The Effect of Quality Service on Satisfaction of Interest Free Banking User: The Case of Awash International Bank S.c in Diredawa Town

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Abstract: *This study focused on collection of information about the effect of service quality on satisfaction of interest free banking user: the case of awash international bank S.c in diredawa town. The study utilized simple random sampling techniques to select 394 customers and used them as respondents in the study. During the data collection period, a total of 394 questionnaires were distributed and 355(90.1%) were returned, but the remaining 39(9.9%) were not returned. During the process of analyzing data, the Statistical Package for Social Science (SPSS) version 20 was used. The Correlation and multiple regression analysis were employed as analytical techniques. The results show that compliance with Islamic laws is highly correlated with customer satisfaction. The study was also discovered that all service quality dimensions have significant effect on the satisfaction of interest free banking user except responsiveness.*

Keywords: Interest free banking, Quality service, Satisfaction

1. Introduction

The main role of a financial system is to lubricate the gears facilitating the economic operations. The banking system plays a major role in transferring funds from the saving units to the investing units. If a financial system is efficient, it should show improvements in profitability, increasing the volume of funds flowing from saver to borrowers, and better quality services for consumers. The financial intermediation provided by the banking sector supports economic acceleration by converting deposits into productive investments (Levine et al., 2000).

Over the past four decades, Interest free banking has emerged as one of the fastest growing Industries. It has spread to all corners of the globe and received wide acceptance by both Muslims and non-Muslims (Iqbal and Molyneux, 2005). Interest free banking performs the same essential functions as banks do in the conventional system, except that the need for them to carry out their transactions in accordance with the rules and principles of Islam (Henry and Wilson, 2004; Iqbal and Mirakhor, 2007).

From a theoretical perspective, interest free banking is different from conventional banking because interest (riba) is prohibited in Islam i.e., banks are not allowed to offer a fixed rate of return on deposits and not allowed to charge interest on loans. A unique feature of interest free banking is its profit and loss sharing (PLS) paradigm, which is predominantly based on the Muderabah (Profit and loss sharing) and Musharakah (joint venture) concepts of Islamic contracting (Khan, Mirakhar, and Iqbal, 2007).

Awash international bank S.c is one of the leading bank from private banks and Pioneer to introduce modern banking to the country (source: website of the bank). It is providing the bank services to its customers and Stakeholders for more than seven decades with diversified products and services.

These include Deposits, Credit facilities, Money transfer both local and international, Trade Service, Forex Services, Correspondent bank, Card banking, Internet banking, Mobile banking, and so on.

This is intended to meet customers demand and expectation in other way of saying to ensure service excellence. Awash international bank S.c; now a day`s aggressively expanding branches to access the unbanked societies. Service has been a lot of complaints from customers about not getting the specified quality for what they paid for and this is mainly because the quality of services is poor. There have been many of the subscribers complain on the quality of the various services that the bank is rendering. Service quality is the most important that needs critical attention for an organization to outshine their competitions. Service quality offers a way of achieving success among competing services particularly, where a number of firms that offer nearly identical service are comparing with in small differences such as bank establishing service. Quality may be the only difference; such differentiation can yield higher proportion of consumers financial success or failure(kottler ,2012) .Since the importance of making continuous customer service quality improvement program is to make profit, build good images, lead the market and retain customers which lead customer loyalty (Ahmossawi , 2001).

Customer satisfaction is also crucial in the banking sector because of the special nature of the service which is characterized by intensive contact with customers who have different needs and require customized solutions and it is known to be one of the most important and serious issues towards success in today's competitive business environment, as it stay affects company market shares and customer loyalty (Caruana,A. 2000). Satisfied customer who and buy more. Good customer relationship creates customer delight, in turn delighted customer remain loyal (Kotler, 2012). Many empirical and conceptual studies have been

done on customer service quality and customer satisfaction. The finding of Mohammad and Alhamadani(2011) indicated that service quality is an important antecedent of customer satisfaction. Parasuraman et al. (1985) "found that service quality is significant predictor of customer satisfaction by using SERVQUAL instrument." Service quality and customer satisfaction "have been identified as key elements of the service-profit chain". Accordingly, Messay (2012) "believes that excellent service quality is vital to business profitability and survival." Thus, from the finding of Messay (2012), the researcher understands that if service quality is going down in the organization, it will have negative effects on the organization's profitability.

