



SEEK WISDOM, ELEVATE YOUR INTELLECT AND SERVE HUMANITY !

Addis Ababa University
አዲስ አበባ ዩኒቨርሲቲ



ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF PUBLIC ADMINISTRATION AND
DEVELOPMENT MANAGEMENT

The Effect of Service Quality on Customer Satisfaction:
(The Case of Ethiopian Insurance Corporation)

By:

Helen Getachew

**Thesis Submitted to Addis Ababa University Department of Public
Administration and Development Management, in Partial Fulfillment of the
Requirements of the Degree of Master of Public Administration and
Development Management**

Addis Ababa, Ethiopia

June, 2019

ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF PUBLIC ADMINISTRATION AND DEVELOPMENT
MANAGEMENT

The Effect of Service Quality on Customer Satisfaction:

(The Case of Ethiopian Insurance Corporation)

By

Helen Getachew

Advisor: Zigiju Samuel (Asst. Professor)

**Thesis Submitted to Addis Ababa University Department of Public
Administration and Development Management, in Partial Fulfillment of the
Requirements of the Degree of Master of Public Administration and
Development Management**

Addis Ababa, Ethiopia

June, 2019

Declaration

I Helen Getachew, Registration Number/I.D. Number GSE/0625/06, do hereby declare that this Thesis is my original work and that it has not been submitted partially; or in full, by any other person for an award of a degree in any other university/institution.

Name of Participant..... Signature.....Date.....

This Thesis has been submitted for examination with my approval as UniversityCollege supervisor.

Name of Advisor.....Signature.....Date.....

Approval

The undersigned certify that they have read and hereby recommend to the Addis Ababa university to accept the thesis submitted by Helen Getachew and entitled the effect of service quality on customer satisfaction in Ethiopian Insurance Corporation,” in partial fulfillment of the requirements for the award of a Master of Public Administration.

Name of Supervisor Signature..... Date.....

Name of Internal ExaminerSignature..... Date.....

Name of External Examiner Signature..... Date.....

Name of Head of Department.....Signature.....Date.....

ENDORSEMENT

This thesis has been submitted to **Addis Ababa University**, School of Graduate Studies for examination with my approval as a university advisor.

Advisor: Zigiju Samuel (Ass. Professor)

Signature _____

Date _____

Acknowledgment

First and for most, I would like to give my glory and praise to the Almighty GOD for his invaluable care and support throughout the course of my life and helped me since the inception of my education to its completion and enabled me to achieve my career.

Next, I am grateful to my Advisor Zigiju Samuel (Ass. Prof.) for his valuable support while conducting this research.

My sincere and heartfelt gratitude goes to the EIC marketing and customer care managers and customer of the bank for their valuable help and cooperation in to the questioner.

Finally, Special thanks goes to my colleague Ato Tezera Misganaw for his unwavering support throughout this paper.

Table of Contents

Acknowledgment	I
Table of Contents	II
List of Tables	VI
List of Figures	VI
Acronyms	VII
Abstract	VIII
CHAPTER ONE	1
INTRODUCTION	1
1.1. Background of the study.....	1
1.2. Statement of the Problem.....	4
1.3. Research Questions	6
1.4. Objective of the study	7
1.4.1. General Objective.....	7
1.4.2. Specific Objective	7
1.5. Research Hypothesis	7
1.6. Significance of the Study	8
1.7. Scope of the study	9
1.8. Limitation of the study	9
1.9. Organization of the Study	9
CHAPTER TWO	10
LITERATURE RIEVIEW	10
2.1. Introduction.....	10
2.2. Theoretical Definitions of Service	10
2.3.Characteristics of Service	12
2.4. Classification of Service	12
2.5. Quality Concept	13
2.6. Service Quality.....	15

2.7. The Need for Service Quality	15
2.7.1 Benefits of Services Quality.....	16
2.7.2. Service of Quality in Insurance Industry.....	16
2.8. Measuring Service Quality	18
2.8.1 Using SERVQUAL to Measure Service Quality	18
2.8.2 Using SERVPERF to Measure Service Quality.....	19
2.9. The Service Quality Model.....	20
2.10. SERVQUAL in the Insurance Industry	21
2.11. Criticism of SERVQUAL Figure.....	23
2.12. Customer Satisfaction	25
2.13. The Effect of Service Quality and Customer Satisfaction	26
2.14. Empirical literature	28
2.15. Conceptual Framework.....	29
CHAPTER THREE	31
RESEARCH DESIGN AND METHODOLOGY	31
3.1. Research Design.....	31
3.2. Research Approach	31
3.3. Target populations Sampling and Sampling Techniques.....	32
3.3.1 Target Population	32
3.3.2 Sampling Techniques and Sample Size.....	32
3.4. Data type and methods of collection	33
3.5. Validity and Reliability.....	34
3.6. Methods of Data Analysis	35
3.6.1 Descriptive analysis	35
3.6.2. Pearson Correlation analysis.....	35
3.6.3 Multiple Regression Analysis	35
3.6.4 Regression functions.....	36
3.7. Ethical Consideration.....	37

CHAPTER FOUR.....	38
DATA ANALYSIS, INTERPRETATIONS AND PRESENTATIONS	38
4.1. General Information about Respondents	38
4.2. Analysis of Measures.....	40
4.2.1. Reliability Test	40
4.2.2. Descriptive Analysis.....	42
4.2.3. Overall Satisfaction Level	43
4.3. Pearson’s Correlations between Constructs	44
4.4. Multiple linear Regression Analysis	46
4.4.1. Normality Test.....	46
4.4.2. Heteroskedasticity Test	48
4.4.3 Multicollinearity Test	49
4.5. Multiple linear regression Analysis	50
CHAPTER FIVE	54
CONCLUSION AND RECOMMENDATIONS	54
5.1. Summary of Findings.....	54
5.2 Conclusion	56
5.3. Recommendation	57
REFERENCES	60
Appendix1.....	69

List of Tables

Table 1: Sampling distribution (Source: Own Survey, 2019).....	33
Table 2: Demographic distribution of the respondents (Source: Own Survey, 2019).....	39
Table 3: Reliability Test for the dimensions (Source: Own Survey, 2019).....	41
Table 4: Summary of Descriptive Statistics of the Constructs(Source: own Survey data, 2019)	42
Table 5. Descriptive Statistics for Allover Satisfaction (Source: Own Survey, 2019).....	44
Table 6. Overall satisfaction level (Source: Own Survey, 2019)	44
Table 7: Pearson’s Correlation matrix between variables (Source: Own Survey, 2019)	45
Table 8: Multi collinearity Taste.....	49
Table 9: Model Summary	50
Table 10: ANOVA ^a	51
Table 11: Coefficients.....	52

List of Figures

Figure 1. Conceptual Framework	30
Figure 2. Service Quality and customer satisfaction model (Own source).....	36
Figure 3:Histogram	47
Figure 4: Scatter Plot	48

Acronyms

EIC: Ethiopian Insurance Corporation

NGO: Nongovernmental Organization

OAS: Overall Satisfaction

SQ: Service Quality

SPSS: Statistical Packages for Social Science

NBE: National Bank of Ethiopia

WTO: World Trade Organization

Abstract

The major objective of this study is assessing the effect of service quality on customer satisfaction in five branches of EIC found in Addis Ababa. To attain this objective, questionnaire was designed categorized under five dimensions of the SERVPERF model. The sample consists of 285 respondents selected based on multistage sampling procedure. This study used quantitative research design and both primary and secondary data. The collected data was analyzed with the help of SPSS version 20. Correlation and multiple regressions were used to investigate the relationship between dependent and independent variables. The correlation results indicate that there is a positive correlation between the dimensions of service quality and customer satisfaction. The results of the regression test showed that offering quality service have positive impact on overall customer satisfaction. And also the highest correlation is between assurance and customer satisfaction followed by empathy. The finding of the analysis showed that, the performance of EIC in providing quality service is not in a position to meet the expectation of the customer. Low service quality leads low customer satisfaction. Based on this, in order to improve performance of the corporation, the researcher suggested that, it should prepare complaint handling mechanisms, relevant training for its front line employees to identify and give the appropriate response to customers specific needs as well as to put customer best interest at heart.

Key words: Service quality, SERVPERF, Tangibles, Reliability, Responsiveness, Empathy, Assurance, Customer Satisfaction, Insurance

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

In today's, competitive environment delivering high quality service is the key for a sustainable competitive advantage. Due to availability of quality service customer satisfaction does have a positive effect on an organization's profitability. Satisfied customers form the foundation of any successful business because customer satisfaction leads to repeat purchases, brand loyalty, and positive word of mouth (AfiAko, 2011).

In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. Customer satisfaction is an ambiguous and abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and service to service (Kanojia, et al, 2012). And therefore, customer satisfaction has become a very important concept in recent years. The importance of customer satisfaction cannot be ignored both in product and service delivery. Delivering quality service has the power to create customer satisfaction.

Retaining the profitable customers has become increasingly difficult in a competitive environment where other companies specialize in offering quality services and affordable prices to this rewarding segment. This will essentially help companies to cover the growing costs, and also survive and prosper in the increasing customer market. The pressing need of developing service organizations and upgrading their services necessitates the measuring of service quality. Quality is such an important issue that it is considered a really significant concept in our real life.

The insurance industry like many other public service industries is facing a rapidly changing market, new technologies, economic uncertainties, aggressive competition and more demanding customers and the changing climate has presented a unique set of challenges. Insurance is a

customer-oriented service industry; therefore, the customer is the focus and customer service are the differentiating factor in connection to technology change (Kanojia, et al, 2012).

