

**ADDIS ABABA UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**Department of Public Administration and Development Management**

*Service Quality and Process on Customer Satisfaction: Empirical  
Evidence from Addis Ketema Revenue Office*

*A Research Paper Submitted to the School of Graduate Studies of Addis Ababa  
University in Partial Fulfillment of the Requirements for the Award of the Degree  
of Master Public Management and Policy*

**By:**

Robel Getachew

Advisor: Shumey Berhie (PhD Candidate)

June, 2019

Addis Ababa, Ethiopia

## **Declarations**

I, Robel Getachew declare that this work entitled “Service Quality and its Process on Customer Satisfaction: Empirical Evidence from Addis Ketema Revenue Office” is an outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the research advisors.

This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of master’s in Public Management and Policy.

By: **Robel Getachew**

Signature \_\_\_\_\_

Date \_\_\_\_\_

Advisor: **Shumey Berhie**

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**ADDIS ABABA UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**

**Department of Public Administration and Development Management**

This is to certify that the thesis entitles “Service Quality and its Process on Customer Satisfaction: Empirical Evidence from Addis Ketema Revenue Office” submitted to Addis Ababa University for the award of the degree of Masters of Public Management and Policy which is carried out by Mr. Robel Getachew, under our guidance and supervision.

Therefore, we hereby declare that no part of this thesis has been submitted to any other university or institutions for the award of any degree or diploma.

\_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Adviser

\_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Internal Examiner

\_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

External Examiner

## **Acknowledgement**

*First and for most, I would like to praise the almighty God for his forgiveness, charity and strength he has given to me. Secondly, I would very happy to express my heartfelt deepest gratefulness to my advisor Dr. Shumey Berhie for his priceless and unreserved support during our early studies and through all this particular advice.*

## **Table of Contents**

	<b>Page No.</b>
Acknowledgement.....	I
Table of contents.....	III
List of Tables & Figures.....	V
Acronyms.....	VI
Abstract.....	VII
<b>CHAPTER ONE</b>	
<b>Introduction</b>	
1.1. Background of the study.....	1
1.2. Statement of the problem.....	3
1.3. Objective of the study.....	6
1.3.1. General Objectives of the study.....	6
1.3.2. Specific Objectives of the study.....	6
1.4. Scope of the study.....	6
1.5. Significance of the study.....	6
1.6. Organizations of the study.....	7
1.7. Limitations of the study.....	7
<b>CHAPTER TWO</b>	
1. Review of related literature.....	8
2.1 Introduction.....	8
2.2 Definition of customer satisfaction.....	8
2.3 Service quality.....	8
2.4 Service quality models.....	10
2.4.1 Tangibles as a SERVQUAL dimension.....	10
2.4.2 Reliability as a SERVQUAL dimension.....	10
2.4.3 Responsiveness as a SERVQUAL dimension.....	11
2.4.4 Empathy as a SERVQUAL dimension.....	11
2.4.5 Security as a SERVQUAL dimension.....	12
2.5 Customer satisfaction.....	12

2.6 SERVQUQL Scale.....	13
2.7 Development of service quality model.....	14
2.8 Relation between service satisfaction and quality.....	15
2.9 Customer satisfaction of Banking sectors.....	16
2.10 Classification of service.....	17
2.11 Customer satisfaction in public organization practice.....	17
2.12 Customer expectation .....	18
2.13 Impact of service quality on customer’s satisfaction.....	19
2.14 Conceptual frame work of the study.....	19

**CHAPTER THREE**

3. Research Design & Methodology.....	21
3.1. Research Design.....	21
3.2. Population and Sample Technique.....	21
3.3. Sampling and Sample Design of the Study .....	21
3.4. Source of Data and Data Gathering Tool.....	22
3.5. Method of Data Analysis.....	23
3.6. Validity of the Study.....	24
3.7 Reliability of the study.....	24

**CHAPTER FOUR**

4. Data Analysis and Interpretation.....	26
4.1. Background of the Respondents.....	26
4.2. Descriptive Data analysis of SERVQUAL.....	27
4.2.1. Service quality Analysis Regarding Tangibility.....	28
4.2.2. Service quality Analysis Regarding Reliability.....	30
4.2.3. Service quality Analysis Regarding Responsiveness.....	32
4.2.4. Service quality Analysis Regarding Assurance.....	33
4.2.5. Service quality Analysis Regarding Empathy.....	35
4.3. Level of Customer Satisfaction.....	36
4.4 Pearson’s correlation analysis.....	37
4.5. Multiple regression analysis.....	39

4.6. Discussions of results..... 41

**CHAPTER FIVE**

5. Conclusion and Recommendations..... 43

5.1. Conclusion..... 44

5.2. Recommendations..... 45

References

Appendixes

## List of Tables

Table 4.1 Characteristics of respondents.....	26
Table 4.2 Respondents view on the service quality in terms of tangibility.....	28
Table 4.3 Respondents view on the reliability of the service quality.....	30
Table 4.4 Respondents view on the responsiveness of the tax office.....	32
Table 4.5 Respondents view on the service quality related to assurance.....	34
Table 4.6 Respondents view on the service quality related to Empathy.....	35
Table 4.7 Respondents level of satisfaction on the organization service quality.....	37
Table 4.8. Impact of service quality on customer Satisfaction.....	38
Table 4.9 Model Summary of multiple regression.....	39
Table 4.10 ANOVA analysis.....	39
Table 4.11: Coefficient value of multiple regression analysis.....	40

## **ACRONYMS / ABBREVIATIONS**

CSQ ----- Customer Satisfaction Questionnaire

SERVQUAL----- Service Quality

SQQ: -----Service Quality Questionnaire

ERCA: -----Ethiopian Revenues and Customs Authority

SPSS: -----Statistical Package for Social Sciences

ANOVA -----Analysis of Variance:

## ***Abstract***

*The study assessed service quality and its Process on customer satisfaction of Addis Ketema Revenue Office. This study endeavors to discover the impact of service quality on customer satisfaction in Addis Ketema Revenue Office using Five dimensions in service quality (SERVQUAL) such as tangibility, reliability, responsiveness, empathy, and assurance are considered as the base for this study. To achieve the overall objective of the study, collect data from customers of the branches, using questioners and interview. Accordingly, 242 respondents were participated in the study using a convenience sampling technique. Both descriptive and inferential statistics methods were applied in the analysis part. The data were analyzed by using SPSS version 20.1. The result of the study reveals that the overall level of customer's satisfaction in the study area is low as compared those who were not satisfied. The result of study showed that except assurance the rest service quality indicators (servqual) positively and significantly affect customer's satisfaction in the organization. Thus, it can be concluded that responsiveness, reliability and tangibility remains the most determinant and/it strongly influence customer's satisfaction level of the study area. Furthermore, multiple regressions identify the relative contribution of each variable and determine the best predictor variables among a set of variables. Accordingly, responsiveness has the highest contribution to customer loyalty among the independents variables. Based on the findings the study recommend the following management bodies of the branch further investigate the main reason of unsatisfied customers and tried to create Continuous improvements on the major factors affecting customers level of satisfaction.*

***Key words: Tangibility, Responsiveness, assurance, reliability, empathy and satisfaction***

# CHAPTER ONE

## 1. Introduction

### 1.1. Background of the Study

Every organization strives to make its customer remains satisfied with its products and services. Customer satisfaction is surely a very critical element towards retaining profitable business relations with customers. The combined effect of a high retention rate and the enhanced profitability of loyal customers can lead not only to higher profit, but to a better ‘quality of earnings’, as the Customer base is less volatile (Ladhari, 2008 p:45). Customer satisfaction and delivery of effective service are interlinked. Service quality “has become one of the key driving forces for business sustainability and is vital for firms’ accomplishment” (Magesh, 2010 p: 12). “Customer service quality is a crucial source of distinctive competence and often considered a key success factor in sustaining competitive advantage in service industries” (Kanyurhi, 2013p:36).

Service quality is said to be one of the major contributors to customer satisfaction and therefore it is given importance in the service sector. A lot of research has been taking place for the past two decades which has thrown light on the link between customer satisfaction and service quality. Various theories and frameworks have been presented but the work by (Zeithaml, Parasuraman and Berry 1988p:21) is of prime importance. They introduced SERVQUAL model for analyzing and improving the quality for service organizations. SERVQUAL instrument has received widespread acknowledged as a breakthrough in service quality assessment, has been considered as an established tool for measuring service quality, has been widely used, and has been adapted to service render organizations (Ladhari, 2008,p:14).

The Gap Analysis Model developed by (Brogowicz, 1990 p: 9), suggests a number of certain key factors that affect quality of service delivery such as, word of mouth communication, personal needs, past experience and external communications which influence customer expectations identify the determinants of service quality (reliability, response capacity, competence, accessibility, courtesy, communication, credibility, security, understanding the customer and tangible aspects).

Regarding the relationship between customer satisfaction and service quality, Zenithal, (2000 p: 15) first suggested that service quality would be an antecedent to customer satisfaction regardless of whether these concepts were cumulative or transaction-specific. It implies that the service quality concept plays a central role in understanding customer satisfaction and retention.

Mokhlis, (2012 P: 44) “defined Service quality as the subjective comparison that customers make between the quality of the service that they want to receive and what they actually get. Service delivery is not only limited to private firms for the purpose of earning a profit, but it has also delivered by the public as well. Governments have legal responsibilities and authorization to deliver quality service for citizens as well as foreigners who seek service from them. On the other hand, citizens as customers also have the legal right of getting quality service up to the level of their expectations from their governments due to the fact that any government exists to satisfy the wants and needs of its customers, the public (Lyemperopoulos, &Soureli, 2006p:34).

Currently, the public sector is under increasing pressure to demonstrate that their services are customer focused and that continuous performance improvement is being delivered. As a result, high-quality service is a priority for public service provider’s worldwide (Borins, 2000 p 56). Thus, as service providers, rendering quality service and continuously improving the service quality has become a very real issue for all service rendering organizations.

A number of studies have been conducted to explore the link between service quality and customer satisfaction. A recent Nigerian study by Johnston, (2007p:56) says that in order to maintain high levels of customer satisfaction, it is mandatory for the organization to update its services according to the expectations of customers. Not only the goal should be meeting the demands, but the competitive advantage comes with exceeding the demands of the customer. This derives customer satisfaction for long-term customer retention.

According to Akroush, (2008p:22), the heart of excellent service marketing is characterized by service reliability, performing the service consistently and accurately. When a company performs a service carelessly, when it makes avoidable mistakes, when it fails to deliver as per promises, it erodes the customer confidence in its capabilities and undermines its chances of earning a reputation for service excellence. From the customer’s perspective, the proof of a service is its flawless performance.

The study by Aldlaigan, and Buttle (2002p:32), “believes that excellent service quality is vital to business profitability and survival.” Thus, from the finding of Newman and Cowling, the researcher understands that if service quality is going down in the organization, it will have negative effects on the organization’s profitability.