Therefore, this study assesses the effect of quality service on satisfaction of user for interest free banking the case of awash international bank S.c in deredawa Branch and try to identify the problem hanging over the neck of providing quality service and recommends possible solution to the identified problems.

1.1. Company Profile

Awash international Bank S.c was established by 486 founding shareholders with a paid-up capital of Birr 24.2 million and started banking operations on Feb. 13, 1995. As of end of July 2019 the number of shareholders and its paid-up capital increased to over 4369 and Birr 4.4 billion, respectively. Likewise, as of end June 2018/19, our total assets reached Birr 74.6 billion with over 430 branches found across the country, Awash Bank continues to be leading private commercial Bank in Ethiopia.

Awash international Bank S.c is a bank that has thrived over 25 years in a rapidly evolving market and economy. Having grown from humble beginnings with visionary intent, we are the first private bank in Ethiopia to exceed a billion profit mark in the history of Ethiopian Private Banks in the financial year 2019 since inception, we have expanded through a combination of substantial organic growth and an enhanced customer service experience.

1.2. Statement of Problem

In Ethiopia, the introduction of Interest Free Banking Window alongside with conventional operations generated a new dimension in banking sector of the country. From the outset, many commercial banks anticipated much demand from the side of the target customers. Current competitive environment induced by globalization and advances in information technology have forced companies to focus on managing customers relationship and in particular customer satisfaction and customers loyalty, in order to efficiently maximize revenue. Thus, in this age of customer's focus, delivering quality service is considered as an essential strategy for success and survival in today competitive environment. However, no business organization can survive without building its customer satisfaction. Likewise no organization can make a healthy living without meeting the needs of its customers. Service quality, therefore, helps in cementing the relationship between customers and the organization and it is a two-way flow of value. This means that customer derives real value from the relationship which

translates into value for the organization in the form of enhanced profitability and sustainability over a long period of time (Olu,O. 2010).

Studies have been done that assess the determinants of customer satisfaction. Ethiopian studies such as Elias (2015) focused customers' perception towards interest free banking product and services. Ayenew, N.(2014) again focused service quality, customer satisfaction and loyalty in the insurance company. Mamo(2013) focused on the assessment of the factors that affect customer satisfaction on service quality in the Ethio-Telecom. Mesay (2012) also emphasized bank service quality customer satisfaction and loyalty in Ethiopian banking sector. None of these studies have evaluated the satisfaction of interest free banking user in the area of Diredawa town and also most of the studies take the tangible reliability responsiveness assurance and empathy are the expression of service quality lead to customer satisfaction however previous studies not included compliance also one of the expression of service quality lead to customer satisfaction particularly in the aspect of interest free banking service. So the researcher wanted to assess the effect of service quality on satisfaction of interest free banking user the case of awash international bank S.c in Diredawa town.

1.3. Research question

1) What is user' expectation and perception of service quality provided by branches of AIBS.c?
2) What are the factors that affect the satisfaction of users for interest free banking (IFB)?
3) What is the relationship between user satisfaction and service quality of interest free banking (IFB)?

1.4. Objectives of the study

14.1. General objective of the study
The general objective of this study was to assess the effect of service quality on satisfaction of interest free banking user: The case of awash international bank S.c diredawa city branches.

14.2. Specific objectives of the study
1) To examine user's expectation and perceptions of service quality provided by branches of AIBS.c
2) To identify the factors that affect the satisfaction of user for interest free banking (IFB)
3) To examine the relationship between quality service and user satisfaction of interest frees banking(IFB)
4) To provide some suggestions for the continuous improvement of services of interest free banking (IFB)

2. Literature Survey

The effect of service quality on satisfaction of interest free banking user in the context of banking sector is a widely discussed topic in the literature. This section targets popular journals, thesis, magazines and various text books that contain fruitful information on various service quality dimensions as well as customer satisfactions.