The insurance service depends upon client services and the satisfaction of the customer and this is compelling insurance companies to improve customer services and build up relationship with customers. Thus, insurance companies are giving, more or less, the same kind of services or products. For instance, there is usually only negligible variation in insurance prices (premium) and most of the time are fixed and driven by the market. Hence, managements tend to make their insurance companies different from others by offering better service. Quality service becomes a competitive advantage for insurance industries not only to attract potential customers, but also to retain them by offering better services. Service quality is an imperative element impacting customer satisfaction level in the risk and hazard minimizations (Ahmossawi, 2001).

The emergence of insurance business in Ethiopia was closely linked to expatriates and foreign insurance companies. In addition, expatriates and foreign companies operating in Ethiopia participated actively in the establishment of the first domestic insurance company acting as agents. The first domestic insurance company was established in 1951 which was called imperial insurance company of Ethiopia.

The 1960's witnessed the establishment of local insurance companies. Domestic private insurance companies started to increase in number during this period. They were not fully owned by Ethiopians; however, foreigners had ownership interest in those insurance companies and were participating in the boards of management positions.

During the 1970's the provisional military government passed decision on January 1, 1975 to transfer the ownership of banks and insurance companies to the government, which was four years after the issuance of the first insurance proclamation (proclamation 281/1970). In December 1975, the provisional military administration council issued proclamation number 68/1975 to establish the Ethiopian insurance corporation (EIC). As per the provision of the proclamation the assets, liabilities & capital of all the nationalized insurance companies were transferred to the EIC.

EIC had been a monopoly in the Ethiopians insurance industry for 19 years (1976 up to 1995) until the issuance of proclamation number 86/1994 which permitted the establishment of private insurance companies in the country. EIC had to undergo a restructuring process to realign its operation to the new economic policy. After 1994 the insurance sector exhibiting competition among different privately-owned establishments and the public insurance company side by side. The Ethiopian financial services sector is currently completely closed to foreign investment: that is the banking, insurance and microfinance sub sector; Ethiopian insurance companies buy reinsurance service from foreigner insurers.

In Ethiopia, the insurance industry is one sector of service that is contributing to the country's economic endeavor. For example, according to a report by NBE the size of the country's insurance sector in terms of assets has increased by 65% by the end of June 2018. The non-life insurance sector also registered a higher gross written premium of about Birr 7.1 billion, thus showing a 17% increase over the previous year's premium. Moreover, the life insurance written premium has increased by 14%.

Ethiopian Insurance Corporation (EIC) which is one of the prominent insurance companies in the country was established on January 1976, by proclamation No 68/1975 and later reestablished in accordance with the Public Enterprises Proclamation No. 25/1992. The objective of the Corporation as stated in the Proclamation is to engage in the business of rendering insurance services and carry out any other related activities conducive to the attainment of its purposes. Starting from its establishment, EIC has been providing insurance services to its customers acting as the only insurance service provider for 19 years (1976-1994) and as one of the seventeen insurance companies operating in the market since 1994 (Medin 2016/17).

Following the liberalization of the financial sector in 1994, the Ethiopian insurance market has been opened-up to local investors and as a result private insurance companies began to flourish in the country. Currently, 17 insurance companies are operating in the market with EIC commanding about 35% market share (as at 31st March 2018). The Corporation has over 85 distribution channels throughout the country, has adequate market knowledge on account of 42 years of experience plus adequate human power. It provides life, property and liability insurance covers to

various types of customers comprising government, public, financial institutions and private organizations and individuals (Medin 2016/17).

Nowadays insurance companies operating in Ethiopia are facing lots of challenges due to increase in competition amongst them. As a result, various strategies are formulated to retain the customer and increasing the service quality level has been considered key success factor. Service quality is particularly essential in the financial sector context because it provides high level of customer satisfaction and hence it becomes a key to competitive advantage (Ahmossawi,2001). It was not long ago that EIC used to control the Ethiopian market as a monopoly. However, after the introduction of the free market economy in the country, other privately-owned insurance companies began to flourish, and customers began to obtain the chance to choose their insurance provider that intensified the competition in the market. Consequently, EIC is facing challenges in getting new customers and retaining its old ones. Therefore, the researcher is motivated to know and understand the impact of service quality on the level of customer satisfaction in EIC.

1.2.Statement of the Problem

At the present time, service quality has received much attention because of its obvious relationship with costs, financial performance, customer satisfaction, and customer loyalty. Since customer satisfaction is also based upon the level of service quality provided by many, market leaders are found to be highly superior customer service orientated. They have been rewarded with high revenue and customer retention as well. For that reason, organizations in the same market sector are forced to assess the quality of the services that they provide in order to attract and retain their customers. Because satisfied customers are a key to long term business success (Zeithamlet al. 2003).

There is such a great urgency for every business to improve its operations so as to deal with the ever changing and unpredictable challenges ahead. This is also a major contributing factor in order to stay in business. It is more so particularly in the service industry as meeting the customers' satisfaction has become an uphill task as compared to these before the 1990s with the ever more competitive environment. According to Yasin, Alane, Kunt and Zimmerer (2004) if an organization

of a service business is hesitant to go through this type of business operation revamping, it is bound to be only the second best among its competitors. The failure to provide quality service will result in failure to retain customers, to challenge the competitors and prolong their existence.

Because customer satisfaction and customer focus are so critical to competitiveness of firms, any company interested in delivering quality service must begin with a clear understanding of its customers (Zeithaml et al, 2003). The primary objective of service providers and marketers is identical that of all marketers: to develop and provide offerings that satisfy consumer needs and expectations, thereby ensuring their own economic survival. In other words, service marketers need to be able to close the customer gap between expectation and perception. To achieve this objective, service providers need to understand how customers choose and evaluate their service offerings.

Increasing customer satisfaction has been found to lead organization to higher future profitability. The absence of adequate empirical studies in Ethiopia concerning the impact of service quality on customer satisfaction in EIC is a critical issue that needs to be explored properly. In Ethiopia as to the knowledge of the researcher there were few papers, which relate with this title like FasilAsfaw (2015) which assessed the impact of service quality on customer satisfaction and loyalty in the insurance industry as a whole in the country but not specific to EIC.

As can be articulated in NBE (2016) the poor sector management coupled with the lack of capital has resulted in Ethiopia having one of the lowest insurance densities in the sub-Saharan region of a 0.5% on service provisions. There are many complaints from customers about the service delivery with connection to insurance service providers in Ethiopia like claim handling service. Evidently, the growth trend in insurance industry in Ethiopia does not provide empirical support for the claim that customers are satisfied with the service delivery of the insurance corporations in Ethiopia. Most Ethiopian insurance companies have sister banks and its common for these banks to refer their clients to their sister insurance companies, but this is largely restricted to credit life insurance products. Moreover, insurance companies tend to derive a large portion of their total income from investments in banks (Smith and Chamberlain, 2009).

The Ethiopian insurance corporation is thriving to maintain its position in the market. It was this interest that led for the company to implement the business process reengineering before seven years in 2012 in the hope of providing efficient service to its customers. The reengineering process led to the change in the company's functional base structure to a processed based entity. It also led for the company to divide its service provision among retail and corporate client customer groups under the proposition that these groups' service expectation is different. Generally, there is a need to assess if there is service quality gaps in Ethiopian Insurance Corporation. Attributes and dimensions customers consider in their assessment of service quality and overall satisfaction shouldbedistinguished.

Several studies have been done on service quality and customer satisfaction in other industries, but only few studies have been done on insurance industries. Those previously conducted research in Ethiopia were not specifically related to Ethiopian Insurance Corporation. But, the aim of this research is to investigate the impact of service quality on customer satisfaction which will have a tremendous impact on the overall performance of the corporation. This study attempts to reduce the gap by analyzing impact of quality service delivery on customer satisfaction in Ethiopian Insurance Corporation. Hence, these are important issues to be investigated for the insurance managers, professionals, regulators and policy makers to support the sector in achieving the excellence so that required economic outcomes could be obtained.

1.3. Research Questions

The study forwards the following questions:

1. What is the level of service quality in Ethiopian Insurance Corporation?
2. What are the main service quality dimensions which are prioritized in Ethiopian Insurance Corporation?
3. What is the dominant service quality dimension that has strong relation with customer satisfaction?
4. What is the effect of service quality on customer satisfaction in Ethiopian Insurance Corporation?

1.4. Objective of the study

1.4.1. General Objective

The main objective of the research is to examine effect of quality service on customer satisfaction in Ethiopia Insurance Corporation.

1.4.2. Specific Objective

- To determine the level of service quality in Ethiopian Insurance Corporation.
- To determine the dominant service quality dimension that has strong relation with customer satisfaction
- To determine the service quality dimensions which are prioritized in Ethiopian Insurance Corporation
- To examine the effect of service quality on customer satisfaction in Ethiopian Insurance Corporation

1.5. Research Hypothesis

In light of the objectives expressed above, the following hypotheses were investigated:

H1: There is a positive relationship between tangibility and customer satisfaction in EIC

H2: There is a positive relationship between responsiveness and customer satisfaction in EIC

H3: There is a positive relationship between reliability and customer satisfaction in EIC

H4: There is a positive relationship between empathy and customer satisfaction in EIC

H5: There is a positive relationship between assurance and customer satisfaction in EIC

1.6. Significance of the Study

Conducting a research in service quality and customer satisfaction is important as it will determine the success of the organization. Contrary to this there is an assumption in government owned companies that they can survive regardless of their failure on being market oriented. Many state-owned organizations fail to recognize the importance of handling their customers in the best way possible. As a state-owned company, we observe such a trend in Ethiopian Insurance Corporation even if the level is undetermined. In the midst of the uncertainty of government policy in holding state owned financial institutions in the future, the company has no choice but to align its strategies with the current advocacy of service quality and customer satisfaction. To do so the current standing of the organization in terms of service delivery needs to be evaluated to lead us in formulating strategies and showing policy directions. Additionally, this paper contributes to literature in the study of service quality in the context of the insurance industry. The study will enable the Ethiopian Insurance Corporation to gauge its customer satisfaction levels and competitiveness and help to formulate more effective strategy. It will help Ethiopian Insurance Corporation to evaluate its gap in delivering a satisfactory customer service.

