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The effect of Service Quality on Customer satisfaction

The Case of Ethiopian Revenue & Customs Authority, Nifassilk-Lafto Sub-city

A thesis for Partial Fulfillment of Master of Arts in Marketing Management

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Declaration

I, the undersigned, declare that this research paper is my original work and that to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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Abbreviations

ERCA: Ethiopian Revenue and Custom Authority

SERVQUAL: Service Quality

SERVPERF: Service Performance

SPSS: Statistical Packages for Social Scientists

STP: Small Tax Payers

TOT: Turn over Tax

VAT: Value added Tax

AACSA: Addis Ababa Chamber of commerce and Sectoral Associations

Abstract

A lot of work has gone into studying service quality and customer satisfaction in the private sector but a few are conducted in the public sector such as ERCA. Moreover the prevailing indicators of customer dissatisfaction in relation to service delivery at ERCA demand to conduct a study on the issue. This study was conducted to examine the effect of service quality on customer satisfaction in the context of ERCA-Nifassilk-Lafto sub-city. The SERVPERF model was employed and the study was conducted using a quantitative method through cross-sectional survey design. The sample size was 387 and the sampling technique used was convenient sampling. Self administered survey questionnaire based on the modified 22 items of the SERVPERF scale was used as instrument to collect primary data. The results of correlation analysis showed that all the five service quality dimensions were significantly correlated with customer satisfaction. The dimension that was highly correlated with customer satisfaction was empathy (correlation coefficient = 0.807) followed by assurance (correlation coefficient = 0.785), responsiveness (correlation coefficient = 0.784), reliability (correlation coefficient = 0.777), and finally tangibility was found to be the dimension that was least correlated with customer satisfaction (with correlation coefficient = 0.547). Multiple regression analysis was also performed and from the results the R^2 value for the model summary of the five service quality dimensions was 0.81 which indicated that service quality dimensions on aggregate are capable of explaining the variance in customer satisfaction by 81%. The 'b' coefficients for tangibility, reliability, empathy, assurance and responsiveness, were found to be 0.082, 0.264, 0.303, 0.291 and 0.271 respectively. Except tangibility the 'b' coefficients for the four service quality dimensions were statistically significant at 99% confidence intervals and for the dimension tangibility it was significant at 95% confidence interval.

Key words: *Service quality, service quality dimensions, customer satisfaction, SERVPERF, ERCA*

CHAPTER ONE

Introduction

1.1 Background of the Study

For many years the topic of customer satisfaction has been on the agenda, in recent years this has gained rapidly. The public sector is changing constantly and rapidly in order to cope with a lot of challenges and to respond to the many new needs and demands in society. The place and the role of the citizen/ customer have become of very high importance in these changes and reforms. Managing customer satisfaction is therefore indispensable for public organizations in order to see if they are doing the right things and if they are doing things right (Thijs, 2008).

One of the most Determinant Factor for Customer Satisfaction is Service quality due to the fact that customer satisfaction has been considered to be based on the customer's experience on a particular service encounter (Cronin & Taylor, 1992). Hence many service organizations have adopted the principles of service quality to maximize customer satisfaction and to increase their customer base and the application of these principles has also trickled into public sector organizations (Osei2012).

The most widely used models in measuring service quality are the SERVQUAL model which was developed and modified by Parasuraman, et al. (1988) and SERVPERF model which was developed by Cronin and Taylor (1992). The SERVQUAL model developed by Parasuraman states that service quality can be measured by identifying the gaps between customers' expectations of the service to be rendered and their perceptions of the actual performance of the service. The SERVPERF model is a modification of the SERVQUAL model which is based up on performance theory and states that performance is only measure of service quality.

A lot of work has gone into studying service quality and customer satisfaction in the private sector. Though some work on the subject has been done in the public sector as well, it does not match the scale or volume of work done in the private sector (Amanfi, 2012). On the

other hand in today's vast global economic reform, the public sector faces huge challenges to sustain and remain competitive due to the new policies introduced by the government, rising demand for public services, changing digital era as well as to achieve zero complaints filed by the general public (Abdullah, 2014). Moreover, society is the customer and they must be satisfied and government is required to be more aware about its social function in gratification of people's needs and welfare enhancement.

The public service implemented by the government is frequently a reflection of general bureaucracy quality. Consequently government needs to make improvement on public service quality to gain people's satisfaction (Hadiyati, 2014).

One of the forms of the public service is the bureaucracy of tax revenue collection and related matters which is currently being offered by ERCA.

This study was aimed at testing the existing service quality through Service quality dimensions by using the SERVPERF model, and examined the effects of Service quality on customer satisfaction in the context of ERCA-Nifas Silk Lafto sub-city.

1.2 Problem Statement

Although some empirical evidence could be found in the literature worldwide investigating the effect of service quality on customer Satisfaction in public sector, this domain has not been much considered and few studies are conducted in Ethiopia's case in general and in ERCA in particular.

Service quality itself is a multidimensional construct (e.g. SERVPERF and SERVQUAL) then the question arises which specific dimensions of service quality have the strongest effects on customer satisfaction? Hence there is a need to customize the issue to the specific service sector and to the specific cultural context in which they are applied (Culiberg, B.and Rojsek, I, 2010).

As the part government plan to improve the scale, efficiency, and responsiveness of public service delivery at the federal, regional, and local level, there are improvements in quality and efficiency of operations and also there are improvements in transparency and accountability in Public service. Following the new reform of ERCA and its implementation of BPR in June 2008 there is significant reduction in processing of tax and customs-related

services (The World Bank Report, on FDRE June 25, 2013). On the other hand there are still indicators of customer dissatisfactions in relation to service delivery of ERCA even after the reform. For instance according to the report from Addis business magazine (January,2012), When ERCA made public its expansion plan to generate more tax revenues on the consultation meeting that was organized by the ERCA & AACSA on January 11, 2012, the tax paying members of the business community in Addis had criticized ERCA for its poor customer service and information management. It was also reported on the meeting that some of the business persons have a doubt whether the authority would be able to control those illegal brokers and traders by assigning a large number of staffs. Another report of the cape stone team from Elliott School of international affairs (May, 2014), shows that the tax system in Ethiopia reflects the shortcomings of decentralization. While the new tax code is a positive move in business regulation it has lagged in successful implementation thus far. It was mentioned on the report that Contradictory calculation systems for tax collection that differs from one Woreda to another and discrepancies in the implementation of the law negatively impacted the progress of struggling entrepreneurs.

Hence the above mentioned service related factors show a need to conduct a study on this issue at different levels to understand the exact phenomena on the level of current service quality as perceived by customers and the depth and breadth of its effects on customer satisfaction so that it is possible to identify if there are areas that needs remedies.

1.3 Basic Research Questions

1.3.1 Main Research Question

What type of effect does service quality has on customer satisfaction in the context of ERCA-Nifassilk-Lafto sub-city?

1.3.2 Sub-Research Questions

1. What is the level of perceived Service quality of ERCA-Nifassilk-Lafto sub-city?
2. What is the relationship between each dimension of Service quality and Customer satisfaction?
3. What is the extent of the effect of service quality on customer satisfaction through each Service quality dimensions?
4. Which of these dimensions of service quality have a significant effect on customer

satisfaction?

5. Which dimensions or aspects of service quality need to be improved in the context of ERCA-Nifassilk-Lafto sub-city.?

1.4 Objective of the Study

1.4.1 General Objective

The general objective of this study is to examine the effect of service quality on customer satisfaction in the context of ERCA-Nifassilk-Lafto sub-city.

1.4.2 Specific objectives

The specific objective of this study is to accomplish the following:

- To measure Customer's perceived service quality of ERCA-Nifassilk-Lafto sub-city
- To examine the relationship that exists between each Service quality dimensions and customer satisfaction
- To determine the extent of the effects of each service quality dimensions on customer satisfaction.
- To identify and describe dimensions of service quality which have a significant effect on customer satisfaction
- To identify those dimensions or aspects of service quality that need to be improved in the context of ERCA-Nifassilk-Lafto sub-city STP branch office.

1.5 Delimitation/Scope of the study

Since the topic area of Customer satisfaction & service quality is very broad by its nature, this study did not access all the literature concerning customer satisfaction and service quality. Hence conceptually the study was limited to the topic concerning the effects of service quality on customer satisfaction. The other delimitation is that even if the topic of the study concerns both the employees and customers, the study was only focused on customers because the researcher was interested in viewing this subject from the perspective of customers who consume services. The other scope is that the study was based on the context of ERCA and it was conducted at Nifassilk-Lafto sub-city small tax payers branch office, hence geographically the study was limited to Addis Ababa Nifassilk-Lafto sub-city and target wise the study was only limited to small tax payers of level 'A', and 'B' at sub-city

level of Nifassilk-Lafto sub-city. In the last methodologically the study was limited to cross-sectional survey method and data was collected at one point in time.

1.6 Limitation of the Study

This study was subjected to some limitations that were emanated from methodology of the research. For instance the study was carried out through the use of cross-sectional survey design using structured questionnaire as a research instrument to perform quantitative method of data analysis. The data collected by the survey strategy is unlikely to be as wide-ranging as those collected by other research strategies. For example as Saunders et al. (2009) stated there is a limit to the number of questions that any questionnaire can contain in order to gain the goodwill of the respondent which was the case for this study. Kothari, C.R (1990) stated some of the limitations of using questionnaire as a research instrument, these are bias due to no-response which is often indeterminate, difficulty to know whether willing respondents are truly representative and the low rate of return of the duly filled in questionnaires which was also encountered on this study etc.

The other methodological limitation of this study is that as the methodology was quantitative there was no depth experience description. According to Dudwick et al. (2006) this is a limitation because many important characteristics of people and communities for example identities, perceptions, and beliefs cannot be meaningfully reduced to numbers or adequately understood without reference to the local context in which people live.

1.7 Significance of the Study

Customers will always prefer a product or service that gives them maximum satisfaction and organizations need to know whether the consumers' consumption habits have changed, or if they are well served. Organizations need to answer these questions through continuous research in this area so as to lead the organizations to their objectives of satisfying their customers and increasing revenue or making profit.

Even though there are factors other than service quality that determine customer satisfaction, the researcher focused on service quality alone because service quality has been proven to be the best determinant of customer satisfaction when it comes to service sectors (Agbor, 2011). Hence the findings of this study could be used as an input to understand the existing phenomena of service for tax payers in relation to their satisfaction and of vital

importance to identify those areas or aspects of service that need remedies in order to improve the level of customers' (taxpayers') satisfaction.

1.8 Definition and Terms

Customer: is a stakeholder of an organization who provides payment in exchange for the offer provided to him/her by the organization with the aim of fulfilling a need and to maximize satisfaction (Agbor, 2011).

Service An activity, benefit, or satisfaction offered for sale that is essentially intangible and does not result in the ownership of anything (Kotler, P. and Armstrong, G., 2012).

Perceived service quality: a term that is generally used by researchers to measure the quality of intangible services (Kursunluoglu, 2014). It is the result of the comparison of perceptions about service delivery process and actual outcome of service (Grönroos, 1984).

1.9 Organization of the Paper

This study comprised five Chapters. Chapter one is introduction, chapter two contains theoretical and empirical review of related literatures, Chapter three deals with the research methodology, Chapter four discussed on data analysis and interpretation. And finally Chapter five comprised summary of findings, Conclusions and recommendations.

CHAPTER TWO

Literature Review

2.1 Introduction

This chapter presented the overview of current literature related to the study with in the frame of the research problem presented earlier. The theoretical and empirical review of both of the independent and dependent variables and their relationship are reviewed based on previous studies that are related to this topic and then the conceptual frame work was developed based on reviewed literatures and models.

2.2 Theoretical Review

2.2.1 Arguments on the Concept of Quality

Researchers and practitioners from philosophy, economics, operations and marketing have offered rival opinions on the meaning of quality (Jan, V. R., 2009).

According to David, A. G. (1984) five approaches to the definition of quality can be identified: (1).The transcendent approach of philosophy defines quality as a synonymous with “innate excellence”. It is both absolute and universally recognizable, a mark of uncompromising standards and high achievement. (2).The product-based approach of economics views quality as precise and measurable variable. According to this view difference in quality reflects difference in quantity of some ingredient or attribute possessed by a product. (3).The user-based approach of economics, marketing, and operations management start from the opposite premise that quality “lies in the eyes of the beholder”. Individual consumers are assumed to have different wants or needs, and those goods that best satisfy their preferences are those that they regard as having the highest quality. (4).The manufacturing based definitions focus on the supply side unlike the user based definitions of quality which incorporate subjective elements, for they are rooted in the consumer preferences. Virtually all manufacturing-based definitions identify quality as “conformance to requirements”. Once a design or a specification has been established,

any deviation implies a reduction in quality. Excellence is equated with meeting specifications, and with “making it right the first time”. (5). Value-based approaches of operations management define quality in terms of costs and prices. According to this view, a quality product is one that provides performance at an acceptable price or conformance at an acceptable cost.

