School of Commerce

Department of Marketing Management

The Influence of Service Quality on Customer Satisfaction: Case Study on Akaki Kality sub city small tax payers' branch office

A Thesis Submitted to Department of Marketing Management in Partial Fulfillment of the Requirement for the Masters of Arts Degree in Marketing Management

Prepared By: Abel Assefa

Advisor: Belaynesh Tefera (PhD)

Addis Ababa, Ethiopia

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DECLARATION

I Abel Assefa, Registration Number/I.D GSE/4052/11, do here by declare that this Thesis is my original work and that it has not been summated partially or in full, by any other person for an award of a degree in any other university/ institution.

Abel Assefa

Name	Signature	Date
____________________	____________________	____________________

LETTER OF CERTIFICATION

This is to certify that Abel Assefa carried out her project on the topic entitled "The Influence of Service Quality on Customer Satisfaction: Case Study on Akaki Kality sub city small tax payers' branch office".

This work is original in nature and is suitable for submission for the award of Master Art in Marketing Management.

Advisor: Belaynesh Tefera (PhD)

Signature

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Date:

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APPROVAL

The undersigned certify that they have read and hereby recommend to the Addis Ababa University School of Commerce to accept the thesis Abel Assefa and entitled "The Influence of Service Quality on Customer Satisfaction: Case Study on Akaki Kality sub city small tax payers' branch office" In partial fulfillment of requirement for the award of Master Degree in Marketing Management.

____________________	____________________	____________________
Internal Examiner	***Signature***	***Date***
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External Examiner	***Signature***	***Date***
____________________	____________________	____________________
Advisor	***Signature***	***Date***

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Abel Assefa

July, 2021

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ACRONYMS/ABBREVIATIONS

ERCA	**----------------**	**Ethiopian Revenue and customs Authority**
EFY	**----------------**	**Ethiopian Finical Year**
IMF	**---------------**	**International Monitory fund**
TPA	**----------------**	**Tax Policy and Administration**
TTF	**----------------**	**Topical Trust Fund**
PLC	**----------------**	**Private Limited Company**
KFs	**----------------**	**Key Factors**

ABSTRACT

*The purpose of this study was to measure the influence of service quality on customer satisfaction in relation to Akaki kality sub city small tax payers' branch office. The study has used the SERVPERF model of service quality with the application of the five service quality dimensions. This five dimensions of service quality which were developed by Parasuraman namely tangibles, reliability, responsiveness, assurance, and empathy where used to measure the level of customers satisfaction in Akaki kality sub city small tax payers' branch office. The study used quantitative approach and done different correlation and regression analysis tools. This research is both descriptive and explanatory type research. Both primary and secondary methods of data collection are applied and questioner is used as a source of secondary data. A quantitative research approach of the data collection used and 384 questionnaires were distributed and 332 completed usable questionnaires for response rate of **85%** returned. Both descriptive and inferential statistics have been used to find mean score and to test hypothesis and to investigate research problem, objectives and questions. The findings of the regression analysis indicate that Responsiveness, Assurance and Empathy have the largest impact on customer satisfaction qualities that have a strong and positive significant impact on customer satisfaction. Accordingly, Akaki kality sub city small tax payers' branch office needs to give more emphasis and due attention to tangibility and reliability dimensions of service quality to improve the level of customer satisfaction.*

Key words: *service quality, customer satisfaction, SERVPERF, Tangibility, Reliability, Responsiveness, Assurance, Empathy.*

CHAPTER ONE: INTRODUCTION

This chapter presents the background of the research, back ground of the study, statement of the problem, research objectives, research questions, and significance of the study, scope of the study and organization of the study.

1.1.Back ground of the Study

The service quality has become a highly instrumental co-efficient in the aggressive competitive marketing (Sandhu and Bala, 2011). For success and survival in today's competitive environment, delivering quality service is of paramount importance for any economic enterprise (Sandhu and Bala, 2011). Service quality can be concisely defined as the personal experience of the customer with the service provider (Kotler, 2004). Service is playing an increasingly important role in the present environment where there is no further scope for companies to differentiate themselves from the quality of service provided by other firms. Delivering superior service than the competitor is the key for success in any organization (Gautam, 2011).

There are numerous factors contributing to an important increase of the role of service activities. Fast development and application of modern technology widened the offer of service sector significantly changing the structure of the overall economy (Biserka, 2008). Additional factors contributing to the growth of the service sector are an aging population, longer life expectancies, increased leisure time, higher per capita income, and increased time pressure, more female work force participation, changing social and cultural values (Lee, Donghoon, and Kenneth, 2006). Hence, Service marketing concepts and strategies have developed in response to the tremendous growth of service industries resulting in their increased importance to the world economy.

Service marketing is different from goods marketing in significant ways and it requires different strategies and tactics that traditional marketing do not fully reflect. According to (Kotler, 2004), it requires using more than just the four Ps (price, product, place, and promotion) in the marketing mix elements. There are additional elements known as people, physical environment and process in service marketing mix. It also requires internal marketing and interactive marketing. Internal marketing means that the service firm must orient and motivate its customer contact employs whereas Interactive marketing implies that service quality depends on heavily on the quality of the buyer seller interaction during the service encounter. Problems commonly encountered in service organization not faced by goods business are the inability to inventory, difficult in controlling demand and supply, and challenges in controlling the performance quality of human interactions need to be articulated and tackled by managers (Zeithanal and Bitner, 2003).

Companies continually search for new ways to gain an edge over their competitors around the globe. Delivering a quality service more than competitors is one strategy in which one firm gets the overhand in the contest. Quality can be government organization assurance of customer allegiance and out path to sustained growth. Service quality is widely regarded as a driver of corporate marketing and financial performance. Joseph and Andersa, highly stress the importance of creating a good customer relationship to survive in this competitive environment (2003). They further implied the consideration service providers should give in developing strategies those encompass needs of the customer. Generally, it is very important to pay attention to study of service quality, its dimensions and measuring method in order to improve it continuously. Continuous offer of high-quality service is extremely important to reach consumer satisfaction which is reflected positively to competition and to profitable business of service companies.

Service quality is the most important that needs critical attention for an Organization to outshine their competitions. Service quality offers a way of achieving success among competing services particularly, where a number of firms that offer nearly identical service are comparing with in small differences (Kotler, 2009). Quality may be the only difference; such differentiation can yield higher proportion of consumers financial success or failure (kottler ,2012) .Since the importance of making continuous customer service quality improvement program is to make profit, build good images, lead the market and retain customers which lead customer loyalty (Ahmossawi ,2001).

The most widely used model to measure perceived service quality was developed by (Parasuraman, 1988) known as SERVPERF. Based on the five factors (i.e. reliability, responsiveness, assurance empathy and tangibility)The SERVPERF model defines quality as the divergence between customer's expectations and perceptions of the service delivered to measure quality the respondents are asked to answer sets of questions dealing with the same subject (Kotler, 2012). Customer satisfaction is considered to be one of the most important outcomes of all marketing activities in a market-oriented firm (Kotler& Armstrong, 2007). The obvious need for satisfying the firm's customer is to expand the business, to gain a higher market share, and to acquire repeat and referral business, all of which lead to improved profitability (Kotler, 2004). Most researchers and practitioners accept the notion that customer satisfaction is positively associated with desirable business outcomes (Keinninghan, Perkin, Akosoy and Estrin, 2005).

As can be discussed by (Khan& Fasih, 2 014). Service quality can be accessed with the SERVPERF; scale SERVPERF scale measures the quality of a service before and after the consumption of a service, with five dimensions. Namely; tangibility (visible elements of a service such as buildings, sites and tools); responsiveness (how fast service providers respond to customer queries/ the ingress for service providers to assist customers and provide prompt services); reliability (the ability for a service provider to assure customers of a reliable and proper service); assurance (the level of knowledge displayed by a service provider when delivering its services and their ability to inspire trust and confidence); and empathy (ability for a service provider to pay attention to individual customer demands/ individualization of service).

Due to the increased competition faced by companies around the world, companies choose to expand their market size and increase customer expectations through advancement in technology and globalization (Lin, Lai, &Yeh, 2007). Hence necessitating businesses to be more customer centric (Naidoo, 2011 and Schneider, Ehrhart, Mayer, Saltz& Niles -Jolly, 2005). The quality of a service positively influences customer satisfaction (Kaura et al (2012) and as such, service quality is of vital importance to customer satisfaction.

Customer satisfaction is also crucial in the tax administration sector because of the special nature of the service which is characterized by intensive contact with customers who have different needs and require customized solutions and it is known to be one of the most important and serious issues towards success in today's competitive business environment, as it stay affects government organization market shares and customer loyalty (Clemes, 2008). Good customer relationship creates customer delight, in turn delighted customer remain loyal (Kotler, 2012).

The purpose of this study is to identify the variables which determine and drive customer satisfaction in an Akaki kality sub city small tax payers' branch office. And the study also compare if there are differences of customer satisfaction determinants among demographic variables and between Akaki kality sub city small tax payers' branch office customers and company. The study addresses which of the variables from Akaki kality sub city small tax payers' branch office services and which of these determinants are important to customers.

Background of the Organization

ERCA was established by the proclamation No .587/2008 on 14 July 2008, by the merger of the Ministry of Revenue, Ethiopian Customs Authority and the Federal Inland Revenue Authority for the purpose of enhancing the mobilization of government revenues, while providing effective tax and Customs administration and sustainability in revenue collection. The main objective of the establishment of ERCA was to streamline the public revenue generation function by bringing the relevant agencies under the umbrella of the central revenue collector bod (ERCA statistical bulletin, 2011). Addis Ababa City Tax Administration and ERCA have signed a memorandum of understanding in January 2011 to gain support from ERCA. The main objective of the agreement is to enhance the capacity of tax administration of the city to collect its revenue effectively and efficiently. Based on the agreement, the administration part of the city tax administration is temporarily merged to ERCA; the revenue collected is to the Addis Ababa city government administration (www.Erca.gov.et)

Ethiopia as a developing nation should generate sufficient amount of revenue from different types of taxes to cover its expenditure (ERCA 2008, EFY annual report). To manage up with the target that Ethiopian revenue and customs authority (ERCA) wants to attain, should be focus on a client- oriented system that offers quality service to the tax payers and create them satisfaction. Tax income has grown-up over the past few years, with important share of the increase attributable to better submission at the state level. With continued support, the Ethiopian Revenues and Customs Authority (ERCA) can achieve its target of mobilizing 17 percent of gross domestic product by 2020. (IMF TPA-TTF Dec, 2015).