2.1. Definition and concept of interest free banking

"Interest Free Bank" commonly known as Islamic Bank, is a financial and social institution whose objectives and operations as well as principles and practices must conform to the principles of Islamic Sharia'.(Hassan and Ahmed, 2002)."Interest Free Banking Business" in accordance with NBE's Directive SBB/51/2011, it refers to "banking business in which mobilizing or advancing funds is undertaken in a manner consistent with Islamic finance principles and mode of operation that avoids receiving or paying interest;"

"Interest Free Banking Window" in line with the same Directive it refers to "a unit within a conventional bank exclusively offering interest-free banking services". According to Ahmad J. A. &Majid, M. A.(2012).Interest free banking refers to as Shari'ah-compliant banking that provides and uses financial products and services that obey the Islamic religious practices and laws. The doc-trines which have to emphasize moral and ethical values in all dealings have wide universal appeal. Shari'ah outlaws the giving or receiving interest charges (Riba) for the loaning and acceptance of money, as well as engaging in trading activities that provide goods and services considered contrary to its principles. Interest free banking refers to a technique of banking that is founded on Islamic law (Shari'ah), which prohibits 'interest-based banking' and permits only 'profit sharing banking Anderson, E. W., Fornell, C., & Lehmann, D. R. (1994). The root of the concept is stated in the Holy Qur'an where it says; "Allah has allowed only legitimate trade and prohibited interest," (Qur'an 2 v 275). It is against this interest, as interest is believed to lead to the exploitation and unproductive income. Islamic and conventional banking serve the same purpose except that it operates by the rules of Shari'ah, known as Fiqh al-Muamalat (Islamic rules on transactions).
Therefore, by Islamic banking, one does not mean a mere lending institution extending interest free loans, but a package of Shari'ah compliant (strict adherence to Islamic economic norms) financial services such as Islamic mutual funds, Islamic bonds (Sukuk), Islamic insurance (Takaful), Islamic credit cards and other technology driven services like Automated Teller Machines (ATMs) and online banking, all of which have a tremendous market in the world.

Aldoseri, M., & Worthington, A. C.(2016).describes non-interest banking as "a form of banking which conducts banking operation, involves in exchange, investment and commercial activities as well as providing financial products and services by the principles and rules of Islamic jurisprudence". The basic element of trust and financial partnering are the things that account for the uniqueness of non-interest banking. The basic element of trust and financial partnering are the things that account for the uniqueness of non-interest banking.

2.2. Interest-free finance in Ethiopia

Over the last 22 years, the Ethiopian economy has demonstrated sustained growth. The Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) led government has designed the right economic policies for the development of the country. Despite the crisis in the world economy, the sound monetary and fiscal policies of the government have more or less shielded the economy from the global crisis. Ethiopia is in progress to put in place sufficient public infrastructure to lead to the take-off of the economy in the near future. The Ethiopian banking sector has expanded in the few past decades and benefit only some part of the community so that introducing interest-free banks which is the way to improve the poor and the disadvantaged segments of the society is a logical next step. As far as Potential for interest free banking (Islamic bank) is concerned, the government facilitated the necessary legal framework about 8 years ago. The potential benefits of allowing Islamic banking include; decreased economic disparity between the rich and poor, better integration, and consequently accelerated economic growth (Mohamed Muhumed, 2012).