Empirical work on service quality and customer satisfaction has been done by various researchers including Spreng and Mackoy (1996), Jones and Such (2000p:21), Coyles and Gokey (2002p:16) and Choi et al., 2004. A lot of literature can be found on these variables in from countries; however, there are a few kinds of literature on service quality and service satisfaction in Ethiopia. Limited work has been done to establish the link between these two variables. Therefore, the aim of this study is to cover the gap by presenting empirical evidence for the effect of service quality on customer satisfaction in tax revenue of Addis Ketema Sub – City. Accordingly, the study will use concepts from a different model of quality service measurements like that of the SERVQUAL to assess customers’ general perception on the quality of service delivery by the authority and its effect on customer satisfaction.

## **1.2 Statement of the Problem**

A business can achieve success by understanding and fulfilling the needs of customers. From a total quality perspective, all strategic decisions a company makes are customer driven. Thus the company must serve to dynamic customer and market requirements. According to the study by one of the determinants of success of a firm is how the customers perceive the resulting service quality, as this is the key driver of perceived value. It is the perceived value which determines customer satisfaction (Karatepe & Babakus, 2005p:33).

In Ethiopia, in most cases, service is provided in a manner that suits the administrative convenience (i.e. provider) rather than compliance to the recipient interest (Teklu Kasa, 2011p;11). In relation to this, the inconsistency of regulation and guidelines among governing institutions that provide related service as well as lack of coordination and cooperation among various departments within an institution and between related institutions often hinder efficiency in service delivery (Seme, 2012p:10).

Moreover, the service delivery in public institutions is time taking due to excessive hierarchal organizational structure (Teklu, 2011p: 33). And yet sufficient attention is not given in the

planning process of many governmental institutions to improve their time taking service delivery system as well as procedure of service delivery. In addition, the human resource management system and working condition in the civil service do not motivate employees to provide quality service properly (Yonatan Gebre, 2010p:15). The service users are also not aware of their rights and obligations regarding how and when to receive the public service (Johnston, 2007p:21).

Service companies are under a constant and dynamic change, everybody is aware of this and so, proactive action is required. What they have aimed to do is to identify issues that are relevant to make them fit with the required service delivering system and as such applicable to all involved in the management and competitiveness of service companies regardless of their location or national boundaries (Ladhari, 2008p:17). Though, this is for most of Ethiopian public service renders organizations, much part are extended to ERCA. This is because, most of customers are observed complaining the organization service delivery system such as, the waiting time of customers is more bulky, lack of responsive employee, bureaucratic characters, interruption of the network, are some of the problems that most of the customers complaining about (ERCA, 2010p:22).

With related to the influence of service quality and its impact on customer's satisfaction, the study tried to assess different published and unpublished research results to reduce similarities with other researches.

In Ethiopia there were studies that took place related to service quality and customer satisfaction, however, there were no timely studies that indicated the current situation of delivery of service quality and its impact on customer satisfaction.

An important gap still exists in the empirical literature to indicate service quality delivery and customer satisfaction specifically related to ERICA. Most of the studies related to service quality and customer satisfaction were done on commercial banks of Ethiopia, such as, a study doing by Belay (2012p:19) the impact of service quality on customer satisfaction of private commercial banks, using Five dimensions of service quality (tangibility, reliability, responsiveness, assurance and empathy the result implied that, the three service quality dimensions (assurance, empathy, and responsiveness) have a positive but insignificant effect on customer satisfaction. Tangibility has a positive and significant impact on customer satisfaction. However, reliability has a negative and

insignificant effect on customer satisfaction. However, despite this study deals with the effect of service quality on customer satisfaction, which is the purpose of this study, the context is basically different.

There was also the researches made by Semu (2012p:24), focused on, factor affecting the quality of service delivery in Commercial Bank of Ethiopia, the result revealed that, among the other, factors responsiveness and reliability highly affected the delivery of quality service.

Lassar, Manolis, & Winsor. (2000p:45) A specific study made by Indian researchers on service quality in Ethiopia Shows that from Overall satisfaction level about 49% respondents conveyed their disappointment on the overall performance of the service sector activities of Ethiopia. This means it should be healthier to identify the areas which led to this kind of dissatisfaction and introduce a complete overhaul to recover the situation. The researchers identified some areas of dissatisfaction particularly service quality, tariff structure, service encounter, service delivery process, bill payment areas, complaint handling procedure, after sales service etc. through qualitative research. The Ethiopian service sector is already working on the above area which has led to great customer dissatisfaction with the support of overhauling of most of the existing plans, procedures, programs, strategies, policies and even budgets also.

Though a considerable literature exists on the relationship between service quality and customer satisfaction as discussed on the above literatures, however, the study didn't find related study on public sector specifically studies on ERCA; therefore, one of the major objective of this study is to address research gap of the area.

### **Basic research question**

1. What are the major service quality dimensions have dominant role that influence the customer satisfaction in Addis Ketema Revenue Administration Office?
2. How the service process, affect the level of customer satisfaction in Revenue Administration Office of the Sub-city?
3. How is the managements are handling the customers complaint and trying to solve the problems in order to satisfy their customers?

## **1.3 Objectives of the study**

### **1.3.1. General Objectives**

The main objective of this study was to examine the effect of customer service quality and process on customer satisfaction in Addis Ketema Revenue and tax office.

### **1.3.2. Specific Objectives**

1. To identify the level of satisfaction of customers and variations in service quality and process delivery by the city administration
2. To assess how quality service variables and process, affect the level of customer satisfaction?
3. To measure the degree of influence each of service quality components on the level of customer satisfaction?

## **1.4 Scope of the Study**

The study is specifically delimited to the branches of the company that are located in Addis Ketema Sub-city. Furthermore, even if there are many determinants that affect customer satisfaction this study will not attempt to study all customer satisfaction factors rather focus on service quality measurements (SERVQUAL, Instrument) that are, tangibility, responsiveness, reliability, assurance and empathy. Whereas customer satisfaction is measured using variables: Customer expectation, service standard and survive provision within the for maintained quality dimension structured questionnaires. Thus the study finding will be presented based on customer's view. The study also delimited to collect data from customers, in the time-bound 2018

## **1.5. Significance of the Study**

A study of rendering quality service in public organization like ERCA is important for the following major reasons:

- It provides further testing into the multi-dimensional nature of service quality in the civil service sector.
- It gives additional evidence as to the level of relationship between nations as public customers and service giving public organizations.
- It delivers feedback for the civil service organization regarding the perceptions of their customers toward their service quality.

It extends the service quality literature. This study expects to contribute to the literature on assessing the quality of service delivery in the organization. The results of this research could assist the leadership of the authority in improving the quality of services to the expectation of their customers.

Furthermore, the research is important for the following major reasons:

- The findings of the study expected to add value regarding the perception of customers on the quality of services delivery of the authority and suggest what major actions have to be taken to meet the needs and expectations of customers,
- This study tries to combine theoretical and empirical research and find out the major dimensions that customers have problems in receiving quality service from the authority.
- The research lays the theoretical foundation of the practices, for which will provide future academic research on the assessment of quality service in ERCA.

## **1.6. Organizations of the study**

This study will be organized in to five chapters. The first chapter will present the introduction. The second chapter will show the literature review while the third chapter contains brief description of the research methods and design. The fourth chapter will present and analyzes the results. Finally, the chapter five chapters present the conclusions and recommendation of the study respectively.

## **1.7. Limitations of the study**

All the customer of the Authority was not taken as the subject of the study. Not only this but also, the fact that the study is only conducted in a limited branch and it is difficult to generalize the fining results in a countrywide. The other limitation of the study was, lack of sufficient and relevant literature that relate quality of service delivery with public organizations like that of ERCA; and prejudice, poor cooperation and reluctance of respondents to fill in the questionnaire and give detail interview,

## **CHAPTER TWO**

### **2. Review of Related Literature**

#### **2.1 Introduction**

This chapter covers the literature reviewed of Theories and models and conceptual framework which serves as evidence of the Variables of the study - Service Quality and Customer Satisfaction. Definitions of service, quality, customer satisfaction, the concept of service quality, and the relationship between service quality and customer satisfaction is briefly highlighted.

#### **2.2 Definition of Customer satisfaction**

Customer satisfaction is defined as a customer's overall assessment of the performance or experience that the company has offered to them. This overall satisfaction across the product and service provided by e-banking has a strong positive effect on customer loyalty (Baumann 2007).Kanyurhi, (2013p: 35) argues that customers reach satisfaction decisions by comparing the performance a product or service with their prior expectations.

#### **2.3 Service quality**

Service quality can be defined as the difference between customer's expectations of service performance prior to the service encounter and their perceptions of the service received. Quality service has a positive effect on the bottom-line performance of a firm and thereby on the competitive advantages that could be gained from an improvement in the quality of the service offered so that the perceived service exceeds the service level desired by customers (Ladhari, 2008p:12).

Nowadays, with increased competition, service quality has become a popular area of academic investigation and has been recognized as a key factor in keeping the competitive advantage and sustaining satisfying relationships with customers (Zeithmal et al., 2000p:33)

Service quality is considered an important tool for a firm's struggle to differentiate itself from its Competitors (Ladhari, 2008p:25). Service quality has received a great deal of attention from both academicians and practitioners (Negi, 2009p:66).

British Journal of Marketing Studies Published by European Centre for Research Training and Development UK (2008p:29) pointed out that, by defining service quality, companies will be able to deliver services with higher quality level.

Akroush (2008) also pointed out that service quality is the result of the comparison made by customers about what they feel service firms should offer, and perceptions of the performance of firms providing the services. Gronroos (2007p:31) also defined service quality as the outcome of the comparison that consumers make between their expectations and perceptions.

Customer's expectation serves as a foundation for evaluating service quality because, quality is high when performance exceeds expectation and quality is low when performance does not meet their expectation (Athanassopoulos et al., 2001p:45). Perceived service is the outcome of the consumer's view of the service dimensions, which are both technical and functional in nature.

It is very vital to note here that, service quality is not only assessed as the end results but also on how it is delivered during the service process and its ultimate effect on consumer's perceptions (Duncan & Elliot, 2004p:51). Service quality has a strong correlation with customer satisfaction, financial performance, manufacturing costs, customer retention, customer loyalty, and the success of marketing strategy (Cronin et al., 2000; Wong et al., 2008p:43). Organizations operating within the service sector consider service quality to be a strategic component of their marketing plan (Spathis et al., 2004p:21). Through service quality, organizations can reach a higher level of service quality, a higher level of customer satisfaction, and can maintain a constant competitive advantage (Meuter et al., 2000p; 32).

Service quality also defined as the degree of discrepancy between customer normative expectations for service and their perceptions of service performance. Service quality can be defined as meeting the needs and expectations of the customer (Kotler, and Armstrong, 2010p:65). The definition of service quality can be extended to the overall evaluation of a specific service with ten service quality dimensions: tangibles, reliability, responsiveness, competence, courtesy, credibility, security, access, communication and understanding/knowing the customer (Lassar& Winsor, 2000p:28).

## **2.4 Service quality Model**

Most of the researchers have recognized and used the service quality measuring model in a variety of industries such as the service quality model improved by Akroush, (2008p:43). The service quality model of Baumann (2007p;11). Johnston, (2007p;23) suggested a five-dimensional structure of perceived service quality tangibles, reliability, responsiveness, empathy and security as the instruments for measuring the service quality.