To the management of Ethiopian Insurance Corporations, this study will provide a more scientific measures and perspective for describing and evaluating the level of its customer satisfaction with the services delivery and particularly those in service industry provides the feedback of how successful an organization is at providing product and/or service to the satisfaction of customers at the market place and market space.

This will provide empirical support for management strategic decision in several critical areas of operation, and above all, provide a justifiably valid and reliable guide to designing workable service delivery improvement strategies for creating and delivering customer value; achieving customer satisfaction and loyalty, building long-term mutually beneficial relationship with profitable customers to achieve sustainable business growth. To policy makers like the NBE and the financial agency, the finding and results of this will provide clear way to solve problems and thoroughly think with regard to the insurance market improvement system of the country.

1.7. Scope of the study

Because of time and resources at hand the study was delimited to only Ethiopian Insurance Corporation and its operation within Addis Ababa. The study does not emphasis on employees of the organization, which is also important in the measurement of service quality for reasons mentioned above.

1.8. Limitation of the study

The main limitation of this study was constraints of resources and time, unwillingness to give response from customer and access to feasible information. The financial and material resources needed for a large sample size for this study was inadequate. The assessment was done only in few selected districts and branches of EIC. Thus, it is difficult to conclude that the findings are of the insurance sector of the country.

1.9. Organization of the Study

The research paper has five chapters the first chapter covers introduction and the general background of the study, literature review is presented in the second chapter. The third chapter Research Design and Methodology, the fourth chapter presents findings and analysis of the data gathered the final chapter is devoted to present the conclusions and recommendations of the research.

CHAPTER TWO

LITERATURE RIEVIEW

2.1. Introduction

The effect of service quality on customer satisfaction is widely discussed in the literature. This section covers both theoretical and empirical literature. It is gives an overview of literatures that is related to the research problem presented in the previous chapter. The service characteristics, service quality, customer satisfaction, relation between service quality and customer satisfaction, service quality model and conceptual framework are included in order to give a clear idea about the research area.

2.2.Theoretical Definitions of Service

According to Phillip Kotler et al (1997), service is any activity or benefit that one party can offer to another that is essentially intangible and may not result in the ownership of anything. Cannon (1998), viewed services as those separately identified, essentially intangible activities which provide want satisfaction and which are not necessarily tied to the sales of a product or another service. In the context of Etzel, Walker, and Stanton (1997), service are the identifiable, intangible activities that are the main object of a transaction designed to provide want satisfaction to customers.

Jobber (2001) viewed a service as any deed, performance or effort carried out for the customer. According to Palmer (2000), services are products which are essentially intangible and cannot be owned. McCarthy and Perreault (1993), define service as a deed performed by one party for another. From the definitions as presented by the various authorities, it is clear that they all emphasis that service is essentially intangible. This means that a service cannot be seen physical, but the customer experiences it. The idea of service therefore is focused on the intangibility element and which essentially provides want satisfaction to the customer.

Edvardsson, (1998, p.142) stated that the concept of service should be approached from the customer's perspective because it is the customer's total perception of the outcome which is the 'service' and customer outcome is created in a process meaning service is generated through that process. He points out the participation of the customer in the service process since he/she is a co-producer of service and the customer's outcome evaluated in terms of value added and quality meaning the customer will prefer service offered to be of high value and quality. Service process is that which consists of either, delivery of service, interpersonal interaction, performance or customer's experience of service.

According to a study carried out by Johns, (1998, p.968-970), service is viewed differently by both the provider and the consumer; for the provider, service is seen as a process which contains elements of core delivery, service operation, personal attentiveness and interpersonal performance which are managed differently in various industries. While customer views it as a phenomenon meaning he/she sees it as part of an experience of life which consists of elements of core need, choice, and emotional content which are present in different service outputs and encounters and affect each individual's experience differently. However, factors that are common for both parties include; value (benefit at the expense of cost), service quality and interaction.

From his study, he used supermarkets as an example of service industry and found out that supermarkets have high tangibility or visibility of output, the provider carries out a performance, level of interpersonal attentiveness is low, service staff are not core providers, customer undertakes a transaction, level of choice is high and service environment is a key component.

Service experience is defined by John, (1998, p.966) as the balance between choice and perceived control which depends upon the relative competences of customer and service provider (that is to make the choice or to exert control). Aspects of service experience include core benefit, performance, approaching the service, departing from it, interacting with other customers and the environment in which the service transaction takes place (servicescape), Service interaction involves interpersonal attentiveness from the service personnel who are to provide core services and this contributes to customer satisfaction with the service offered, John, (1998, p.963).

Even though all the definitions presented by these authors are somewhat the same, for the purpose of this study the researcher used Kotler (1997) and Cannon (1998) definitions which include that service is benefit or intangible activity that results in want satisfaction.

2.3. Characteristics of Service

Kotler et al (1997) stated that a service has four major characteristics that greatly affect the design of marketing programs for it. These characteristics are as follows:

Intangibility: A service is intangible and cannot be seen, tasted, felt, heard or smelled before it is bought. For example, a person receiving a haircut cannot see the result before purchase.

Inseparability: Services are produced and consumed at the same time. For instance, as it is in car hiring. The person rendering the service becomes part of the service as how he does it affects the quality of the service.

Heterogeneity of Variability: Services are highly variable as they depend on who provides them and when and where they are provided. For example, although branches of a particular bank may be selling and delivering the same service, the quality may not be uniform or homogeneous from branch to branch.

Perishability or Fluctuating Demand: Services are highly perishable since they cannot be stored. For example, hours when cashiers are idle at the bank cannot be used to expand service on a busy day when long queues are formed.

2.4. Classification of Service

According to Churchill and Peter (1995), service can be classified in several ways. These include the way the service is delivered, the type of organization providing the service and the type of customers they target. Means of Delivering the Service: this may be equipment based. In other words, services may be delivered primarily by equipment, as in the case of movies theatres and airlines or they may be delivered primarily by people, as in the case of janitorial service and accounting. The means of delivery influence where quality is most at stake in the product mix. For

equipment-based service, service providers must be concerned that the equipment is of good enough quality to meet customers need.

They must ensure that the employees who keep the equipment operating or come into contact with users are skilled and interested in meeting customer needs. Thus, the quality of computer programming service depends on both the user and the programmers themselves. Type of Providers is another way of classifying service and it is in term of the kind of organization providing them. Service providers may include businesses, government and non-government or not-for-profit making organizations. Business organizations offer goods and services in order to earn a profit. Government organization also provides service; include mass transport, state lotteries and the military. The not-for-profit making organizations also use marketing to help them identify needs and target services build support for causes and solicit contributions. The Purchase Decision for Service describes the way in which consumers and organization buyers arrive at their purchasing decision.

2.5. Quality Concept

According to different authors, quality has many different definitions and there is no universally acceptable definition of quality. They claim it is because of the elusive nature of the concept from different perspectives and orientations and the measures applied in a particular context by the person defining it. In our study, quality must be well defined in the context of the selected insurance company in Ethiopia and must focus on various dimensions of both product and service. This therefore means the definition of quality varies between manufacturing and services industries and between academicians and practitioners. These variations are caused by the intangible nature of its components since it makes it very difficult to evaluate quality which cannot be assessed physical implying other ways must be outlined in order to measure this quality.

Quality has been considered as being an attribute of an entity (as in property and character), a peculiar and essential character of a product or a person (as in nature and capacity), a degree of excellence (as in grade) and as a social status (as in rank and aristocracy) and in order to control and improve its dimensions it must first be defined and measured. Some definitions of quality

pointed out by Hardie & Walsh (1994, p.53) include; “Quality is the extent to which the customers or users believe the product or service surpasses their needs and expectations”.

“Quality: the totality of features and characteristics of a product that bear on its ability to satisfy stated or implied needs”– International Standards Organization (ISO). It is the total composite product and service characteristics of marketing, engineering, manufacture and maintenance through which the product in use will meet the expectations of the customer (Feigenbaum, 1986).

The above definitions of quality shed light in understanding quality concept and point out that quality has many views. Concerning our study, quality is seen both in terms of product quality and service quality because we are dealing with insurance that provides service to customers. Therefore, most of the definitions are relevant to our study because they mention services and how customers will like to become satisfied when quality is high.

Some definitions focus on the development of a set of categories of quality in multidimensional terms. An example provided by Wicks & Roethlein (2009, p.85) is that of Garvin (1988), who outlined quality into five categories: (1) Transcendent definitions. These definitions are subjective and personal. They are eternal but go beyond measurement and logical description. They are related to concepts such as beauty and love. (2) Product-based definitions. Quality is seen as a measurable variable. The bases for measurement are objective attributes of the product. (3) User-based definitions. Quality is a means for customer satisfaction. This makes these definitions individual and partly subjective. (4) Manufacturing-based definitions. Quality is seen as conformance to requirements and specifications. (5) Value-based definitions. These definitions define quality in relation to costs. Quality is seen as providing good value in relation to cost. In this article, Garvin combines all three approaches (excellence, conformance to specifications, and customer focus) into his five definitions of quality. The researcher adopted the user-based definition for her purpose.