Although these definitions are applicable to both products and services, it can be argued that quality management in relation to services demands a different approach when compared to products for the simple reason that services have different distinguishing features (Jan, V. R., 2009). According to Parasuraman et al. (1985) efforts in defining and measuring quality have come largely from the goods sector. Knowledge about goods quality, however, is insufficient to understand service quality. Girma (2015) also confirmed the fact that from reviewing articles on quality, it has been found that early research has been focusing on defining and measuring the quality of tangible goods and products while the more challenging service sector was disregarded

2.2.2 Characteristics of Service

In the services marketing literature, many differences between services and physical goods are discussed and then interpreted as the ‘characteristics of services’. These are: intangibility, inseparability, variability, and perishability (Bruhn and Georgi, 2006), Kotler and Armstrong, 2012).

Service intangibility means that services cannot be seen, tasted, felt, heard, or smelled before they are bought.

Service variability means that the quality of services depends on who provides them as well as when, where, and how they are provided.

Service perishability means that services cannot be stored for later sale or use.

Service inseparability means that services cannot be separated from their providers, whether the providers are people or machines. If a service employee provides the service, then the employee becomes a part of the service Grönroos (1998) also states that service elements are interpreted as a process of consumption where the consumer perceives the production process as part of the service consumption and not just the outcome, as in the traditional marketing of physical goods.

According to Georgi (2006) all the four characteristics of service can be ascribed to one central characteristic: ‘*services are processes*’. The notion of the process outcome leads to one of the

service characteristics mentioned: *services are intangible*. The intangibility of services results in the importance of employees and communications in the quality *evaluation* process of a customer. Because of their intangibility, service capacities can decay, i.e. *services are perishable and cannot be stored*. Another consequence of the intangibility of services is that *services cannot be transported*. Furthermore, *services are consumed and produced simultaneously*. In addition, *services are heterogeneous*, i.e. a service can be very different for each customer.

A major characteristic of the service process is the *participation of the customer*, i.e. the service process cannot be conducted without some customer involvement. Therefore, the customer in services marketing theory is also called the *co-producer of the service*. In other words, the customer of a service is regarded as an 'external factor'. Since the customer is also present as the service is produced, *provider-customer interaction* is a special feature of services. And hence both the provider and the customer affect the service outcome.

2.2.3 Service Quality

Parasuraman, Zeithaml and Berry (1985) stated that it is inappropriate to use a product-based definition of quality when studying the service sector and therefore developed the expression of "service quality". According to them the definition of the concept is attitude, which results from a comparison of customers' expectations with perceptions of performance.

Gronroos (1984) was also towards the same view of defining the concept of service quality as a form of attitude that results from a comparison of expectations with perceptions of performance.

Cronin and Taylor (1992), however argue that the conceptualization of service quality as a gap between expectations and performance is inadequate. According to them, the concept of service quality should be customers' attitude towards the service, since the concept of satisfaction is already defined as a gap between expectations and performance. They also argued that an attitude based conceptualization would argue for evaluation of performance on specific service attributes.

Generally two schools of thought emerged in the definition of service quality, namely the Scandinavian and American schools (Daniel, 2014, - Ganesh and Haslinda, 2014).

The Scandinavian school of thought, also called the "Nordic" perspective, defined service quality

using categorical terms and divided the construct into different dimensions, these are (1) *functional (the process of service delivery)*, (2) *technical (the outcome of the service encounter)*, and (3) *reputational quality (the reflection of the corporate image)* (Gronroos, 1984).

The American school defined service quality using more descriptive terms and uses other dimensions for service quality. These are tangibility, reliability, responsiveness, assurance and empathy (Parasuraman, Zeithaml, and Berry, 1988). As it was stated by Daniel, 2014, analyzing the studies on Perceived service quality we see that the "American" conceptualization dominates Perceived service quality literatures.

2.2.4 Service Quality Dimensions

According to Suuroja (2003) service quality is not viewed as a separate construct, but it is viewed as an aggregate of several dimensions or components due to the fact that service comprises a complex bundle of explicit and implicit attributes. Cognizant to this fact it is logical to assume that the customers' overall evaluation should include evaluations along these attributes“(Gronroos, 1984; Parasuraman et al., 1988).

The original study by Parasuraman et al., (1985) presented ten dimensions of service quality which are stated below

- **Tangibles:** the appearance of physical artifacts and staff members connected with the service (accommodation, equipment, staff uniforms, and so on).
- **Reliability:** the ability to deliver the promised service.
- **Responsiveness:** the readiness of staff members to help in a pleasant and effective way.
- **Competence:** the capability of staff members in executing the service.
- **Courtesy:** the respect, thoughtfulness, and politeness exhibited by staff members who are in contact with the customer.
- **Credibility:** the trustworthiness and honesty of the service provider.
- **Security:** the absence of doubt, economic risk, and physical danger.
- **Access:** the accessibility of the service provider.
- **Communication:** an understandable manner and use of language by the service provider.
- **Understanding the customer:** efforts by the service provider to know and understand the customer.

Further investigation led to the finding that, among these 10 dimensions, some were correlated. Hence later these ten dimensions stated above were further purified and developed into five dimensions i.e. tangibility, reliability, responsiveness, assurance and empathy to measure service quality, SERVQUAL” (Parasuraman et al., 1988). These five dimensions identified are as stated below:

- **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 and Confidence
- **Empathy:** caring individualized attention the firm provides to its customers

As it was confirmed by Amanfi (2012) the five dimensional construct of Parasuraman et al. is the most universally accepted and most extensively used construct of service quality dimensions.

2.2.5 Models for measuring Service Quality

The elusive and indistinct construct nature of service quality discussed earlier made it difficult to define and measure. Many researchers have sought to define and measure the concept of service quality (e.g. Gronroos 1984, Parasuraman et al. 1985 and 1988, Cronin and Taylor 1992). Consequently, two contradicting approaches emerged regarding how to measure service quality. One group of researchers support the disconfirmation paradigm of perceptions minus expectations; and the other group support the performance-based approach of a perceptions only measure of service quality.

Grönroos (1984) was among the researchers who support the disconfirmation paradigm of perceptions minus expectations and developed the service quality model to measure perceived service quality. This model by Gronroos (1984) was based on the test of qualitative methods and used three service quality dimensions namely, technical quality, functional quality, and corporate image. Technical quality was the ‘what’ part (dealt with what was delivered) whereas functional quality was the” how” part (dealt with how the service was delivered). Corporate image was the third dimension, which was meant to have a positive impact on customer perceptions.

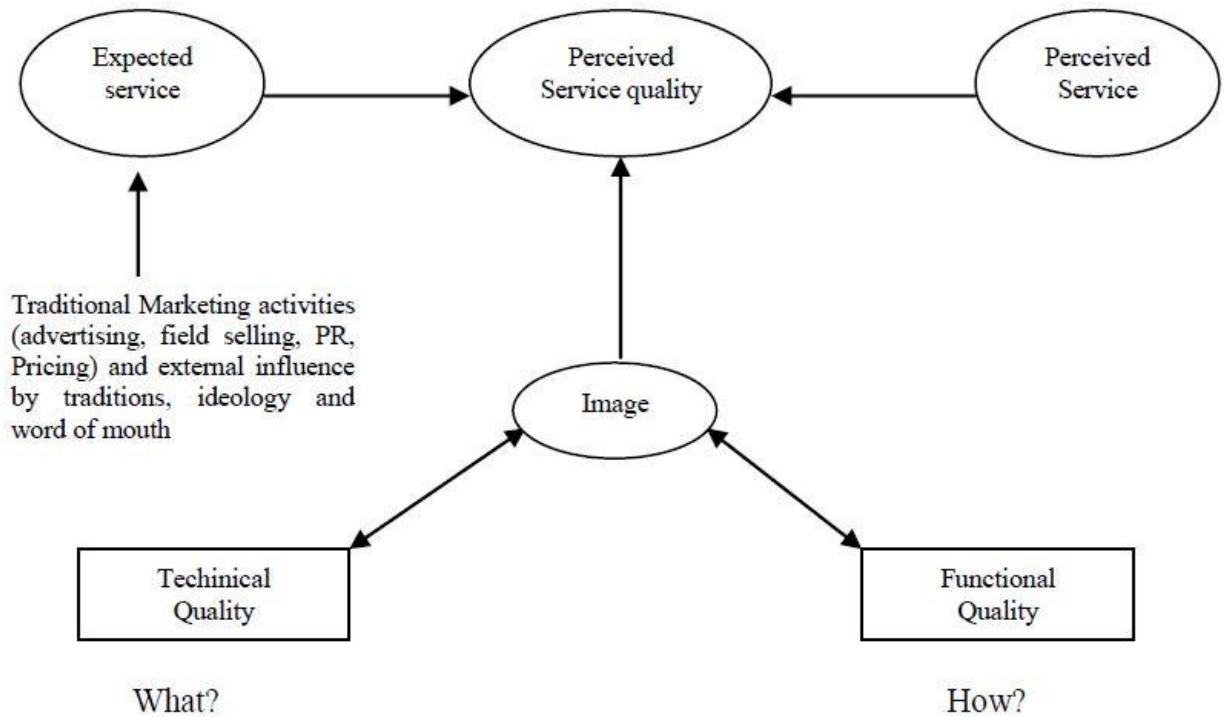


Fig. 2.1 Service quality model by Grönroos

Source: Grönroos (1984)

Currently the most widely used models in measuring service quality are the GAP Model (developed and modified by Parasuraman, et al. (1988) which states that service quality can be measured by identifying the gaps between customers' expectations of the service to be rendered and their perceptions of the actual performance of the service) and the SERVPERF Model (developed by Cronin and Taylor (1992) which states that performance is the only measure of service quality).

I. The SERVQUAL or GAP Model

Parasuraman et al., 1988 developed a conceptual model of service quality where they identified five gaps that could impact the consumer's evaluation of service quality. Within the SERVQUAL or GAP model, service quality is defined as the gap between customer perceptions

and customer expectations. When customers' perceptions of a service exceed their expectations, they will perceive a high service quality. However, when a customer perceives that a service fails to meet expectations, the customer perceives bad service quality. This difference, called GAP 5, is determined by four other gaps, GAP 1 to GAP 4: service quality is not reached when there is a GAP 1 between customer expectations and the management's perceptions of these expectations and/or a GAP 2 between the management's perceptions of customers' expectations and the defined service specifications and/or a GAP 3 between the defined service specifications and the delivered service and/or a GAP 4 between the communicated service and the delivered service.

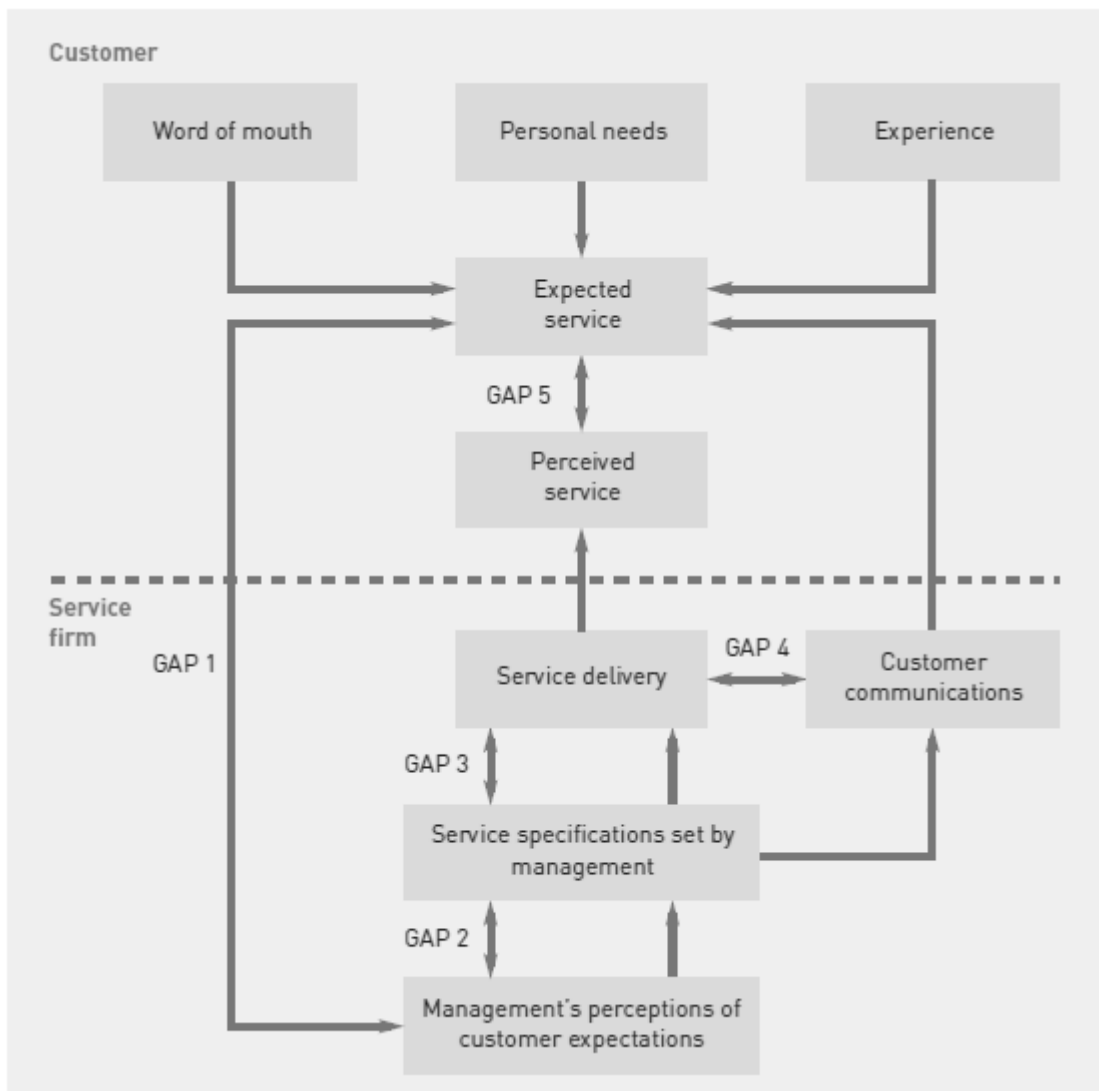


Fig 2.2 GAP model of service quality

Source: Parasuraman *et al.* 1985

Although the elements listed in SERVQUAL model have been proven to be the main method for evaluating service quality from the consumer's perspective (Brown et al., 1993), drawbacks in using SERVQUAL in measuring service quality has been the reason that the SERVPERF scale was proposed Cronin & Taylor 1992 who questioned the conceptual basis of the SERVQUAL .