Addis Ababa City Tax Administration tax office has a total of fourteen tax branch offices. Tax payers who have revenue above 1million birr in Addis Ababa 10 sub city revenue offices are divided into two medium tax payers' offices named Addis Ababa medium tax payers' office number one and Medium tax payers' office number two. Addis Ababa medium Tax payers' office number one covers sub city's Yeka, Arada, Kolfe keraniyo, Addis Ketema and Gulele. Whereas the office number two covers Bole, Lideta, Kirkos, Nifas silk lafto, and Akaki kality. Addis Ababa administration tax office revenue collection is doing under Ethiopian revenue and costumes authority (ERCA).

1.2.Statement of Problem

Currently quality of service delivery particularly in public service sector is costing a heavy shadow on efficiency and effectiveness of various sectors. This is mainly demonstrated through lack of customer satisfaction. Various reasons are mentioned for this for example many of the offices are not well equipped with all the necessary facilities required to deliver quality service.

As cited in Reimer, A., Kuehn, R. (2004) Several authors refer to the physical facilities, i.e. the services cape, as a quality indicator (e.g. Ward et al., 1992; Baker et al., 1994; Baker, 1998; Aubert –Gamet and Cova, 1999; Baker et al., 2002). The physical facilities of a service government organization are commonly described by service scape. (Reimer, A.,et al.2004).

Similarly available studies (Tewodros, 2015, Demirew G. et al.2015) and others shows that in many cases the knowledge and attitude of service provider in the service providing sector are not at the required level as a result of which customers may lack trust and assurance on the sector. Moreover the employees’ willingness to support customers as required by customers is not at the expected level rather in some cases they mistreated their customers.

Despite the effort taken by the government there has been poor service and tax payers continued complaining about the quality of the service, behavior of the tax office staffs, poor handling of queries and complaints on tax matters, complex bureaucratic tax administration procedural together with nature of physical facilities in keeping and processing accurate and up to date tax payer’s information (ERCA, 2013).

There are also a compliance costs that are experienced by tax payer in the achievement of tax activities such as traveling costs, stationaries and others as their physical observation and feedback is concerned in Akaki kality sub city small tax payers’ branch office.

In this case the location of medium tax payers’ office affects some tax payer’s incest is relatively far from their business station. The absence of customer satisfaction may have its own negative impact on self-initiation, readiness and belief value of tax payers’ to pay their taxes. This could in turn distress the revenue of the country Ethiopia.

As there is lack of sufficient study related to factor influencing customers or taxpayer's satisfaction with satisfaction determinant factor in service provision of revenue and customs authority in Ethiopia. Very few studies such as a study by Temtim (2014) indicate that business tax payers in Addis Ababa Ethiopia are not satisfied with the existing tax service delivery. Yesigat (2013), a study on tax payer's views of business taxation in Ethiopia, found that the limited capacity of tax administration service delivery resulted on tax payer's dissatisfaction which in turn result low compliance level and poor performance in Ethiopia.

Moreover, akaki kality sub city small tax payers' branch office customer service business process tries to gather feedback and tries to evaluate monthly the taxpayers' perception toward the service provided. But this is not research basis. Due to ,the lack of researches on factors influencing customer satisfaction with the service provided by akaki kality sub city small tax payers' branch office motivated the researcher to conduct this study. To narrow the gap there searcher sees the factors influencing customer satisfaction mainly with service quality dimensions (tangibility reliability, responsiveness, assurance and empathy).

Therefore, this research proposes to fill the gap in this regard by assessing customer satisfaction on service delivery of public service organizations in Akaki Kality Sub city small tax payers' branch.

1.3.Research Questions

In light of the research objectives stated in the above section, the research makes an attempt to find out answers to the following basic questions:

- **i.** To what level tangibility affect customer satisfaction in Akaki kality sub city small taxpayers' branch office?
- **ii.** To what extent does empathy affect customer satisfaction in Akaki kality sub city small tax payers' branch office?
- **iii.** To what level responsiveness affect customer satisfaction in Akaki kality sub city small tax payers' branch office?
- **iv.** To what extent does assurance affect customer satisfaction in Akaki kality sub city small tax payers' branch office?
- **v.** To what level reliability affect customer satisfaction in Akaki kality sub city small tax payers' branch office?

1.4. Research Objectives

As research is guided by an objective, this section presents the intended outcomes of this study. The formulated main objective and the specific objective that elaborate the research are presented below:

1.5.1 General Objective

The general objective of the study is to Assess Factors Influencing Customer Satisfaction in Akaki kality sub city small tax payers' branch office.

1.5.2 Specific objectives

The specific objectives of this research include:

- **i.** To examine the relationship between tangibility and customer satisfaction Akaki kality sub city small tax payers' branch office
- **ii.** To assess the effect of empathy on customer satisfaction in Akaki kality sub city small tax payers' branch office
- **iii.** To identify the relationship between responsiveness and customer satisfaction in Akaki kality sub city small tax payers' branch office
- **iv.** To assess the association between assurance and customer satisfaction in Akaki kality sub city small tax payers' branch office
- **v.** To identify the relationship between reliability and customer satisfaction in Akaki kality sub city small tax payers' branch office

1.5.Significance of the study

This study helps the tax branch managers and employees to focus on how to provide service to satisfy customer. The researcher hopes that from the suggestions and recommendations the managers of the branch office can make a better decision in order to become effective on handling their customer.

This thesis also helps other researchers to conduct further studies on service quality and its effect on customer satisfaction.

In addition to this, this thesis helps readers to gain knowledge and better understanding in the area of service quality and customer satisfaction. Moreover, the research serves as a guideline for further research in service quality in the tax administration or related field.

1.6. Limitation of the study

Geographically the study is delimited to Akaki kality sub city small tax payers' branch office only. Conceptually issues studied as independent variables include, reliability, Responsiveness, assurance, tangibility and empathy & the dependent variable, customer's satisfaction. Methodologically, the study is delimited to survey.

1.7.Organization of the Study

This study is composed of five chapters. The first chapter introduction, background of the study, statement of the problem, research questions, research objectives, significant of the study, scope of the study, organization of the study. The second chapter's emphasis the literature review that includes theoretical review and previous studies associated with the area. Chapter three contain the methodology part under this description of study area, research approach and design, sample & sampling technique, type of data & tool, procedures of data collection, method of data analysis, validity and reliability finally ethical consideration taken into account. Chapter four, deals with the presentation, interpretation and analysis of finding soft he studies in line with the research objectives and questions. Chapter five present conclusion and recommendations that have been made from the presentation and interpretation of findings from chapter four.

CHAPTER TWO: REVIEW OF RELATED LITERATURE

This chapter describes the general overview for the concept of service quality and customer satisfaction by summarizing and examining the accumulated literature in the area. It begins by defining the basic concepts in service quality theory and customer satisfaction and gives a detail description for the SERVPERF instrument that is used in measuring service quality for the government organization after critical reviews; the conceptual framework of the study is which is drawn.

2.1. Theoretical Review

2.1.1. What are Services?

Many authors define services on their own words. According to Lovelock and Wirtz, (2011) defined as Services are economic activities offered by one party to another often time-based, performances bring about desired results to recipients, objects, or other assets for money, time, and effort, professional skills, facilities, networks, and systems; but they do not normally take ownership of any of the physical elements involved.

According to Zeithaml and Bitner, (2003) put in a most simple terms, service are deeds, processes, and performances. Compatible with our simple, broad definition is one that defines services to “include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced, and provides added value in forms (such as convenience, amusement, timeless, comfort, or health) that are essentially intangible concerns of its first purchaser.

2.1.2. Service Quality

Service quality is considered an important tool for a firm’s struggle to differentiate itself from its competitors (Ladhari, 2009). The relevance of service quality to companies is emphasized especially the fact that it offers a competitive advantage to companies that strive to improve it and hence bring customer satisfaction. The challenge in defining service quality is that it is a subjective concept, like beauty. Everyone has a different definition based on their personal experiences. It has also received a great deal of attention from academicians, practitioners and services marketing literature, service quality is defined as the overall assessment of a service by the customer. Researcher points out that, by defining service quality, companies is able to deliver services with higher quality level presumably resulting in increased customer satisfaction. Understanding service quality must involve acknowledging the characteristics of service which are intangibility, heterogeneity and inseparability. In that way, service quality would be easily measured (Negi R, 2009).

2.1.3. Service and Service Attributes

2.1.3.1. Service

According to Kotler and Armstrong (2012), "service can be defined as economic activities that produce time, place, form, or psychological utilities". Many service firms have become successful by identifying a previously unrecognized or unsatisfied customer wants. (Messay, 2012) stated "services are identifiable, intangible activities that are the main object of a transaction designed to provide want satisfaction to customers". (Messay, 2012) also stated that the travel, hospitals, finance, entertainment, health care communications, utilities and professional services fields are prime examples. Recognizing the importance of marketing, many of these industries and organizations within them are now adding marketing-related personnel. According to (Kotler, 2012) "services are growing ever faster in the world economy, marketing up a quarter of the value of all international trade". A service is any intangible act or performance that one party offers to another that does not result in the ownership of anything" Kotler& Keller (2009).

2.1.3.2. Service Attributes

Service is intangible unlike material goods, so it has its unique attributes such as intangibility, heterogeneity, non -storability. (Nguyen N, 2006) introduced the five basic attributes of service.