2.6. Service Quality

Quality can only be judged in a context of customers' expectations and experience. Its value to the customers which should be the driving force of quality needs to be a dynamic factor responding to change. Ken Irons(1997) said “service is the one unique opportunity we have to be better than competitors and make sure our customers return” which would mainly be the result of a quality service. Gronroos (1984) defined service quality as the outcome of an evaluation of process where the consumer compares their expectations with the service they received. He postulated that customer perceived service quality is a function of expected service, perceived service, and image quality.

Lehtinen and Lehtinen (1982) defined service quality in terms of physical quality, interactive quality and corporate (image) quality. Physical quality is associated with tangible aspects of the service. Interactive quality involves the interactive nature of services and refers to the two-way flow, which occurs between the customer and the service provider, or his/her representative, including both automated and animated interactions. Corporate quality refers to the image attributed to a service provider by its current and potential customers, as well as other publics. They also suggested that, when compared with the other two quality dimensions, corporate quality tends to be more stable over time.

As a result of the intangible multifaceted nature of many services, it may be harder to evaluate the quality of a service than of a good. Because customers are often involved in service production particularly in people processing services, distinction needs to be drawn between the process of service delivery and the actual output of the service. Perceived quality of service is the result of an evaluation process in which customers compare their perception of service delivery and its outcome against what they expect (Gronroos, 1984).

2.7. The Need for Service Quality

Ennew, Watkins and Wright (1993), mentions that the need for service quality is driven by customers, employees and a changing business environment. Customers be the individuals,

households or organizations are increasingly aware of alternatives of the financial services on offer, provider organizations and also of rising standard for service. Consequently, expectation rise, and consumers become more critical of quality of service received and so companies can be complacent. Furthermore, knowledge of the cost and benefits of keeping existing customers relative to attracting new ones draws companies' attentions to looking after present customers, responding to their needs and problem developing long-term relationships

2.7.1 Benefits of Services Quality

Without the focus on service quality, financial service organizations may face complaints from customers. Further, a proportion of dissatisfied customers will complain and tell a number of others, generally it is stated that, if a financial company gives a service to one customer, it gains three, and loses nine when giving poor service to one customer, hence it is better to gain three than loosing nine, generating adverse word of mouth publicity and some may switch to other companies. However, with focus on service quality, an organization can expect a number of benefits (Gronroos, 1984). Customer loyalties through satisfaction increases business and this may lead to attract new customers; hence customer retention is more cost effective than trying to attract new customers. Customer satisfaction lead to increase in opportunities for cross-selling, comprehensive and up to date service knowledge and sales techniques among employee, combined with developing relationships. Good service quality enhances corporate image and may provide insulation from price competition (Habtamu,2010).

2.7.2. Service of Quality in Insurance Industry

In the changing business scenario of 21st century, the insurance industries had to have a vital identity to provide excellent services. Insurance companies now days have to be of world-class standard, committed to excellence in customer's satisfaction and to play a major role in the growing and diversifying financial sector (Habtamu, 2010). There has been a remarkable change in the way of insurance industries in the last few years. Customers have also accurately demanded globally quality services from insurance industries. With various choices available, customers are not willing to put up with anything less than the best. Insurance industries have recognized the need

to meet customer's aspirations. Consequently, service quality is a critical motivating force to drive the insurance industries up in the high performing financial institution ladder.

Insurance industries are a demand driven industry, which constitute an important part of the service industry (Newman & Cowling, 1996). Insurance industries have to redefine their corporate image to that emphasizes service quality since it provides many advantages to a company such as allowing the company to differentiate itself from its competitors by increasing sales and market shares, providing opportunities for cross selling, improving customer relations thus enhancing the corporate image, reliability, responsiveness, credibility and communication results in the satisfaction and retention of customers and employee, thus reducing turnover rate (Newman, 2001).

Insurance is a contract between the policy holder and the insurer such that the insurer company guarantees any event in the insurance range and in return, the policyholder should continuously pay a fee for the so-called insurance (Sedighyan, 2000). Insurance services are in definition intangible and according to the declarations; they are promises and contracts held by a selling median to the customer which requires making trust between the seller and the customer from the initial point of the contract (Sedighyan, 2000). Insurance is a potential compensation for particular losses in future in exchange for a periodic payment. Agreement to the terms of the insurance policy makes a mutual contract between individuals and another party who is the insurer. The insurance service can be described as a product in the form of a written legal contract (the insurance document) plus a bundle of service associated with it.

Insurance service is different from other services, as it is complex and future contingent service involves substantial legal characteristics. There are three most important stakeholders in the insurance process being the insured (customer), insurer (provider of the service) and regulator (being the government or independent authority) others in the sector includes actuaries and auditors. Awareness of the important role insurance service play is of meaning to many business professionals. It promotes financial and social stability, mobilizes saving, support and promote the trade, commerce and also improve the quality of lives of individuals.

Services are a continuous process of on-going interactions between customers and service providers comprising a number of intangible activities provided as premium solutions to the problems of customers and including the physical and financial resources and any other useful elements of the system involved in providing these services (Grönroos, 2004).

Premium service quality is a key to gain a competitive advantage in services industry. The satisfaction level of customers is dependent on their perception of service quality and the trust in service provider (Parasuraman et al., 1988). By providing better quality services to customers, a firm revives the perception of customers about quality of services.

2.8. Measuring Service Quality

Several theoretical Service quality models have been developed as award-based frameworks that promote quality awareness and encourage organizations to perform self-assessment in order to identify areas in which they can improve and to develop plans for further action.

2.8.1 Using SERVQUAL to Measure Service Quality

Particularly in insurance industries service quality plays a pivotal role for customers in evaluating the performance communications of a service provider and is the key to gain customer satisfaction. Insurance industries can gain technological advantage and build long term relationship with its customers by providing quality services. Several evidences found in literature establish that there is a significant correlation between service quality and customer satisfaction (Sureshchandar et al., 2002). While Spreng and Mackoy (1996) provided evidence of the significant correlation between service quality and customer satisfaction. SERVQUAL scale, developed by Parasuraman et al., (1988), is the most famous measure of service quality. It classifies and measures service quality in five dimensions; these are tangibles, responsiveness, reliability, assurance and empathy.

Tangibles

Those things which have a physical existence and can be seen and touched. In context of service quality, tangibles can be referred to as insurance industries equipment, physical facilities and their

appearance (ambience, lighting, air-conditioning, seating arrangement and hazard assessment); and lastly but not least, the services providing personnel of the organization (Blery et al., 2009). These tangibles are deployed, in random integration, by any organization to render services to its customers who in turn assess the quality and usability of this tangibility

Responsiveness

Responsiveness is the willingness to help customers and provide prompt service, the customer's perception that the service provider responds quickly and accurately to his or her specific needs and demands.

Reliability

Reliability means the ability of a service provider to provide the committed services truthfully and consistently (Blery et al., 2009). Customers want trustable services on which they can rely on.

Assurance

Assurance is developed by the level of knowledge and courtesy displayed by the employees in rendering the services and their ability to instill trust and confidence in customer (Blery et al., 2009).

Empathy

Empathy means taking care of the customers by giving attention at individual level to them (Blery et al., 2009). It involves giving ears to their problems and effectively addressing their concerns and demands.

2.8.2 Using SERVPERF to Measure Service Quality

The SERVPERF model was carved out of SERVQUAL by Cronin and Taylor in 1992. SERVPERF directly measures the customer's perception of service performance and assumes that respondents automatically compare their perceptions of the service quality levels with their expectations of those services.

Cronin and Taylor argued that only perception was sufficient for measuring service quality and therefore expectations should not be included as suggested by SERVQUAL (Baumann et al, 2007). Instead of measuring the quality of service via the difference between the perception and expectation of customers as in SERVQUAL, SERVPERF operates on the perceived performance and did not assess the gap scores as expectation does not exist in the model. Thus, it is performance-only measure of service quality.

The model adopts the five dimensions of SERVQUAL, and the 22-item scale is used in measuring service quality. In the SERVPERF model, the results demonstrated that it had more predictive power on the overall service quality judgment than SERVQUAL. (Cronin and Taylor 1994). “The SERVPERF scale is found to be superior not only as the efficient scale but also more efficient in reducing the number of items to be measured by 50% (Hartline and Ferrell, 1996; Babakus and Boller, 1992; Bolton and Drew, 1991)” cited by Mesay Shita2012. Many studies have been conducted by adopting the SERVPERF model.

Also, Wall and Payne (1973) note that when people are asked to indicate the “desired level” (expectations) of a service and the “existing level” (perceptions) of the service, there is psychological constraint that people always tend to rate the former higher than the latter (E>P). Babakus and Boller1992 have found that service quality, as measured in the SERVQUAL scale, relies more significantly on the perception score than on the expectation score.

2.9.The Service Quality Model

SERVQUAL represents service quality as the discrepancy between a customer's expectations for a service offering and the customer's perceptions of the service received, requiring respondents to answer questions about both their expectations and their perceptions (Parasuraman et al., 1988).

The use of perceived as opposed to actual service received makes the SERVQUAL measure an attitude measure that is related to, but not the same as, satisfaction (Parasuraman et. al., 1988). The difference between expectations and perceptions is called the gap which is the determinant of customers' perception of service quality.