II. The SERVPERF Model

SERVPERF model (Service Performance model) is a model which was developed on the basis of critique of SERVQUAL by J.J. Cronin and S.A. Taylor in 1992. They claimed that the study by Parasuraman's et al. of relations between expected and experienced quality is not proper approach to quality assessment. The authors argued that the performance-based measure of service quality, the SERVPERF model, is an improved means of measuring the service quality construct (Cronin & Taylor, 1992).

Based on empirical research across different industries, including bank pest control dry cleaning, and fast food they provided evidences that support the distinction of performance only measure of SERVPERF model over SERVQUAL model and they maintained the same items scale proposed by Parasuraman et al. The authors also considered that service quality is an antecedent of customer satisfaction, and also service quality has meaningful impact on purchase intention even if the impact is less compared to the impact from customer satisfaction (Cronin & Taylor, 1992). They also emphasized that the service quality is conceptualized by customer's attitude related with the dimensions of service quality, rather than by the gap between expectation and performance as suggested by satisfaction model.

Evaluation of SERVQUAL and SERVPERF Model

The service quality models SERVQUAL and SERVPERF has been applied in several industries and been object of research for different areas. Cronin & Taylor (1992) concluded that SERVPERF is more sensitive than the SERVQUAL to measure variations in perceived service quality. According to them the SERVPERF model produced more steady results.

In the literature there are other studies that confirm the findings obtained by Cronin & Taylor (1992) about the superiority of SERVPERF compared with the SERVQUAL model, in assessing

the quality of services in different areas, including internal services (Salomi et al., 2005; Mohd et al., 2013).

Many researchers have criticized the SERVQUAL model based on identified issue about the difference score approach - expectations and performance, because they can causes poor reliability (Brown, et al., 1993) and problems of variance restriction associated with the component scores, it means, the restriction is related to the problem to harm the predictive validity of the model (Peter, et al., 1993).

“Methodologically, the SERVPERF scale represents marked improvement over the SERVQUAL scale. Not only is the scale more efficient in reducing the number of items to be measured by 50 per cent, it has also been empirically found superior to the SERVQUAL scale for being able to explain greater variance in the overall service quality measured through the use of single-item scale” (Sanjay and Garima, 2004)

Laroche et al. (2004) provided empirical evidences that the SERVQUAL model must not be used in measurement of service quality in every type of industry, it means, different industries require thorough analysis to identify the suitable model to measure service quality.

Another evaluation about the SERVQUAL or Gap model is the one that was presented by Teas (1993) where the scale to measure expectations can induce different types of expectations and the respondents of research are not able to identify difference among the score to measure expectations. The concerns in measure expectations have been a relevant topic for debate among researches in different areas (Oh, 1999) and the SERVPERF model has not been an aim to the same criticisms (Da Silva, 2014).

Hence based on the above discussions of Literatures which indicates the superiority of SERVPERF model over the SERVQUAL model and also due to the simplicity of SERVPERF model in number of items to be measured, the researcher selected the SERVPERF model and used for this study.

2.2.6 Customer Satisfaction

Generally there are two conceptualizations of Customer satisfaction, namely, the transaction-specific and the cumulative satisfaction (Boulding et al., 1993; Munusamy et al., 2010).Transaction-specific satisfaction is a post-choice evaluation judgment of a specific

purchase occasion and hence it is customer's evaluation of his or her experience on a particular service encounter (Cronin and Taylor, 1992; Oliver, 1980). Cumulative satisfaction refers to the customer's overall evaluation of the consumption experience to date based on the total purchase and consumption experiences with a product or service over time (Fornell, 1992).

In general, it is agreed that the measurement of customer satisfaction is a post-consumption assessment by the user, about the products or services gained (Munusamy et al., 2010).

2.2.7 Measuring Customer Satisfaction

According to Oliver (1980) customer is satisfied when he or she feels that the product's performance is equal to or more than what was expected (confirmation) and if perceived performance falls short of his/her expectations (disconfirmation), then the customer is dissatisfied. In contrary to this view of confirmation/disconfirmation approach Cronin & Taylor (1992) argue that expectations have only positive influence on satisfaction and hence it is the performance, which is main driver of customer satisfaction. Lovelock and Wright (1999) also are towards the view of performance model as they described customer satisfaction as a 'short term emotional reaction to a specific service performance'.

"Comparing disconfirmation and performance models, it is necessary to say, that the second one has been evaluated as more appropriate model for predicting customer satisfaction and as an effect of this argument, performance model is evaluated as superior to disconfirmation model in the studies of customer satisfaction" ((Waligóra and Waligóra, 2007).

Cognizant to the above argument, the measure of customer satisfaction for this study was based on the notion of performance model.

2.2.8. Customer satisfaction and service quality

Some researchers believe that perceived service quality is just one component of customer satisfaction (Ganesh and Haslinda, 2014). On the other hand even if service quality and customer satisfaction are believed to have a close relationship, researchers generally agree that the two are conceptually distinct constructs (Bitner, 1990, Oliver, 1993). Yap and Kew (2007) identified elements that distinguish customer satisfaction from service quality as given in the table below.

Customer Satisfaction	Service Quality
Customer satisfaction can result from any dimension, whether or not it is quality related.	The dimensions underlying quality judgments are rather specific.
Customer satisfaction judgments can be formed by a large number of non-quality issues, such as needs, equity, perceptions of fairness	Expectations for quality are based on ideas or perceptions of excellence.
Customer satisfaction is believed to have more conceptual antecedents.	Service quality has less conceptual antecedents.
Satisfied judgments do require experience with the service or provider	Quality perceptions do not require experience with the service or provider

Table 2.1 key elements to identify service quality and customer satisfaction

Source: Yap and Kew (2007)

“Despite some arguments as to whether these two terms describe the same concept or whether they are distinct in nature, most scholars agree that they are nonetheless highly inter-correlated” (Abd-El-Salam et al, 2013). Hence cognizant to this fact and based on the above discussions one can sum up that service quality and customer satisfaction are two separate constructs but they have a close relationship.

Once it is conceptualized that service quality and customer satisfaction are two separate constructs that are being correlated, there is also a debate about the conceptual measurement of service quality and customer satisfaction and hence there are at least two schools of thought (Abd-El-Salam et al, 2013). The first school argued that service quality is the antecedent of customer satisfaction (Parasuraman et al., 1985, 1988; Cronin and Taylor, 1992; Fornell, 1992).

The other school in contrary argued that it is Customer satisfaction which is an input to customers' perceptions of service quality (Bitner 1990; Bolton and Drew, 1991).

The first view is relevant for this study as the study is based on the SERVPERF model which was developed by Cronin and Taylor (1992). Cronin and Taylor discussed customer satisfaction as a function of service quality offered to customers. According to them customer satisfaction has been considered to be based on the customer's experience on a particular service encounter. Hence it is in line with this fact that service quality is a determinant of customer satisfaction, because service quality comes from outcome of the services from service providers in organizations.

The study made by many Researchers also suggests that to achieve a high level of customer satisfaction, a high level of service quality should be delivered by the service provider as service quality is normally considered an antecedent of customer satisfaction (Shanka, 2012). According Zeithaml and Bitner, (2000) Customer satisfaction is influenced by customers' perceptions of quality. And Service quality is an antecedent of the broader concept of customer satisfaction (Zeithaml and Bitner, 1996; Lee et al., 2000). The European and American customer satisfaction indices models also suggest that service quality is a component of satisfaction (Fornell et al., 1996).

2.3 Empirical Review of some previous studies

Aliah and Tarmize (1998) conducted a study to assess service quality provided by an income tax payment department in Malaysia; they adapted SERVQUAL instrument comprising of 25 items. They named it as KualKhi to measure service quality provided by an income tax payment department in Malaysia, the result of the studies showed that significant gaps existed between the expectations of the income taxpayers and the services they accepted such as reliability, responsiveness and empathy. These three gaps are bigger than tangibility and assurance dimensions. However, the overall service quality is high. This shows that zone of tolerance exists as the income tax payer are willing to compromise with quality.

Osei, D (2012) conducted a study on Eastern regional office of the Ghana VAT tax payers' service for the objective of examining the measures adopted by the VAT service to improve the quality of service delivery, and for assessing the perceptions of taxpayers on the quality of service delivery from the VAT service. The study used survey methods and interview schedule

was used as the instrument to collect data. Under the first objective the study found that the VAT service has decentralized its operations to make it more accessible and hence to improve its responsiveness to the needs of the clients. The strategy of occasional training of staff was implemented to improve the responsiveness, reliability and assurance of the VAT service to the clients and the branch offices have been fully furnished with the necessary facilities and technology to improve the tangibility of the services. Under the second objective of assessing the perceptions of taxpayers on the quality of service the study found that majority of the respondents have positive perceptions about the service quality of the VAT service.

Sharifuddin (1998/1999) used the SERVQUAL tool to measure service quality at ten public transportation departments. SERVQUAL questionnaires were distributed to the customers and also service providers of six state departments around Malaysia. The study found that even though the public transportation department understands the needs of the customers but the expectations of customers are higher. Therefore, this demonstrated that customers' expectations were not met.

Arawati et al (2007) used SERVPERF model in determining the relationship between service quality, service performance and customer satisfaction in 86 Malaysian public departments. From nine of ten service quality dimensions proposed by Parasuraman et al. in 1985, they only managed to extract three dimensions. They labeled the three dimensions as responsiveness, access and credibility. They found out that all these three dimensions are related to customer satisfaction and service performance.

Agus et al. (2007) distributed two separate modified SERVQUAL models within Malaysian Ministries with results demonstrating a strong correlation between service quality dimensions, service performance, and customer satisfaction. They had to modify the questionnaire to cater for measuring customer satisfaction and service performance alongside service quality.

Ilhaamie in (2010) conducted a study in three hundred public organizations in Malaysia. Respondents were asked to allocate hundred points (100) to the five service quality dimensions. The results were as follows - tangibles (21.10); reliability (20.63); responsiveness (20.51); assurance (20.05) and empathy (18.11). The conclusions were that service quality impacted on customer satisfaction as indicated by the scores of the dimensions, but tangibles happened to be

the most important determinant, with empathy being the least.

Amanfi (2012) conducted empirical study on public service setting and the study assessed the relationship between service quality and customer satisfaction, a modified SERVQUAL instrument was used. The results indicated that there is a positive relationship between service quality and customer satisfaction and that improvement in service quality can lead to the achievement of higher customer satisfaction while some are not.

Iyikal and Celebi (2016)-conducted a study with the aim to measure the service quality provided by the public enterprises in Turkish Republic of Northern Cyprus (TRNC) by employing Parasuraman et al. (1988) SERVQUAL Model. Results of the study expressed that, expectations of the respondents regarding the quality of service (E) which provided by the public enterprises was higher than the perceived quality of services provided (P) which indicates customers are dissatisfied with the quality of the services provided by the public enterprises in Turkish Republic of Northern Cyprus (TRNC). Regression results also suggested that only dimensions of reliability and assurance have exerted positively significant effects on the overall customer satisfaction in public sector of Turkish Republic of Northern Cyprus (TRNC).

Tran (2016) conducted a study for the purpose to examine the effects of service quality as well as transparency on citizen satisfaction in the public administration sector in Ho Chi Minh City based on measuring scale of items of SERVQUAL. The study results indicated that service quality significantly related with citizen satisfaction. Four factors which constitute service quality affected citizen satisfaction including Responsiveness, Empathy, Assurance and Reliability. In particular, responsiveness was the strongest affecting factor which brought the highest satisfaction level of citizens.