2.1.3.2.1. Intangibility

Service is intangible with no shape; people cannot see nor feel it before using. Customers only feel about service quality when they use it, interact with it, and cannot know service quality in advance. In other words, service quality depends on subjective feelings of users, so it is difficult to measure service accurately by specific technical indices.

2.1.3.2.2. Variability/Heterogeneity

Service quality does not stay the same at different times of conducting the service; the quality depends on customers' personal feelings of the service. With the same process of providing service, but feelings of the service quality by different customers at different times might be different; feelings of a service by different customers might be different. Service can be evaluated from the weak level to perfect by different customers up to their expectations. Due to this characteristic, standardizing service seems to be more difficult than standardized specification of other visible products.

2.1.3.2.3. Inseparability

It is difficult to distinguish service delivery and service usage; they are two separate activities. A service cannot be separated into service creation and service usage; they are at the same time. This is the basic difference between service and other tangible commodity, which are produced and then distributed to customers. Service is the process of delivery and usage at the same time; customers and service provider participate during the time-of-service creation.

2.1.3.2.4. Non-storability

As services have the delivery and usage at the same time; they cannot be stored like another tangible commodity. In other words, services cannot be stored before distribution or usage.

2.1.3.2.5. Simultaneity/user participation

Service creation happens at the same time as service usage. We cannot separate those two behaviors. In order to understand service quality, it is equally important to define what quality can be defined as “the totality of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs” (Kotler et al., 2002). It is evident that quality is also related to the value of an offer, which could evoke satisfaction or dissatisfaction on the part of the user.

2.1.4. Dimensions of Service Quality

Relative importance of dimensions (Parasuraman, A., Zeithaml, V. A. & Berry, L. L. 1988) have observed that their instrument (SERVPERF) can be used to evaluate the relative importance of the dimensions of quality in influencing customers’ overall perceptions of a service. The relative weight that customers seem to give to each quality dimension can be determined. One of the important results that have been reported in the early studies of relative importance is that customers are quite consistent in both their imputed and their direct rankings of the importance of the service quality attributes.

In an effort to conceptualize services quality (by taking in to account all the aspects of customer perceived services quality, including those already addressed in the existing instrument and those that are left out in the empirical services quality literature (Sure shchandar et al. , 2001) identified five factors of services quality as critical from the customer's point of view .These includes: core service or service product; human element of service delivery; systematization of service delivery: non-human element; tangibles of service- service scopes; and social responsibility.

Services unique selling proposition can be woven around different criteria (tangibility, customization, labor intensity, etc.). This criterion in turn could be the key performance dimension. Different user groups can see each type of service in turn as performing on a number of factors across different dimensions. From among these factors, some are the key factors (KFs) and are relatively more important for the consumer. A number of these key factors could be simultaneously important for these user groups, though the relative importance of these dimensions may vary from one user group to another. There may also be a general shift in consumer preference for a dimension, for example, from "medical-care" through "patient-care" to "hospital-care," incase of the consumers of healthcare. Their importance may also vary from one consumer to another with regard to the second issues is which of the dimension of service quality is dominant in the service quality, given that the measurement items have been operational zed (Lapirree, 1996). Based on this assumption, different researchers have raised different dimensions of services quality that should be paramount in the eyes and perceived attitude of the customer. Among this, (KoushikiChoudhury , 2007) suggests that customers distinguish four dimensions of service quality in the case of the retail banking industry in India, namely, attitude, competence, tangibles and convenience.

The SERVPERF scale is the principal instrument widely utilized to assess service quality for a variety of services. (Parasuraman et al., 1988) have conceptualized a five dimensional model of service quality such as: reliability, responsiveness, empathy, assurance and tangibility. Their measurement instrument is known as SERVPERF, which has become almost the standard way of measuring service quality. Alternatively, SERVPERF is based on the "performance only" perspective and operationalizes services quality as customers' evaluations of the service encounter. As a result, SERVPERF uses only the performance items of the SERVPERF scale (Brady et al., 2002; Cronin and Taylor, 1992, 1994). These five dimensions Includes:

Reliability: Which is concerned with the extent to which customers can depend on the organization to perform the promised service, to do it accurately and to get it right first time? Performing the service dependably and accurately is paramount to service customers, has been strongly supported by research (Zeithaml et al., 1990). He further discussed service providers' apologies start to wear thin when a government organization is careless in performing the service, when it makes frequent mistakes and when it is casual about keeping its service promises. Under these circumstances, customers lose confidence in the firm and little can be done to regain it. The study by (Zeithaml and Bitner, 2003) further revealed that it is very important to do the service right the first time; in case a service problem does crop up, by resolving the problem to the customer's satisfaction, the government organization can significantly improve customer retention. However, companies fare best when they prevent service problems altogether and fare worst when service problems occur and the government organization either ignores them or does not resolve them to the customer's satisfaction.

Assurance: This is concerned with the extent to which the organization and its staff are competent, courteous, credible and trustworthy. It also considers the extent to which the consumer feels secure.

Tangibles: This includes the appearance of physical facilities such as the interior of the branch, the appearance of staff and the appearance and quality of communication materials. The service quality factor tangibles are defined by whether the physical facilities and materials associated with the service are visually appealing at the government organization. These are all factors that customers notice before or upon entering the government organization. Such visual factors help consumers form their initial impressions. A crucial challenge in service marketing is that customers cannot see a service but can see the various tangibles associated with it - all these tangibles, the service facilities, equipment and communication materials are clues about the intangible service. If unmanaged, these clues can send to the customer's wrong messages about the service and render ineffective the marketing strategy of the government organization. On the other hand, improving quality through tangibles means attention to the smallest details that competitors might consider trivial. Yet, these visible details can add up for customers and signal a message of caring and competence.

Empathy: Concerned with factors such as accessibility, good communications, understanding of customer's needs approachability and friendliness. On the other hand, (Sandip Gosh Hasra and BL Srivastava ,2009) in their study indicated that the government organization should pay attention to these dimension of service quality and pay more attention to dimension of assurance-empathy to increase loyalty to a government organization, willingness to pay, customer commitment and customer trust. Whereas, (Sudesh, 2007) revealed that poor service quality in public sector government organization s is mainly because of deficiency in tangibility, lack of responsiveness and empathy.

Responsiveness: which is concerned with how the organization, through its staff, responds to customers? Important issues include the extent to which staffs are helpful, prompt and able to solve problems

Moreover, in one key study (Parasuraman et al., 1988), reliability was demonstrated to be the most important dimension and empathy (a composite of understanding and access) the least important across a seemingly wide array of service types. (Zeithaml et al. 1990) also report, using a variation of SERVPERF that tangibles prove to be consistently unimportant. A pertinent question here is that whether such a generalization is possible. (Chowdhary, 2000) suggest that generalizations are difficult to make because of variation in the basic nature of services (labor or capital intensity) and that the type of industry affect the design of service. It was seen that empathy and responsiveness were found to be more important for labor intensive industry while tangibles and reliability affected the assessment of quality dimensions in case of capital intensive services.

Finally, research comparing the predictive validity of SERVPERF with SERVPERF has been based on assessing which of the two measures is a better predictor of service quality. Service quality has been used as the criterion because it is a global representation of the quality of the service offered by an organization (Cronin and Taylor, 1992, 1994; Jain and Gupta, 2004; Kettinger and Lee, 1997; Quester and Romaniuk, 1997). In their comparison of SERVPERF with SERVPERF, Cronin and Taylor (1992) built their argument for the superiority of SERVPERF over SERVPERF by empirically showing that SERVPERF is a better predictor of service quality than SERVPERF (Francois et. al, 2007).

2.1.5. Gap model of customer Satisfaction

Berry, parasuman and Zeithaml (1990) had proposed an excellent model in 1990 to explain customer behavior with respect to quality expectation, called the gap model (Govind Apte, 2004). The gaps model of service quality serves as a framework for service organizations attempting to improve quality service and service marketing (Zeithaml and et. al, 2004).

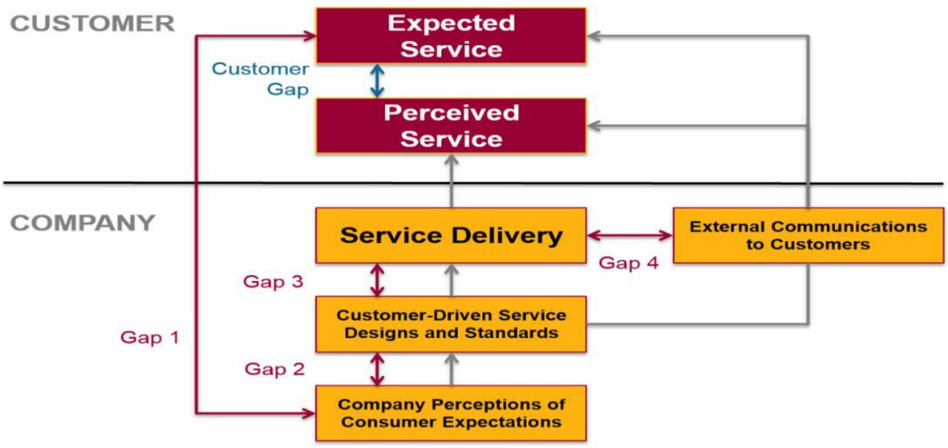


Figure2.1Gaps model (source: Apte, 2004)

- ✓ Gap 1 is the distance between what customers expect and what managers think they expect- clearly survey research is a key way to narrow this gap.

- ✓ Gap 2 is between management perception and the actual specification of the customer experience – Managers need to make sure the organization is defining the level of service they believe is needed.

- ✓ Gap 3 is from the experience specification to the delivery of the experience – Managers need to audit the customer experience that their organization currently delivers in order to make sure it lives up to the spec.

- ✓ Gap 4 is the gap between the delivery of the customer experience and what is communicated to customers - All too often organizations exaggerate what is provided to customer, or discuss the best case rather the likely case, raising customer expectations and harming customer perceptions.