### **2.4.1 Tangibles as a SERVQUAL dimension**

The tangibles involve the firms' representatives, physical facilities, materials, and equipment as well as communication materials. Furthermore, Physical environmental conditions appeared as a clear evidence of the care and attention paid for the details offered by the service provider (Ladhari, 2008; p41). Davis et al. (2003p; 54) summarize tangibles like the physical confirmation of the service. More specifically, Magesh, (2010p; 41) define the tangibility appearance of physical facilities, equipment, personnel, and written materials. Finally, in the present research, tangibles are the facilities and the banking services offered by the providers of the Arab bank headquarters as perceived by the specific Arab banking customers. Such tangibles are measured using 4 items of the tangible dimension of the *22-item SERVQUAL*

### **2.4.2. Reliability as a SER VQUAL dimension**

Reliability depends on handling customer service issues, performs the services right the first time; offers services on time, and maintain a record of error-free. Moreover, they define reliability as the most significant factor in conventional service (Malhotra, & Mukherjee, 2004p;14). Reliability also consists of the right order fulfillment; accurate records; accurate quote; right in the bill; Results are more accurate than commissions; keep the promise of service. He also mentions that reliability is the most significant factor in banking services (Magesh, 2010p;19). More specifically, in a study by Parasuraman et al. (1985p;32), SERVQUAL was applied to gather data in four different companies, including banks, credit card companies, the company's maintenance services, and long-distance phone company. He found high reliability in all four of these companies, with the possible exception of some of the values associated with significant dimensions (Mokhlis, 2012; p22).

Finally, reliability is defined as the “ability to perform the promised service dependably and accurately” (Zeithmal et al., 2000). In this research, reliability is the ability of banking service providers at a specific Arab bank to execute the promised service as perceived by the specific Arab bank headquarters’ banking customers. This is measured using 5 items of the reliability dimension of the 22-item SERVQUAL

### **2.4.3 Responsiveness as a SERVQUAL dimension**

Responsiveness is defined as "the willingness to help customers and provide prompt service"(Kanyurhi, 2013p; 53). Furthermore, Johnston (2005p; 31) defines responsiveness such as speed and timeliness of service delivery. This consists of processing speed and service capabilities to respond promptly to customer service requests, and wait a short and queuing time. More specifically, responsiveness is defined as the willingness or readiness of employees to provide services. It contains the timeliness of service (Baumann 2007p; 44). It also contains understanding the needs and requirements of the customer, easy operation time, individual attention provided by the staff, attention to the problem and customers' safety in their dealings (Kumar et al., 2009p;32). Finally, in this research, responsiveness is the readiness of banking service providers at a specific Arab bank headquarters to provide punctual services as perceived by a specific Arab bank headquarters’ banking customers. This is measured using 4 items of the responsiveness dimension of the 22-item SERVQUAL

### **2.4.4. Empathy as a SERVQUAL dimension**

Akroush, (2008) defined empathy as a caring and individual attention that the firm provides to its clients. It contains giving individual attention to employees who understand the needs of their customers and customer facilities during business hours. Furthermore, Kanyurhi, (2013; 75) demonstrates empathy in their research of private sector banks, provide individual attention and easy operation time; give personal attention, and understand the specific needs of customers. Ladhari,(2008p;55) suggest that empathy contains approachability, sensitivity, and efforts to understand customer needs. Also, Johnston (2007p; 44) defined empathy as the ability to make customers feel welcome, especially by staff contacts.

Additionally, the SERVQUAL model indicates that satisfaction is related to the size and direction of disconfirmation of a person's experience when he/she faces his/her initial expectations (Levesque, & Dougall, 1996; p; 51). This study uses 4 items of the empathy dimension of the 22- item SERVQUAL.

#### **2.4.5. Security as a SERVQUAL dimension**

Security refers to the safety and security of customer transactions with the Arab bank including a privacy policy. Levesque & Dougall (1996). Zeithamlet al. (2000p;47). Recommended that adding the security dimension to future service quality research, Security is ensued when the service becomes safe, and the customer information gets protection.

### **2.5 Customer Satisfaction**

The literature shows that customer satisfaction is important to get long-term business success (Zeithami et al., 2000). To protect market share / profit, organizations need to overcome competitors through offering high quality products or services to ensure customer satisfaction (Tsoukatos& Rand, 2006). Furthermore, Magesh, (2010p; 19) indicates that customer satisfaction requires full meeting customer expectations of products and services. When performance matches or exceeds customer expectations for service, they are satisfied. If not, they are not satisfied (Munusamy, 2006). Moreover, several studies generally define customer satisfaction and dissatisfaction as the customer's judgments concerning a business's success or failure in meeting expectations (Chidambaram, & Ramachandran, 2012, Kheng et al., 2010). When expectations are met, satisfaction results and unmet expectations lead to dissatisfaction (Oliver, 2000). Lau, and Cheung (2013) indicate that the attitude of customer satisfaction resulting from what customers believe should happen (anticipation) compared with the situation when what they believe is not the case (perceived performance). In addition; satisfaction strengthens quality perception and leads repeat purchases. More specifically, in the banking industry, a main element of customer satisfaction is the nature of the relationship among customers and suppliers of products and services. Therefore, both product and service quality usually are observed as an important condition and valuable factor for retaining customer satisfaction (Muslim & Isa, 2005p; 54).

It is true that the delivery of high quality services to the company customers offers an opportunity to differentiate them in the competitive market (Karatepeet *al.*, 2005). Additionally, Zaim, Bayyurt, and Zaim (2010) found that tangibility, reliability and empathy are significant for customer satisfaction, but Mengi (2009) indicated that responsiveness and assurance are more significant. Additionally, Siddiqi (2010) examined the applicability of service quality of retail banking industry in Bangladesh and found that the quality service is positively correlated with customer satisfaction where empathy had the highest positive correlation with customer satisfaction followed by assurance and tangibility. On the other hand, Lo, Osman, Ramayah and Rahim (2010) found that empathy and assurance had the highest influence on customer satisfaction in the Malaysian retail banking industry. Arasli, Smadi and Katircioglu (2005) found that reliability had the highest impact on customer satisfaction. Finally, a number of studies have identified the dimensions of service quality as the antecedents of customer satisfaction (Lau et al., 2013, Saghier, & Nathan, 2013). Relatively few studies have investigated service quality in the retail banking sector in Jordan. Also, Bank administrators recognize the significance of customer satisfaction and have developed a strategy to improve the quality of service satisfaction and loyalty (Awan et al., 2011). Customer places on services significantly affect satisfaction, and customer satisfaction is a result of loyalty (Awan et al., 2011p; 44)

## **2.6 SERVQUAL scale**

SERVQUAL scale is a principal instrument in the services marketing literature for assessing customer service quality. This instrument has been widely utilized by both managers and academics to assess customer perceptions of service quality for a variety of services (e.g. Banks, credit card companies, and repair and maintenance companies). The results of the initial published application of the SERVQUAL instrument indicated five dimensions of service quality emerged across a variety of services (Magesh, 2010p; 22).

These dimensions include tangibles, reliability, responsiveness, assurance and empathy. Tangibles are the physical evidence of service, reliability involves consistency of performance and dependability, responsiveness concerns the willingness or readiness of employees to provide services, assurance corresponds to the knowledge and courtesy of employees and their ability to inspire trust and confidence, and finally, empathy pertains to caring, individualized attention that a firm provides its customers (Lassar et al., 2000p; 32).

In its original form, SERVQUAL contains 22 pairs Likert scale statements structured around five service quality dimensions in order to measure service quality (Cronin and Taylor, 1992). Each statement appears twice. One measures customer expectations of a particular service industry. The other measures the perceived level of service provided by an individual organization in that industry. The 22 pairs of statements are designed to fit into the five dimensions of service quality. A seven-point scale ranging from “strongly agree” (7) to “strongly disagree” (1) accompanies each statement. The “strongly agree” end of the scale is designed to correlate with high expectations and high perceptions. Service quality occurs when expectations are met (or exceeded) and a service gap materializes if expectations are not met. The gap score for each statement is calculated as the perception score minus the expectation score. A positive gap score implies that expectation have been met or exceeded and a negative score implies that expectations are not being met. Gap scores can be analyzed for each individual statement and can be aggregated to give an overall gap score for each dimension (Magesh, 2010p; 55).

Researchers conducted are of the sorts that support the SERVQUAL scale. A common result of the relevant researches can be summarized as such that, perceived service quality is the result of the comparison of service performance with customer expectations and the evaluation of service quality does not only depend on final output but also on the way of how the service is provided (Zeithmal et al.,2000p;21).

## **2.7. Development of service quality models**

It is evident from the review of literature that there has been a sequential development in the field of service quality and it seems that the development is still continuing owing to the increasing importance of the concept of service quality in order to survive in today’s competitive world. Each and every step of the ladder of the service quality development seems to be an updating of the previous findings or observations. From the review, no well- accepted conceptual or operational definition of service quality measurement could be identified. However, most of the measures of service quality support the SERVQUAL model. Since the development of SERVQUAL (Lymeropoulos, &Soureli, 2006p; 54)

SERVQUAL is a „diagnostic tool that uncovers a firm’s broad weaknesses and strengths in service quality (Zeithaml et al., (2000). The SERVQUAL model (performance minus expectation) focuses on the five „gaps affecting the delivery of excellent service quality.

The five dimensions of the SERVQUAL scale include (Zeithaml, 2000; p;45):

1. The physical facilities, equipment, and the appearance of the staff (Tangibles);
2. The dependability and accuracy of the service provider (Reliability);
3. The ability to know and willingness to cater to customer needs (Responsiveness);
4. The ability of the staff to instill confidence and trust in the company (Assurance);
5. The ability of the staff to provide a caring service to customers (Empathy).

The service quality literature initially focused on measurement issues. Following the introduction of the SERVQUAL, attention centered on the determinants of perceived service quality with particular emphasis on the service delivery process.

SERVQUAL is designed to measure service quality as perceived by the customer. Consumers in the focus groups discussed service quality in terms of the extent which service performance on the dimensions matched the level of performance that consumers thought a service should provide. A high-quality service would perform at a level that matched the level that the consumer felt should be provided. The level of performance that a high-quality service should provide is termed as consumer expectations. If performance is below expectations, consumers judged quality to be low. To illustrate, if firm’s responsiveness was below consumers’ expectations of the responsiveness that a high-quality firm should have, the firm would be evaluated as low in quality in responsiveness (Mokhlis, 2012p; 31).

## **2.8. The Relationship between Satisfaction and Service Quality**

The exact relationship between satisfaction and service quality has been described as a complex issue, characterized by debate regarding the distinction between the two constructs and the casual direction of their relationship (Brady, Cronin and Brand, 2002)., Zeithaml, (2000) concluded that the confusion surrounding the distinction between the two constructs was partly attributed to practitioners and the popular press using the terms interchangeably, which make theoretical distinctions difficult.