Government of Ethiopia can leap a step closer towards the fulfillment of the much appreciated dream of „Middle Income Country ‟ by reforming its banking sector and allowing the establishment of Islamic Banks. Even if the developments of Islamic finance in the Ethiopia have taken place since the first individual and group initiatives surfaced in early 2008 years it is at developing stage. The past legal framework in Ethiopia does not permit full-fledged Islamic Banking which offers the owners of capital to share the profits made by the entrepreneur who comes up with investment projects, rather the National Bank of Ethiopia (NBE) issued a directive to banks allowing them to provide interest-free banking (Islamic banking) service using a separate window along with their other banking services to suit society's diverse financial needs. The National Bank of Ethiopia's directive came into force in October 2011 about first Islamic Financial Institution in Ethiopia, However, the implementation of this banking system was started only in 2013 by few commercial banks like Oromia international bank S.C, Commercial Bank of Ethiopia and united bank S.C. Customers who are interested in the interest free banking are assured that they will obtain all those services that they would get from a fully-fledged interest free banking. However, the implementation part is not as speedy as the business persons would prefer, who would like to move immediately and get financing for their projects as quickly as possible because the newly established interest free banking must first collect enough deposits, since the principle does not allow them to finance Murabaha projects from the bank's conventional deposits

2.3. Conceptual definition of terms

Variables conceptual definitions are presented as follows; Tangibility: physical facilities, equipment, and appearance of personnel. Reliability: ability to perform the promised service dependably and accurately. Responsiveness: willingness to help customers and provide prompt service. Assurance: knowledge and courtesy of employees and their ability to inspire trust & confidence. Empathy: caring individualized attention the firm provides to its Customers Zeithaml et al. (1996).

3. Research Design and Methodology

3.1. Study Area

Diredawa lies in the eastern part of the nation, on the Dechatu River, at the foot of a ring of cliffs that has been described as "somewhat like a cluster of tea-leaves in the bottom of a slop-basin." The western outskirts of the city lie on the Gorro River, a tributary of the Dechatu River. It is located at the latitude and longitude of $9^0 36'$N $41^0 52'$Ecoordinates: $9°36'$N $41°52'$E. The city is an industrial center, home to several markets and the Aba TennaDejazmachYilma International Airport. The projected population for 2 August 2019 was 640,000 for the entire chartered city and 310,000 for the city proper, making the latter the seventh largest city in Ethiopia.

3.2. Research design

A research design is simply the frame work of the study. From different types of research designs, descriptive type of research design is employed for this study to the realization of anticipated objectives. Because it describe the existing situation under study as it is. This study also used an explanatory research; it examines the causal relationship between variables through hypothesis testing. It used questionnaires to collect the research data. The distributed questionnaire was used a five-point Likers scale, point one for a strongly disagree and point five for strongly agree; there were 37 items in the questionnaires. The data were analyzed by using SPSS 20 software program.

3.3. Sampling techniques and sample size

The populations of this study were all customers who received services of interest free banking from selected three branches (i.e Connel, Sabian, Afetesa) of awash international Bank S.c in Diredawa town. The study used simple random sampling methods to select the sample from the available population.

3.4. Population

Population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate (Sekaran, 2006).The populations of this study are users of interest free banking in three branches of awash international bank in Diredawa town. The researcher selects those branches because they undertake all banking activities and many account holders, and also convenient for researcher. For this reason, the branches were eligible as a good sample of the various numbers of customers of awash international Bank S.c.

The sample size refers to a subset of the larger population. Knowing the sample size is important for collecting accurate results. Bryman and Bell (2011) suggested that the sample size must be carefully selected to be a representative of the population. The total population of awash international bank's interest free banking users within diredawa city branches were over 24,668 (AIB, 2019) .This particular study was used a sample size of 394 IFB customer as a respondents and the study was used simple random sampling

technique in order to select the samples from the total population. In order to determine sample size; the researcher used formula for calculating the required sample size from the aggregate population of three branches. The formula was developed by Taro Yamane (1967). It is calculated as follows.

$$n = \frac{N}{1+N(e)^2}$$
$$n = \frac{24668}{1+24668(.05)2}n = 393.5671$$
n = 394

Where; n is the sample size
N is the customer size (24668)
e is sampling error (0.05)

From the total population of Awash bank's interest free banking customers within the Diredawa city branches of over 24,668 (AIB, 2019) this particular study was used a sample size of 394 IFB customer and the study was used simple random sampling.