- ✓ Finally, Gap 5 is the gap between a customer's perception of the experience and the customer's expectation of the service – Customers‟ expectation have been shaped by word of mouth, their personal needs and their own past experience. Routine transactional surveys after delivering the customer experience are important for an organizational to measure customer perceptions of service.

The key to closing the customer gap is to close provider gaps 1 through 4 and keep them closed. To extent that one or more of provider's gaps 1 through 4 exists, customers‟ perceptions perceive service quality shortfalls (Zeithaml and et.al, 2004).

2.1.6. Service Expectations

Customer expectations are beliefs about service delivery that service as standards or reference points against which performance is judged (Zeithaml and et.al, 2004). What are the components of customer expectations? Expectations embrace several elements, including desired, adequate and predicted service, and a zone of tolerance that falls between the desired and adequate service levels. The model of the following shows the factors that influence the different level of customers‟ expectations (Lovelock and Wirtz, 2011).

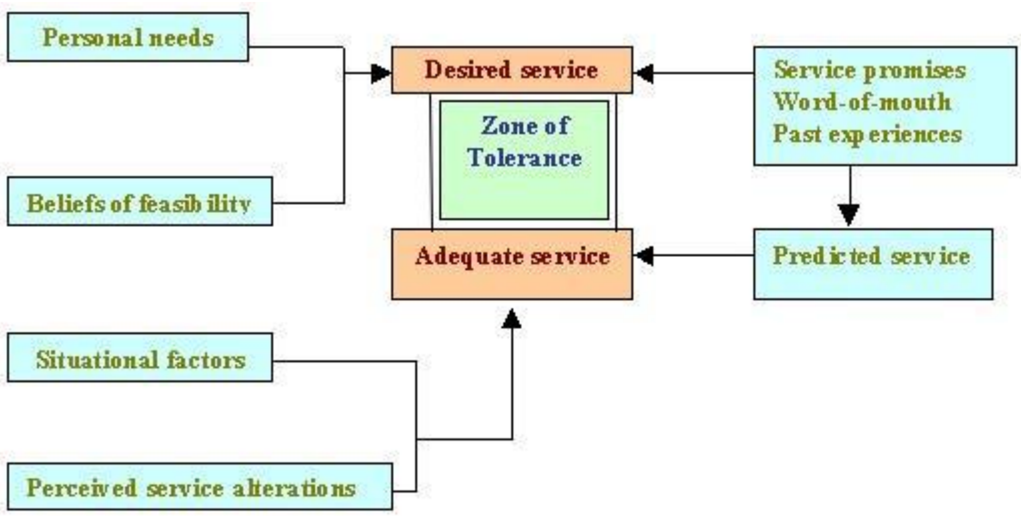


Figure2. 2 Service expectation (source: Lovelock and Wirtz, 2011)

- **Desired level service:** the level of service which the customer hopes to receive. This is the level they wish or dream about (Apte, 2004).

- **Adequate level of service:** the minimum level of service customers accept without being dissatisfied (Lovelock and Wirtz, 2011). The service is considered to have failed when it falls below the adequate level of service.
- **Predicted service:** this is the level of service customers actually anticipate receiving.
- **Zone of Tolerance:** the gap between the desired level of service and the adequate level of service. This is area of flexibility (Apte, 2004). According to Lovelock and Wirtz, (2011), the zone of tolerance is the range of service with in which customer's don't pay explicit attention to service performance. When service falls outside this range, customers react either positively or negatively.

2.1.7. Customer perceptions

How customers perceive services, how they assess whether they have experienced quality service and whether they are satisfied. We is focusing on the perceived service box in the gaps model.

Customers' perceptions of quality and Customer satisfaction

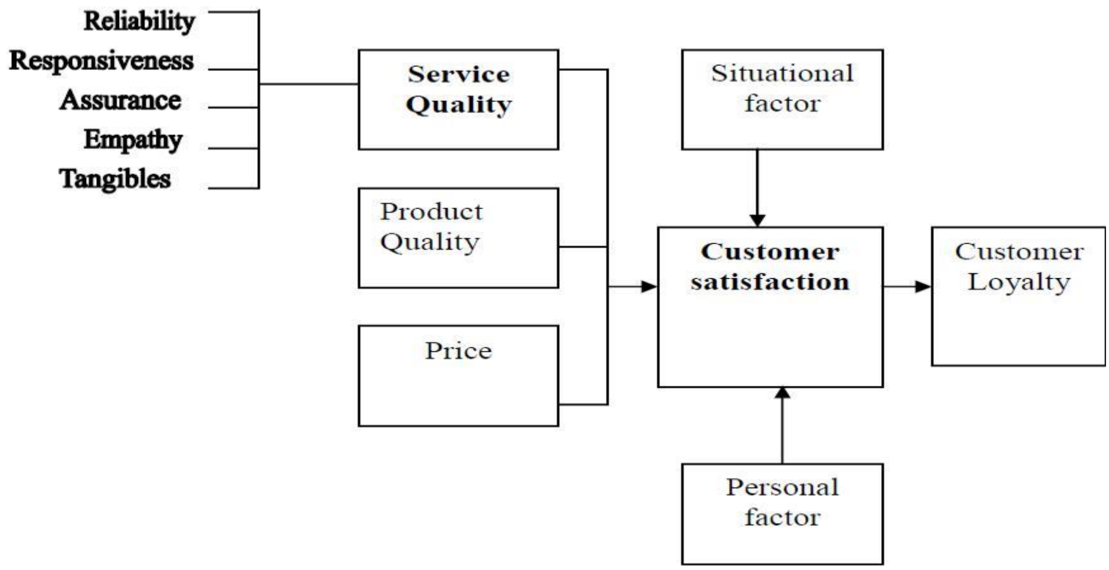


Figure2. 3 Customer perceptions (Zeithaml et.al, 2004)

Service quality is a focused evaluation that reflects the customer's perception of reliability, assurance, responsiveness, empathy, and tangibles. Satisfaction, on the other hand, is more inclusive: it is influenced by perceptions of service quality, product quality, and price, as well as situational factors and personal factors (Zeithaml et.al, 2004).

2.2. Customer satisfaction

The most important concept of customer satisfaction is accepted all around the world is the expectancy disconfirmation theory. This theory was presented by Oliver in 1980, he presented that satisfaction stage is the resultant of distinction between anticipated and supposed performance. Satisfaction is encouraging when the actual level of services or products is better than the anticipated (positive disconfirmation), whereas (negative disconfirmation) when the product or services level is lower than expected (Saleem& Raja, 2014).

(Agbor, 2011) defined customer satisfaction as, customer satisfaction is identified by a response (cognitive or affective) that pertains to a particular focus (i.e. a purchase experience and/or the associated product) and occurs at a certain time (i.e. post-purchase, post consumption) (Daniel and Berinyuy, 2010).

Concepts of customer satisfaction once customers are satisfied and have positive image about a particular firm, it take some time for competitors to snatch or convince them and switch to their organization (Kotler, 2009). Benefits derived by companies from customer satisfaction include repurchasing to increase sales or profits speak well about the products or services to others, as a result end up with loyal customers. The importance of customer satisfaction cannot be dismissed because happy customers are like free advertising (Mohsan et al., 2011).

Customer satisfaction plays especial role in highly competitive industries, where there is a tremendous difference between the loyalties of merely satisfied and completely satisfied or delighted customers. To improve its customer satisfaction levels, a government organization must first find out how satisfied or dissatisfied its current customers actually are (Lovelock and Wright, 1999).

Customers' satisfaction calls for the retention of customers for the long term, which is more economical than attracting new customers (Reichheld and Kenny, 1990). According to (Oliver, 1997), customer satisfaction is an evaluation by the customer, after buying goods and services. The most time-honored view of customer satisfaction in the academic world is that customer satisfaction is the judgment assumed out of the comparison of pre-purchase expectations with post-purchase evaluation of the product or service. Achieving customer focus requires leveraging existing customer information to gain deeper insight into the relationship a customer has with the institution, and improving customer service-related processes so that the services are quick, error free and convenient for the customers (Shah, 2012).

In fact, customer satisfaction is widely recognized as a key pressure in the formation of customers' future purchase intentions (Taylor and Baker, 1994). In today's highly competitive, increasingly consolidated world, offering personalized and differentiating services can be critical to a government organization success. It is a well-researched fact that investments in customer satisfaction, customer relationships and service quality leads to profitability and market share. Put differently, customer satisfaction leads to customer loyalty and this also leads to profitability. If customers are satisfied with a particular high quality service offering after its use, then they can be expected to engage in repeat purchase and even try line extensions and thus market share can be improved (Shah, 2012).

2.3 Relationship between Service Quality and Customer Satisfaction

(Kotler and Armstrong ,2012) advocate that satisfaction is the post-purchase evaluation of products or services taking into consideration the expectations. Researchers are divided over the antecedents of service quality and satisfaction.

Whilst some believe service quality leads to satisfaction, others think otherwise. The studies of many researchers suggest service quality leads to customer satisfaction (Kotler, 2009). To achieve a high level of customer satisfaction, they suggest that a high level of service quality should be delivered by the service provider as service quality is normally considered an antecedent of customer satisfaction (Mesay, 2012).

As service quality improves, the probability of customer satisfaction increases. Quality was only one of many dimensions on which satisfaction was based; satisfaction was also one potential influence on future quality perceptions (Clemes, 2008). Siddiqi (2011) described that all the service quality attributes are positively related to customer satisfaction and customer satisfaction is positively related to customer loyalty in the government revenue collecting settings. Furthermore, Daniel O. Auka (2012) also stated that high quality of service result in high customer satisfaction and increase loyalty.