2.4 Hypothesis of the Study

Based on the above reviewed theoretical and empirical literatures the following hypotheses were hypothesized and tested by the study:

Ha1: Tangibility has significant effect on customer satisfaction in the context of ERCA- Nifassilk-Lafto sub-city branch.

Ha2: Reliability has a significant effect on customer satisfaction in the context of ERCA-Nifassilk-Lafto sub-city branch.

Ha3: Empathy has significant effect on customer satisfaction in the context of ERCA-Nifassilk-Lafto sub-city

Ha4: Assurance has significant effect on customer satisfaction in the context of ERCA-Nifassilk-Lafto sub-city branch.

Ha5: Responsiveness has significant effect on customer satisfaction in the context of ERCA-Nifassilk-Lafto sub-city branch.

2.5 Conceptual Framework

The theoretical and empirical review of literatures generally showed that there is a relationship between customer satisfaction and service quality; also that service quality could be evaluated by using the five service quality dimensions. Accordingly, the following Conceptual model in fig 2.1 which is derived from the SERVPERF model theory was developed and used to test the five hypotheses above.

Service quality in this conceptual framework is comprised by five dimensions; these are tangibility, reliability, responsiveness, assurance and empathy. The frame work is based on the SERVPERF model (Cronin & Taylor, 1992) which states that service quality is a result of customers' perceptions about performance of service offered.

Customer satisfaction for this study was based on the concept of Zeithaml, et al., 1996 which states Customer satisfaction as customers' feeling based on the most recent services experienced., considering that this feeling is a result of affective evaluation from the customer's perspective.

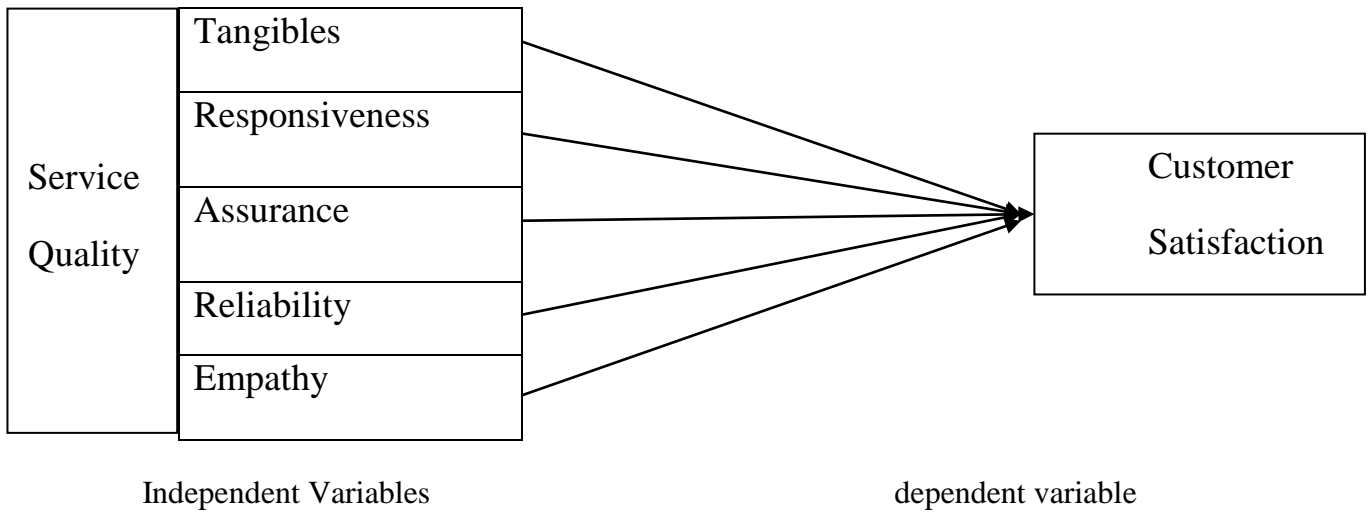


Fig 2.3 Conceptual Framework of Service Quality and Customer Satisfaction developed for the study.

Source: Adapted from Parasuraman et al., 1988 of service quality dimensions & based on SERVPERF model (Cronin & Taylor, 1992)

CHAPTER THREE

Research Methodology

3.1 Introduction

This chapter described the methodology that was employed in the study. It contains the research approach used, the research design employed, the sampling design, source of data collection, methodology for data collection, instrument used for data collection, methods used for data analysis, the issue of validity & reliability and finally the issue concerning Research Ethics.

3.2 Research Approach

The general approach of a research can be divided in to two different categories based on whether research is conducted to develop a theory and hypothesis and design a research strategy to test the hypothesis, or whether the research is designed to collect data and develop theory as a result of the data analysis. The former one is known as deductive approach, and the latter one is known as inductive approach (Saunders et.al, 2009).

Another classification of a research is based on the approach employed for data collection techniques and data analysis procedures. According to Kothari (1990) there are two basic approaches to research, viz., *quantitative approach* and the *qualitative approach*. Quantitative approach involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion. *Qualitative approach* to research is concerned with subjective assessment of attitudes, opinions and behavior. Such an approach to research generates results either in non-quantitative form or in the form which are not subjected to rigorous quantitative analysis (Kothari, 1990).

According to Saunders et.al (2009) there can be a third approach which is known as “Mixed methods approach”. It is the general term for when both quantitative and qualitative data collection techniques and analysis procedures are used in a research design.

The research approach can also be classified based on the purpose of the research. According to Saunders et.al (2009) the classification of research purpose most often used in the research methods’ literature is the threefold one of exploratory, descriptive and explanatory.

An exploratory study is a study that is employed to seek new insights and it is particularly useful to clarify understanding of a problem.

Descriptive research may be an extension of, or a forerunner to, a piece of exploratory research or, more often, a piece of explanatory research. It is necessary to have a clear picture of the phenomena on which one wishes to collect data.

Explanatory research is a study that establishes causal relationships between variables. Its emphasis is on studying a situation or a problem in order to explain the relationships between variables.

Based on the above discussion the general approach employed for this study was deductive approach. Deductive approach was chosen and was the relevant approach for this study due to the fact that it is the approach to be employed when existing theories are being used to come up with a hypothesis (Saunders et.al 2009). Which was the case for the study.

The approach employed for this study concerning the method of data analysis procedures was quantitative approach. This is because quantitative method is preferred to better understand the effect of service quality on customer satisfaction through SERVPERF or SERVQUAL analysis, and for such studies researchers often uses quantitative approaches (Valentini et al., 2011).

With the same analogy described above the approach employed for this study which was based on the aim of the study was descriptive approach. The rationale for using this approach was that the aim of the study was not to generate new theories as described by Saunders et al. (2009), but only to describe phenomena and to establish associations between variables.

3.3 Research Design

This study was conducted based on quantitative method through cross-sectional survey design. Cross-Sectional design also known as one-shot is best suited to studies aimed at finding out the prevalence of a phenomenon, situation, problem, attitude or issue, by taking a cross-section of the population. They are useful in obtaining an overall 'picture' as they stand at the time of the study (Melaku, 2013). Data collection was then carried out using self-administered structured questioner as instrument. Surveys are popular as they allow the collection of data from a sizeable population in a highly economical way and are often obtained by using a questionnaire administered to a sample that allows the researcher to collect quantitative data which can be analyzed quantitatively

using descriptive and inferential statistics (Saunders et.al, 2009).

3.4 Sampling Design

3.4.1 Target Population

The participants for this study were selected from tax payer customers of ERCA-Nifassilk-Lafto sub-city STP branch office. These were direct and indirect tax payers from “category A” and “category B” taxpayers performing different types of business activities within 12 woredas found in the sub city. According to Ethiopian Federal tax proclamation 286/2002, category “A” tax payer includes any company incorporated under the tax law of Ethiopia or in a foreign country and other entities having annual turnover of Birr 500,000 and more. Category ‘B’ includes those enterprises having annual turnover of more than Birr 100,000 and less than Birr 500,000

The main expected taxes which are paid by these tax payers at the level of sub city are Value added Tax (VAT) and Turn over Tax (TOT).

3.4.2 Sampling Frame

This Research was conducted in order to examine the effect of Service quality on customer satisfaction in the case of ERCA-Nifassilk-Lafto sub-city STP branch office. This branch office is entitled to assess and collect VAT and TOT taxes from Category ”A” and Category ”B” taxpayers performing different types of business activities in 12 woredas within the sub city.

Currently as of own survey (2017) of the researcher there are total of about 12,189 taxpayer customers within the sub-city, out of which 3,086 are VAT payers and 9,103 are TOT payers.

3.4.3 Sampling Technique

According to John et al., 2007 sampling is the process or technique of selecting a suitable sample for the purpose of determining parameters or characteristics of the whole population. There are two basic sampling techniques: probability and non-probability sampling. A probability sample is defined as a sample in which every element of the population has an equal chance of being selected. And alternatively, if sample units are selected on the basis of personal judgment, the sample method is a non probability sampling (John et al., 2007).

For this study, convenience sampling method which is a non-probability sampling was utilized for selection of participants. Convenience sampling is available to the researcher by virtue of its

accessibility (Bryman and Bell, 2003). The reason for choosing this method was that it was practically difficult to access all tax payer customers of the branch in order to give them equal chance of being included

3.4.4 Sample Size

According to Yamane (1967) a sample sizes of finite population (assuming 95% confidence level) can be calculated by using simple formula which is given below. Accordingly the researcher used this formula to determine the sample size for the study.

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

Where; n = total sample size

N = Total population

e = the level of precision or sampling error = (0.05)

As indicated in the sample frame for this study the total population was 12,189

$$n = \frac{12,189}{1+12,189(0.05)^2}$$

$$n \approx 387$$

3.4.5 Sampling Procedure

Based on the sample size determined above 387 questionnaires was distributed to participants on face to face during the scheduled time for the survey. As mentioned earlier the questionnaires were self-administered and the selection of participants was done by a convenience sampling method. Hence those taxpayer customers who were available for service during the survey time were selected as participants. Furthermore to increase the accessibility of participants the survey time was arranged during high service period.

3.5 Sources of Data

3.5.1 Primary Source

The data that was utilized as input for analysis of empirical evidence for the main research question were only Primary data that was collected from primary sources or tax payer customers of ERCA- Nifassilk-Lafto sub-city.

3.5.2 Secondary Source

Secondary data was not utilized as input for analysis of empirical evidence for the main research question.

3.6 Data Collection Methodology

For this study, Primary data was collected from primary sources or tax payer customers of ERCA- Nifassilk-Lafto sub-city. And self-administered questionnaire survey was employed as the main means of data collection instrument. The questions were made under five point likert scale. And also the researcher used a structured and a non-disguise questionnaire, where the respondents were limited with their answers and they were being informed about the purpose of the collection of data.

3.7 Data Collection Instrument

To measure the **Independent Variables** (Tangibility, Reliability, Responsiveness, Assurance, and Empathy) and **Dependent Variable** (Customer Satisfaction), the researcher used a questionnaire which incorporated three parts. The reason for this choice of data capture instrument was based on the research method which was quantitative method; questionnaire is the best way to collect quantitative data. The researcher used a structured and a non-disguise questionnaire, where the respondents were limited with their answers.

The first part of the questionnaire contained 4 items which were based on the demographic or general information about the respondents. The second part of the questionnaire was designed to measure service quality through its five dimensions proposed by Parasuraman et al. (1988) namely; Tangibility, Reliability, Responsiveness, Assurance, and Empathy. To measure these five dimensions the 22 items of SERVPERF scales by Croninn & Taylor (1992) were adopted and being modified by the researcher in order to suit the context of the public sector organization, ERCA. The questions were made under Likert scale based on the five–point Likert scale responses, these were: strongly disagree (1), disagree (2), no opinion or neutral (3), agree (4) and strongly agree (5).

The third part of the questionnaire contained 1 item. It was designed to measure the level of

customer satisfaction based on Lovelock and Wright (1999) with five–point Likert scale response, these were: strongly dissatisfied (1), dissatisfied (2), neutral (3), satisfied (4) and strongly satisfied (5).

Finally the English version of the questionnaire was translated in to Amharic version through the involvement of professional legal translators.

3.8 Data Analysis Method

The method of data analysis used for this study was quantitative data analysis methods. This was because quantitative method was more appropriate to better understand the effects of service quality on customer satisfaction through a SERVPERF analysis. Statistical Package for Social Science (SPSS) software version 20.0 was employed to analyze and present the data through the statistical tools used for this study, namely descriptive analysis, Pearson correlation analysis and multiple regression analysis. Hence, In order to analyze the data of this study using quantitative analysis the researcher utilized both descriptive and inferential statistics. The reason for using descriptive statistics was to summarize the data collected in tables and charts and also to easily examine the results. Hence to present a descriptive statistics for this study, the researcher used frequency distributions, percent, mode, mean & standard deviation scores, and bar & pie charts. Inferential statistics was also utilized for data analysis, namely Pearson correlation analysis which was used to determine the relationships between service quality dimensions (Tangibility, reliability, responsiveness, assurance & empathy) and customer satisfaction and multiple regression analysis, which was used to investigate the effect of the five service quality dimensions on customer satisfaction and to test the five hypotheses, was utilized for analysis.