Interpretations of the role of service quality and satisfaction have varied considerably (Parasuraman, Zeithaml, and Berry, 1988). Parasuraman et al. (1988) confined satisfaction to relate to a specific transaction as service quality was defined as an attitude. This meant that perceived service quality was a global judgment, or attitude, relating to the superiority of the service. Cronin and Taylor (1992 p; 87) argued against Parasuraman et al.'s categorization.

Cronin and Taylor (1992) found empirical support for the idea that perceived service quality led to satisfaction and argued that service quality was actually an antecedent of consumer satisfaction. Cronin and Taylor (1992p; 32) asserted that consumer satisfaction appeared to exert a stronger influence on purchase intention than service quality, and concluded that the strategic emphasis of service organizations should focus on total customer satisfaction programs. Rust and Oliver (1994) maintained that while quality was only one of many dimensions on which satisfaction was based, satisfaction was also one potential influence on future quality perceptions.

## **2.9. Customer Satisfaction in Service Render Sector**

In line with Ladhari, (2008), customer satisfaction is a key to long-term business success. To protect or gain market shares, organizations need to outperform competitors by offering high-quality product or service to ensure the satisfaction of customers. In proportion to Magesh (2010), satisfaction means a feeling of pleasure because one has something or has achieved something. It is an act of fulfilling a need, desire, demand or expectation.

Customers compare their expectations about a specific product or services and its actual benefits. As stated by Kotler & Armstrong, (2010), satisfaction as a person's feelings of pleasure or disappointment resulting from the comparison of the product's perceived performance in reference to expectations. Customer's feelings and beliefs also affect their satisfaction level. Zeithaml (2000) satisfaction or dissatisfaction is a measure or evaluation of a product or service's ability to meet a customer's need or expectations. Razak et al. (2007) also reported that overall satisfaction is the outcome of customer's evaluation of a set of experiences that are linked with the specific service provider. It is observed that the organization's concentration on customer expectations resulted in greater satisfaction.

If the customers of an organization are satisfied by their services the result is that, they will be loyal to them and consequently be retained by the organization, which is positive for the organization because it could also mean higher profits, higher market share, and increasing customer base (Karatepe et al., 2005). Customer satisfaction has become important due to increased competition as it is considered a very important factor in the determination of bank's competitiveness (Berry et al., 2002p; 32).

Continuous measurement of satisfaction level is necessary in for a systematic manner (Chakravarty et al., 1996). Because the satisfied customer in the real asset for an organization that ensures long-term profitability even in the era of great competition. Cronin et al., (2000) mentioned in their study that satisfied customer repeat his/her experience to buy the products and also create new customers by communication of positive message about it to others. On the other hand, dissatisfied customer may switch to alternative products/services and communicate negative message to others. Customer satisfaction is a set of feeling or outcome attached with customer's experience towards any product/ service (Solomon, 1998 p; 44). Hence, organizations must ensure customer satisfaction regarding their goods/services.

## **2.10. Classification of Services**

Classified products into three categories using the works of economists;

**Search qualities:** attributes that consumers can determine before purchasing the product. Search qualities include color, style, price, fit, feel, hardness and smell. Example of products is clothing, automobile, furniture and jeweler.

**Experience qualities:** attributes that can be determined only after purchase or during consumption. Examples include taste and wear ability and examples include vacation packages and restaurant services.

**Credence qualities:** attributes that consumer may find very difficult to evaluate (mainly due to insufficient technical knowledge) even after purchase and consumption. Examples include wheel alignment (auto repair), medical operation, etc (Zeithaml, 2000p; 12).

## **2.11 Customer Satisfaction in public organization Practice**

Customer satisfaction is about consumer satisfaction (that is, user satisfaction), rather than about buyer satisfaction (which may include non-users).

Second, satisfaction is a feeling. It is a short-term attitude that can readily change given a constellation of circumstances. It resides in the user's mind and is different from observable behaviors such as product choice, complaining, and repurchase.

Third, satisfaction commonly has thresholds at both a lower level (insufficiency or under fulfillment) and an upper level (excess or over-fulfillment). This means that a consumer's

Satisfaction may drop if she/he "gets too much of a good thing." Many people focus upon the lower threshold and neglect the potential for an upper threshold. With this definition in mind, we move to the traditional macro-model of customer satisfaction. This model underlies much of the research on customer satisfaction over the past decade. Note the following:

- Perceived performance often differs from objective or technical performance, especially when a product/service is complex, intangible, and when the consumer is unfamiliar with the product/service.
- Comparison standards can come from numerous sources that can vary widely by individual, by the situation, and by product/service type.
- Perceived disconfirmation is the evaluation of perceived performance according to one or more comparison standards. Disconfirmation can have a positive effect (generally implying a satisfying result), a negative effect (generally implying a dissatisfying result), or a zero effect.
- Satisfaction feeling is a state of mind, an attitude. The phrase "mixed feelings" applies here, as a consumer may have different levels of satisfaction for different parts of a product/service experience.
- Outcomes of satisfaction feelings may involve the intent to repurchase, word-of-mouth (the consumer's communication with her/his network of her/his approval/disapproval for a product/service), and complaints.

## **2.12. Customer expectations**

At the beginning of a service experience delivery process, customers are looking forward to service encounters with eager anticipation. In other words, what customers expect to acquire from service providers can define diverse customer expectations. Moreover, customer expectations are regarded as desires or wants of customers, i.e. what they feel a service provider

should offer more than what would offer. Levesque, & Dougall, (1996 p; 32). Proposed that understanding customer expectations of a service played an important role in delivering satisfactory services. Previous researches had presented that how customers assess the performance of a service provider was based on the single level of expectation standard, which meant customer felt a service provider should offer. However, past researchers kept evolving and extending the conceptual model of expectations, putting a lot of effort to pinpoint the critical element within customer expectations. These researchers offered multilevel of customer expectations (Baker, 2000p; 31).

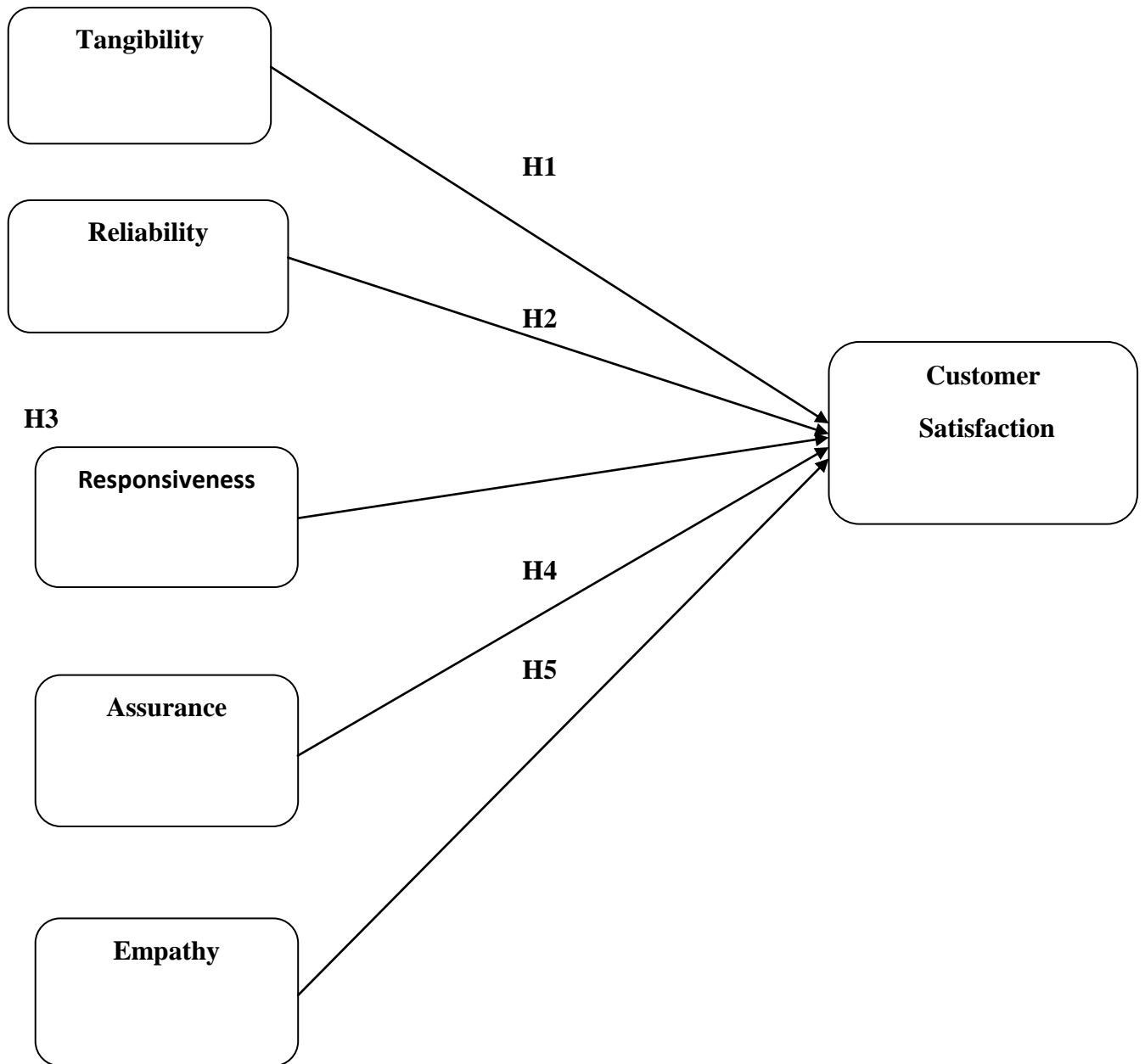
### **2.13. Impact of service quality on customer satisfaction**

Service quality is found to be a strong predictor of customer satisfaction. Research in different industries have investigated the relationship between service quality (its dimensions) and customer satisfaction – telecommunications In traditional banking service quality dimensions of relational performance, core performance and features performance were found to be significant predictors of customer satisfaction (Magesh, 2010). Various studies have been conducted in similar area, where in banking service quality dimensions have been tested as predictors of customer satisfaction (Krepapa et al., 2003; McDougall and Levesque, 2000; Ndubisi and Wah, 2005p;33).

### **2.14 Conceptual frame work**

Most studies confirm that there is a relationship between service quality and customer satisfaction. For instance, Magesh, (2010 p; 55) found a positive relationship between service quality and customer satisfaction. Likewise, Johnston, (2007p; 34) also found that perceived service quality influences customer satisfaction. Similarly, Kotler, & Armstrong, (2010p;54) assured that service quality has a positive effect on customer satisfaction which means that the higher quality of service attracts more customers who have bought back the desire and intention to recommend. Finally, this theoretical framework guiding the evaluation is depicted in figure 1 below, considering different types of models. Also, this study will investigate independent variables which can determine service quality namely: tangibles, reliability, responsiveness, and assurance as well as their impact on level of satisfaction (dependent variable). Accordingly the following frame work was developed:

**Figure 1: Conceptual Framework**



Source: "Parasuraman, 1988"

## CHAPTER THREE

### 3. RESEARCH DESIGN AND METHODOLOGY

#### 3.1 Research Design

Both descriptive and explanatory research design applied. The reason behind using descriptive study design is because the researcher is interested in describing the existing situation under study. This study used descriptive analysis to describe the service quality challenges through further explanation the raw data. The study also used explanatory study design, to indicate the impact SERVQUAL dimension on customer satisfaction. Explanatory types of research design are important for a research types if the dependent variable affected by several independent variables. Based on this customer satisfaction can be affected through challenges of service quality in difference ways, so that testing the variable relation through correlation as well as regression analysis is important.