The expectations of customers are subject to external factors which are under the control of the service provider as shown on the diagram. The gap on the diagram represents the difference between customers' expectations and customers' perceptions which is referred to as the perceived service quality (kumar et al., 2009, p.214). This study does not focus on this gap. The researcher used only perception, because the SERVPERF model developed by Cronin & Taylor, (1992), was derived from the SERVQUAL model by dropping the expectations and measuring service quality perceptions just by evaluating perceived service.

2.10. SERVQUAL in the Insurance Industry

The SERVQUAL model needs to be modified with respect to different industries as it might not give meaning to ask the same set of questions in two industries. Studies have tried to apply the concept of service quality to many specific industry contexts by building on existing models of service quality, notably the SERVQUAL model by Parasuraman et al. (1988) and the Functional and Technical quality model of Gronroos (1984). In insurance industry, Ahmad & Sungip (2008) in a study of service quality in Malaysian insurance industry found reliability and responsiveness were the main driving forces of service quality problems since their study showed that the gap between customers' expectation and perception was widest for reliability, followed by responsiveness. Their study shed some light on the service quality dimensions that are critical to the insurance industry in Malaysian insurance industry and provided managerial implications for managing service quality with country-specific strategies.

Graham K. et al (2004) also researched into service quality in insurance service context in Greek and Kenya using the SERVQUAL instrument and found that the SERVQUAL metric requires substantial modification (customization) prior to its application. They reported that only 55% of items within the two scales used had universal application within the two industries is reason enough to be wary when applying SERVQUAL. In adopting the SERVQUAL instrument to the context of the Greek insurance industry the researchers include four additional items in addition to the existing standard 22 items from the revised SERVQUAL scale (parasurman et al., 1991). The added four items were the result of extensive interview conducted with a group of area and branch managers of three leading Greek insurers. These additional items were

- Price of insurance policies
- Product quality
- Ambiguity of insurance contracts terms
- Delay in claims settlement

Price was considered as a tangible item and product quality, ambiguity of contract terms and settlement delays as a reliability item. They further found that, in the insurance industry context of Kenya and Greece, quality gaps that obtained were largely similar, that reliability and empathy were the most deficient.

As far as the researcher's knowledge there was no published literature with the SERVQUAL instrument for the Ethiopian insurance industry, however certain traits exhibited in the market are explored. Ethiopia's insurance industry is relatively underdeveloped which is exemplified by the sectors low penetration levels. It is characterized as young industry at early stage of development with limited skills, capacity and incentive to push market extension (Fekeru, 2013).

Fekeru (2013) identified problems and challenges of insurance products being transacted in the Ethiopian insurance industry, which will likely affect the level of customer satisfaction of customers. Some of the problems are

Less policy explanation of underwriters and middlemen in the areas of policy coverage, term and conditions and expectations

Policies of insurance are less understandable by customers,

Products are not translated in Ethiopian language, to mitigate legal issues from insurer's side and reinsurance related matters.

Although at most good faith principle compels both parties to disclose material facts, parties to the insurance contract usually which they do not respect.

Unfair price

Abraham (2009) explained the unhealthy practice of the industry by pointing out how competition is mainly focused on waging price war and granting excessive credit facility. Risks are being underwritten at unreasonably low premium that doesn't match with the level of risk and the increase in operating costs. Even sometimes risks are being insured without proper risk assessment and without arranging adequate reinsurance cover. He further concluded from his research that customers easily shift from one insurer to the other mainly due to dissatisfaction at times of claim and being attracted by a lower premium offered by companies.

2.11. Criticism of SERVQUAL Figure

Much criticism emerged against the SERVQUAL. Some of the reviewed criticism of SERVQUAL is as follows Carman (1990) suggested that the five service quality dimensions are inconsistent in cross sectional analysis. He found that some of the items loaded different components when compared to different service providers.

As mentioned earlier, Parasuraman et al (1988) converted Understanding and Access component into Empathy. Carman did not find it appropriate combinations in his research. Carman also noted that the difference between expectations and perceptions concept is operationally difficult to follow. He suggested that future researchers should analyses the expectation and perception at the individual level.

Babakus and Boller (1992) supported Carman's (1990) idea about the dimensions of Service Quality. He found that the Service Quality dimensions are under investigation depending on the type of service. He identified that there are some operational problems in the expectations and perceptions gap analysis.

Brown et al (1993) argued that the "difference score" (perception minus expectation) has some operational problems. Therefore, they suggested that a "non-difference score" measure is superior to "difference score" measure.

After the criticism of Brown et al (1993), Parasuraman et al wrote an article in the same year where they proved that non-difference score measure is debatable. Brown et al (1993) mentioned that

SERVQUAL mean was 0.82 and non-difference score measure mean was 4.51. Parasuraman et al (1993) argued that 0.82 is the ideal standard of expectations because it implies that the average respondents' perceptions fell short of their expectations. In contrast, the mean of 4.51 draws the opposite conclusion. It raises the validity question of non-difference score measure.

In 1992, Cronin and Taylor criticized Parasuraman et al (1988) conceptualization of service quality. Parasuraman et al (1988) described service quality as “.....similar in many ways to an attitude.” So, managers and researchers could get more information if the construct measurement was conformed to an attitude-based conceptualization. Therefore, they suggested nullifying the expectation portion from the SERVQUAL.

They argued that only performance dimensions could predict behavioral intentions and they termed it as SERVPERF. Gilmore (2003) summarized the criticism of SERVQUAL is as follows:

The gaps model – some researchers mention that there is a little evidence that customers access service quality in terms of performance and expectation gaps.

Dimensionality – SERVQUAL's five dimensions are not universal. The number of dimensions comprising SERVQUAL is contextualized and there is a high degree of intercorrelation between the five dimensions.

Expectations – some researchers argue that measuring expectations is unnecessary. If they are to be measured, expectations and perceptions should be measured on a single scale.

Item Composition – four or five items cannot capture the variability within each SERVQUAL dimension.

Scale Points – the seven-point Likert scale is flawed. The mid-range numbers can only be vaguely related to varying degrees of opinions and many respondents may rate these differently.

Polarity – the reversed polarity of items on the scale causes respondent error. In the SERVQUAL instrument some items are reversed to ensure that respondents do not fall into the habit of marking the same scale point for each question; however, this can cause confusion

2.12. Customer Satisfaction

In line with Tsoukatos and Rand (2006), customer satisfaction is a key to long-term business success. To protect or gain market shares, organizations need to outperform competitors by offering high quality product or service to ensure satisfaction of customers. In proportion to Tsoukatos and Rand (2006), satisfaction means a feeling of pleasure because one has something or has achieved something. It is an action of fulfilling a need, desire, demand or expectation. Customers compare their expectations about a specific product or services and its actual benefits.

As stated by Kotler& Armstrong, (2010), satisfaction as a person's feelings of pleasure or disappointment resulting from the comparison of product's perceived performance in reference to expectations. Customer's feelings and beliefs also affect their satisfaction level.

Along with Zeithaml (2009), satisfaction or dissatisfaction is a measure or evaluation of a product or service's ability to meet a customer's need or expectations. Razak et al. (2007) also reported that overall satisfaction is the outcome of customer's evaluation of a set of experiences that are linked with the specific service provider. It is observed that organization's concentration on customer expectations resulted into greater satisfaction. If the customers of an organization are satisfied by their services the result is that, they will be loyal to them and consequently be retained by the organization, which is positive for the organization because it could also mean higher profits, higher market share, and increasing customer base (Karatepe et al., 2005).

Customer satisfaction has become important due to increased competition as it is considered very important factor in the determination of business's competitiveness (Berry et al., 2002). Continuous measurement of satisfaction level is necessary in a systematic manner. Because satisfied customer is the real asset for an organization that ensures long-term profitability even in the era of great competition. Cronin et al., (2000) mentioned in their study that satisfied customer repeat his/her experience to buy the products and also create new customers by communication of positive message about it to others. On the other hand, dissatisfied customer may switch to alternative products/services and communicate negative message to others. Customer satisfaction is a set of

feeling or outcome attached with customer's experience towards any product/ service. Hence, organizations must ensure the customer satisfaction regarding their goods/service.

Edvardsson (1998) believes that the concept of service should be approached from a customer perspective. It is the customer's total perception of the outcome, which is "the service". It forms the perception of quality and determines whether a particular customer is satisfied or not. Customers have different values and different grounds for assessment; they may perceive one and the same service in different ways.

Therefore, a company must first find out the level of satisfaction of its current customers to improve its customer satisfaction. One common way of measuring satisfaction is to ask customers first to identify what factors are important in satisfying them and then to evaluate the performance of a service provider and its competitors on these factors. Many firms use a seven-point scale to measure customer satisfaction, with the following format: -Very dissatisfied, somehow dissatisfied, Dissatisfied, Neutral, somehow satisfied, Satisfied and Very satisfied. The result of the satisfaction surveys can be used to estimate the number of loyal customers a firm has as well as how many are at risk of defecting. Lovelock and Wright (1999) cited on (Deborah Mamo 2014)

2.13. The Effect of Service Quality and Customer Satisfaction

During past few decades the interest of academics and researchers has been increased to measure the relationship between service quality and customer satisfaction. Both customer satisfaction and service quality are considered as extensive and vast subjects of research and many studies related to customer satisfaction are conducted in the area of service settings (Oliver and Swan, 1989; Cadotte, Woodruff and Jenkins, 1987; Swan and Trawick, 1980).

In marketing theory, the consumer satisfaction category has the main position. It is based on the premise that the profit is made through the process of satisfaction of consumers' demands (Dubrovski, 2001). A further debate has considered whether service quality is a cause of customer satisfaction (Cronin and Taylor, 1992), (Parasuraman et al., 1985). It then helps to identify a link between both constructs.