3.5. Tools of data collection

In this study structured questionnaire have been used to collect data. The questionnaire has four parts. The first part of the questionnaire was about the demographic characteristics of respondents. The second section designed to measure the customers' expectation about the bank service delivery system. The third part of the questioner was about customers perceptions and the last part was about customers' satisfaction. The researcher used 5 point Likert scale to measure the variables

3.6. Sources of data

The sources of data are both primary and secondary sources. Primary sources of data were gathered from customer respondents. Secondary sources of data were from different books, journals, websites and documents related with, service and customer satisfaction.

3.7. Method of data analysis & interpretation

The data collected in the above mentioned way were analyzed using descriptive statistical tools such as frequency tables, percentage and summarize and present the result. Multiple Regression analysis was used to estimating the relationships among variables. SPSS 20 software was employed to analyze and present the data through descriptive analysis, and regression analysis.

4. Data presentation and Analysis

4.1. Introduction

This part presents a discussion of the final results and the processes through which the results were obtained. In addition to this, background information of respondents is also presented. Finally, the statistical methods of analysis were discussed, which included a descriptive analysis, a correlation analysis, and a multiple regression analysis with the help of SPSS version 20. During the data collection period, a total of 394 questionnaires were distributed and

355(90.1%) were returned, but the remaining 39(9.9%) were not returned.

Table 4.1: Characteristics of the respondents

Characteristics		Frequency	Percentage
Gender			
Male		271	76.30%
Female		84	23.70%
Total		355	100%
Age			
Below 18		0	0%
18 year - 25 year		90	25.40%
26 year - 35 year		112	31.50%
36 year - 45 year		98	27.60%
above 45 year		40	11.30%
Total		355	100%
Education level			
Primary school		0	0%
High school		30	8.50%
Certificate		63	17.70%
Diploma		169	47.60%
First degree and above		93	26.20%
Total		355	100%
Account Type			
Amana account		338	95.20%
Qard account		17	4.80%
Mudaraba account		0	0%
Total		355	100%
How long are you a customer of the bank			
less than one year		75	21.10%
1 year - 5 year		145	41%
5 year - 10 year		100	28.20%
Above 10 years		35	9.80%
Total		355	100%

Source: Own survey, (2019)

Table 4.2: Reliability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	5	100	28.1	28.2	28.2
	4	150	42.1	42.3	70.4
	3	10	2.8	2.8	73.2
	2	80	22.5	22.5	95.8
	1	15	4.2	4.2	100.0
	Total	355	100.0	100.0	

Source: Own survey, (2019)

Table 4.3: Assurances

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	58	16.3	16.3	16.3
	2	59	16.6	16.6	33.0
	3	3	.8	.8	33.8
	4	185	52.0	52.1	85.9
	5	50	14.0	14.1	100.0
	Total	355	100.0	100.0	

Source: Own survey, (2019)

Table 4.4: Responsiveness

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	66	18.5	18.6	18.6
	2	66	18.5	18.6	37.2
	3	1	.3	.3	37.5
	4	181	50.8	51.0	88.5
	5	41	11.5	11.5	100.0
	Total	355	100.0	100.0	

Source: Own survey, (2019)

Table 4.5: Tangibility

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	59	16.6	16.6	16.6
	2	116	32.6	32.7	49.3
	3	3	.8	.8	50.1
	4	95	26.7	26.8	76.9
	5	82	23.0	23.1	100.0
	Total	355	100.0	100.0	

Source: Own survey, (2019)

Table 4.6: Empathy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	53	14.9	14.9	14.9
	2	79	22.2	22.3	37.2
	3	11	3.1	3.1	40.3
	4	144	40.4	40.6	80.8
	5	68	19.1	19.2	100.0
	Total	355	100.0	100.0	

Source: Own survey, (2019)