#### 3.2 Population and Sample Technique

The Ethiopian Revenues and custom Authority (ERCA) is the body responsible for collecting revenue from custom duties and domestic taxes. In addition to raise revenue the ERCA is responsible to protect the society from adverse effects of smuggling. ERCA is setting its sight on the biggest open air market in Addis Ketema Sub –City one of the biggest tax black holes in the country including the biggest market in the country Merkato also located there. In Addis Ababa Alone there are 38,982 medium scale VAT registrant in 2017 while, (3251) engaged in Addis Ketema Sub – City and the sub city office has 136 employees in different departments, that provide the following services for tax payers such as, facilitate tax advisory service, organize awareness creation programme, giving business related training and internet service. 248 = 650

#### 3.3 Sampling and Sample Design of the Study

The type of sampling was convenience sampling technique. This is because to include respondents by convincing them for the purpose of the study. Based on these the study determined the sample size of VAT registrant from 3251 medium scale vat registrants of Addis Ketema sub city. The sample size was determined out of the given total population based on

sampling formula by Cohn (2006). The formula is large enough to determining effective sample respondents.

$$n = \frac{N}{1 + Ne^2}$$

n=Sample Size

N= Sample Frame

e= Confidence Level

e= (0.04....0.08) for this study 0.06 were chosen as confidence interval. Using the above formula, a sample size of the study was 260.

### **3.4. Source of data and Data Gathering tools**

To achieve the objectives of the study, the researcher used both types of data sources; primary and secondary data sources. Primary data sources were found from the customers of Addis Ketema Revenue office, while, secondary data sources found from several related materials, such as documents of the organization, books, articles, researches and so forth.

The study used questionnaires and semi-structured interview as tools in gathering primary data of the study. On the other hand, Books, documents of the organizations, internets sources, related articles and researches served as tools of data gathering from secondary sources. Primary data collected using questionnaires. The questionnaire items adopted from previous studies (Graham & Simy 2004). However, the questions modified to suit the study area context, and sought respondents' feelings about overall customer satisfaction and the effect of service quality on customer satisfaction and evaluation of each service quality dimensions in ERCA. In this way, the questions in questionnaire provided into three parts these are in the first parts respondents background were assessed, and the second section service quality of the organization assessed and in the third part the study assessed the respondent level of satisfaction.

The questions that are provided in the second and third parts used a Likert scale with five response categories (strongly disagree, disagree, neither agree nor disagree, agree and strongly agree). "The Likert scale method preferred to make questions interesting to respondents and thereby enhance their cooperation, ultimately to ensure maximum response rate" (Robson Colin,

2002). The interviews guided are semi-structured type that enabled the interviewer to ask further questions.

### **3.5 Method of data analysis**

The data collected from different sources, both quantitative and qualitative, processed and analyzed using a mixed approach such as descriptive and explanatory data analysis method. To be completed and minimizing error the data that are collected from the primary survey is edited, and coded. Finally, the data processed using computer software called Statistical Package for social scientists (SPSS) version 20.

The descriptive statistics includes frequencies, percentages, means and standard deviation and the explanatory data analysis used inferential statistics includes correlation analysis and regression analysis. To show the effect of service quality effect on customer satisfaction the study used Pearson correlation and multiple regression analysis.

The equation of multiple regressions on this study is generally built around two sets of variable, namely dependent variables (customer satisfaction) and independent variables (Tangibility, reliability, responsiveness, assurance, and empathy). The basic objective of using a regression equation on this study is to make the researcher more effective at describing, understanding, predicting, and controlling the stated variables.

#### **Regress customer satisfaction on the service quality dimensions**

$$Y_i = \beta_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6$$

Where Y is the dependent variable- customer satisfaction

**X2, X3, X4, X5, and X6** are the explanatory variables (or the regressors)

**$\beta_1$**  is the intercept term- it gives the mean or average effect on Y of all the variables excluded from the equation, although its mechanical interpretation is the average value of Y when the stated independent variables are set equal to zero.

**$\beta_2, \beta_3, \beta_4, \beta_5,$  and  $\beta_6$**  refer to the coefficient of their respective independent variable which measures the change in the mean value of Y, per unit change in their respective independent variables.

### **3.6 Validity**

The validity of scientific study increases using various sources of evidence (Yin, 1994). The researcher used a content validity, as it were assessed how well a set of scale items match with the relevant content domain of the construct that it is trying to measure. Thus, a number of different steps were taken to confirm the validity of the study, as follows:

- data were collected from those target population respondents who have good understanding and experiences in the study area.
- Survey questions were prepared based on previous empirical research review as well as conceptual questions related to organizational service delivery practice to ensure result validity.
- The participants were also asked to give comments on the statements of the questionnaires to avoid subjectivity and ambiguity.

### **3.7. Reliability**

Cronbach's alpha is a tool for assessing reliability scale which normally ranges between 0 and 1. Internal consistency reliability is a measure of consistency between different items of the same construct. If a multiple-item construct measure is administered to respondents, the extent to which respondents rate those items in a similar manner is a reflection of internal consistency. Hence, a multiple-item measurement scale internal consistency method is used to the study. According to George and Mallery (2003), a Cronbach's alpha coefficient greater than 0.9 implies excellent, greater than 0.8 is good, greater than 0.7 is acceptable, greater than 0.6 is questionable, greater than 0.5 is poor, and less than 0.5 is unacceptable".

Based on the principle in order to establish the degree of reliability, consistency, and accuracy of the instrument, a pilot study was conducted. Based on the method the consistency and reliability of the study measured dividing the question based on their dimension as indicated below in the table.

Table 2: Reliability Test of the Study

Independent Variables	Cronbach's Alpha of Item	N of Items	N of respondents
Tangibility	.904	5	260
Reliability	.787	5	260
Responsiveness	.837	5	260
Assurance	.752	5	260
Empathy	.904	5	260

Source Questioner, 2019

As indicated from the above table the reliability test of the questions was acceptable and reliable this is because all of the questions found under each of the service quality dimension questions Cronbach's Alpha if item greater than the value of 0.5. The implication of the average score is more than the alpha value of 0.6 which implies the distributed data is reliable.

## CHAPTER FOUR

### 4. Data Analysis and Interpretation

#### 4. Introduction

This core chapter deals with the discussion and analysis of data collected from customers of Addis Ketema Tax office. As indicated in the methodology part the study conducted basically using questionnaires filled by respondents. The study totally distributes 260 questionnaires, however; the analysis was done based 242 the rest 18 questioners were omitted for their errors’

#### 4.1 Background of respondents

**Table 4.1 Characteristics of respondents**

Description responds	Response	
	Frequency (No)	Percept (%)
<b>A. Gender</b>		
Male	152	62.8
Female	90	37.2
<b>Total</b>	<b>242</b>	<b>100</b>
<b>B. Educational level</b>		
Un educated	-	-
Junior	13	5.4
High school level	22	9.1
Certificate	36	14.9
Diploma	70	28.9
First Degree	101	41.7
Master and Above	-	-
<b>Total</b>	<b>242</b>	<b>100</b>
<b>C. Age of respondents</b>		
18-25	45	18.6
26-35	133	55.0
36-45	64	26.4
46-55	-	-
Above 55	-	-
<b>Total</b>	<b>242</b>	<b>100</b>
<b>D. Business Category of Tax Payers</b>		
Private Limited Company	161	65.3
Share company	27	22.3
Government	54	11.2
<b>Total</b>	<b>242</b>	<b>100</b>

Source Questionnaire 2019

The above table indicates the demographic natures of the respondents accordingly; the majority of the surveyed customers are male representing 62.8 % of the sample while women constitute 37.2 %. The combination of male to female of respondents indicated that the gender combination of the sample was fair which was helpful to incorporate the opinion of both sexes in the study.

Concerning to educational level of respondents, there were no uneducated respondents as well as masters and above educational level so that they do not have a contribution in the study, similarly, respondents whose educational level belongs to junior (5.4%) and High school (9.4%) were relatively small. However, majority of the respondents hold a certificate (14.9%), Diploma (28.9%) and degree (41.7%). Regarding customer's educational status can be said that most of the branches' customers were found in a good educational level and the fact can help for the study to find logical response and it is important that customers can easily understand the provided questions. Concerning the age group majority of respondents, 55 % were between the age group of 26-35 followed by the age group of 36-45 which is 26.4% and age groups belongs 18 – 25 which is 18.6%. However, there were no respondent 46 and above age groups. Regarding the age group of the respondents, it can be analyzed that, most of the taxpayers of the branches are young and adults. This implies there are large proportion of business societies belongs in adults and young age groups.

With related to respondent's category of business types, majority of the respondents accounted for 65.3% belongs private limited business, followed by, Share Company (22.3%) and governmental organization tax payers (11.2%). The result implied that, in the branches tax payers dominated by individual business runners.

## **4.2 Descriptive Analysis of SERVQUAL**

In line with the objectives articulated under chapter three here effort was made to analyse respondents view on the provided a five scale Likert types of questions. Respondent's feedbacks were captured along the 25 items corresponding to the five dimensions that were introduced to measure the study area under each of the SERVQUAL measurements such as, tangibility, responsiveness, reliability, assurance and empathy. In this regard, the descriptive parts of this study were analyzed based on using a descriptive statistic of mean and standard deviation. Accordingly, the composite mean value shows the average of all respondents' perceptions on certain dimensional questions. While standard deviation shows how diverse are the perceptions

of respondents for a given dimensional questions. For instance, high standard deviation means that the data are widespread, which implies respondents give a variety of opinion while low standard deviation implies the respondent's close respondent's opinion whether positively or negatively. Based on these, the result mean score value and standard deviation of the study based on the rule of thumb that pertaining to the intervals for breaking the range in measuring variables that are captured with five-point scale (that ranges from strongly disagree to strongly agree) is 0.8, which is actually found by dividing the difference between the maximum and minimum scores to the maximum score. Hence, a calculated composite mean value that ranges from 1 to 1.80 implies strong disagreement, whereas the remaining ranges of 1.81 to 2.6, 2.61 to 3.4, 3.41 to 4.2 and 4.21 to 5.00 representing respondents' perceptions of disagreement, neutrality, agreement and strong agreement respectively. Therefore, composite scores of mean and standard deviation were calculated for each of the variables as follow:

#### 4.2.1 Service Delivery Quality Regarding Tangibility

Tangibles involve in the firms' representatives, physical facilities, materials, and equipment as well as communication materials. Tangible materials have their own impact in determining Customer satisfaction level in service rendering institutions like ERCA. To find out the branches institutions delivery of quality of service interims of tangible materials the study made an attempt to develop a five scale Likert types of questions and customers were invited to indicate their views for each of the questions. Based on these, respondent was asked about their branch Authority service quality, the result mean score value and standard deviation implied below in the table.