The Increased level of customer satisfaction decreases the chances that customers will be pointing the flaws in the quality (Anderson et al., 1997). In service settings it would offer a better perspective of the relative importance of service quality determinants by developing more comprehensive models of the drivers of customer satisfaction (Anderson et al., 1997). A great similarity between the customer satisfaction and service quality is observed, however researcher is careful to say that these two are different concepts (Spreng and Singh, 1993; Oliva, Oliver, and MacMillan, 1992).

In academics both constructs are recognized as distinct and independent (Oliver, 1980). Whereas a wide literature studies shows that both concepts are distinct conceptually but also are closely related to each other (Parasuraman et al., 1994; Shemwell et al., 1998) and any increase in one (quality) leads to increase in another (satisfaction) (Sureshchandar et al., 2002). However, there are number of variations found in literature between service quality and customer satisfaction. Cronin and Taylor, 1994; Boulten and Drew 1991 stated that Satisfaction is customer decision after an experience while quality is not.

According to Cronin and Taylor (1992) it is important to have this distinction between the two concept for managers and academics, as there is a greater need to understand either the firm's objective is to perform in a way that satisfies the customers or they should strive to provide maximum level of service quality perceived by its customers.

There are researchers like Hurley and Estelami (1998) who states that service quality and satisfaction are distinct constructs, and there is a causal relationship between the two, and the impression about the quality of service influence emotions related to satisfaction which, in turn, affect future purchase behavior. Also, customer satisfaction is viewed as the overall assessment of the service provider (Anderson et al., 1997).

The literature related to service quality and satisfaction has emphasized that customers compare the performance of product and services on some standards (Spreng&Mackoy, 1996). Also, the quality of service as perceived by the customers is considered as an important factor that affects the level

of satisfaction. Due to its relative importance in the service context it became a wide debatable topic and focus of research for academics.

Literature revealed that the difference between perceived service quality and satisfaction is due to the use of different standards of comparison (Zeithaml et al., 1993; Parasuraman et al., 1988). Different authors stated that the standard of comparison to form satisfaction depends on customer's feelings regarding what will come out (predictive expectations) where perceived service quality defines what customers believe that a firm should deliver, also it is a result of comparing the performance (Spreng&Mackoy, 1996) .

Overall what different authors state about these two constructs and consider it as distinct concepts there is a great need to analyse the relationship between the two to understand either these are two different concepts or are similar. For this purpose, customer satisfaction with service quality models (McDougall & Levesque, 2000; Spreng&Mackoy, 1996) are discussed in the following pages (p21-23) and based on these models a SQCS model is developed (p23 -25) to explain the relationship between both constructs.

2.14. Empirical literature

Effect of customer service on Customer Satisfaction, A Case Study of Fidelity Bank, Adum, Kumasi (Enyonam Afi Ako-Nai 2011). The paper showed that barriers such as large numbers of customers with few tellers, some problems with the system (internet banking) and some managerial decisions affect customer service provision in the bank. Customers at Fidelity bank are loyal to the bank. And these customers would like the number of tellers to be increased and larger packing space provided for them. Habtamu (January 2010), worked out on the assessment the impact of service quality and customer's satisfaction applying the SERVEQUAL model to the saving account holders of Dashen Bank, Mekelle Area Bank. He informed that communication with some of its customers and the insights from the summary of suggestion box feedbacks, it was learnt that the service delivery is not satisfying the needs and wants of customers to their expectations.

Service quality is particularly tangible in the banking services because it provides high level of customer satisfaction, and hence it becomes a key to competitive advantage (MesayShata, 2012). Unsatisfactory customer service leads to a drop-in customer satisfaction and willingness to recommend the service to a friend.

Another study done is on the assessment of service quality and customer satisfaction using servqual model ,a case study of Tanzania Telecommunications company limited (Mary Louis Temba,2013). The paper showed that the analysis carried found that, the overall service quality perceived by customers was not satisfactory; means customer expectations exceeded perceptions. Also analysis revealed that the company's customer care, network coverage, voucher availability, handsets flexibility and air time charges are the critical factors that hindersatisfaction. As far as theory is concerned findings revealed that servqual model is not the best tool to use in measuring service quality for TTCL because the dimensions were negative gap.

Finally, according to the above literatures, insurance companies, merely depends on how well its customers are satisfied. Both government and private owned insurance companies where the researcher had an informal communication with some of its customers and the insights from the summary of suggestion box feedbacks, it was learnt that the service delivery is not satisfying the needs and wants of customers to their expectations. Customer satisfaction and service loyalty is key element to continued organizational survival. The research, thus, impact of service quality on customer satisfaction and in light of the variables namely, service quality, customer satisfaction.

2.15. Conceptual Framework

Figure 1 exhibits the research framework of this study. It demonstrates the effects of five key predictors of service quality on customer satisfaction regarding Ethiopian Insurance Corporation subscriptions services provided in Ethiopia. Researcher aims adopting a modified conceptual framework that is the SERVPERF model with five dimensions consisting: Tangibles, Reliability, Responsive, Assurance and Empathy to be independent variables and customer satisfaction as dependent variable. The researcher hypothesized that there is a positive relationship between the

five service dimensions and customer satisfaction and to show this relationship SERVPERF Model is chosen.

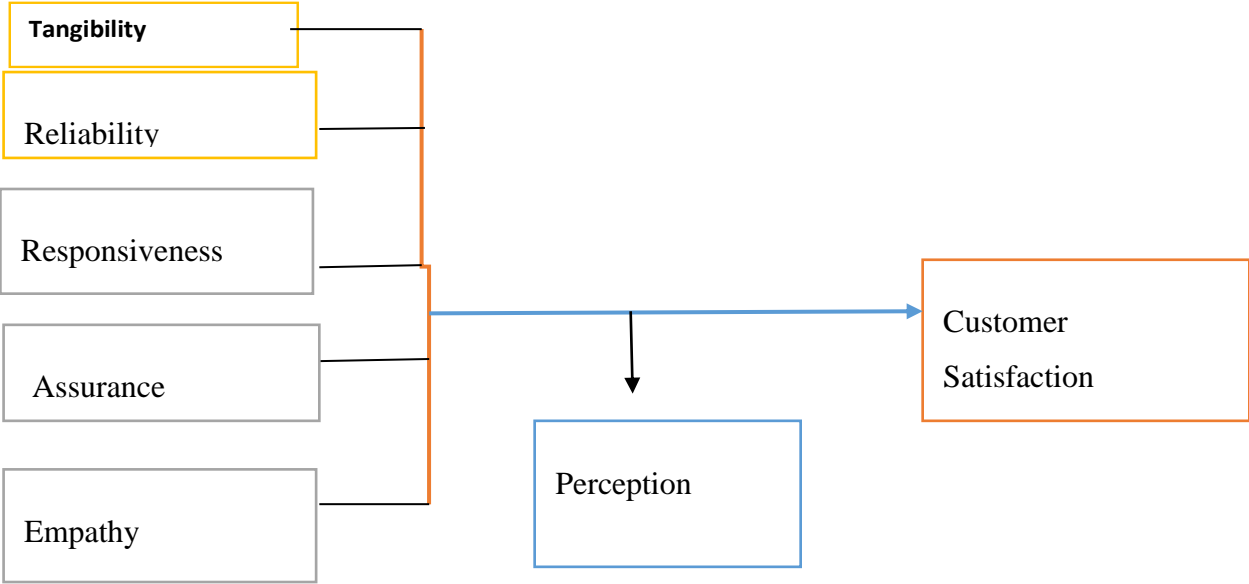


Figure 1. Conceptual Framework

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

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter comprises of topics related to how the research is carried 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 are also addressed in this chapter.

3.1. Research Design

This paper follows both the descriptive and explanatory research design as it will describe the variables of interest in the impact service quality on customer satisfaction and their relationship. 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 used explanatory research design to explaining, understanding, predicting and controlling the relationship between variables.

3.2. Research Approach

This research follows a quantitative approach to examine its objectives as it will describe the relationship between the service quality variables and customer satisfaction and how these dimensions affect customer satisfaction by using the modified SERVQUAL (SERVPERF) instrument of service quality.

3.3. Target populations Sampling and Sampling Techniques

3.3.1 Target Population

According to Hair et al. (2010), target population is said to be a specified group of people or object for which questions can be asked or observation made to develop required data structures and information. Therefore, for this study, the target populations were taken from five selected branches of Ethiopian Insurance Corporation customers in Addis Ababa.

3.3.2 Sampling Techniques and Sample Size

There are six district A's and 15 branches, eight districts B's and 41 outlying branches and eleven contact offices in EIC. The company considers factors like proximity from Addis Ababa, Premium income, number of policies, underwriting results, and sustainable growth of net profit (three years growth average) to determine the levels of districts and branches. All the six districts and 15 branches are located in Addis Ababa whereas the rest are out of Addis Ababa. The district A's in Addis are located within near proximity whereas the branches are scattered throughout Addis Ababa.

As Insurance is a yearly renewable contract the period of renewal varies for customers and reaching all is a difficult task. Therefore, the sampling procedure used is a multi-stage sampling technique. The population of the study comprises of all the individuals who are policy holders and use the claim service of Ethiopian Insurance Corporation in Addis Ababa for the period of the data collection which is from April 1 to April 30, 2019. By means of a 95% confidence level if the population is between 1000 and 5000 a sample size of 285 is considered to be representative for the population (Corbetta, 2003). The estimated population size is of 3732 and a sample of 285 is considered to represent the population size.