Table 4.7: Compliance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3	60	16.9	16.9	16.9
	4	207	58.1	58.3	75.2
	5	88	24.7	24.8	100.0
	Total	355	100.0	100.0	

Source: Own survey, (2019)

Table 4.8: Satisfactions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	31	8.7	8.7	8.7
	2	160	44.9	45.1	53.8
	3	3	.8	.8	54.6
	4	116	32.6	32.7	87.3
	5	45	12.6	12.7	100.0
	Total	355	100.0	100.0	

Source: Own survey, (2019)

Table 4.9: Result of reliability analysis for the questionnaire

Variables	Items	Cronbach Alpha
Reliability	4	0.781
Responsiveness	4	0.765
Assurance	3	0.832
Tangibility	4	0.763
Empathy	6	0.865
Compliance	3	0.842
Satisfaction	7	0.795
Total	**31**	**0.81**

Source: Own survey, (2019)

4.2. Descriptive statistics of the data

Table 4.10 illustrates the details about mean, median, mode, standard deviation and minimum and maximum scores of the variables of the study. These scores were found using the descriptive statistics in SPSS 20 version.

Table.4.10: Descriptive analysis

	Reliability	Assurance	Responsiveness	Tangibility	Empathy	Compliance	Satisfaction
N Valid	355	355	355	355	355	355	355
Mean	2.32	3.31	3.18	3.07	3.27	4.08	2.95
Median	2.00	4.00	4.00	3.00	4.00	4.00	2.00
Mode	2	4	4	2	4	4	2
Std. Deviation	1.221	1.347	1.369	1.478	1.388	.642	1.279
Minimum	1	1	1	1	1	3	1
Maximum	5	5	5	5	5	5	5

Source: Own survey, (2019)

As described by Andy (2006) the correlation coefficient is a commonly used measure of the size of an effect: Values of ± **0.1** represent a small effect, ± **0.3** is a medium effect and ± **0.5** is a large effect. As explained on Fikre et al (2009) "the sign of a correlation describes the type of relationship between the variables being correlated. A positive correlation coefficient indicates that there is a positive linear relationship between the variables. A negative value indicates a negative linear relationship between variables.

Table 4.11: Pearson Correlations

Reliability	Pearson Correlation	0.732
	Sig. (2-tailed)	.005**
	N	355
Assurance	Pearson Correlation	0.804
	Sig. (2-tailed)	.001*
	N	355
Responsiveness	Pearson Correlation	0.042
	Sig. (2-tailed)	0.432
	N	355
Tangibility	Pearson Correlation	.165**
	Sig. (2-tailed)	0.002
	N	355
Empathy	Pearson Correlation	.451**
	Sig. (2-tailed)	0.001
	N	355
Compliance	Pearson Correlation	.603**
	Sig. (2-tailed)	0.002
	N	355
Satisfaction	Pearson Correlation	1
	Sig. (2-tailed)	
	N	355

Source: Own survey, (2019)

4.3. Overall regression analysis

Table 4.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.550ᵃ	.62	.76	1.249

a. Predictors: (Constant), Assurance, Empathy, Reliability, Responsiveness, Compliance, Tangibility

Table 4.13: ANOVA

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	36.131	6	6.022	3.858	.001ᵇ
	Residual	543.148	348	1.561		
	Total	579.279	354			

a. Dependent Variable: Satisfaction
b. Predictors: (Constant), Assurance, Empathy, Reliability, Responsiveness, Compliance, Tangibility

In the table 4.14, unstandardized coefficients indicated how much the dependent variable varies with an independent variable, when all other independent variables are held constant. The beta coefficients indicated that how and to what extent service quality dimensions such as tangibility, reliability, responsiveness, assurance, empathy and compliance influence customer's satisfaction of a bank.