2.3.1. Tangibles and Customer Satisfaction

As can be discussed by (Kahn and Fasih, 2014) & found that government organization with better ambience enhance customer satisfaction in a better way. Combining tangible and intangible attributes of premium quality in products and services provided by government organization may create a strong and long-term relationship with their customers. This service quality dimension comprises of government organization ambience, service equipment, human resources (staff) and the means of communication. In simple words tangibles are about creating foremost impressions. All organizations desire that their customers get an exceptional and positive foremost impression. (Ladhari et al., 2011) concisely explain the idea of tangibles role in government owned sector. Service quality is key tool to achieve customer's attention. Varying behaviors and attitudes of customers demand high service quality to attain their perception of service.

H1: *Tangible has a significant and positive effect on customers' satisfaction.*

2.3.2. Reliability and Customer Satisfaction

The association between dimensions of service quality and customer satisfaction was investigated by (Khan and Fasih, 2014). They found a significant relationship between reliability of services on the satisfaction level of customers. The literature reveals an increased degree of positive relationship between service quality, customer satisfaction and performance (both financial and non-financial) where face-to-face dealing between customer and employee is the only focus. Technology expansion has had a great impact on the choice of service delivery standard and services marketing strategies. This has yielded many prospective competitive advantages including augmenting of productivity and enhanced revenue creation from new services (Khan and Fasih, 2014; Muyeed, 2012).

H2: *Reliability has a significant and positive effect on customers' satisfaction.*

2.3.3. Assurance and Customer Satisfaction

Assurance has been identified as a significant dimension of service quality by (Parasuraman et al., 1988). They propose that all of these dimensions significantly enhance customer satisfaction. It is believed that if the employees of financial institutions display trustworthy behavior, the satisfaction level of customers can be enhanced significantly. It may also positively influence repurchase intension of customers (Ndubisi, 2006; and Ndubisi&Wah, 2005; Khan and Fasih, 2014).

H_3: *Assurance has a significant and positive effect on customers' satisfaction.*

2.3.4. Empathy and Customer Satisfaction

A positive and significant relationship is found between empathy and customer satisfaction by (Iglesias and Guillen, 2004). It was proposed, that customers may remain unsatisfied with service quality if a gap is left in empathy. It was also established by (Khan and Fasih, 2014) that customer satisfaction is significantly impacted by empathy. It makes customers contended and in the long-run serves as an important predictor in improving the financial performance of the organization.

***H_4*: *Empathy has a significant and positive effect on customers' satisfaction*.**

2.3.5. Responsiveness and Customer satisfaction

(Low, G.S.,& Lamb J.C.W., 2000) in his research demonstrated that, the main sources of satisfaction are attentiveness, responsiveness; care and friendliness whereas the main sources of dissatisfaction are lack of integrity, reliability, responsiveness, availability and functionality. Further he argued that, all the reasons of dissatisfaction are not necessarily the other face of the sources of satisfaction though responsiveness is key component in providing satisfaction and the lack of it is a major source of dissatisfaction.

H_5: *Responsiveness has a significant and positive effect on customers' satisfaction.*

2.2 Empirical Review

Many customer satisfaction studies, both in the private and public sectors forwarded the service quality and service quality dimensions impact on satisfaction.

Kumasey (2014) studied service quality and customer satisfaction: empirical evidence from the Ghanain public service. The paper examines the relationship between service quality customer expectation and customer perception with customer satisfaction within the public sector. And the finding revealed that service quality, customer perception and customer expectation all related significantly and positively with customer satisfaction. He also tried to relate his finding with verified evidence (Dutta, 2009, Zethmal and Bitner, 2003) and the implication of findings first given that there is an important relation between expected service and customer satisfaction so that the managers to ensure that the customers receive excellent services 2nd it is imperative that services was of the highest quality because it is only quality that can attract and retain customers to the organization. Finally he concluded that it is important that organizations seek the need satisfaction link as a driver and determinant of customer satisfaction and not just service delivery.

Sriyam (2010) in the study of customer satisfaction in the private sector concluded that service quality and customer satisfaction has significant relationship. Further, concluded that in the service sector, especially hotel sector, tangibility (cleanses and appearance) is the main factor for customer satisfaction followed by assurance. Ragavan and Mageh (2013), in their study of service quality and customer satisfaction in government organization concluded that all service quality dimensions had a significant and positive relationship with customer satisfaction. In addition, they came up with a conclusion from their regression result that, except empathy, which had no influence the remaining dimensions: assurance, reliability, responsiveness and tangibility had significantly and positively influencing customer satisfaction.

This indicates that all service quality dimension relationships with satisfaction can be different based on the service provided by different service providers. In addition, even within a public or a private sector, the results of the service dimension relationship and impact on customer satisfactions were not similar and vary one from the other.

According to Tesfaye (2015) Research on services quality has currently received special attention from marketing researcher. Some research conducted on quality services and its effect on customer satisfaction and their results are summarized as follow: - There are many research works done related with this study. However the researcher tries to see three of them which are more related to the topic. The titles with their objectives and major findings are discussed below to have an insight about these studies.

Aman (2008) with title of “Effects of service delivery process and service quality on customer satisfaction: a case study of EEPCO, North Western region, Bahir Dar town customer service centers” have indicated the main purpose of the study is to examine the effect of service delivery process and service quality on satisfaction of customers of EEPCO with the following specific objectives .i.e. To examine the effect of service delivery process and service quality on customer satisfaction and to understand real situation on how EEPCO handle its customers.

Another study studied by Betelhem Tesfaye (2015) “The impact of service quality on customer satisfaction the case of different government organization of Ethiopia”. The result of this study indicates that except empathy, all dimensions of service quality have a positive and significant effect on customer satisfaction. Moreover, from the findings of this study, researcher found out that not all of the service Quality dimensions has positive effects on customer satisfaction. Out of the five service quality dimensions four dimensions (tangibility, reliability, assurance, and responsiveness) have positive and significant effects on customer satisfaction. On the other hand, empathy has no significant effect on customer satisfaction Research was conducted in an organization in Tehran; Iran by (Mahamad, 2010) revealed that service quality would be one of the determinants of satisfaction. The findings that nearly 43 percent of customers' satisfaction changes are explained by service quality. (Tesfaye, 2015)

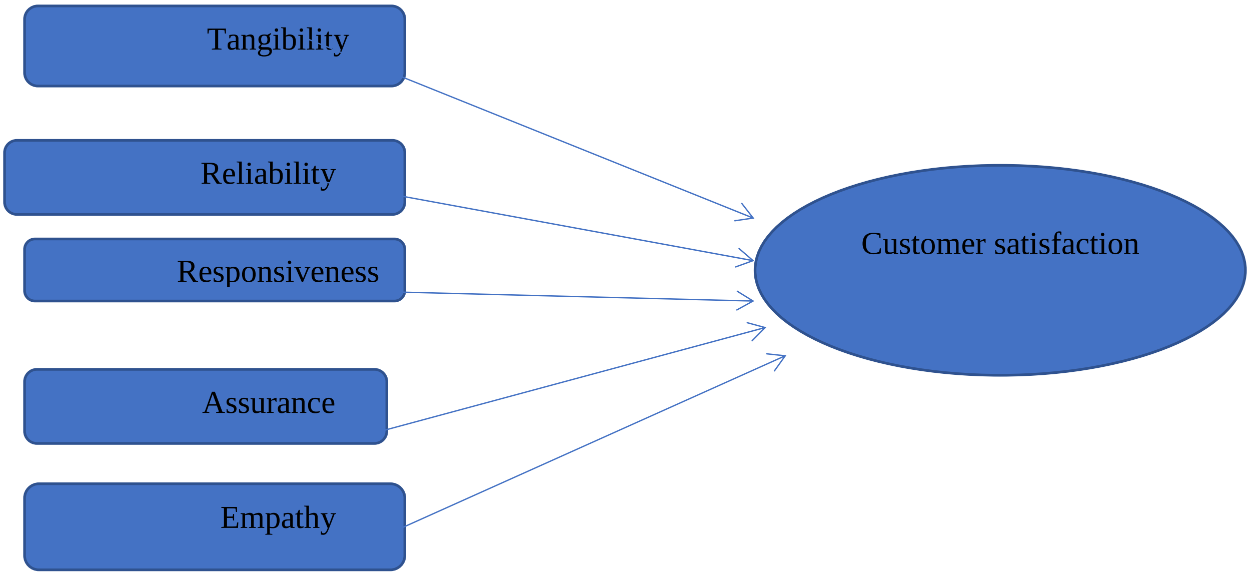
On the relationship between organizations Service Quality, Customer Satisfaction in Ethiopian government Sector, Messay (2012) concluded that all service quality dimensions are positively correlated with customer satisfaction indicating 90.7% of the variance in customer satisfaction can be predicted by the service quality offered by the organization. In addition, results of this research show that there is a positive significant relationship between customer satisfaction and loyalty, and explain 62% of the variance. (Tesfaye,2015).

On the relationship between Service qualities, satisfaction, perceived value among customers in government organization in Nakuru Municipality, Kenya, Daniel (2012) concluded that service quality and customer satisfaction were positively and significantly associated indicating 19.8% of the variance in customer satisfaction can be predicted by the service quality offered by the government organization. (Tesfaye, 2015)

2.4 Conceptual Frame of Reference

The conceptual framework explains (Figure 1) the underlying process, which is applied to guide the study. As it is tried to explain, the SERVPERF model is appropriate for measuring service quality and customer satisfaction in government organization services using the service quality dimensions.

Figure2. 4. Service Quality and Customer Satisfaction



Source: Parasuraman, (2004)

The study use service quality dimensions that are (Tangibles, Reliability, Responsiveness, Assurance, and Empathy) to measure the effect of service quality on customer satisfaction. Therefore, as per the revision made by (Parasuraman, 2004) on the SERVPERF model, the research goes to adopt the 22-items, in order to answer the research questions. Also, the five dimension of SERVPERF model prove to be the main yardstick to be used by most of the researchers in the evaluation of service quality (Agbor, 2011). Moreover, the SERVPERF model has been proven to be the best model to measure service quality in service sectors especially with the customer perspective. Also, it has been stated that service quality is the overall assessment of a service by the customers (Eshghi et al., 2008).