Area sampling has been used to distribute the sample among the districts. As all the districts A's are located in one area one district is taken to be representative. Other four branches were chosen

from the four angles of Addis Ababa for each to represent its area as north, south, east and west. Subsequently, the total sample is distributed proportionally for each district as follows

Table 1: Sampling distribution (Source: Own Survey, 2019)

	Population	Proportion	Sample
District A	601	17	48
Branch one	713	19	55
Branch two	720	19	55
Branch three	1,000	25	72
District four	698	19	54
Total	3,732	100%	285

3.4. Data type and methods of collection

The researcher used primary and secondary data for the entire analysis of this study. The information was gathered through questionnaire from the selected respondent's/ sample insurance customers who received service from the selected branches in Addis Ababa. The data was collected from the respondents through questionnaires.

According to Biggam (2008), primary source of data is the information that the researcher finds out by himself regarding a specific topic using questionnaires. Secondary source was gathered from magazine, books and related journals and articles. The main advantage with this type of data is that is collected by the research's purpose in mind. It implies that the information resulting from it is more consistent with the research questions and objectives. The primary data was gathered particularly by using likert scaled standard questionnaires. The researcher distributed the questionnaire to those who are selected respondents. For the purpose of this study a quantitative methodology involving a close-ended questionnaire was used as the measuring instrument.

The close-ended questionnaires can be administered to groups of people simultaneously, since they are less costly and less time consuming than other measuring instruments. The secondary source used book, magazine, reports, literatures and different source. The standard questionnaire used to collect the necessary information regarding the study was adopted from the work of Li et al. (2006), Lenny et al. (2007), and Priscila and Luiz (2011).

The Likert-type scale method uses a range of responses: 'Strongly Disagree', 'Disagree', 'Neutral', 'Agree', and 'Strongly Agree', with a numeric value of 1-5, respectively. The usage of this particular scaling method ensured that the research study illustrate the ability to assess the responses and measure the responses quantifiably. So that, a pattern or trend may be produced in order to assess research problem of statement. As Neuman (2003) hypothesize, it is a process of asking many people the same questions and examining their answers.

3.5. Validity and Reliability

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 SERVEQUAL/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.

It was developed on the basis of previous studies and review of related literature. In addition, the researcher provided explanations concerning on the questions to the respondents. As per Khotari (2004) reliability refers to consistency, where internal consistency involves correlating the responses to each question in the questionnaire with those other questions in the questionnaire. The student researcher employed Cronbach's alpha to calculate the internal consistency of the instrument.

Cronbach's alpha coefficients range value during pilot study was used to describe the reliability of effect extracted from dichotomous and or multi-point formatted questionnaires or scales and for

testing the reliability of the data instrument Cronbach's Alpha was calculated. According to Zikmund, Babin and Griffin (2010) scales with coefficient alpha between 0.8 and 0.95 are considered to have very good quality, scales with coefficient alpha between 0.7 and 0.8 are considered to have good reliability, and coefficient alpha between 0.6 and 0.7 indicates fair reliability.

3.6. Methods of Data Analysis

Both descriptive and inferential statistics were used to analyze and interpret the findings. Demographic variables of the respondents and mean scores of the service quality dimensions are interpreted using descriptive statistics whereas inferential statistics is used to find out the relationship between service quality dimensions and customer satisfaction using correlation and multiple linear regression analysis via SPSS 21 version software.

3.6.1 Descriptive analysis

The descriptive statistical results were presented by tables, frequency distributions and percentages to analyze the data. This was achieved through summary statistics, which includes the mean values and percentages which were computed for each variable in this study.

3.6.2. Pearson Correlation analysis

In this study Pearson's correlation coefficient was used to determine the relationships between service quality dimensions (Tangibility, reliability, responsiveness, assurance and empathy) and customer satisfaction.

3.6.3 Multiple Regression Analysis

Multiple regression analysis used to examine the impact of service quality dimensions (Tangibility, reliability, responsiveness, assurance, and empathy) on customer satisfaction.

3.6.4 Regression functions

The equation of multiple regressions on this study is generally built around two sets of variables, namely dependent variables (customer satisfaction) and independent variables (Tangibility, reliability, responsiveness, assurance, and empathy). Parasuramanet, al., 1985). The basic objective of using regression equation on this study was to make the researcher more effective at describing, understanding, predicting, and controlling the stated variables.

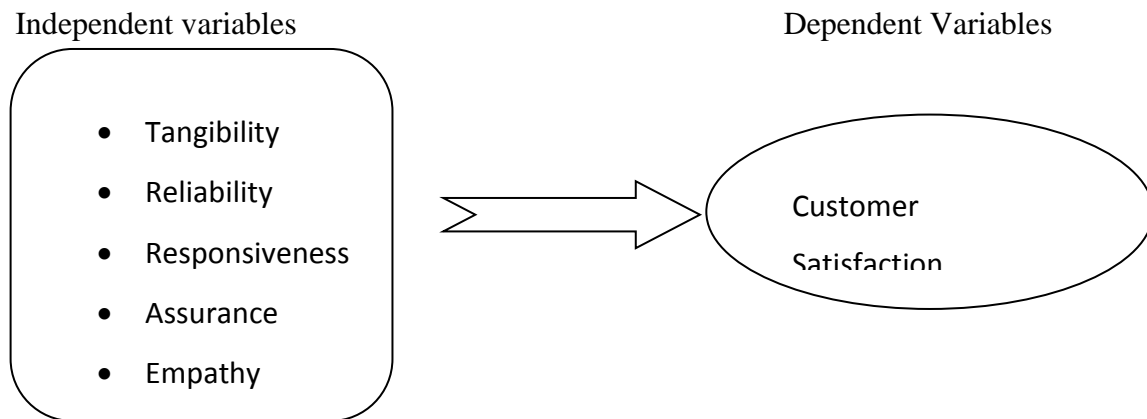


Figure 2. Service Quality and customer satisfaction model (Own source)

Regress customer satisfaction on the service quality dimensions

$$Y_i = B_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where Y is the dependent variable- customer satisfaction

X1, X2, X3, X4, and X5 are the explanatory variables (or the repressors)

B₀ is the intercept term- it gives the mean or average effect on Y of all the variables excluded from the equation, although its mechanical interpretation is the average value of Y when the stated independent variables are set equal to zero.

B₁, β₂, β₃, β₄, and β₅ refer to the coefficient of their respective independent variable which measures the change in the mean value of Y, per unit change in their respective independent variables.

3.7. Ethical Consideration

In this research the researcher tried her best to follow an ethical path in the collection, analysis and interpretation of the data. During the collection of data customer cares of the selected branches were approached and helped the researcher in the collection of data as they are the contact point for every customer. Some of the basic tenants of the ethical behavior in research like voluntary participation and harmlessness, informed consent, anonymity and confidentiality and disclosure were kept in the research. In giving response to the questionnaire participants were informed why the research was conducted and how their response is confidential. Additionally, they were aware they had the right to withdraw from answering the questionnaire at any moment they prefer.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATIONS AND PRESENTATIONS

4.1. General Information about Respondents

Before going directly to discussion of the result, it would be better to introduce the respondents, because having an understanding about the respondents may help to estimate the accuracy of the information provided by them.

In addition, it may give an idea about how many respondents are able to answer the questions forwarded with the acceptable degree of reliability and it helps for all other decisions related to customers. To discuss the general information of the respondents, descriptive statistics (frequency statistics) was used. The general information includes: Gender and age group of the respondents, educational background and type of customer group.

A total of 285 questionnaires were distributed for customers of EIC in different branches out of which 205 were collected. However, only 183 questionnaires were usable to the research which made the response rate drop from 71.93 % to 64.21 %. The demographics feature of the respondents is illustrated in the following table.

Table 2: Demographic distribution of the respondents (Source: Own Survey, 2019)

Gender	Frequency	Percent
Male	141	77
Female	42	23
Age		
18-24	9	4.9
25-34	58	31.7
35-44	67	36.6
45-54	39	21.3
55-65	5	2.7
65 and above	5	2.7
Education Level		
Primary	2	1.1
Secondary	23	12.6
Certificate	10	5.5
Diploma	52	28.4
First degree	86	47
Others	10	5.5
Types of customer		
Retail	90	49.2
Corporate	93	50.8

As observed from the table 2, the highest proportions of customers are male which comprise 77% of the respondents. The rest of customers who filled up the questionnaires are female who takes the share of 23%. This result shows that males are the dominant property owners and players of the economy.

The second component of the table represents the age distribution of respondents. It has six categories and the highest accounted is the age group between 35-44 years which scores 36.6%. The second largest group is respondents between the age of 25 and 34 and is 37.1% of the total

population. The third in the rank are age group between 45-54 years old respondents and they represent 21.3% of the population. The lowest score in terms of the rank is shared by the two categories of age group 55-65 and 65 and above years old and they each represent 2.7% of respondents. Additionally, we can observe respondents from the age group of 18-24 years to rank in fourth position and reports 4.9 % of the population. Most of the respondents are middle-aged and economically active groups.

It also demonstrates the educational level of respondent and the type of customer group they represent. It also has six layers of categories which represent primary, secondary, certificate, diploma, first degree and other educational levels. Most of the respondents (47%) are first degree owners whereas the primary level education level is almost insignificant which represent only 1.1%. The other low score is for educational level labeled other and is only 5.5 %. The second and the third highest points in the educational level category represent customers with diploma and secondary level education and they account for 28.4% and 12.6% of respondents respectively.