Table 4.14: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	2.555	.523		4.881	.000
Reliability	.131	.055	.129	3.561	.007
Responsiveness	.030	.049	.032	.623	.534
Tangibility	.125	.045	.144	2.752	.006
Empathy	.155	.048	.168	3.232	.001
Compliance	.148	.024	.139	3.753	.002
Assurance	.154	.050	.157	2.084	.004

a. Dependent Variable: Satisfaction

5. Results and Discussion

The study examined the effect of service quality dimension on satisfaction of interest free banking user the case of AIB in diredawa branches. The research was conducted using questionnaire consisting of 355 sample respondents.

To do this, the study adopted the CARTER six service quality dimensions out of the six dimensions, AIB's interest free banking diredawa branches was discovered to be rendering superlative services in the dimensions of compliance, assurance, empathy and responsiveness. The mean score values of the remaining one dimension that is reliability is lower and the implication of this is that the bank needs to re-strategize on how to improve on this service of dimensions to further increase their customers' satisfaction.

Regard of Multiple Linear Regression analysis output the **Empathy** dimension has a coefficient of 0.168 which indicated that there existed a positive significant relationship between empathy dimension and customer satisfaction. Empathy dimension has the positive relationship with customer satisfaction. This is shown in our findings in which proved that the empathy dimension achieved a correlation of 0.451 with the level of customer satisfaction.

Our result is consistent with the finding of Ladhari et al. (2011) which implies that the more empathy a bank staff does, it will make customers feel warm and friendly with the service provided. From the point of view of past researcher, Yavas et al. (2004), empathy is defined as how a banks giving its interest at heart and concerned enough to understand the ultimate and specific needs of a customer in order to make he or she feels satisfied. This supported by finding of Ladhari et al. (2011) which indicated that empathy was the important predictor of satisfaction.

From Multiple Linear Regression analysis, the **Assurance** dimension has a coefficient of 0.157 which indicated that there existed a positive significant relationship between assurance dimension and customer satisfaction. Based on our findings, the assurance dimension has a correlation of 0.804 with the level of customer satisfaction which showed highest strength of association.

Our result is consistent with the finding of Arasli et al. (2005) which indicated assurance as the most significant contribution on customer

Based on our result, **Tangible** dimension has a positive correlation of 0.165 with the level of customer satisfaction. From Multiple Linear Regression analysis, the tangible dimension has a coefficient of 0.144 which indicated that there existed a positive significant relationship between tangible dimension and IFB's customer satisfaction. Our result is consistent with the finding of Al Shemmery (2010) who stated that indoor aspects of a branch tangible has impact overall customer satisfaction in bank.

Compliance dimension has a positive correlation of 0.603 with the level of customer satisfaction in AIB's interest free banking diredawa city branches. From Multiple Linear Regression analysis, the compliance dimension has a coefficient of 0.139 which indicated that there existed a positive significant relationship between compliance dimension and IFB's customer satisfaction.

Therefore, the results support the previous studies of Kotler et al. (1989) in which they stated that marketers believe that the religion has an impact on the decision and behavior when requesting a service or purchasing a product. Furthermore, the results support the suggestion of Owen and Othman (2001) for interest free banks to adopt a service quality philosophy. They attributed this to the fact that Muslims believe that business practices of Islamic banks are part of their worship where all products and services are based on religion.

Reliability dimension has the positive relationship with customer satisfaction. Our findings have showed that reliability has a 0.732 correlation with the level of customer satisfaction which showed strength of association. From Multiple Linear Regression analysis, the reliability dimension has a coefficient of 0.129 which indicated that there existed a positive significant relationship between reliability dimension and customer satisfaction. Our result showed least influential factor in determining customer satisfaction in banking industry when compare with the other dimensions.

Our result is consistent with the finding of Armstrong (2000) who stated that transactional speed is the most important item influencing customer satisfaction. When Islamic bank's services are reliable, customers can enjoy efficient services that lead to a good level of customer satisfaction.

Based on our result, **Responsiveness** dimension has a positive correlation of 0.042 with the level of customer satisfaction which shows poor correlation and also statically not significant. From Multiple Linear Regression analysis, the responsiveness dimension has a coefficient of 0.032 which indicated that there existed a positive insignificant relationship between responsiveness dimension and customer satisfaction. Our result is inconsistent with the finding of Rehman (2012) which indicated there is significant relationship between responsiveness and customer satisfaction.