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

This chapter comprise of topics related to how the research is carries out with respect to research design and methodological arenas. It begins by laying out the research design and approach for the research and follows in topics of sampling technique, tools used to collect the data, the procedure used to collect the data and methods of analysis. The reliability and validity of the research and ethical considerations also be addressed in this chapter.

3.1. Research Approach

Research approaches are plans and the procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation (Creswell, 2014). This plan involves several decisions of what should be used to study atopic.

As (Denzin& Lincoln, 2011) explained there are three types of research approaches which are qualitative, quantitative and mixed Quantitative research referred to the measures and counts of things. Based on the suitability to answer the research question, quantitative approach is used.

According (Creswell, 2014), it is also important to classify the research approach in terms of whether it is inductive or deductive. First, the deductive approach – known as testing a theory, in which the researcher develops a theory or hypotheses and designs a research strategy to test the formula ted theory, second, the inductive approach – known as building a theory in which the researcher starts with collecting data in an attempt to develop a theory. In general (but not always), quantitative research methods are associated with deductive approaches (based on logic), while qualitative research methods are associated with inductive approaches (based on empirical evidence). In this study deductive approach is used because conclusion follows logically from premises and based on theoretical background.

3.2. Research Design

A research design is simply the frame work of the study. From different types of research designs descriptive and explanatory type of research design was employed as a main research design for this study to the realization of intended objectives. The reason behind using descriptive research design is because the researcher is interested in describing the existing situation under study. Creswell, (1994) stated that the descriptive method of research is a technique of gathering information about the present existing condition. This research design is a fact finding study with adequate and accurate interpretation of findings. This study also uses explanatory research design to explaining, understanding, predicting and controlling the relationship between variables. By taking cross-section of the population relevant data was collected at one point in time.

3.3. Description of the study area

The study assess Factors Influencing Customer Satisfaction in Public Service in Akaki kality sub city small tax payers' branch office that is mainly focus on tax payers perceive on quality service provided by the office that leads to their satisfaction.

3.4. Sample and Sampling Technique

Creswell, (2009) define that it is the way of drawing inference about a population without studying the entire population under study. It is also advantageous in time consuming and cost saving. From the variety of non-probabilistic sampling techniques, the researcher use convenience sampling methods for large target population of the study. Convenience sampling is used because customers are not always available in any order at Akaki Kality sub city small tax payers' branch office.

The researcher use for the study is Akaki Kality sub city small tax payers' branch office According to data from Akaki Kality sub city small tax payers' branch office, the total number of populations of tax payers are 21,135.

3.5. Sample Size

The following formula helps to find our sample from the large target population that we intend to study. In addition this formula is used when our target population is large.

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2\ (N-1) + z^2 \cdot p \cdot q}$$

Source: C.R. Kotari (2004))

Where,

N=size of population

n=size of Sample

e=acceptable error

p=standard deviation of population,

p=0.5wherepis1-q

For this case using 5% margin of error at95% confidence level, Z at 95% confidence level is 1.96

N=331658

$$n=\frac{1.96^2(0.5)\ (0.5)\ (331658)}{0.05^2(331658-1)+1.96^2(0.5)\ (0.5)} =383.72$$

n=384

The number of sample size is 384 as calculated with the above formula.

Akaki kality sub city small tax payers' branch office total population is 21,135, and sample size calculated with the above formula and resulted 384. Based on there as on mentioned above the stratified random sampling method is used on the selected sample.

3.6. Type of Data and Tools

In this study both primary and secondary data are used. Secondary sources like journals, books, and articles are used to refer about customer satisfaction and service quality from different researches previously done. The primary data is collected through questionnaires prepare for the government organization customers. The standard SERVPERF instrument is modified to fit the context of the akaki kality sub city small tax payers 'branch office based on the literature that is collected in the area. For understanding the importance and satisfaction of each service quality dimensions a 5 Likert scale questionnaire is used. The variables of interest are tangibility, responsiveness, reliability, assurance and empathy as measurements of service quality and its relationship with customer satisfaction.

3.7. Procedures of Data Collection

To facilitate approaching to the tax payers' for collecting data first of all the tax office administration's permission asked to create conducive environment for conducting study. The questioners are distributed to the selected respondents that are based on the criteria mentioned on population and sample.

3.8. Methods of Data Analysis

Data collected is analyzed to encounter the objective of the research, and done to deal with the research questions. The data analysis is based on the data obtained from the questionnaire and observation. Before the statistical analysis, data collected from the primary survey is summarized, compiled, edited, and coded. The Pearson Correlation Analyses is employed among variables the quantitative data that is analyzed with SPSS version 20 software.

In doing so, the research tests the relationship between service quality dimensions, perceived service quality and customer satisfaction. In order to analyze the data of this study the researcher use both descriptive and inferential statistics. Descriptive statistics is used to summarize the data collected in tables and graphs. To present descriptive statistic for this study, means, standard deviations, percentage values, is used.

Besides, inferential statistics is used to generalize and make predictions from the results of the data. There as on for this choice is because of the nature of the data which is categorical data. Simple linear regression analysis or correlation is used to answer research questions.

3.9. Reliability and Validity

Validity is an important term in research that refers to the conceptual and scientific soundness of a research study. It is a very important and useful concept in all forms of research methodology. Its primary purpose is to increase the accuracy and usefulness of findings by eliminating or controlling as many confounding variables as possible, which allows for greater confidence in the findings of a given study (Marczyk et al, 2005). As the SERVPERF instrument had been subjected to verification and analysis and used as a very useful instrument in different settings in the research world it holds good instrument validity.

Reliability refers to the consistency or dependability of a measurement technique, and it is concerned with the consistency or stability of the score obtained from a measure or assessment over time and across settings or conditions. If the measurement is reliable, then there is less chance that the obtained score is due to random factors and measurement error (Marczyk, Matto and Festinger, 2005).

Reliability could be estimated mathematically or through pre-testing of the instruments. In this study, since the questionnaire items were adopted from previous studies in the SERVPERF literature but modified to the subject under investigation it is practical to discuss with experts in the case government organization to refine the instrument. As a result, the questionnaire items are adjusted by removing confusing words and to improve upon the clarity of the questions items to strengthen its reliability.

Statistically, Cronbach's alpha is commonly used test of internal reliability and essentially calculates the average of all possible split half reliability coefficients. A computed alpha coefficient varies between 1 (denoting perfect internal consistency) and 0 (denoting no internal reliability). The figure 0.80 is typically employed as a rule of thumb to denote an acceptable level of internal reliability (Jonker and Pennink, 2010). The researcher uses this test to confirm the reliability of the instrument.

Table3. 1 Reliability Test for the dimensions

Indicators	Number of items	Cronbach Alpha
Reliability	4	0.771
Assurance	4	0.791
Responsiveness	5	0.842
Empathy	4	0.895
Tangibles	5	0.781
Overall satisfactions	3	0.743

Source: own survey, 2021

The Cronbach's alpha values are reported as follow. RELIABILITY yield Cronbach's alpha =0.771, ASSURANCE Cronbach's alpha = .791.It portrayed the Cronbach's alpha for RESPONSIVENESS was at .842, Cronbach's alpha for EMPATHY was at 0.895, Cronbach's alpha for TANGIBLES was at 0.781 and Cronbach's alpha for Overall satisfactions is 0.743.

The Cronbach's alpha values for all the variables considered are greater than 0.60 and this indicates the items in each of the domains are well understood by the respondents. The items have measured what they were designed to measure.

Table3. 2 Reliability Test for the general instrument

Cronbach's Alpha	N of Items
.941	22 items

Source: own survey, 2021

Reliability test was conducted to make sure the instrument used in the study was reliable. The elements under analysis are the twenty two perception elements with the additional one customer satisfaction measurement instrument. The cronbach alpha for the general instrument is found to be 0.941 which is more than the acceptable range (Saunders, Lewis and Thornhill, 2012).

3.10. Ethical Considerations

To reach the respondents the researcher provides formal letter to the offices that the offices help for distributing questionnaire to tax payers. The researcher informs the respondents and the office staff that the data collection is only for academic purpose. The researcher does not force the participants to fill the questionnaire willingly and keep confidentiality of the information given by the respondents.

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CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1. General Information about Respondents

The main objective of this paper is to examine the effect of service quality on customer satisfaction in Akaki kality sub city small tax payers' branch office. In this chapter, the data obtained in the study are analyzed, presented, interpreted and discussed. The chapter starts by providing the demographic and personal information of the respondents. The descriptive and inferential statistics are presented thereafter.

The study used both primarily and secondary source of data. A quantitative research approach of the data collection used and 384 questionnaires were distributed and 332 completed usable questionnaires for response rate of 86.4% returned. This response rate is quite large to confidently run the analysis. Accordingly, the analysis of this study is based on the responses obtained from these respondents. The demographics feature of the respondents is illustrated in the following table.

Table4. 1 Demographic distribution of the respondents

The first section of the questionnaire demanded personal information from respondents. These questions include: gender, age, and income level.

		Frequency	Percentage
Gender	Male	143	43
	Female	189	57
Total		**332**	**100%**
Age	18-25	86	25.9
	26-30	11	3.3
	31-40	36	10.8
	41-45	97	29.2
	>50	2	30.7
Total		**332**	**100%**
Total		332	100%

Source: own survey, 2021

From the data presented in table 4.1, the majorities (57%) of the respondents were female and the remaining (43%) of the respondents were male. This indicate that the dominancy of male among Akaki kality sub city small tax payers' branch office customers.

Likewise as explained in the table below, the majorities (30.7%) of the respondents were at the age group of > 50 years old followed by age group of 41-45 years accounted for 29.2 %. The remaining 25.9 % accounted from age group of 18-25, 10.8 % from the age group of 31-40 low rates which is 3.3 % from the age group 26-30. This indicate that the majorities 30.7% (>50 years) of the respondents were old people and economically active population.