3.9 Validity and Reliability

3.9.1 Validity

As Agbor (2011) mentioned, internal validity deals with the issue of causality but as this study was only a descriptive and not the issue of causality the researcher focused on Reliability & consistency test.

3.9.2 Reliability

According to Renganathan et .al, 2012, while applying Likert-type's scales in research, it is necessary to calculate the Cronbach's alpha coefficient for reliability and consistency. Cronbach's alpha coefficient varies from 0 to 1 with 1 indicating perfect reliability and 0 no internal reliability; 0.80 denotes an acceptable level of internal reliability (Bryman & Bell, 2003). Accordingly internal reliability of this study was measured using Cronbach's alpha.

To confirm the reliability based on Cronbach's alpha first the questionnaire was distributed to 30 respondents. As shown on table 3.1 below the cronbach's alpha of all service quality dimensions for the first 30 questionnaires and for the whole study as well were found above 0.8 which confirms the reliability.

Table 3.1: Reliability test results for the five service quality dimensions

Dimension	N of Items	Cronbach's Alpha for the first 30 questionnaires	Cronbach's Alpha for the whole study
Tangibility	4	.819	.846
Reliability	5	.885	.877
Empathy	5	.810	.835
Assurance	4	.836	.848
Responsiveness	4	.914	.874

Source: Own survey data (2017)

3.10 Research Ethics

This study has seriously undertaken Ethical considerations from every dimensions starting from the very beginning. Accordingly:

- The respondents for this study were being informed about the objective of the study & they were participated or responded only because they showed a willingness to do so.
- The study was undertaken by ensuring the privacy of the respondents & all parties that were involved in the study. And the data was collected without disclosing the identity of the participants
- All information gathered was not changed or modified; rather it was presented as it is.
- The content of the questionnaires designed for this study was only involved questions that did

not harm or affect the respondents or any other body or the norm & culture of the society as a whole. Moreover it involved only relevant questions for the study.

- All literatures collected for the purpose of this study were cited and appreciated in the reference list.

CHAPTER FOUR

Data Analysis and Interpretation

4.1 Introduction

This chapter presents the results of the study and their interpretation. It starts with presenting the demographic and background information of the respondents and then descriptive analysis of the measurement results of service quality dimensions and customer satisfaction are presented. Correlation analysis and regression analysis results are then presented respectively.

Out of 387 survey questionnaires distributed to the respondents the researcher was able to collect 305 questionnaires with a continuous follow up. Among 305 questionnaires collected 25 of them were non usable due to incomplete data, and hence 280 questionnaires with a complete data were used for analysis.

4.2. Demographic and background information of the respondents

i. Gender profile

Table 4.1 gender profile of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
female	106	37.9	37.9	37.9
Valid male	174	62.1	62.1	100.0
Total	280	100.0	100.0	

Source: own survey (2017)

As it is depicted on table 4.1, from the total of 280 respondents 106 (37.9%) of them are female and 174 (62.1%) of them are male.

ii. Age profile of the respondents

As it is shown on table 4.2 below from the total of 280 respondents 113(40.4) of them are in the age category of 30-39 and hence this age category includes the majority. 84 (30%) of the respondents are in the age category of 18-29. Those respondents included in the age category of 40-59 are about 69 (24.6%). There are only 14 (5%) of respondents which fall in the age category of 60 years and above and hence this age category contains the minority.

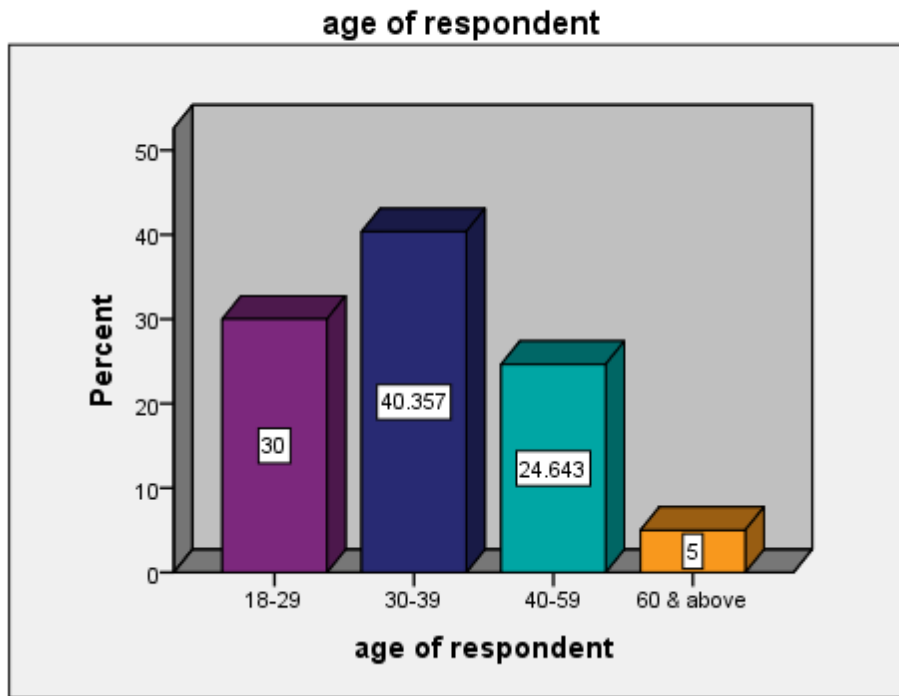
Table 4.2 age profile of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
18-29	84	30.0	30.0	30.0
30-39	113	40.4	40.4	70.4
40-59	69	24.6	24.6	95.0
60 & above	14	5.0	5.0	100.0
Total	280	100.0	100.0	

Source: own survey (2017)

The percentage representation of each age group is shown on fig 4.1 below

Fig 4.1 percentage bar representation for age categories



iii. Educational profile of the respondents.

From table 4.3 it can be seen that out of 280 total respondents 47(16.8%) of them are at the level of primary education, 77 (27.5%) of them are at the level of secondary education, 95 (33.9%) of them are diploma holders, 59 (21.1%) of the are first degree holders, and only 2 (0.7%) of them are at the post graduate level. Hence majority of respondents are under the category of diploma holders followed by those individuals at the level of secondary education. On the other hand there are insignificant amount of people who attended their education beyond first degree or post graduate level. The percentage representation of each category of educational level of the respondents is depicted on fig 4.2 below the table

Table 4.3 Educational profile of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
primary education	47	16.8	16.8	16.8
secondary education	77	27.5	27.5	44.3
diploma	95	33.9	33.9	78.2
degree	59	21.1	21.1	99.3
post graduate	2	.7	.7	100.0
Total	280	100.0	100.0	

Source: Own survey (2017)

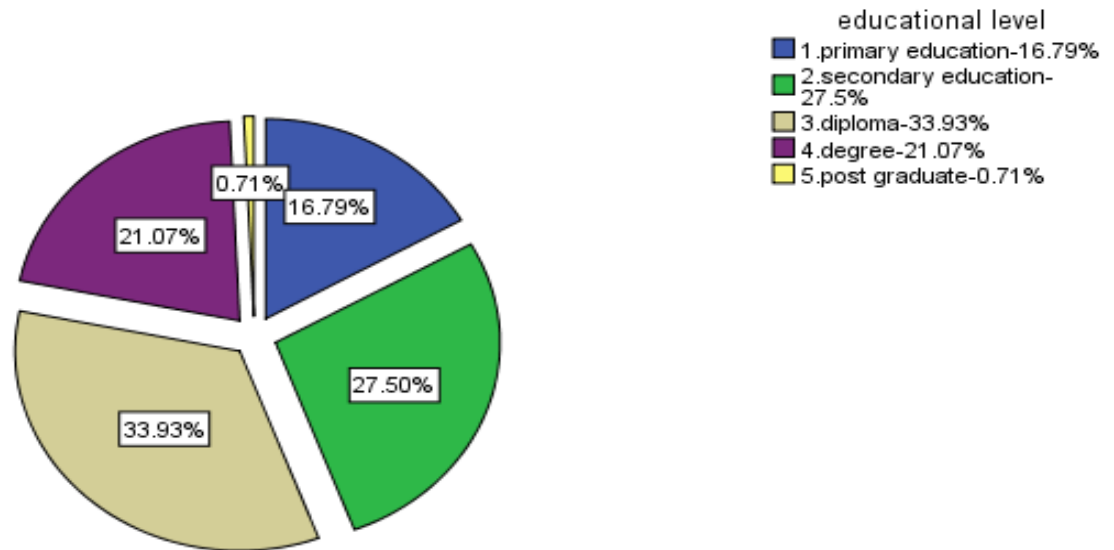


Fig 4.2 Percent representation of educational level of the respondents

Source: from own survey data (2017) on table 4.3

4.3 Descriptive Analysis

4.3.1. Descriptive analysis of service quality dimensions

To measure the service quality along its five dimensions which are namely tangibility, reliability, responsiveness, assurance, and empathy, the 22 items of the SERVPERF scales were used and to make the analysis suitable all the items within each dimensions are designated differently as shown in table 4.4 below.

Table 4.4 service quality dimensions' measurement items & their designation

No	items	designation
1	Employees of ERCA are well dressed and appear neat	Tangibility1
2	ERCA has modern equipment	tangibility2
3	ERCA has visually appealing material associated with the Service	tangibility3
4	ERCA's Physical facilities are visually appealing.	tangibility4
5	ERCA provides services as promised	reliability1
6	Employees of ERCA are dependable in handling taxpayers' service Problems	reliability2
7	Employees of ERCA perform services right at the first time	reliability3
8	Employees of ERCA provide services at the promised time	reliability4
9	ERCA keeps its records accurately	reliability5
10	Employees of ERCA give taxpayers individual attention	empathy1
10	Employees of ERCA deal with taxpayers in a caring fashion	empathy2
12	ERCA has the taxpayer's best interest at heart	empathy3
13	Employees of ERCA understand the individual needs of taxpayers	empathy4
14	ERCA has operating hours convenient to all taxpayers	empathy5
15	Employees of ERCA instill (inspire) confidence in customers	assurance1
16	Employees of ERCA make taxpayers feel safe in their transaction	assurance2
17	Employees of ERCA are consistently courteous(polite)	assurance3
18	Employees of ERCA have the knowledge to answer taxpayers' questions	assurance4
19	ERCA keeps taxpayers informed about when services will be Performed	responsiveness1
20	Employees of ERCA provide prompt service to taxpayers	responsiveness2
21	Employees of ERCA are always willing to help customers	responsiveness3
22	Employees of ERCA are ready to respond to customers request	responsiveness4

The summary of means and standard deviations for the five service quality dimensions is shown on table 4.5 below.

Table: 4.5: a summary of means & std. Deviations of all the five service quality dimensions

	N	Mean	Std. Deviation
tangibility	280	2.5804	.85313
reliability	280	2.8329	.90053
empathy	280	2.5779	.79240
assurance	280	2.3723	.89176
responsiveness	280	2.7304	.94308

Source: own survey data (2017)

As it is shown on the table the dimension with the highest mean score is reliability (which has mean = 2.83, and SD = 0.9) followed by responsiveness (which has mean=2.73, and SD=0.94). The other two dimensions have got moderate mean scores compared to the rest of service quality dimensions. These are tangibility (with mean =2.58, & SD = 0.85) and empathy (with mean =2.578, & SD = 0.79). The rest one dimension, assurance, was found to be the dimension with the least and poorest mean score (mean = 2.37, & SD = 0.89).

The mean scores of the five service quality dimensions shows that there is a need for performance improvement in all of the five dimensions as all mean scores fall below the neutral score (3) of the five point likert scale measure of service performance. But comparatively, assurance needs more improvements or remedy compared all other dimensions. Tangibility and empathy are the one that follows in requiring more improvements or remedies.

The details of the measurements and scores for each measuring items with in the five dimensions of service quality are given and discussed below.

i. Mode, mean scores and standard deviations for Tangibility

There are four items for the dimension tangibility. The mode, the mean scores and standard deviations for each item are given on the table 4.6 below.

Table 4.6: Mode, mean & std. Deviations of Tangibility items

Tangibility items	N	Mode	Mean	Std. Deviation
Tan1: (Employees of ERCA are well dressed and appear neat)	280	3	2.90	1.084
Tan2: (ERCA has modern equipments)	280	2	2.55	1.063
Tan3: (ERCA has visually appealing material associated with the Service)	280	2	2.43	.966
Tan4: (ERCA's Physical facilities are visually appealing)	280	2	2.45	1.007
Tangibility	280		2.58	.8531

Source: own survey data (2017)

As it is shown on table 4.6 the first item of tangibility which is associated with the dressing and appearance of employees has got better score compared to the other 3 items. It's average score is 2.9 and it's mode or highest frequent value is 3 which approaches to the moderate or neutral score based on the five point likert scale. On the other hand the second item that is associated with modernity of equipments and the last two items associated with the appealing features of those materials associated with the service and the appealing features of facilities of the organization has got lower average score less than 3 and their mode is 2 which is an indication of the need for organizational focus for improvements in these areas as far as the dimension tangibility is concerned.

ii. Mode, mean score and standard deviations for Reliability

There are five items for measuring reliability. The mode, the mean and standard deviation for each item is shown on table 4.7 below.