**Table 4.2 Respondents view on the service quality interims of tangibility**

<b>Related questions</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The branch has modem looking equipment	242	2.8306	1.11209
The branch has neat and disciplined employees	242	2.7273	1.05453
Room is clean and provides adequate space	242	3.1074	.89999
Employees' uniforms are attractive	242	2.2727	.96409
Printed materials(forms, brochures, etc) look attractive	242	2.5182	.93791
Grand mean		2.6912	

*Source, survey data, 2019*

As indicated in the above table the questions were provided to assess whether the branch organization service quality regarding tangibility is well performed or not. Accordingly, respondents give their respective view for each of the related questions.

Regarding the question whether the organization provided modern looking equipment's such as, computerization system, and other necessary equipment's that can facilitate the organization work or not, accordingly, majority of respondents at a mean score value of 2.8306 with a scattered standard deviation of 1.11209 implied their neutrality, which implies that some of the respondents view regarding with the organization accomplishment of equipment's are positive, while some of the respondents implied the reverse. Therefore, based on the view of the respondents we can deduced that, respondents view on the organization equipment is not similar some of them indicate its weakness while, the other implied good side, however, the result still indicates an accomplishment of equipment's in the eyes of a large number of respondents are still not fulfilled.

Concerning the question asked whether the branch has neat and disciplined employees, still, respondents implied similar answer like the above paragraph. Accordingly, respondents at a mean score value 2.7273 with a standard deviation value of 1.05453 still implied respondents view are not similar, some of them implied their agreement that the employee of the branches are neat and disciplined, while some of them implied their disagreement. Based on the respondent's view, even though, employees are in somehow neat and disciplined, however, respondents that, implied their disagreement on the questions indicated still there is a gap in creating well-disciplined employee of the organization.

Concerning to the question, the rooms cleanness and availability of space, majority of respondents, at a mean score value of 3.1074 with a relative similarity of standard deviation at .89999 implied rooms of the branch authorities were clean as expected and had a good enough spaces.

Regarding the questions whether employees' uniforms are attractive, the majority of the respondents implied at a lowest composite mean value of 2.2727 with similar standard deviation at 96409, their disagreement. With related to this question some customer respondents were indicated that

“it is difficult to identify employee from customers this is because, there was no employee identification mechanism such as, using an ID, that can express the position of employee” as a result of lack of uniform or using employee identification mechanism for customers it is difficult to accomplish the task.

Finally, the study was assessed, whether an availability of printed materials (forms, brochures, etc) look attractive or not still majority of the respondents at a low mean value of 2.5182 with a standard deviation at .93791 implied, there is lack of written materials, that can easily guide customers to accomplish their tasks.

Generally, the result of the respondents regarding tangibility implied by the grand mean value 2.6912 that even though the branches authority tried to reduce challenges of service quality though fulfilling tangible Martials but, still there are challenges of service quality in terms of tangibility.

#### 4.2.2 Respondents view on the reliability of the service quality

Reliability depends on handling customer service issues, performs the services right the first time; offers services on time, and maintain a record of error-free. Moreover, reliability is the most significant factor in conventional service. Reliability also consists of the right order fulfillment; accurate records; accurate quote; right in the bill; Results are more accurate than commissions; keep the promise of service and so forth that more focuses on operational efficiency. In premise, of this concept, the survey was provided related questions to assess ERCA branches of Addis Ketema. Below is the table that respondents view were indicated and discussed clearly.

**Table 4.3 Respondents view on the reliability of the service quality**

<b>Related questions</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The branch provides its services at promised times	242	2.5537	.78841
Employees are consistently courteous	242	2.8223	.72122
The employees handled customer's complaints effectively	242	2.8223	.94091
Employees provide accurate information to customers	242	2.9050	.79629
Employees show dependability in handling service problem	242	3.1901	.71515
Grand mean value		2.8586	

*Source, survey data, 2019*

As indicated on the above table the survey was tried assess customers of ERCA, on the reliability of the service quality provided by the branches using different types of related questions. Accordingly, respondents were forwarded their view on the provided question as follow:

The study was assessed respondents view whether, the branch provides its services at promised times or not, however, respondents implied at a lowest mean value 2.5537 with similar standard deviation their disagreement. With related to this question an interview with some of the customers were doing some of them complained that, actually as an any kind of public organization it has its own working time, however, most of the employee were not found on their work at a promised time, accordingly, some of the employees spent their lot of time in meeting, and some of the o concerned on their personal concern than serving the customer delicately. From the result both questioner and interview the study infer, service quality interims of respecting the working hours were not reliable, as a result, large number of customers were dissatisfied on the situations.

Concerning with employee politeness, the study was indicated at a low a mean value of 2.8223 with a small variation of standard deviation, .72122 implied there were a problem politeness and courteous of regarding with employee side.

The study was also assessed the branch organization how to handle customer complain, however, the result mean value 2.8223 still indicate the organization doesn't manage complaint customers properly. Regarding complainant handling benefit, Richard (2011) explain that good complaints handling system provides benefits to the organizations: providing a quick, easy and cost-effective means of resolving difficulties and giving customers the assurance that their complaints are being taken seriously and that they are being treated properly, fairly and impartially.

The study also assessed whether employees provide accurate information to customers or not, in this regard the cumulative mean results at 2.9050 with scattered standard deviation result at .79629 implied their neutrality, this implied that there is an impartial customer handling process in the organization, this is because some of the respondents implied their positive response while others implied their negative response.

Generally, regarding reliable service quality, the grand mean value 2.8586 implied respondents disagreement and dissatisfaction which again implied tax payers didn't receive reliable service delivery from the sub – city tax office.

### 4.2.3 Respondents view on the Responsiveness of Employee of the Branches Satisfaction

Responsiveness is the willingness to help customers and provide prompt service. Furthermore, it is responsiveness such as speed and timeliness of service delivery. This consists of processing speed and service capabilities to respond promptly to customer service requests, and wait a short and queuing time. More specifically, responsiveness related to the study area the willingness or readiness of employees to provide services. Employee responsiveness can affect customer satisfaction. With regards to this concept, the study was assessed customers of branches service quality regarding with employee responsiveness through five Likert scale question similar to the above discussion of tangibility and reliability. Accordingly, below the table implied respondent's respective view:

**Table 4.4 Respondents view on the responsiveness of Employee**

Related questions	N	Mean	Std. Deviation
Employees are happy and willing to serve the customer	242	2.7231	.75245
The branch provides diversified service to the customers	242	3.2645	.96639
The branch gives prompt service	242	2.8306	1.02673
The branch gives quick response to customer requests	242	3.0000	.95977
Grand en value		2.9545	

*Source, survey data, 2019*

As indicated on the above table to asses' employee responsiveness the study was provided five likert scale questions and the cumulative result were discussed based on mean value and standard deviation. Accordingly, respondents view on the provided questions analyzed as follow:

The study was forwarded a question whether employee is happy and willing to serve the customer, the response of the customer at a mean value 2.7231 with a small difference standard

deviation .75245 implied that, even though some of the employees are willing and happy in serving customers, however, majority of the employees were not serving customers in a good manner.

With regards to these question some of the customers indicate that some time when customers ask an information some of the employee act like as they are so busy indicate and didn't give customers any responses for the needed information, this is an implication of branch employees are not well motivated.

Concerning the branch whether it provides diversified service to the customers or not the result mean value at, mean value of 3.2645 with a standard deviation .96639 implied positive response that is every kind of service that provide by the office.

Regarding with time accuracy of the branch the study was assessed whether the services are provided by promptly or not, and the response of the customer at a mean value 2.8306 with a scattered standard deviation value 1.02673 implied their neutrality, which means even though the branches response some of consumer's service timely however, there are also challenges to respond customers service, promptly.

In general, the grand mean value of the tax office responsiveness implied by grand mean score of 2.9545 indicated tax payer's disagreement and dissatisfaction as a whole on employee responsiveness for several types of tax payer's services.

#### **4.2.4 Relationship between Assurance and Customer Satisfaction**

Assurance is knowledge and good manners or courtesy of employees. Further, it the ability of employees with the help of the knowledge possessed to inspire trust and confidence will strongly strike the level of customer satisfaction. In the study sector services provided to the customer, assurance means providing assistance in a polite and friendly manner, ease in accessibility details, comfort or convenience inside the organization. Based on the above concept the study was provided a related question to assess the service quality of the branches interims of assurances and the result of the respondents presented below in the table.

**Table 4.5 Respondents view on the service quality related to assurance**

<b>Related questions</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The employee has the required skill in providing service	242	2.7355	.86680
Employees are trustworthy	242	3.9091	.60182
The employees have sufficient knowledge of service information	242	2.7231	.75245
The employees make customers feel safe in the service provide	242	2.8140	.83649
Employee instills confidence in customers	242	3.0041	.74287
Grand mean		2.9616	

*Source, survey data, 2019*

To analyses the fourth variable of assurance just like the previous analysis the study provide five basic questions as indicated in the above table. Respondents were give their respective answer over the provided questions, by choosing the alternative five type of questions as follow:

Concerning the skill of employee the study were assessed whether employee has the required skill in providing service or not accordingly majority of the respondent at a mean value 2.7355 implied their neutrality, which means some of the respondent agreed that, employee provide by fulfilling the required skill professionally, however, some of the respondents implied that employee doesn't have the required skill in providing the services accordingly, some of the respondent indicated some of the employee challenged by operational efficiency such as in operating the software.

Regarding the question whether customers trust employee of the organization in paying tax or not, consumers indicated their response at a highest mean value of 3.9091 with a less diversity of opinion which indicated at a standard deviation of .60182 implied employees are trustworthy.

The study was also assessed whether employees have sufficient knowledge of service information or not in this regard respondents at a lowest means score value 2.7231. with a value of standard deviations .75245 implied that, most of the employee doesn't have sufficient information, this is because when customers ask any of an employee to fining help in some case they were observed in some confusion even to told where the problem is solved.

With related to the questions asked whether employees make customers feel safe in the service provide or not still respondents at mean score value of 2.8140 implied, there is a problem, this is because, customers to feel safe they should require the necessary information, such as, how they complain challenges, where they get the necessary information if they have complained and so forth.

The study was assessed confidence of customers on employee, respondents indicated at a mean score value of 3.0041, implied their neutrality which means some of the employee tried to their own contribution customers to be confident on their work by their appropriate function of their duties, while some of the employees are not properly functioned their task. As a result, respondents view on this issue was not similar.

The grand mean value implied at 2.9646 means score value implied that large proportion of tax payers are dissatisfied regarding the service quality measurement of assurance. This implied the tax office still didn't work the expected task to create assured tax payers.

#### **4.2.5 Relationship between empathy and Customer Satisfaction**

Empathy is caring and individualized attention to customers to make them feel they are receiving better services and individualized attention. Service empathy characterizes both the service provider's willingness and capability to respond to individual customer desires. Based on these the study was provided related questions for customers and their respective response were provided below in the table.