4.2. Analysis of Measures

4.2.1. Reliability Test

A reliability analysis was conducted to each variable of the instrument. The reliability of the measures was examined through the calculation of Cronbach's alpha coefficients. For scale acceptability, Hair et al. (1998) suggested that Cronbach's alpha coefficient of construct is 0.6 If each domain obtains the value 0.6, it means that, the items in each domain are understood by most of the respondents. On the other hand, if the findings are far from the expected value of 0.6, this might be caused by respondents' different perception toward each item of the domain.

4.2.2. Descriptive Analysis

The means, standard deviations as well as the skewness of each construct are presented in Table 4.4 below:

Table4. 2 Summary of Descriptive Statistics of the Constructs

Constructs	Mean	Standard Deviation
Tangibility	3.3765	.72099
Reliability	3.5003	.72325
Responsiveness	3.6398	.74435

Assurance	3.5196	.72581
Empathy	3.2553	.76023
Customer satisfaction	3.4224	.71811

Source: own survey data, 2020

Results from the summary statistics indicated that the mean response rate for most constructs is near to three so the researcher concludes that there is no outlier on this data. The objective of the study was addressed through the measurement of the actual encounter customers has in the government organization. The mean score of perception of customers towards the service of ERCA (Addis Ababa Akaki Kality small tax payer office) shows the Responsiveness dimension to rank first (3.60). Assurance & Reliability dimensions are ranked in the second and third level in terms of perception scoring (3.51) and (3.5) respectively. Unfortunately customers of Addis Ababa Akaki Kality small tax payer office) perceive the Tangibility Empathy dimensions to be the two least scores in the organization. Conducting the mean scores of perception addresses the issue on how a customer really sees the services provided by the government organization. The highest ranks compared to the other dimensions show that with respect to the dimensions of responsiveness, assurance and reliability customers have a better perception toward the service provision of the government organization whereas the lowest scores reflect the dimensions in which customers of the government organization are disappointed.

From Table 4.2 above, empathy recorded the highest value of standard deviation (.76023) followed by responsiveness (.74435) and assurance (.72581). This implies that there is high level of distribution in the data for the three constructs and this indicates that the respondents had above average satisfaction regarding empathy, responsiveness and assurance in the case tax office.

The phenomenon can be explained by the fact that since customers may come across to different Addis Ababa Akaki Kality small tax payer office survey data, 21,135 employees that have different customer handling capabilities so that, some customers may be receiving relatively better services than others. The tangibility construct have the lowest standard deviation of 0.72099, suggesting a comparatively lower spread in the data and clustering of the responses around the mean and this indicates that the respondents had below average satisfaction regarding tangibility in the case tax office.

4.2.3. Pearson's Correlations between Constructs

According to (shukran, 2003), the relationship is expressed by value within the range -1.00 to +1.00 as Pearson product moment indicates. Pearson correlation is +1 in the case of a perfect increasing (positive) linear relationship (correlation), -1 and 1 in all other case indicating the degree of linear dependency between variables. To determine the relationship between service quality dimensions (Tangibility, Reliability, Responsiveness, Assurance, and Empathy) and customer satisfaction, Pearson correlation is computed.

The outputs as can be evidenced from the correlation matrix table below, there is a positive significant relationship in between the variables and that all correlation coefficients are significant at 1% level of significance.

As to the magnitude of the correlation scores is concerned, the following points can be supposed. The values indicate that the relationships between service quality and customer satisfaction, and service quality do have a moderate relationship. Whereas, for the other variables though they are significant, the association is relatively stronger.

Table4. 3 Pearson's Correlation matrix between variables

		Over all satisfactions	TAN	RELA	RESP	ASSU	EMP
Over all satisfactions	Pearson Correlation	1	.525**	.803**	.811**	.829**	.901**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
TAN	Pearson Correlation	.525**	1	.449**	.578**	.457**	.610**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
RELA	Pearson Correlation	.803**	.449**	1	.902**	.876**	.763**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
RESP	Pearson Correlation	.811**	.578	.902**	1	.776**	.855**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
ASSU	Pearson Correlation	.829**	.457**	.876**	.776**	1	.755**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
EMP	Pearson	901**	.610**	.763**	.855**	.755**	1

	Correlation						
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
***. Correlation is significant at the 0.05 level (2-tailed).**							
****. Correlation is significant at the 0.01 level (2-tailed).**							

Source: Own Survey, 2020

A Pearson correlation coefficient was calculated for the relationship between service quality dimensions and customer satisfaction. A strong positive correlation and a significant linear relationship are obtained between all service quality dimensions and overall satisfaction level. The correlation coefficients (r) for all variables range from 0.525 to .901, which show a moderate and high correlation. The most correlated dimension with overall satisfaction is empathy(r =0.901) followed by assurance (r=0.829), responsiveness (r =0.811), reliability (r=.803), and tangibility (r=.525). Generally through the analysis of the correlation coefficients the relevance of various dimensions of service quality namely empathy, assurance, responsiveness, reliability, precisely indicates the strong relationship between the dimensions and customer satisfaction.

4.2.4. Multiple liner Regression Analysis

Multiple linear regression analysis was employed to examine the association between servicequality dimensions and customer satisfaction. It is a constructive statistical techniquethat can be used to analyze the association between a single dependent and severalindependent variables. One of the vital considerations in multipleregression is the sample size of the data.

4.2.4.1. Multiple linear regression Analysis (the service quality dimensions (mediator) as predictors to customer satisfactions)

Table4. 4 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.934	.872	.870	.26
a. Predictors: (Constant), Responsiveness, Tangibles, Assurance, Empathy, Reliability				
b. Dependent Variable: Customer Satisfactions				

Source: own survey data, 2020

In this study, a multiple regression analysis was conducted to test relationship among variables i.e. dependent and independent variables. The analysis was done to establish how the specific remark to evaluate effect of Quality service on customer satisfaction in Akaki Kality sub city small tax payers' branch office. A regression analysis results are presented in Model Summary table 4.4, the result as shown in the model summary designates that (Empathy, Tangibility, Responsiveness, Assurance, Reliability) explained 93.4 % of change in customer satisfactions.

The coefficient of multiple determinations (R^2) was estimated 0.872 and adjusted R^2 value was 0.870. This means that 87.2% of the variation in the dependent variable is explained by the explanatory variables included in the model and the remaining 12.8 % of the variance is explained by other variables. Furthermore, the adjusted R2 of 87.2% which is significant has further consolidated the goodness of the model; hence, it is econometric significance and reliable. Furthermore, the F-statistic further shows that the explanatory variables considered in this study can significantly explain the variation of dependent variable at 99% confidence levels.

Table4. 5 ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	148.797	5	29.759	443.122	.000b
	Residual	21.894	326	.067		
	Total	170.690	331			

a. Dependent Variable: Customer Satisfactions

b. Predictors: (Constant), Responsiveness, Tangibles, Assurance, Empathy, Reliability

Source: own survey data, 2020

From above table 4.5, The F-ratio found in the ANOVA table measures the probability of chance departure from a straight line. The significance value is 0.00 which is less than 0.05 thus the model is statistically significance in predicting how Empathy, Tangibility, Responsiveness, Assurance, and Reliability explain the Customer Satisfaction. The F critical at 5% level of significance was 0.00. Since F calculated is greater than the F critical (value = 443.122), that the explanatory variables considered in this study significantly able to explain the variation of the dependent variable (customer satisfaction) at 0.000 (99%) confidence level.

Table4. 6 Coefficients

Model		Un-standardized Coefficients		Standardized Coefficients	T	Sig.	collinearity statistics	
		B	Std. Error	Beta			Tolerance	
1	Constant	.283	.083		3.417	.001		
	Tangibles	-.007	.026	-.007	-.275	.783	.584	1.711

	Reliability	.050	.041	.054	.1215	.225	.184	9.609
	Assurance	.217	.045	.220	4.860	.000	.192	5.197
	Empathy	.691	.040	.732	17.131	.000	.216	4.638
	Responsiveness	.185	.028	.322	9.933	.000	.195	5.129
a. Dependent Variable: Customer Satisfactions								

Source: own survey data, 2020

The last output in the analysis of the multiple regression models represents the output for the beta coefficients of each service quality dimensions. The regression equation for this research is presented below. Regress customer satisfaction on the service quality dimensions:

$$\mathbf{Y = \beta 1 + \beta 2X1 + \beta 3X2 + \beta\ 4X3 + \beta\ 5X4 + \beta 6X5}$$

Where Y is the dependent variable- customer satisfaction and Tangible =X1, reliability =X2, responsiveness =X3, assurance =X4 and empathy=X5 are the explanatory variables (or the regresses).

Substituting the results in the model gives us:-

$$\mathbf{CS\ (Y) = 0.283 + -0.07X1 + 0.050X2 + .185X3 + 0.217X4 + 0.691X5 + e}$$

Before we begin the interpretation for the beta coefficients it is important to evaluate the model in terms of the issue of multi-collinearity which is the concern in the multiple regression analysis. The issue has been addressed through the results of variance inflation factor (VIF) and the tolerance level in the model output. The tolerance Values that are less than 0.10 may merit further investigation whereas the VIF result suggested that predictor variables whose VIF values are greater than 10 may merit further investigation. As it can been seen from the table this requirements are not invalidated in our results and there is no issue of multi collinearity.

The results in the table illustrates responsiveness (B=0.185) assurance (B=0.217), and empathy (B=0.691), service quality dimensions have a significant influence on over all customers satisfaction at 95% confidence level (p<0.05), indicating that for customers of Akaki Kality sub city small tax payers' branch office these factors are important in assessing overall satisfaction. However, two service quality dimensions which are tangibility and reliability have a less significant influence in customer satisfaction as p>0.05.