Table 4.7: Mode, mean scores & standard deviations of Reliability items

Reliability items	N	Mode	Mean	Std. Deviation
Rel.1: (ERCA provides services as promised)	280	4	2.86	1.147
Rel.2: (Employees of ERCA are dependable in handling taxpayers' service Problems)	280	3	2.60	1.076
Rel.3: (Employees of ERCA perform services right at the first time)	280	3	2.81	1.079
Rel.4:(Employees of ERCA provide services at the promised time)	280	4	2.88	1.121
Rel.5: (ERCA keeps its records accurately)	280	4	3.01	1.074
Reliability	280		2.83	.9005

Source: *own survey data (2017)*

As it can be seen from the table the fifth item which is related to keeping records accurately has got the highest mean score (above 3) compared to the rest four items as rated by the respondents (with mean = 3.01, & SD = 1.074) and the mode or the most frequent value of 4. This implies among reliability items ERCA's performance of keeping records accurately is good as perceived by respondents. On the other hand, the second item which is related to dependability in handling taxpayers' service problems has got the least mean score compared to all items of reliability as rated by the respondents (mean = 2.6, & SD = 1.076) and the mode is 3. The third item which is related to performing services right at the first time has also got the mode or most frequent value of 3 which is moderate or neutral and the mean for this item is 2.81 with SD = 1.079. Hence the results indicate that second and the third items which are related to dependability in handling taxpayers' service problems and performing services right at the first time respectively are the one that needs more attention or improvement as far as reliability is concerned.

The first and the fourth items which are related to providing service as promised and providing services at the promised time have got the mode or the most frequent value which is 4 with means of 2.86 and 2.88 and SD of 1.147 and 1.121 respectively which is good as well but still needs improvements as far as the dimension reliability is concerned.

iii. Mode, mean scores and standard deviations for Empathy

As indicated on table 4.8 below, there are five measuring items for empathy whose mode, mean scores and standard deviations are given on the table.

Table 4.8: Mode, means and standard deviations of Empathy items

Empathy items	N	Mode	Mean	Std. Deviation
Emp.1: (Employees of ERCA give taxpayers individual attention)	280	2	2.58	1.030
Emp2: (Employees of ERCA deal with taxpayers in a caring fashion)	280	2	2.73	1.035
Emp.3: (ERCA has the taxpayer's best interest at heart)	280	2	2.28	.981
Emp.4: Employees of ERCA understand the individual needs of taxpayers	280	2	2.37	.945
Emp.5: (ERCA has operating hours convenient to all taxpayers)	280	3	2.93	1.103
Empathy	280		2.58	.7924

Source: *Own survey data (2017)*

As indicated on table 4.8 above the first four items of empathy has got the mode value 2 which is poor their mean values are 2.58, 2.73, 2.28 and 2.37 respectively with SD of 1.03, 1.03, 0.98 and 0.945 respectively. From their mean score it can be seen that the third item related to having taxpayer's best interest at heart has got the poorest performance score of service as perceived by the respondents, followed by the third item which is related to understanding individual needs of tax payers. On the other hand the fifth item, which is related to operating hours convenient to all tax payers, has got a relatively highest values of mode and mean scores (mode = 3, mean = 2.93 with SD = 1.103) which is a moderate or neutral score. Hence the above results show that all items of the dimension empathy needs improvements. But more improvement or attention should be given for the first four items which includes 'giving tax payers individual attention, dealing with tax payers in a caring fashion, having tax payers' best interest at heart and understanding individual needs of taxpayers'.

iV. Mode, mean score and standard deviations for Assurance

The mode, the mean and standard deviations for all of the four items for assurance are shown on table 4.9 below.

Table 4.9: Mode, means and standard deviations of Assurance items

Assurance items	N	Mode	Mean	Std. Deviation
Assu.1: Employees of ERCA instill (inspire) confidence in customers	280	2	2.29	1.040
Assu.2: Employees of ERCA make taxpayers feel safe in their transaction	280	2	2.36	1.108
Assu.3: Employees of ERCA are consistently courteous (polite)	280	2	2.30	1.083
Assu.4: Employees of ERCA have the knowledge to answer taxpayers' questions	280	2	2.54	1.074
Assurance	280		2.37	.8917

Source: *Own survey data (2017)*

As shown on the table the mode or the most frequent value for all the items of the dimension assurance is 2, which is poor. Their mean score ranges from the lowest 2.29 (for the first item related to inspiring confidence in customers) which is to the highest 2.5 (for the item related to the knowledge to answer taxpayers' question). The results show that all the items of tangibility needs improvements. Hence attention should be given by employees of ERCA in inspiring confidence in customers, in making taxpayers feel safe in their transaction, in being consistently polite and in acquiring the necessary knowledge to answer taxpayers' questions.

Viii. Mode, mean score and standard deviations for Responsiveness

The scores for the mode, the mean and standard deviations for the four items of the dimension responsiveness are given on table 4.10 below.

Table 4.10: Mode, mean scores and standard deviations of Responsiveness

Responsiveness items	N	Mode	Mean	Std. Deviation
Respo.1: (ERCA keeps taxpayers informed about when services will be performed)	280	4	3.01	1.122
Respo.2: (Employees of ERCA provide prompt service to taxpayers)	280	2	2.64	1.137
Respo.3: (Employees of ERCA are always willing to help customers)	280	2	2.57	1.038
Respo.4: (Employees of ERCA are ready to respond to customers' request)	280	2	2.70	1.128
Responsiveness	280		2.73	.9430

Source: own survey data (2017)

As it can be seen from the table the mode (the most frequent value) for the first item of responsiveness (which is related to keeping taxpayers informed about when services will be performed) is 4, which is good. The mean score for this item is 3.01 with SD = 1.122. The rest three items have got a mode value of 2, the results indicate that there should be more improvements or attention should be given by employees of ERCA for the three items of responsiveness which are related to provision of prompt service, willingness to help customers, being prepared or ready to respond to customers' request.

4.3.2 Descriptive analysis of customer satisfaction

The mode, mean and standard deviation values of customer satisfaction item are given on table 4.11a below.

Table 4.11a: Mode, mean & Std. Deviation

Values of customer satisfaction item

N	Valid	280
	Missing	0
Mean		2.50
Mode		2
Std. Deviation		.976

Source: Own survey data (2017)

From the results on table 4.11a the mean value for customer satisfaction item is 2.5 with standard deviation 0.976 and the mode value is 2. The mean score is below the neutral score which is 3 and the mode value 2 (dissatisfied) indicates poor level of Customer satisfaction.

The percentage and frequency of the different levels of customer satisfaction, which is based on the five point likert scale, is shown on table 4.11b below.

Table 4.11b: Frequency and percent for the different levels of customer satisfaction

Customer satisfaction level	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly dissatisfied	37	13.2	13.2	13.2
dissatisfied	121	43.2	43.2	56.4
neutral	71	25.4	25.4	81.8
satisfied	46	16.4	16.4	98.2
strongly satisfied	5	1.8	1.8	100.0
Total	280	100.0	100.0	

Source: Own survey data (2017)

As it is shown on table 4.11b, from the total of 280 respondents 121 are dissatisfied with the overall service provided by ERCA, hence the level ‘dissatisfied’ is highest frequent level of overall customer satisfaction is (about 43.2%). About 71 respondents (25.4%) have the overall satisfaction level which is ‘neutral’ (neither satisfied nor dissatisfied), 46 respondents (16.4%) are satisfied and 37 respondents (13.2%) are strongly dissatisfied. Those which are strongly satisfied are only 5 (1.8%). The percentage for different level of satisfaction is also presented by pie-chart on fig 4.3 below

From the results presented on table 4.11b, the total number of respondents which are either dissatisfied or strongly dissatisfied adds up 158 (121+37) or 56.4 % (43.2+13.2). By the same token, those who are either satisfied or strongly satisfied are only 51 (46+5) or 18.2% (16.4+1.80). The rest are neutral (neither satisfied nor dissatisfied). Hence the above results and explanations clearly show the existence of poor level of customer satisfaction. This is an indication that much effort should be done by ERCA to improve the level of customer satisfaction. On the other hand to achieve this goal of improving customer satisfaction much focus should be given to the service quality dimensions discussed earlier. This is because the findings of this study which are discussed in the section correlation analysis and multiple regression analysis shows that there is high correlation between customer satisfaction and service quality, and also service quality, through its five dimensions, is a determinant of customer satisfaction.

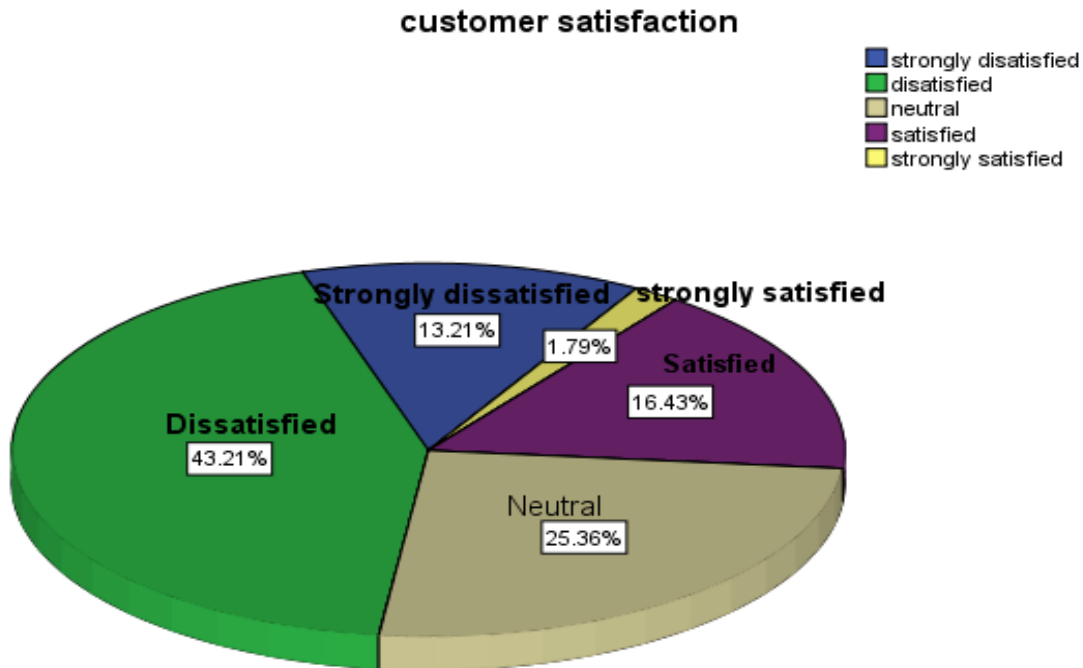


Fig 4.3: Percentage pie-chart representation for the level of customer satisfaction

Source: from Own survey data (2017) on table 4.11b

4.4 Pearson correlation analysis between customer satisfaction and service quality dimensions

Pearson correlation analysis was performed for this study to determine the relationship that exists between the five service quality dimensions and customer satisfaction and also to see the relationship that exists among service quality dimensions themselves. The results are presented on table 4.12 below.

Table 4.12: Pearson Correlations of customer satisfaction and service quality dimensions

		customer satisfaction	tangibility	reliability	empathy	assurance	responsiveness
customer satisfaction	Pearson Correlation	1					
	N	280					
tangibility	Pearson Correlation	.547	1				
	Sig. (2-tailed)	.000					
	N	280	280				
reliability	Pearson Correlation	.777	.455	1			
	Sig. (2-tailed)	.000	.000				
	N	280	280	280			
empathy	Pearson Correlation	.807	.537	.677	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	280	280	280	280		
assurance	Pearson Correlation	.785	.453	.610	.696	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	280	280	280	280	280	
responsiveness	Pearson Correlation	.784	.427	.658	.658	.639	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	280	280	280	280	280	280

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

Source: Own survey data (2017)

As it can be seen from the table all the five service quality dimensions were significantly correlated with customer satisfaction. The dimension that was highly correlated with customer satisfaction was empathy (correlation coefficient = 0.807) followed by assurance (correlation coefficient = 0.785), responsiveness (correlation coefficient = 0.784), reliability (correlation coefficient = 0.777), and finally tangibility was found to be the dimension that was least correlated with customer satisfaction (with correlation coefficient = 0.547). This result shows that empathy is the dominant and most important service quality dimension as perceived by customers of ERCA- Nifassilk-Lafto sub-city followed by assurance, responsiveness, and reliability. On the other hand tangibility is the least important service quality dimension as perceived by customers of ERCA-Nifassilk-Lafto sub-city compared to the other four dimension but it is significant enough to correlate with customer satisfaction and hence to improve the level of customer satisfaction. Generally an improvement in the level of service quality with respect to all of the five dimensions will bring an improvement on the level of customer satisfaction.