**Table 4.6 Respondents view on the service quality related with Empathy**

<b>Related questions</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Employees always treat customers in a friendly manner	242	2.7273	.96838
Employees understand customers' specific needs	242	3.2727	.75671
Employees treat customer with great respect	242	2.5331	.89775
Employees give individual attention to customers	242	2.6240	.88973
Grand mean value		2.7892	

*Source, survey data, 2019*

As indicate from the respondent's customers, the questions asked related to empathy were not respond positively, accordingly, the mean score value of 2.7273 implied employee were not treat customers in a friendly manner. With related to this idea Magesh, (2010) implied that, treating customers in friendly manner can relax customers and initiated to them to ask what every they want freely, however, customers implied in their response some of the employees were act like a boss than treating customers friendly.

Regarding the question asked whether, employees understand customers' specific needs, or not majority of the respondent at a mean score value implied their agreement, however the rest respondents indicated at a standard deviations .75671 implied their disagreement which means still some of the employees didn't in understanding customers specific need, such as, all customers didn't need similar types of treatment this is because some of the customers are new for the organization while some of them are explained, and other difference are happened on customers so that, employee should understand customers specific need.

Finally, the grand mean value 2.7892 implied that, large proportion of tax payers in terms of the service quality measurement of empathy is dissatisfied, which implied the tax office still lack to create a better services delivery regarding empathy as a whole.

#### **4.3 Level of customer satisfaction**

Customer satisfaction requires full meeting customer expectations of services. When performance matches or exceeds customer expectations for service, they are satisfied. If not, they are not satisfied. In premises to this concept the study tried to analyzed customers level of satisfaction using a five scale satisfaction level on the service provided by the organization. Accordingly, the following survey implied below in the given table:

**Table 4.7 Respondents level of satisfaction**

<b>Related questions</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
I am satisfied with the Branch's complete range of service	242	2.8182	.93791
I am satisfied with the performance of the employees of this Branch	242	2.7273	.86423
I am satisfied of being a client of this Branch	242	2.9091	.99792
I am satisfied with the Branch employees' professional competence	242	2.5455	.49896
I am satisfied with the quick service of this branch	242	2.6322	.98594
I am satisfied with the respectful behavior of employees	242	2.5413	.89741

*Source, survey data, 2019*

As can be seen from the above table respondent level of satisfaction on the organization service quality were assessed using different types of questions, however, all of the means values and the standard deviations measurement indicated respondent were dissatisfied on the service quality provided by the branch. Therefore, from the results one can infer that, even if some proportion of the customers are somehow satisfied by the service provided in the branch organizations however, large proportion of respondents still dissatisfied by the service provided in the organization.

#### **4.4 Correlation Analysis between Service Quality Dimensions and customer Satisfaction**

To find out the relationship between service quality dimensions and customer satisfaction, Pearson's correlation coefficient ( $r$ ) which measures the strength and direction of a linear relationship between two variables is used. Values of Pearson's correlation coefficient are always between -1 and +1. A correlation coefficient of +1 indicates that two variables are perfectly related in a positive sense; a correlation coefficient of -1 indicates that two variables are perfectly related in a negative sense, and a correlation coefficient of 0 indicates that there is no linear relationship between the two variables. A low correlation coefficient; 0.1 - 0.29 suggests

that the relationship between two items is weak or non-existent. If  $r$  is between 0.3 and 0.49 the relationship is moderate. A high correlation coefficient i.e.  $>0.5$  indicates a strong relationship between variables. The direction of the dependent variable's change depends on the sign of the coefficient. If the coefficient is a positive number, then the dependent variable will move in the same direction as the independent variable; if the coefficient is negative, then the dependent variable will move in the opposite direction of the independent variable. Hence in this study both the direction and the level of relationship between the dimensions of service quality and customer satisfaction are conducted using the Pearson's correlation coefficient. The table below presents the result of the correlation analysis made using bivariate correlation

**Table 4.8. The relationship between service quality dimensions and customer satisfaction**

		Satisfaction
Tangibility	Pearson Correlation	.748**
	Sig. (2-tailed)	.000
	N	242
Reliability	Pearson Correlation	.636**
	Sig. (2-tailed)	.000
	N	242
Responsiveness	Pearson Correlation	.814**
	Sig. (2-tailed)	.000
	N	242
Assurance	Pearson Correlation	.566**
	Sig. (2-tailed)	.000
	N	242
Empathy	Pearson Correlation	.715**
	Sig. (2-tailed)	.000
	N	242

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

The result correlation analysis implied that, all of the dependent variables positively correlated employee's satisfaction, when the study compares the relative correlation between the service quality dimensions and customer's satisfaction, responsiveness highly correlated with customer's satisfaction ( $r = .814^{**}$ ) followed by tangibility ( $r = .748^{**}$ ), empathy ( $r = .715^{**}$ ), reliability ( $r = .636^{**}$ ) and assurance ( $r = .566^{**}$ ). When we look at the inter correlation between the service quality dimensions we can see that there is a positive and significant relationship between all independent variables with the dependent one, which implies that a change made in one of the

service quality dimension will positively motivate the other service quality dimension in turn increase customer satisfaction.

#### 4.5 Multiple Regression Analysis

Multiple regression analysis was employed to examine the effect of service quality rendered in the tax office customer level of satisfaction. The result also helps us to understand which variables among the five independent variables are more determine customer’s level of satisfaction. The findings further indicate model summary result, ANOVA and coefficient of multiple regressions.

**Table 4.9 Model Summary of multiple regression**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.968 <sup>a</sup>	.938	.929	.33843

*a. Predictors: (Constant), Tangibility, responsiveness, reliability assurance and empathy*

As it can be depicted from the table there is a positive and statistically significant Relationship between independent and dependent variables. In overall, the results revealed that all independent variables accounted for 93.8% of the variance in customer’s satisfaction ( $R^2 = 0.938$ ). Thus, 93.8 % of the variation of customer’s satisfaction can be explained by the five service quality dimensions’ questions and other unexplored variables may explain the variation in customer satisfaction is accounted 6.2%.

**Table 4.10 ANOVA analysis**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	112.502	9	12.500	109.140	.000 <sup>b</sup>
	Residual	7.445	65	.115		
	Total	119.947	74			

*a. Dependent Variable: Satisfaction*

*b. Predictors: (Constant), Tangibility, responsiveness, reliability assurance and empathy*

The result in the ANOVA table confirmed the significance of the overall model by p- value of 0.000 which is below the alpha level, i.e. 0.05, which means, the independent variables taken together have statistically significant relationship with the dependent variable under study.

Table 4.11: Coefficient value of multiple regression analysis

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.730	.087		-8.396	.000
1 Tangibility	.420	.060	.300	7.045	.000
Reliability	.310	.043	.303	7.254	.000
Responsiveness	.908	.036	.873	25.157	.000
Assurance	-.557	.052	-.415	-10.640	.000
Empathy	.121	.056	.094	2.163	.032

***Dependent Variable motivation***

In the table-4.9, unstandardized coefficients indicated how much the dependent variable varies with an independent variable, when all other independent variables are held constant. The beta coefficients indicated that how and to what extent the independent variables influence the dependent variable. Accordingly, the result coefficient value of multiple regression analysis indicated that, responsiveness, (beta = .873, t = 25.157, p = < .000), Reliability (beta = .300, t =7.254, p = .000) and tangibility (beta =.300, t= 7.045, p < .000) has the highest influence or significant impact on customer’s satisfaction, followed by, empathy (beta=.94, t=2.163, p < .000). However, Assurance (beta = – .415, t = – 10.640, p < .032), have a relatively lower impact on customers satisfaction of a the study area.

In general, the findings result of multiple regression analysis, indicate that, not all of the service quality dimensions have positive effects on customer satisfaction. Out of the five service quality dimensions four dimensions (tangibility, reliability, responsiveness, and empathy) have positive and significant effects on customer satisfaction. On the other hand, assurance has a negative and insignificant influence on customer satisfaction.

**4.6. Discussion of Results**

This section discusses the findings of the statistical analysis in relation to the previous research and literature.

The result of this study indicates that tangibility has a positive and significant effect on customer satisfaction. This finding is supported by “Munusamy, 2010”, that tangibility has a positive and

significant effect on customer satisfaction. This finding is also supported by “Al-Hawary, 2011” reported that tangibility has a positive and significant effect on customer satisfaction. On the contrary, “Malik et al., 2011” reported that tangibility has no contribution to customer satisfaction. In our study a service quality regarding tangibility negative affect tax payer level of satisfaction; this is because tangibility is one of major parts of that need special attention as it is fulfilling of major equipment’s such as, its computerized system, human sources, branch and availability.

The finding of this study also indicates that reliability has a positive and significant effect on customer satisfaction. This finding is supported by “Al-Hawary, 2011” reported that reliability has a positive and significant effect on customer satisfaction. This result also supported by “Malik, 2011”, found that reliability has a significant and positive effect on customer satisfaction. On the other hand,” Munusamy, 2010” reported that reliability has a negative and insignificant effect on customer satisfaction.

However, the finding of this study indicates that responsiveness has a positive and significant effect on customer satisfaction. This result is supported by “Mohammad and Alhamadani, 2011”, found that responsiveness has a positive and insignificant effect on customer satisfaction. And also “Al-Hawary, 2011” reported that responsiveness has a positive and significant effect on customer satisfaction.

Moreover, the result of this study also indicates that assurance has a negative and insignificant effect on customer satisfaction. In the contrary this finding is not supported by Malik et al., (2011), he reported that assurance has a positive and significant effect on customer satisfaction. Also “Al-Hawary, 2011” found that assurance has a negative and significant effect on customer satisfaction.

The finding of this study further indicates that empathy has a positive and significant effect on customer satisfaction. This finding is supported by “Mohammad and Alhamadani, 2011”, reported that empathy has a positive and significant effect on customer satisfaction. On the contrary “Munusamy, 2010” found that empathy has a negative effect on customer satisfaction.

In overall, the results revealed that all independent variables accounted for 93.8% of the variance in customer’s satisfaction ( $R^2 = 0.938$ ). Thus, 93.8 % of the variation of customer’s satisfaction

can be explained by the five service quality dimensions' questions and other unexplored variables may explain the variation in customer satisfaction is accounted 6.2%.

Furthermore, from the findings of this study, not all of the service quality dimensions have positive effects on customer satisfaction. Out of the five service quality dimensions four dimensions (tangibility, reliability, responsiveness, and empathy) have positive and significant effects on customer satisfaction. On the other hand, assurance has a negative and insignificant effect on customer satisfaction. The results of this study further indicate that responsiveness is the most important factor to have a positive and significant effect on customer satisfaction.

## CHAPTER FIVE

### 5. Conclusion and Recommendation of the Study

#### 5.1 Conclusion of the Study

The research was intended to take an assessment on quality service delivery and its impact on customer satisfaction, an assessment taken in Addis Ketema Tax office. To conduct the research 260 customer were randomly selected. Based on the presentation and analysis of the data obtained, the main conclusions and recommendations are summarized in this chapter.