4.2.4.2 Hypothesis Tested

Table4. 7 Hypothesis Tested

Hypothesis	Independent Variables	Analysis used	Dependent Variables	Results
H_1	Reliability	Multiple regression	Customer Satisfaction	supported
H_2	Assurance	Multiple regression	Customer Satisfaction	Supported
H_3	Responsiveness	Multiple regression	Customer Satisfaction	Supported
H_4	Empathy	Multiple regression	Customer Satisfaction	Supported
H_5	Tangibility	Multiple regression	Customer Satisfaction	Not supported

The above table 4.7 shows that variables that were tested by correlation statistical tests, which are three dimensions, have strong relationship with customer satisfaction and the two dimensions tangibility and reliability have weak relationship with customer satisfactions. The reason behind for tangibility and reliability in the hypothesis not supported is that customers are indifference in the tangibility of the case tax office; they bother on the service response and other dimensions. Besides, reliability has also the same outcomes, this indicate that the tax office only governed by the tax and revenue authority, no other alternative to get the service in other places.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

The summary of the findings of the study, the conclusions inferred from the findings, and recommendations forwarded in relation to what is concluded is presented in the following subsections.

5.1. Summary of Findings

The initial result of the analysis presents the outcomes for the demographic nature of the respondents and the reliability test for the instrument and its dimensions. The descriptive statistics and the Cronbach alpha were used to illustrate and test the variables of interest.

The mean score of perception of customers towards the service of ERCA (Akaki Kality small tax payer office) Shows the Responsiveness dimension to rank first (3.60). Assurance & Reliability dimensions are ranked in the second and third level in terms of perception scoring (3.51) and (3.5) respectively. Unfortunately customers of Akaki Kality small tax payer office perceive the Tangibility & Empathy dimensions to be the two least scores in the organization.

The relationship between service quality dimensions and overall satisfaction shows moderate and high Pearson correlation coefficients. The most correlated dimensions with the overall satisfaction level is empathy (r=0.901) followed by assurance (r=0.829) and responsiveness (r =0.811), reliability (r=.803) respectively. The less correlated dimensions with the overall satisfaction was tangibility (r=.525).

The multiple regression result highlights that service quality has an impact on customer satisfaction and the R^2 value shows that 87.2 % of the variation in the customers overall satisfaction level can be explained by the variation in the service quality dimensions.

The result also conclude that responsiveness (B=0.185) assurance (B=0.217), and empathy (B=0.691), service quality dimensions have a significant influence on over all customers satisfaction at 95% confidence level ($p<0.05$), indicating that for customers of Akaki Kality small tax payer office these factors are important in assessing overall satisfaction.

However, two service quality dimensions which are tangibility and reliability have a less significant influence in customer satisfaction as value of $p>0.05$.

5.2. Conclusion

The main purpose of this study is to measure the impact of service quality dimensions on customer satisfaction constructs is established in the case of Akaki Kality sub city small tax payers' branch office. In order to address this issue in the government organization this study adopted the SERVPERF measure and took adjustments to align it with the context of the service industry. A twenty two item SERVPERF instrument with a five point Likert scale from strongly disagree to strongly agree was used to put the objectives to test. Three questions were also raised to measure the general level of customer satisfaction and measure its relationship with the SERVPERF service quality dimensions.

The results of the analysis in this research show higher perceptions of customers in relation to responsiveness, assurance and empathy dimensions of the government organization. Special considerations should be drawn to elements of tangibility and reliability.

Tangibles encompass the appearance of the government organization representatives, facilities, materials, and equipment. This research shows that it has positive correlation but insignificant with customer satisfaction. This result is supported by (Jabnoun and Al-Tamimi, 2003) indicated in the empirical literature.

According to the results of the regression is safe to say that the assurance, responsiveness and empathy play a dominant role in predicting customer satisfaction level in the case of Akaki Kality sub city small tax payers' branch office. Time is becoming an expensive commodity and it is important for customer service personnel to promptly deliver their service. Akaki Kality sub city small tax payers' branch office customers believe there is a lack of responsiveness in the part of the government organization staff to their request. They should also give attention to their customers need and give the necessary professional service to instill confidence in their customers.

5.3. Recommendation

The purpose of measuring service quality and the level of customer satisfaction is to take corrective actions. The service industry in the customs authority faces numbers of challenge and a unique roadblock to build loyal and quality customer relationships. The biggest challenge the customs authority face is meeting customer expectations for faster, better service in the face of rising quality service with minimum transaction cost. Based up on the analysis conducted the following possible recommendations can help the authority in improving its customer satisfaction level.

Based on the diagnosis that there is a high in the attributes of tangibility and reliability dimensions the management could take the following corrective actions.

- Investing in the right technology result in improving service and building a better customer relationship. Therefore the authority should incorporate improvement of its technological innovations in its strategic plan. Creating convenient location to be outreach and sustainable for its customers , building and upgrading its IT infrastructure, increase the broad band capacity and using fiber optics for its branches and so on can be considered as improvements.

The findings of this research prevails that the most important service quality dimensions in affecting the customers level of satisfaction are responsiveness, assurance and Empathy. The following considerations can be taken in creating and strengthening these dimensions.

- The government organization should come up with strategies that ensure that customers are informed of exactly when services is performed and employees attend to their needs/problems promptly and give services consistently.

- Finally in the introspect to the effect of empathy in customer satisfaction the authority should train its employees, especially with those that have high customer contact to identify and attain customers specific needs as well as to put customers best interest at heart.

- The authority should design systems which enable to respond to client‘s need at the promised timeframe. The authority should always avail itself to solve its customer‘s problem, this could be possible if the authority innovate or develop some kind of scheme that help the customers.

5.4. Suggestion for Future Study

During literature survey, it was found that different other methods and models have been used to evaluate the service quality of the authority. In addition to this other researcher can further incorporate different measure of service dimension in different government agencies. It means that Studies using other than SERVPERF model could be important in assessing customer satisfaction.

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APPENDIX

Addis Ababa University

School of Commerce

Marketing Management

Dear Respondents:

I am a Master's student in Addis Ababa University. I would like to express my sincere appreciation for your generous time, honest and prompt responses.

This questionnaire is designed to solicit information purely for academic purpose. It is the major requirement to complete the research on the topic: **"The Influence of Service Quality on Customer Satisfaction: Case Study on Akaki Kality sub city small tax payers' branch office"** in pursuance of Masters of Art in Marketing Management.

This questionnaire takes approximately 15-20 minutes and considered your invaluable support in responding to this questionnaire genuinely is paramount importance to the success of this study. You are not required to write your name and all information you provide is handled in strict confidential manner.

If you have any questions about this survey, please do not hesitate to contact me at my phone number 0921615787 or via my email address: abelassefa65@gmail.com

Thank you very much for your time and participation.

INTRODUCTION: Please circle the letter that shows your answer

Part I: Demographic Information

1. ***Gender***
   - Male ☐
   - Female ☐
2. ***Age group***
   - A. 18-25 ☐
   - B. 26-30 ☐
   - C. 31-40 ☐
   - D. 41-45 ☐
   - E. >50 ☐

Part II: *The following statements relate to service quality experiences with* Akaki Kality sub city small tax payers' branch office. *Please show the extent to which you believe* ***Akaki Kality sub city small tax payers' branch office*** *has the feature described in the following statement. Here, the researcher is interested in a number from 1 to 5 that shows your level of satisfaction on the credit service quality. Please put a " √ " mark in the appropriate space to indicate your answer.*

1. Strongly disagree 2.Disagree 3.Neutral 4.Agree 5. Strongly agree

A. Tangibility: **physical appearance of credit staffs and their equipment**	**1**	**2**	**3**	**4**	**5**
Akaki Kality sub city small tax payers' branch office has up-to-date equipment & technology.					
Akaki Kality sub city small tax payers' branch office physical facilities are visually appealing.					
Akaki Kality sub city small tax payers' branch office employees are well dressed and appear neat.					
The appearance of the physical facilities & technology of Akaki Kality sub city small tax payers' branch office is in keeping with the type of service provided.					
Establishes its office is it at convenient location					
B. Empathy: caring and individualized attention by staffs.	**1**	**2**	**3**	**4**	**5**

Akaki Kality sub city small tax payers' branch office employees give you individual attention.					
Akaki Kality sub city small tax payer branch office employees have operating hours convenient to you.					
Akaki Kality sub city small tax payers branch office are easily accessible					
Employees of Akaki Kality sub city small tax payers' branch office understand your specific needs.					
C. Responsiveness: willingness to help and provide prompt service.	**1**	**2**	**3**	**4**	**5**
There is always enough number of staff to respond to your needs at Akaki Kality sub city small tax payers' branch office					
Akaki Kality sub city small tax payers' branch office employees tell you exactly when the service is performed.					
Employees of Akaki Kality sub city small tax payers' branch office gives prompt service.					
Employees of Akaki Kality sub city small tax payers' branch office are always willing to help you.					
Employees of Akaki Kality sub city small tax payers' branch office is never too busy to respond to your requests.					
D. Assurance: Staff's knowledge and courtesy.	**1**	**2**	**3**	**4**	**5**
You can trust employees of Akaki Kality sub city small tax payers' branch office					
You feel safe in your transactions with Akaki Kality sub city small tax payers' branch office employees.					
Employees of Akaki Kality sub city small tax payers' branch office are consistently polite to you.					
Employees of Akaki Kality sub city small tax payers' branch office always possess the necessary information on the requested services provided.					

E. Reliability: ability to perform services dependably and accurately.	**1**	**2**	**3**	**4**	**5**
Akaki Kality sub city small tax payers' branch office Staffs provide service at the time they promise to do so.					
When you have a problem, Akaki Kality sub city small tax payers' branch office employees show a sincere interest in solving it.					
Akaki Kality sub city small tax payers' branch office employees perform service right the first time.					

Akaki Kality sub city small tax payers' branch office employees keep its records accurately					

PART III: Customer Satisfaction and overall service quality.

	Customer Satisfaction and overall service quality	1	2	3	4	5
1.	All in all, I assessed the overall quality of service provided by Akaki Kality sub city small tax payers' branch office as excellent.					
2.	You are satisfied with the skill and competency of the employees					
3.	I am highly satisfied with the current service provided by Akaki Kality sub city small tax payers' branch office					

Thank you for taking time to complete this questionnaire!