The correlation result presented on table 4.12 also shows that there was a significant positive correlation among the five service quality dimensions themselves. The highest correlation was found between empathy & reliability (0.677) followed by assurance and empathy (0.696), responsiveness with reliability and responsiveness with empathy (0.658), responsiveness with assurance (0.639) assurance & reliability (0.610), empathy & tangibility (0.537), reliability & tangibility (0.455), assurance & tangibility (0.453), responsiveness & tangibility (0.427). This result indicates that an improvement in one service quality dimension will bring a significant improvement on the other dimensions.

4.5. Multiple Regression analysis

Multiple regression analysis was performed to see the extent to which the variance in the dependent variable (customer satisfaction) is explained by the service quality dimensions, to analyze the nature of relationship that exists between the dependent variable (customer satisfaction) and each of the independent variables (tangibility, reliability, empathy, assurance, and responsiveness). And also to test the hypothesis based the standardized coefficients of beta and the corresponding p-values.

4.5.1 Multicollinearity test

In order to confirm the acceptance of the regression model, collinearity diagnostics test was performed to check the existence of multicollinearity problem. According to Menard (1995) a tolerance value lower than 0.20 suggests a multicollinearity problem. As indicated on table 4.13 the minimum tolerance value for the model was 0.366 which is greater than 0.2. In addition to this according to Myers (1990), a variance inflation factor (VIF) above 10 indicates the possible existence of a multicollinearity problem and hence VIF should be less than 10. Again as shown on table 4.13 the maximum VIF for the model was 2.7 which is by far less than 10. Hence both cases indicated the absence of multicollinearity problem.

Table 4.13: Collinearity diagnostics result

Model	Collinearity Statistics	
	Tolerance	VIF
tangibility	.688	1.453
reliability	.447	2.238
empathy	.366	2.736
assurance	.444	2.252
responsiveness	.449	2.227

Dependent Variable: customer satisfaction

Source: own survey data (2017)

4.5.2 Model summary

Table 4.14: Model Summary for the five service quality dimensions

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.917 ^a	.841	.838	.393

a. Predictors: (Constant), responsiveness, tangibility, assurance, reliability, empathy

Source: Own survey data (2017)

As we can see from table 4.14 the R^2 for the model summary of the five service quality dimensions was 0.841 which implies that 84% of the variance in customer satisfaction is explained by the service quality dimensions.

4.5.3 Regression coefficients

Table 4.15: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.668	.092		-7.269	.000
tangibility	.082	.033	.072	2.479	.014
reliability	.264	.039	.243	6.749	.000
empathy	.303	.049	.246	6.171	.000
assurance	.291	.040	.266	7.346	.000
responsiveness	.271	.037	.262	7.269	.000

a. Dependent Variable: customer satisfaction

Source: Own survey data (2017)

As shown on table 4.15 the 'b' coefficients which indicate the extent or the strength of the influence of each independent variable on the dependent variable (customer satisfaction) for tangibility, reliability, empathy, assurance and responsiveness were 0.082, 0.264, 0.303, 0.291 and 0.271 respectively. The mere interpretation of this shows that for a unit increase of tangibility, reliability, empathy, assurance and responsiveness the corresponding increase in customer satisfaction are 0.082, 0.264, 0.303, 0.291, and 0.271 respectively. Except tangibility the p-values for all other service quality dimensions are less than the significance level 0.01 and the p-value of tangibility is less than the significant level 0.05. Put it differently, that 'b' coefficients for the four service quality dimensions (reliability, empathy, assurance & responsiveness) are statistically significant at 99% confidence intervals and for the dimension tangibility it is significant at 95% confidence intervals. This indicates that all the five service quality dimensions have a significant and positive effect on customer satisfaction, which agrees with the results of correlation analysis presented earlier and answer the main research question and sub questions of the study.

4.5.4 The equation for the regression line of the model

Based on the above results of 'b' coefficients (table 4.15) for the five independent variables (service quality dimensions) it is possible to derive the equation for the regression line as shown below.

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + \dots$$

$$CS = -0.668 + 0.08Tan + 0.264Rel + 0.303Emp + 0.291Assu + 0.271Resp$$

Where, *CS* = Customer satisfaction

Tan = Tangibility

Rel = Reliability

Emp = Empathy

Assu = Assurance

Resp = Responsiveness

4.5.5 Hypothesis Testing

Hypothesis 1

Ha1: Tangibles have significant effect on customer satisfaction in the context of ERCA- Nifassilk-Lafto sub-city branch.

The multiple regression results on table 4.15 indicated that tangibility has a positive significant effect on the dependent variable customer satisfaction with a 'b' coefficient of 0.082 at 95% confidence interval ($p < 0.05$). Hence based on this result the null hypothesis is rejected and the alternative hypothesis 1: 'Tangibility has a significant effect on customer satisfaction in the context of ERCA- Nifassilk-Lafto sub-city branch' is accepted.

Hypothesis 2

Ha2: Reliability has a significant effect on customer satisfaction in the context of ERCA-Nifassilk-Lafto sub-city branch.

The multiple regression results on table 4.15 revealed that reliability has a positive and significant effect on customer satisfaction with a 'b' coefficient 0.264 at 99% confidence interval ($p < 0.01$).

Based on this result the null hypothesis 2 is rejected and the alternative hypothesis 2: 'Reliability has a significant effect on customer satisfaction in the context of ERCA-Nifassilk-Lafto sub-city branch' is accepted.

Hypothesis 3

H3a: Empathy has significant effect on customer satisfaction in the context of ERCA-Nifassilk-Lafto sub-city.

Based on the multiple regression analysis results on table 4.15 Empathy positively affects customer satisfaction with a 'b' coefficient 0.303 at 99% confidence interval ($p < 0.01$). As a result the null

hypothesis 3 is rejected and the alternative hypothesis 3: 'Empathy has significant effect on customer satisfaction in the context of ERCA-Nifassilk-Lafto sub-city' is accepted.

Hypothesis 4

H4a: Assurance has significant effect on customer satisfaction in the context of ERCA-Nifassilk-Lafto sub-city branch.

The multiple regression analysis results for assurance as shown on table 4.15 indicated that assurance has a positive and significant effect on customer satisfaction with a 'b' coefficient 0.291 at 99% confidence interval ($p < 0.01$). Consequently the null hypothesis 4 is rejected and the alternative hypothesis 4: 'Assurance has significant effect on customer satisfaction in the context of ERCA-Nifassilk-Lafto sub-city branch' is accepted.

Hypothesis 5

H5a: Responsiveness has significant effect on customer satisfaction in the context of ERCA-Nifassilk-Lafto sub-city branch.

With the same token to the above hypothesis the regression analysis result for responsiveness on table 4.15 above indicated that responsiveness positively affects customer satisfaction with a 'b' coefficient 0.271 at a 99% confidence interval ($p < 0.01$). Following this result the null hypothesis 5 is rejected and the alternative hypothesis 5: 'Responsiveness has significant effect on customer satisfaction in the context of ERCA-Nifassilk-Lafto sub-city branch' is accepted.

4.6 Discussion of the Findings

This study has attempted to throw light on the issue of perceived service quality and its effects on customer satisfaction. The theoretical review of the issue suggested that high level of service quality leads to high level of customer satisfaction as service quality is the dominant determinant of customer satisfaction and since service quality is a multi dimensional construct it is measured along each of its dimensions. From empirical review of literatures the study made by many researchers generally confirmed the existence of positive relationship between service quality and customer satisfaction and most of them confirmed that service quality could be evaluated by using the five service quality dimensions even if the degree of importance of the five SERVQUAL dimensions were found to differ based on the context of the study. There were studies that found all the five dimensions have positive correlation with customer satisfaction with varying strength of correlation and degree of importance. There were also studies that found

only some of the five SERVQUAL dimensions have significant relationship with customer satisfaction while others have not.

An attempt has been made by this study to analyze the service quality of ERCA as perceived by small taxpayer customers from Nifassilk-Lafto sub-city and how these taxpayer customers are satisfied with the service quality provided by ERCA. The study also attempted to analyze the relationship that exists between each of the five service quality dimensions and customer satisfaction and examined the existing effect on customer satisfaction. The results of indicated that there were poor level of service quality and poor level of customer satisfaction which agreed with the fact that poor level of service quality leads to poor level of customer satisfaction which was discussed on reviewed literatures. The findings of this study also indicated that all the five service quality dimensions have significant positive correlation with customer satisfaction and have significant positive effect on customer satisfaction, this result also agreed with the main framework and concepts discussed on reviewed literatures and furthermore supported the alternative hypothesis of the study.

CHAPTER FIVE

Summary of findings, Conclusions, Recommendation & Further Research

5.1 Summary of findings

- This study was conducted is to examine the effect of service quality on customer satisfaction in the context of ERCA-Nifassilk-Lafto sub-city. 387 survey questionnaires were distributed to respondents, out of which 305 were collected by the researcher and among 305 questionnaires collected 25 of them were non usable due to incomplete data, and hence 280 questionnaires with a complete data were used for analysis.
- The gender profile of the respondents showed that from the total of 280 respondents 106 (37.9%) of them were female and 174 (62.1%) of them were male.
- The age profile of the respondents showed that from the total of 280 respondents 113 (40.4%) of them were in the age category of 30-39 which is the age category in which majority of the respondents were included. 84 (30%) of the respondents were in the age category of 18-29. Those respondents included in the age category of 40-59 were about 69 (24.6%) and there were only 14 (5%) of respondents which were in the age category of 60 years and above.
- The educational profile of the respondents showed that out of 280 total respondents 47(16.8%) of them were at the level of primary education, 77 (27.5%) of them were at the level of secondary education, 95 (33.9%) of them were diploma holders, 59 (21.1%) of the were first degree holders, and only 2 (0.7%) of them were at the post graduate level. Hence majority of respondents were under the category of diploma holders followed by those individuals at the level of secondary education. On the other hand there are insignificant amount of people who attended their education beyond first degree or post graduate level.
- Based on the descriptive analysis of the service quality dimensions, reliability was found to be the dimension with the highest mean score (which has mean = 2.83, and SD = 0.9) followed by responsiveness (which has mean=2.73, and SD=0.94).The dimensions tangibility and empathy have got moderate mean scores compared to the rest of service quality dimensions (tangibility mean =2.58, & SD = 0.85 and empathy mean =2.578, &

SD = 0.79). The rest one dimension, assurance, was found to be the dimension with the least and poorest mean score (mean = 2.37, & SD = 0.89).

- The descriptive analysis of customer satisfaction showed that the mean and the mode scores for customer satisfaction item are 2.5 & 2 respectively, and from the total of 280 respondents 121 are dissatisfied with the overall service provided by ERCA, hence the level 'dissatisfied' was the highest frequent level of overall customer satisfaction (which was about 43.2%). About 71 respondents (25.4%) have got the overall satisfaction level which was 'neutral' (neither satisfied nor dissatisfied), 46 respondents (16.4%) were satisfied and 37 respondents (13.2%) were strongly dissatisfied. Those which are strongly satisfied were only 5 (1.8%).
- Pearson correlation analysis was performed for this study to determine the relationship that exists between the five service quality dimensions and customer satisfaction and also to see the relationship that exists among service quality dimensions themselves. The results showed that all the five service quality dimensions were significantly correlated with customer satisfaction. The dimension that was highly correlated with customer satisfaction was empathy (correlation coefficient = 0.807) followed by assurance (correlation coefficient = 0.785), responsiveness (correlation coefficient = 0.784), reliability (correlation coefficient = 0.777), and finally tangibility was found to be the dimension that was least correlated with customer satisfaction (with correlation coefficient = 0.547). The correlation results also showed that there was a significant positive correlation among the five service quality dimensions themselves. The highest correlation was found between empathy & reliability (0.677) followed by assurance and empathy (0.696), responsiveness with reliability and responsiveness with empathy (0.658), responsiveness with assurance (0.639), assurance & reliability (0.610), empathy & tangibility (0.537), reliability & tangibility (0.455), assurance & tangibility (0.453), and responsiveness & tangibility (0.427).
- Multiple regression analysis was performed to see the extent to which the variance in the dependent variable (customer satisfaction) is explained by the service quality dimensions, to analyze the nature of relationship that exists between the dependent variable (customer satisfaction) and each of the independent variables and also to test the hypothesis based the standardized coefficients of beta and the corresponding p-values.