Furthermore the outcome indicates that there is perfect significant relation between all service quality dimension variables and customer satisfaction except responsiveness.

Finally, the result indicates that all the service quality dimensions investigated had significant impact on satisfactions of interest free banking user at AIB diredawa branches but the service quality dimensions of, empathy, assurance, compliance tangibility and reliability respectively are affecting more AIB interest free banking customer's satisfaction.

6. Conclusion and Recommendation

6.1. Conclusion

Customer satisfaction is a critical business requirement. Customer value is an asset to the organization. While, quality service is essential in today's competitive market. The objective of this study was to find out the effect of quality of service on satisfaction of interest free banking user the case of AIB's diredawa city branch. The results demonstrate that all the hypotheses are accepted and proved statistically significant except responsiveness and the customer service quality has a positive impact on the customer satisfaction when customers dealing with interest free banks.

According to the model, this study applied six dimensional model of CARTER for measuring the service quality of IFB. These dimensions are known as compliance, assurance, reliability, tangibility, empathy, and responsiveness. These tangible elements of IFB banks have a direct impact on satisfaction.

We compare the mean values which shown that Compliance dimension have the highest mean (4.08) which indicated highest customer satisfaction level toward this dimension and followed by assurance dimension which is 3.31 and the third highest satisfaction level is empathy dimension which is 3.27. Responsiveness dimension have mean of 3.18 which indicated moderate customer satisfaction level toward this dimension. Lastly, Tangibility and Reliability dimension have the lowest customer satisfaction level toward this

dimension among the 6 core service quality dimension in IFB industry.

The correlation result showed that, the six service quality dimensions (assurance, reliability compliance, empathy and tangible) were positively and significantly related with customer satisfaction. However, responsiveness has lowest relation and insignificant impact on customer satisfaction.

The regression output showed that 76% of customer satisfaction variation determined by empathy, tangibility, compliance, reliability, assurance and responsiveness respectively.

From six intangible components namely Empathy, Reliability, compliance, Tangibility and Assurance stress statistically significant impacts on customer satisfaction with significant level at 5%.Empathy and Assurance illustrates strongest impact on customer satisfaction with the highest beta coefficient value, followed by Tangibility and Compliance, respectively.

However Responsiveness is the only factor that does not reveal a statistical impact on customer satisfaction. This result indicates that service quality confirms its role as an important driver of customer satisfaction which leads to customer loyalty and the banks' profits. Therefore, service quality dimension have positive effect on satisfaction of interest free banking (IFB) user. The results of this study concluded that service quality is an important antecedent of customer satisfactions.

6.2. Recommendation

From the analysis and conclusions of the study, it is recommended that the AIB's interest free banking management should improve on the organization's service quality variables of responsiveness to satisfy their customers more in these areas. The front office staff should be more responsive to their customer's needs. This study has also found that Compliance has high scored mean, positively correlated with customer satisfaction as well as positively and statically significant impact on customer satisfaction. So AIB'S interest free banking service section should focus on compliance which includes aspects related to Islamic ethical and moral beliefs. If compliance is missing in interest free banking then it is no different from conventional banking.

Additionally the study found that the Diredawa branches of IFB's user moderately dissatisfied by responsiveness dimension so the banks should give additional training for their employees to make satisfy unsatisfied customers.

Awash international banks (AIB) interest free banking service section should build culture of quality by adapting a quality system in its managerial and operational sides since it is a crucial success factor affecting the competitiveness of an organization.

Finally, the management needs to improve quality services so as to satisfy customers' needs. The banks need to pay much attention on the customer complaints in order to satisfy customers' expectation. The management of the banks should regularly run research activities in order to keep a regular track of customer satisfaction level. Regular research should also be conducted to find out customer expectation about various service aspects. These findings are important to enable bank managers to have better understanding the impact of service quality on customer satisfaction.

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