking operations.

Tangibility and assurance also play important roles in shaping positive perceptions, especially as foreign investors expect professionalism, modern facilities, and confident, knowledgeable staff.

Despite notable strengths, CBE's responsiveness and digital innovation are below international standards, suggesting that customer service training and technological upgrades are essential to meet the expectations of global investors.

The study concludes that as Ethiopia opens its financial sector, enhancing these service quality dimensions is critical for CBE's competitiveness and ability to retain international clients

5.3. Recommendation

Based on the findings and the abovementioned conclusions, the following recommendations are forwarded to the management of CBE to further reinforce and improve the service delivery in essence of its purpose and in a way that brings the desired customers satisfaction level in CBE. As it has been found in the research; even if, the CBE mean score is above average (Mean > 3) with respect to the tangibility service quality dimension, it is not enough to say it is the right level since the competition is changing rapidly so that the bank should update their tangibility dimensions accordingly. Besides, CBE faces stiff competition from private banks in general. The CBE related with tangibility, they are now rashly adopting advanced technologies; like mobile banking, internet banking, ATM service etc. to facilitate their customers transactions. Therefore, in general CBE should be competent enough with its competitors so as to attract and retain customers by employing the latest technology in the industry and by preparing and issuing visually appealing pamphlets or statements which are linked with customers' memory.

Enhance Service Reliability: Maintain consistent and error-free records by strengthening internal monitoring systems. Ensure timely delivery of promised services through digital automation and workflow optimization. **Improve Responsiveness:** Train employees in customer communication, time management, and proactive service handling. Implement performance metrics tied to customer feedback to encourage timely responses.

Strengthen Assurance: Regularly conduct professional development and ethics training to boost employee confidence and interpersonal skills. Establish specialized units to handle international investors with expertise in cross-border banking services. **Upgrade Tangibility and Digital Infrastructure:** Modernize branch designs and enhance visual appeal to reflect a world-class image.

Expand digital banking platforms (e.g., mobile, online, and international transfer systems) to meet global standards.

Foster Innovation and Global Standards: Create an innovation department to adapt global best practices and introduce new financial products tailored for international clients. Benchmark CBE's service quality against top-performing African and global banks. The National Bank of Ethiopia should provide supportive policies that promote digital transformation and staff capacity building. Encourage public-private partnerships for knowledge exchange, innovation, and technology transfer in the banking sector.

Customer Relationship Development: Conduct periodic satisfaction surveys among international clients to continuously identify gaps and improvement areas. Introduce loyalty and partnership programs for multinational corporations to enhance long-term relationships.

The satisfaction of the customers is a very much important factor that not only forces the customers to remain loyal with the organization but also serves and proves as a marketing mechanism through which other people are attracted towards the organization. The word of mouth of a satisfied customer probability has more worth than any other advertising channel. The marketing department of the bank must understand and identify the most significant factors in driving bank service quality that enhances the customer satisfaction and loyalty in order to coup up with changing the tests and preference of their customers.

Prior researchers indicated that reliability plays a great role to provide service quality, accordingly CBE has to improve its overall reliability quality of service; the following things are recommended to improve its reliability service: CBE has to keep its promise if not on time response should be given to customers. CBE has to provide training or orientation to its employees to give a sincere interest in solving customer's problems. CBE should concentrate on the variables of timely completion of work and consistency of services to improve the overall service quality of the bank.

To improve the service quality and to be competitive with CBE should give more emphasis to improve the employees' promptness, willingness, and attitude to solve the problems of the customers. CBE has to design a strategy to keep its talented and experienced employees who plays a great role in the quality service delivery knowledgeable and consistently.

Suggestions for Future Research

Future studies could compare service quality performance between CBE and newly entering foreign banks. Additional factors such as digital innovation, employee empowerment, and organizational culture should be explored as potential determinants of international satisfaction.

The CBE have to understand the changing needs of customers, their aspirations and expectations to create value. The Banks should also have a strong customer relationship management and be able to understand the customer's needs while interacting with them. In this booming financial service industry, the bank should have an effective customer's orientation policy especially for Commercial Bank of Ethiopia. The bank should follow a feedback system to know the customer service quality perceptions for improving the level of customer satisfaction.

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3) Degree

4) masters and above

C. Age group of the respondents

1) Below 30 years

2) 31 – 45 times

3) above 46 years

PART II: SERVICE QUALITY QUESTIONNAIRE FOR THE BANK (SQQ):

Items	Service Quality Attributes	Strongly disagree (1)	disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Tangibles	The bank has modern looking equipment					
	The bank's physical features is visually appealing					
	Appearance, attitude and dressings of employees is appealing					
	Location of offices / branches is visually attractive					
Reliability	The bank performs the service right the first time.					
	The bank provides its service at the time it promises to do so					
	The bank insists on error free records					

	The bank has convenient operating hours to its customers					
Responsiveness	When the bank promises to do something by a certain time, it does so.					
	Employees in the bank tell you exactly when the services will be performed					
	Employees in the bank give you prompt service					
	Employees in the bank is never too busy to respond to your request					
Assurance	The behavior of employees in the bank instills confidence in you					
	You feel safe in your transactions with the bank					
	Employees in the bank have the knowledge to answer your questions					
	The employees of the bank understand your specific needs					

PART III: CUSTOMER SATISFACTION QUESTIONNAIRE FOR THE SECTOR (CSQ):

No /	International investor sector	Strongly disagree (1)	disagree (2)	Neutral (3)	Agree (4)	Strongly Disagree (5)
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1	CBE provides adequate banking services that meet the needs of international investors such as BGI Raya, Safaricom, and Coca-Cola					
2	The opening of the banking sector to foreign investors has improved the quality of services at CBE					
3	CBE has improved its digital banking systems to support multinational companies operating in Ethiopia					
4	The entry of international investors encourages CBE to adopt global banking standards and practices.					
5	CBE's customer service staff are well-trained to handle the needs of international investors.					
6	The presence of international investors creates opportunities for innovation and better service delivery at CBE					

29. If you maintain relationship between CBE and international investors, and if your reason is other than service quality, please specify:

30. What do you think that the Commercial Bank of Ethiopia most importantly needs to do to
composed with other world class commercial banks?

Thank You for Your Cooperation!

Appendix II

Interview

Mekelle University

College of Business and Economics

Department of Management (MBA)

1. How do you perceive the overall quality of banking services provided by the Commercial Bank of Ethiopia (CBE) to international investors in the Tigray region?
2. To what extent do you think CBE's banking facilities and technologies (e.g., digital banking, online services) meet international business standards?
3. How do you assess the level of assurance and confidence you feel when conducting transactions with CBE (e.g., trustworthiness, safety, and professionalism)?
4. What is your opinion on the empathy and personalized attention provided by CBE staff to international investors?
5. What major challenges or barriers have you faced when accessing CBE's banking services as an international investor in the Tigray region?