The results of multiple regression analysis hence showed that the R^2 for the model summary of the five service quality dimensions was 0.841 which implies that 84% of the variance in customer satisfaction can be explained by the service quality dimensions. The 'b' coefficients, which indicate the extent or the strength of the influence of each independent variable on the dependent variable (customer satisfaction) for tangibility, reliability, empathy, assurance and responsiveness, were 0.082, 0.264, 0.303, 0.291 and 0.271 respectively. Except tangibility the p-values for all other service quality dimensions are less than the significance level 0.01 and the p-value of tangibility is less than the significant level 0.05. Put it differently, the 'b' coefficients for the four service quality dimensions (reliability, empathy, assurance & responsiveness) are statistically significant at 99% confidence intervals and for the dimension tangibility it was significant at 95% confidence intervals.

5.2 Conclusions

From the descriptive analysis results the mean scores of the five service quality dimensions shows that there is a need for performance improvement in all of the five dimensions as all mean scores fall below the neutral score (3) of the five point likert scale measure of service performance. But comparatively, assurance needs more improvements or remedy compared all other dimensions. Tangibility and empathy are the one that follows in requiring more improvements or remedies.

The descriptive analysis results for customer satisfaction clearly show the existence of poor level of customer satisfaction. This is an indication that much effort should be done by ERCA to improve the level of customer satisfaction.

From the results of correlation analysis and multiple regressions analysis it can be concluded that improvement in the level of service quality through each of the five dimensions will also result in an improvement in customer satisfaction and also an improvement in one service quality dimension will result a significant improvement on the other dimensions as well.

From the results of multiple regression analysis all of the null hypotheses are rejected, and their entire corresponding alternative hypotheses are accepted.

5.3 Recommendations

Based on correlation analysis results and the multiple regression analysis results of the study discussed earlier the five dimensions or factors or of service quality affect taxpayers' satisfaction though their degree of correlation and effect on customer satisfaction differ. Hence those recommended actions should take this fact in to account.

The 1st dimension that was highly correlated and has the strongest effect on satisfaction level of taxpayers was empathy. Therefore those aspects of service quality which brings ultimate improvement in this dimension should be improved and to bring this the organization should maintain and improve the empathy skill of its employees since personal contact is still very important in tax collection and related services . On this regard it is very important to promote and increase moral education, rational thinking and behavioral skills for employees through different motivational systems so that employees are cheerful to understand taxpayers, identify their needs and provide attention to them individually

The 2nd dimension based on the degree of correlation and effect on customer satisfaction was assurance, which is mean of being safe. The implication of the result is that taxpayers need to be provided with enough safety and confidence in their service demand. Hence on this regard ERCA should provide the right training to its employees regularly in order to improve their performance so that they can keep pace with tax payers' demand and the taxpayer customers develop confidence on them.

The 3rd dimension based on the degree of correlation and effect on customer satisfaction was responsiveness, which is the timely reaction towards the customers' needs. The results of this study indicate that responsiveness is a must and shouldn't be taken for granted in providing quality service. To increase taxpayers' satisfaction on this regard ERCA needs to select employees with professional skill and good behavior especially for those sections of Reception and customer relationship in order to respond to taxpayers' request

The 4th dimension was reliability, which is about the accuracy and appropriateness in the service provided. The result indicated that taxpayers are concerned about the reliability. The fact that they have no alternative option to turn into, as ERCA is the only organization authorized to render services related to tax and related matters, may have contributed to their concern for

reliability. Therefore in relation to service quality with respect to reliability, improvements should be made such as avoiding errors when handling affairs, providing service as promised and showing a genuine interest in solving problems. Thus, trust will be created by taxpayers for services of ERCA.

The last dimension was tangibility, which was the least compared to others in terms of the degree of correlation and effect on customer satisfaction, but still significantly correlated with customer satisfaction and has an effect on it. Hence on this regard ERCA should work on improving those aspects of tangibility which encompasses the appearance of the company representatives, facilities, materials, and equipment.

5.4 Further research

The study suggests that the future research in this area should focus on extending the study on other cultural contexts of Ethiopia such as the context of rural populations and also extending the study to see the relationship between cities and remote places in term of the differences in region, culture, education level and other demographic factors which are not accessed by this study. The researcher also believes that focus of further researches on these areas will contribute in generalizing the findings to nationwide.

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Part II Service Quality items

Direction: Please indicate your level of agreement by circling the numbers in the box for an alternative you think is right based on the five point scale given below:

1=Strongly Disagree 2= Disagree 3=No Opinion (Neutral)

4=Agree 5=Strongly Agree

No.	Questionnaire items	1=Strongly disagree	2=disagree	3=Neutral	4=Agree	5=Strongly Agree
No.	Tangibility					
1	Employees of ERCA are well dressed and appear neat	1	2	3	4	5
2	ERCA has modern equipment	1	2	3	4	5
3	ERCA has visually appealing material associated with the Service	1	2	3	4	5
4	ERCA's Physical facilities are visually appealing.	1	2	3	4	5
No.	Reliability					
5	ERCA provides services as promised	1	2	3	4	5
6	Employees of ERCA are dependable in handling taxpayers' service Problems	1	2	3	4	5
7	Employees of ERCA perform services right at the first time	1	2	3	4	5
8	Employees of ERCA provide services at the promised time	1	2	3	4	5
9	ERCA keeps its records accurately	1	2	3	4	5
No.	Empathy					
10	Employees of ERCA give taxpayers individual attention	1	2	3	4	5
11	Employees of ERCA deal with taxpayers in a caring fashion	1	2	3	4	5
12	ERCA has the taxpayer's best interest at heart	1	2	3	4	5
13	Employees of ERCA understand the individual needs of taxpayers	1	2	3	4	5
14	ERCA has operating hours convenient to all	1	2	3	4	5

	taxpayers					
No.	Assurance					
15	Employees of ERCA instill (inspire) confidence in customers	1	2	3	4	5
16	Employees of ERCA make taxpayers feel safe in their transaction	1	2	3	4	5
17	Employees of ERCA are consistently courteous(polite)	1	2	3	4	5
18	Employees of ERCA have the knowledge to answer taxpayers' questions	1	2	3	4	5
No.	Reliability					
19	ERCA keeps taxpayers informed about when services will be Performed	1	2	3	4	5
20	Employees of ERCA provide prompt service to taxpayers	1	2	3	4	5
21	Employees of ERCA are always willing to help customers	1	2	3	4	5
22	Employees of ERCA are ready to respond to customers request	1	2	3	4	5

Part III. Customer Satisfaction

Direction: Choose and circle the number that best describes your feeling

No.	Questionnaire item	1=Strongly dissatisfied	2=dissatisfied	3=Neutral	4=satisfied	5=Strongly satisfied
1	In general your feeling towards ERCA's services can best be described as	1	2	3	4	5

Annex 2. Research Instrument (Amharic)

“የአገልግሎት ጥራት በደንበኞች እርካታ ላይ ያለው ተፅዕኖ” በሚል ርዕስ ለሚደረገው ጥናት የተዘጋጀ

መጠይቅ

ውድ ተሳታፊ

ይህ መጠይቅ የአገልግሎት ጥራት የደንበኛ ፍላጎትን በማርካት ላይ ያለውን ተፅዕኖ አስመልክቶ ለሚደረገው ጥናት መረጃን ለመሰብሰብ የተዘጋጀ ነው። በአዲስ አበባ ዩንቨርሲቲ ንግድ ሥራ ት/ቤት የ2ኛ ድግሪ (ማስተርስ ኦፍ ኦርጅ) ከፊል መሙያ የሚደረገው ጥናት ነው።

ስሜ ሳምሶን ገዢን ይባላል። በአዲስ አበባ ዩንቨርሲቲ ንግድ ሥራ ት/ቤት የድህረ ምረቃ ተማሪ ነኝ። የእርስዎ ትብብር ለዚህ ጥናት ጠቃሚ ግብዓት ነው እዲሁም በደንበኞች ፍላጎት መሰረት የአገልግሎት አሰጣጥን ለማሻሻል ይረዳል። ስምዎንን መጻፍ አይጠበቅብዎትም። እንዲሁም እርስዎ የሚሰጡት መረጃ በሚስጥር የሚያዝና ለዚህ ጥናት አላማ ብቻ የሚውል ይሆናል። ስለዚህ በተሰጠው መመሪያ መሰረት እያንዳንዱን መጠይቅን ክፍል እንዲሞሉ በአክብሮት እጠይቃለሁ።

ለትብብርዎ

እናመሰግናለን።

ክፍል 1:- አጠቃላይ መረጃ

መመሪያ:- ተገቢውን መልስ የያዘው ቁጥር ላይ ያክቡ።

1. ያታ

1. ሴት

2. ወንድ

2. ዕድሜ

1. 18-29 አመት 2. 30-39 ዓመት 3. 40-59 ዓመት 4. 60 ዓመት እና ከዝያ በላይ

3. የትምህርት ደረጃ

- 1.የመጀመሪያ ደረጃ 2.ሁለተኛ ደረጃ 3.ዲፕሎማ 4. ዲግሪ 5. ሁለተኛ ዲግሪ እና ከዝያ በላይ

ክፍል 2

ከዚህ በታች በተገለጹት 5 ነጥቦች መሰረት ትክክለኛ ነው ብለው በሚያስቡት የስምምነት ደረጃ ላይ በማክበብ ያሳዩ።

- 1=በጣም አልስማማም 2= አልስማማም 3=ድምጸ ተአቅቦ 4=እስማማለሁ
5=በጣም እስማማለሁ

ቁጥር	የጥያቄዎች አይነት	1=በጣም አልስማማም	2=አልስማማም	3=ድምጸ ተአቅቦ	4=እስማማለሁ	5=በጣም እስማማለሁ
1.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ሰራተኞች አለባበሰቸው ጥሩ ነው። እንዲሁም ሲታዩ ንጹህ ናቸው።	1	2	3	4	5
2.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን ዘመናዊ መሳሪያ አለው	1	2	3	4	5
3.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን ከአግልግሎት ጋር ተያይዞ ለእይታ የሚሰጥ ማቴሪያል አለው።	1	2	3	4	5
4.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን አካላዊ ቁሳቁሶች እይታን የሚሰጡ ናቸው	1	2	3	4	5

5.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን በገባው ቃል መሰረት አገልግሎቱን ይሰጣል	1	2	3	4	5
6.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን ሰራተኞች የግብር ከፋዮች አገልግሎት ችግሮችን ለመፍታት አስተማማኝ ናቸው።	1	2	3	4	5
7.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን ሰራተኞች ከመጀመሪያውኑ የሚሰጡትን አገልግሎት በትክክል ይሰጣሉ	1	2	3	4	5
8.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን ሰራተኞች የሚሰጡትን አገልግሎት ባሉት ጊዜ ይሰጣሉ።	1	2	3	4	5
9.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን ሪከርዶችን በትክክል ይይዛል	1	2	3	4	5
10.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን ሰራተኞች ለእያንዳንዱ ግብር ከፋይ ትኩረትን ይሰጣሉ።	1	2	3	4	5
11.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን ሠራተኞች መብታቸውን በመጠበቅ ከግብር ከፋዮች ጋር ይነጋገራሉ።	1	2	3	4	5
12.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን ለግብር ከፋይ የላቀ ጥቅምን ያስከብራል።	1	2	3	4	5
13.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን የእያንዳንዱን ግብር ከፋይ ፍላጎት ይረዳል።	1	2	3	4	5
14.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን ለሁሉም ግብር ከፋዮች የሚመኙ የስራ ሰዓት	1	2	3	4	5

	አለው					
15.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን ሰራተኞች ደንበኞች የራስ መተማመን እንዲኖራቸው ያደርጋሉ።	1	2	3	4	5
16.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን ሰራተኞች ግብር ከፋዮች በስራቸው ደህንነት እንዲሰማቸው ያደርጋሉ።	1	2	3	4	5
17.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን ሰራተኞች ትሁት ናቸው።	1	2	3	4	5
18.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን ሰራተኞች የግብር ከፋዮችን ጥያቄዎች ለመመለስ እውቀት አላቸው	1	2	3	4	5
19.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን የሚሰጡ አገልግሎቶችን ለግብር ከፋዮች ይገልጻል።	1	2	3	4	5
20.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን ሰራተኞች ለግብር ከፋዮች ፈጣን አገልግሎት ይሰጣሉ።	1	2	3	4	5
21.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን ሰራተኞች ሁልጊዜ ደንበኞችን ለመርዳት ፍላጎት አላቸው።	1	2	3	4	5
22.	የኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን ሰራተኞች ለደንበኞች ጥያቄ ምላሽ ለመስጠት ዝግጁ ናቸው።	1	2	3	4	5

ክፍል 3

የእርስዎን የእርካታ ደረጃ የሚገልጸውን ቁጥር ይምረጡ

ቁጥር	የጥያቄዎች አይነት	1=በጣም አልረከሁም	2=አልረከሁም	3=ድምጻት አቅቦ	4=ረክቻለሁ	5=በጣም ረክቻለሁ
1.	በአጠቃላይ ስለ ኢትዮጵያ ገቢዎች እና ጉምሩክ ባለስልጣን አገልግሎት ያሉት ስሜት በላቀ ሁኔታ ሊገለጽ የሚችለው፡	1	2	3	4	5