- According to analytic results, this study examined the service quality of the tax office affected by various determinant factors. The findings of the research indicate that customer satisfaction towards the branch authority service quality significantly and positively influenced by tangibility, reliability, responsiveness, and empathy. From this finding, it is clear that the customer expectation exceeds well in employee reliability, assurance, responsiveness and in empathy.
- There was a problem in Addis Ketema Tax office to meet the expected customer service regarding employee responsiveness. It indicate that, customer of the branch are not receive the expected help from employee of the organization, as indicated in the finding part there are a lot of customers who need help from employee at different situations such as, some of the customers need technical help such as, how to write, how to complain some errors, where to get target information and so forth, however, the result of the study indicate some of the employee were not helping customers at a times when the customers need them, the most and the customer requests and other queries remains unanswered or unattended at most times. Therefore, employee responsiveness to help customers need significantly affect customer's satisfaction of the office.
- Generally, the study identified, on many performance indicators (Responsiveness, reliability, Empathy and tangibility) majority of the respondents responded that they were very dissatisfied and / expresses their disagreement with service provided by the branch organization. This evaluation of respondents indicates that on some performance indicators in of the branches customers didn't meet their expectation.

However, some of the respondent evaluates in contrary with the majority respondents positively on the provided service of the organization. In this regards the company in some area achieve good results such as, on the dimension of assurance

- Moreover, from the findings of this study, researcher found out that not all of the service quality dimensions have positive effects on customer satisfaction. Out of the five service quality dimensions four dimensions (Responsiveness, reliability, assurance, and empathy) have positive and significant effects on customer satisfaction. On the other hand, tangibility has a negative and insignificant influence on customer satisfaction. The findings of this study also indicated that reliability is the most important factor to have positive and significant effect on customer satisfaction, followed by empathy, responsiveness and assurance.

## 5.2 Recommendation of the study

Numerous respondents indicated that the service delivery system of the company needs some improvement. With the completion of this research study based on service quality and customer satisfaction, the following suggestions made to the organization. These suggestions portray the personal opinions of the author it should be regarded merely as good advice.

- In this study Responsiveness is the dominant service quality dimension which has a highest effect on customer satisfaction therefore the branch organization would work on the indicators of this dimension i.e. the organization need to invest on trainings to enhance its employees, how to handle their customers.
- The researcher recommends that the organization needs to give more emphasis to improve customer satisfying power for tangibility's. Because currently this variable has relatively low mean values. The organization need to concentrate on Tangibles as it has the least mean score. Continuous improvements and follow ups might enhance future customer satisfaction levels with respect to this variable. The organization in particular can conduct further customer opinion services regarding the status of customer views on the tangible nature of the bank.
- To improve customer handling system and develop loyal customers, the Company should give greater awareness on enhancing communication with its customers, by developing effective relationship marketing strategy and providing individualized attention to them. Today customers' demand is variable and the company should establish strong connection with them so as to obtain clear and updated information about their requirement. When customers are treated well and satisfied with the services provided by the organization, they will communicate positively about the organization services to their clients and competitors.
- The management needs to improve quality services so as to satisfy customer's needs. The Managements needs to pay much attention on the customer complaints in order satisfy the customer's expectation. Individual attention should be given to customers in order to better understand their needs and better satisfy them.

## Reference

- Abdel Fettah Mahmoud Al Azzam ‘The Impact of service Quality dimension on customer satisfaction’: A field study of Arab Bank in Irbid City, Jordan ; Article Jan 2015
- Aldlaigan, A.H. and Buttle, F.A. (2002), “SYSTRA-SQ: a new measure of bank service quality”, *International Journal of Service Industry Management*, Vol. 13 No. 4, pp. 362-81.
- SERVQUAL’s 22 item Marketing s Study Guide(2015-2019)
- Akroush, M.N. (2008). Exploring the Mediating Effect of service quality Implementation on the Relationship Between Service Quality and Performance in the Banking Industry in Jordan: *Global Business and Economics Review*. 10, 98-122
- Baumann C (2007). Predication of Attitude and Behavioral Intentions in Retail Banking, *Int. J. Bank. Mark.* 25(2): 102 – 11.
- Belay, D. and Ebisa, D. (2012).the impact of service quality on customer satisfaction of private commercial banks an empirical analysis. *Basic research journal of business management and accounts*, ISSN 2315-6899 vol. 1(4), pp.64-71,
- Delivering Service Quality of Banks: *International Journal of Quality and Reliability Management*, 27, 351-377. doi: 10.1108/02656711011023320.
- Johnston, R. (2007). The determinants of service quality: satisfiers and dissatisfies. *International Journal of Service Industry Management*, 6 (5), 53-71.
- Kanyurhi, E.B. (2013). Evaluation of Customer Satisfaction with Services of a Micro-Finance Institution: Empirical Evidence from Women Association for Social and Economic Gain
- ErmiasSeyoum, (2011). Study on the Assessment of Tax Administration Practice in ERCA. Unpublished BA thesis, St. Mary University.
- Karatepe, O., Yavas, U. & Babakus, E. (2005). Measuring Service Quality of Banks: Scale Development and Validation. *Journal of Retailing and Consumer Services*, 12, 373-383.
- Kotler, P., & Armstrong, G. (2010). *Principles of Marketing*: Pearson Education, London.
- Ladhari, R. (2008). Alternative Measure of Service Quality: A Review *Journal of Managing Service Quality*. 18, 65-86.

Lassar, W.M., Manolis, C. & Winsor, R.D. (2000). Service Quality Perspectives and Satisfaction in Private Banking: *Journal of Services Marketing in Ethiopia*, 14, 44

Levesque, T.J., & M.c.Dougall, G.H.G. (1996). Determinants of Customer Satisfaction in Retail Banking: *International Journal of Bank Marketing*. 14, 12-20.

Lymperopoulos, & Soureli, M. (2006). The Importance of Service Quality in Bank Selection for Mortgage Loans: *Managing Service Quality*, 16, 365-379.

Magesh, R. (2010). A Study on Quality of Service as a Tool for Enhancement of Customer Satisfaction in Banks: *Global Journal of Finance and Management*. 2, 123-133.

SemeAleme(2012).)factor affecting quality of service delivery in Commercial Bank of Ethiopia. Paper Presented to the Second Seminar Organized by ACCA Ethiopia Branch in Partnership

Malhotra, N. & Mukherjee, A. (2004). <http://dx.doi.org/10.3233/HSM-1997-16106>

Meuter, M. L., Ostrom, A.L., Roundtree, R. I. & Bitner, M. J. (2000). Self-Service Technologies: Understanding Customer Satisfaction with Technology-Based Service Encounters *Marketing Assoc*, 64, 50-64.

Mokhlis, S. (2012). The Influence of Service Quality on Satisfaction: A Gender Comparison *Public Administration Research*. 1, 1927-5188.

SheferaBekele, (2011). The impact of relationship marketing on customer loyalty in banking industry

TekluKasa (2011), the impact of tax reform on the private business sector in Addis Ababa, AM Thesis of Addis Ababa University

Yonatan Gebre,(2010) :Customer perception of service quality in Ethiopian banking sector, MBA thesis, Addis Ababa University

Zeithmal et al., (2000).review of Twenty Years of SERVQUAL Research: *International Journal of Quality and Service Sciences*, 1 ,172-198.  
doi:10.1108/17566690910971445.

WorkuDerese (2009). challenges and practices of e-tax collecting in Ethiopia Assessment of tax administration. . . Paper Presented to the Second Seminar Organized by ACCA Ethiopia Branch in Partnership

**ADDIS ABABA Universty**  
**DEPARTMNT OF PUBLIC ADMINISTRATION**  
**Questionnaires to be fill by Customers**

I am currently doing thesis on “Service quality and its impact on customer satisfaction in Addis Ketema Sub city Tax office. The purpose of the questionnaire is to gather adequate information in customer service quality and customer satisfaction. In order to make the study more fruitful, your response to the given question would be necessary. All of your response to the given question would be used for the research purpose and will be kept confidential.

To finalize, I would like to forward my deepest gratitude for your unreserved cooperation in filling the questioner.

**Part I: Background information of respondents**

*Directions: Part One: Demographic Characteristics Information (please use the right (√) mark to show your choice)*

**1. Sex:**

Male [ ]          Female [ ]

**2. Educational level:-**

uneducated [ ]          Junior [ ]          High school [ ]  
Certificate [ ]          Diploma [ ]          Degree [ ]          Masters and above [ ]

**3. Age:-**

18- 25 [ ]          26-35 [ ]          36-45 [ ]          46-55 [ ]          55 and above [ ]

**4. Business category that you belongs:**

Private Limited Company [ ]          Share Company [ ]          Governmental company [ ]

## Part II: SERVQUAL ITEMS

**Instructions:**-The following sets of statements represent different aspects of service quality status and their aim is to measure how quality service provided in ERCA of Addis Ketema tax office and their effect on customers level of satisfaction. So that, please indicate the extent of your agreement or disagreement with each statement by making *right (✓) sign* in the box corresponding to your level of disagreement or agreement that represented by a number from 1 to 5 (Where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree).

S.N.	Statement	Score Values				
		Strongly Disagree(1)	Disagree(2)	Neutral(3)	Agree(4)	Strongly Agree (5)
	<b>Questions Related to Tangibility</b>	1	2	3	4	5
1	The Branch has modern-looking equipment,					
2	The Branch has neat and disciplined employees.					
3	Room is clean and provides adequate of space					
4	Employees' uniforms are attractive					
5	Printed materials (forms, brochures, etc) look attractive					
	<b>Questions Related to Reliability</b>					
1	The Branch provides its services at promised times.					
2	Employees are consistently courteous.					
3	The employees handled customer's complaints effectively					
4	Employees provide accurate information to customers.					
5	Employees show dependability in handling service problem.					
	<b>Questions Related to Responsiveness</b>					
1	Employees are happy and willing to serve the customer.					
2	The Branch provides diversified service to the customers					
3	The Branch gives prompt service					
4	The Branch gives quick response to customer requests.					

<b>Questions Related to Assurance</b>						
1	The employee has the required skill in providing services.					
2	employees are trustworthy					
3	The employees have sufficient knowledge of service information					
4	The employees make customers feel safe in the service provide					
5	Employee instills confidence in customers.					
<b>Questions Related to Empathy</b>						
1	Employees always treat customers in a friendly manner					
2	Employees understand customers' specific needs.					
3	Employees treat customer with great respect					
4	Employees give individual attention to customers.					

### III. CUSTOMER SATISFACTION QUESTIONNAIRE (CSQ)

Below the question assessed your level of satisfaction on the service quality effectiveness of ERCA of Addis Ketema Branches. Accordingly indicate your level of satisfaction based on the numbers represented by (1 represent strongly dissatisfied, 2 dissatisfied, 3 average, 4 satisfied and 5 strongly satisfied).

<b>Satisfaction Related Questions</b>		1	2	3	4	5
1	I am satisfied with the Branch's complete range of services.					
2	I am satisfied with the performance of the employees of this Branch.					
3	I am satisfied of being a client of this Branch.					
4	I am satisfied with the Branch employees' professional competence					
5	I am satisfied with the quick service of this Branch.					
6	I am satisfied with the respectful behavior of Employees.					