In terms of the type of customer groups the company service is divided in two major groups and service provision to these groups is delivered in two different settings in every major branch. The corporate clients represent 50.8 % of the respondents and the rest 49.2 % belong to the retail client's group. A corporate client includes public organizations, governmental organizations, NGOs, financial organizations, private organizations that seek service in the organization. In this study respondents of such kind were represented by the answers given through their legal representatives and liaison officers who have a day to day interaction with the service provided by EIC. Retail clients represent individual clients that come to the doors of EIC to get services for their individual interest

4.2. Analysis of Measures

4.2.1. Reliability Test

A reliability analyses 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.

Table 3: Reliability Test for the dimensions (Source: Own Survey, 2019)

Indicators	Number of items	Cronbach Alpha
Reliability	4	0.714
Assurance	4	0.730
Responsiveness	5	0.729
Empathy	4	0.751
Tangibles	5	0.653
Overall satisfactions	3	0.895

The Cronbach's alpha values are reported as follow. RELIABILITY yield Cronbach's alpha =0.714, ASSURANCE Cronbach's alpha = .730.

It portrayed the Cronbach's alpha for RESPONSIVENESS was at .729, Cronbach's alpha for EMPATHY was at 0.751, Cronbach's alpha for TANGIBLES was at 0.653 and Cronbach's alpha for Overall satisfactions is 0.895.

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.

4.2.2. Descriptive Analysis

The means, standard deviations as well as the skewness of each construct are presented in Table 5 below:

Table 4: Summary of Descriptive Statistics of the Constructs(Source: own Survey data, 2019)

Constructs	Mean	Standard Deviation	Skewness*
Tangibility	3.4044	.73856	.435
Reliability	3.6285	.75209	.111
Responsiveness	3.4712	.75801	1.645
Assurance	3.4544	.75757	.018
Empathy	3.1957	.80022	.103
Customer satisfaction	3.3922	.70464	.035

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 company. The mean score of perception of customers towards the service of Ethiopian insurance corporation shows the reliability dimension to rank first (3.60). Responsiveness and assurance dimensions are ranked in the second and third level in terms of perception scoring (3.47) and (3.45)

respectively. Unfortunately, customers of EIC perceive the empathy and tangibility dimensions to be the two least scores in the organization. Conducting the mean scores of perceptions addresses the issue on how a customer really sees the services provided by the company. The highest ranks compared to the other dimensions show that with respect to the dimensions of reliability, responsiveness and assurance customers have a better perception toward the service provision of the company whereas the lowest scores reflect the dimensions in which customers of the company are disappointed.

The phenomenon can be explained by the fact that since customers may come across to different Ethiopia Insurance corporations survey data, 2019 employees that have different customer handling capabilities so that, some customers may be receiving relatively better services than others. The tangibility construct has the lowest standard deviation of 0.738, suggesting a comparatively lower spread in the data and clustering of the responses around the mean. Finally, a careful examination of standard error of skewness values indicated that the data is positively and perfectly skewed which means independent variables well express the dependent variable.

4.2.3. Overall Satisfaction Level

Customer's response to the level of satisfaction they encounter is presented in table 6. Most of the respondents are satisfied by the overall service EIC is giving that is represented in the satisfied (52.5%) and highly satisfied (17.5%) responses. The mean of the overall satisfaction level (3.39) is also evident that customers of EIC are slightly satisfied. Nevertheless the 13.1% and 2.7% of respondents are dissatisfied and highly dissatisfied respectively. This is not a result one should ignore as the company should work hard to decrease this number. Finally, 14.2% of the respondents replied neutral for their level of customer satisfaction.

Table 5: Descriptive Statistics for Allover Satisfaction (Source: Own Survey, 2019)

		Minimum	Maximum		Std.
OVERALL	183	1	5	3.39	.704
Valid N(list wise)	183				

Table 6: Overall satisfaction level (Source: Own Survey, 2019)

Valid	HighlyDissatisfied	5	2.7
	Dissatisfied	24	13.1
	Neutral	26	14.2
	Satisfied	96	52.5
	Highlysatisfied	32	17.5
	Total	183	100.0

4.3. 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.

Table 7: Pearson’s Correlation matrix between variables (Source: Own Survey, 2019)

		Over all satisfactions	TAN	RELA	RESP	ASSU	EMP
Over all satisfactions	Pearson Correlation	1					
	Sig. (2-tailed)	.000			.		
TAN	Pearson Correlation	.725	1				
	Sig. (2-tailed)	.000					
RELA	Pearson Correlation	.803	.710	1			
	Sig. (2-tailed)	.000	.000				
RESP	Pearson Correlation	.827	.624	.904	1		
	Sig. (2-tailed)	.000	.000	.000			
ASSU	Pearson Correlation	.932	.600	.756	.868	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
EMP	Pearson Correlation	.879	.776	.801	.709	.757	1
	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).							

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 0.600 to .932, which show a moderate and high correlation. The most correlated dimension with overall satisfaction is assurance $r = 0.932$) followed by empathy ($r = 0.879$), responsiveness ($r = 0.827$), reliability ($r = 0.803$), and tangibility ($r = 0.725$).

The correlation between the service quality dimensions shows that there is a higher correlation between reliability and responsiveness with persons correlation of ($r = 0.904$). The second highly correlated items are responsiveness and assurance ($r = 0.868$) with a high level of correlation. The third and fourth correlated items also fall in the range of high correlation which are tangibility with empathy ($r = 0.776$) and assurance with reliability ($r = 0.756$) respectively. Generally, through the analysis of the correlation coefficients the relevance of various dimensions of service quality namely tangibility, reliability, responsiveness, assurance and empathy precisely indicate the strong relationship between the dimensions and customer satisfaction.

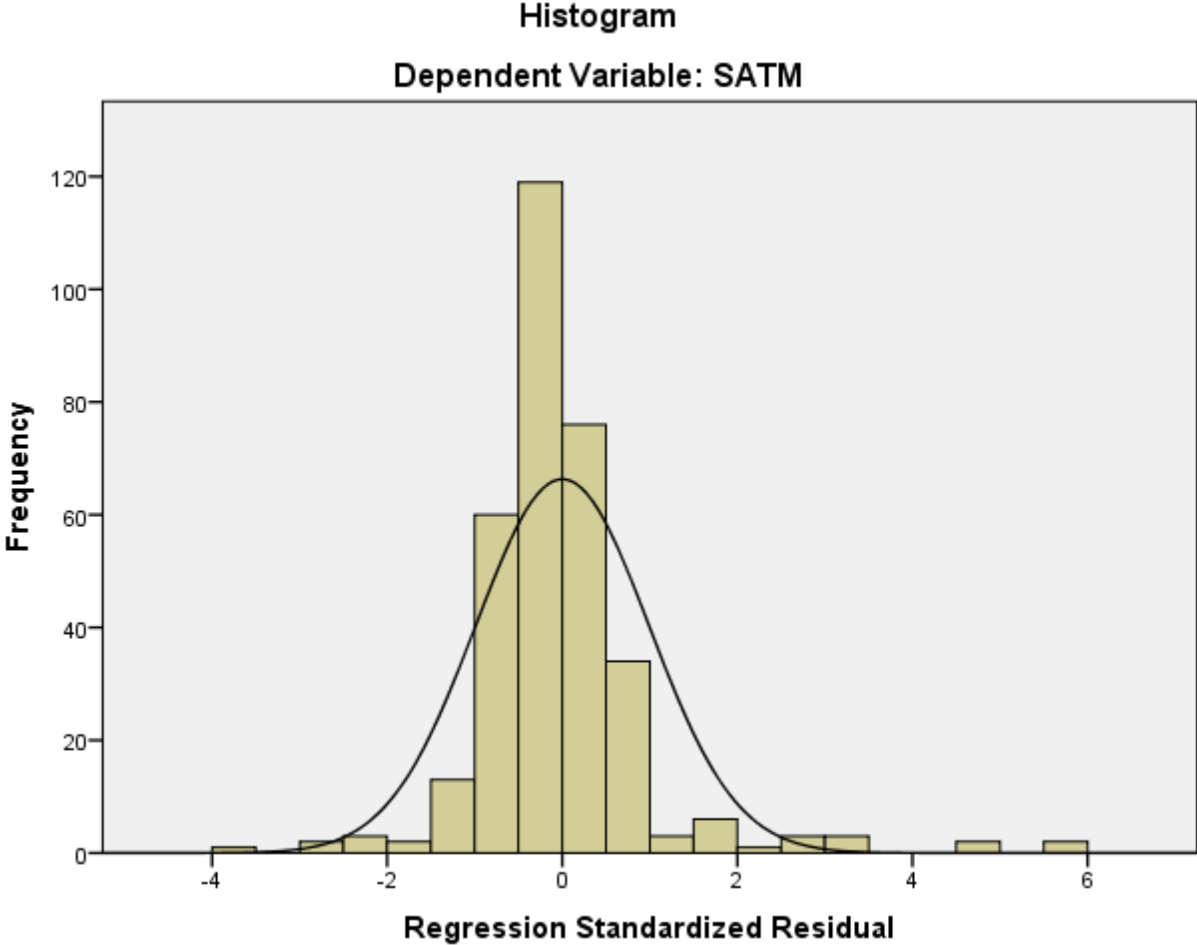
4.4. Multiple linear Regression Analysis

Multiple linear regression analysis was employed to examine the association between service quality dimensions and customer satisfaction. It is a constructive statistical technique that can be used to analyze the association between a single dependent and several independent variables. One of the vital considerations in multiple regression is the sample size of the data.

4.4.1. Normality Test

Brooks (2008) noted that in order to conduct hypothesis test about the model parameter, the normality assumption must be fulfilled. Therefore, the researcher evaluated outliers, normality and linearity using graphical method.

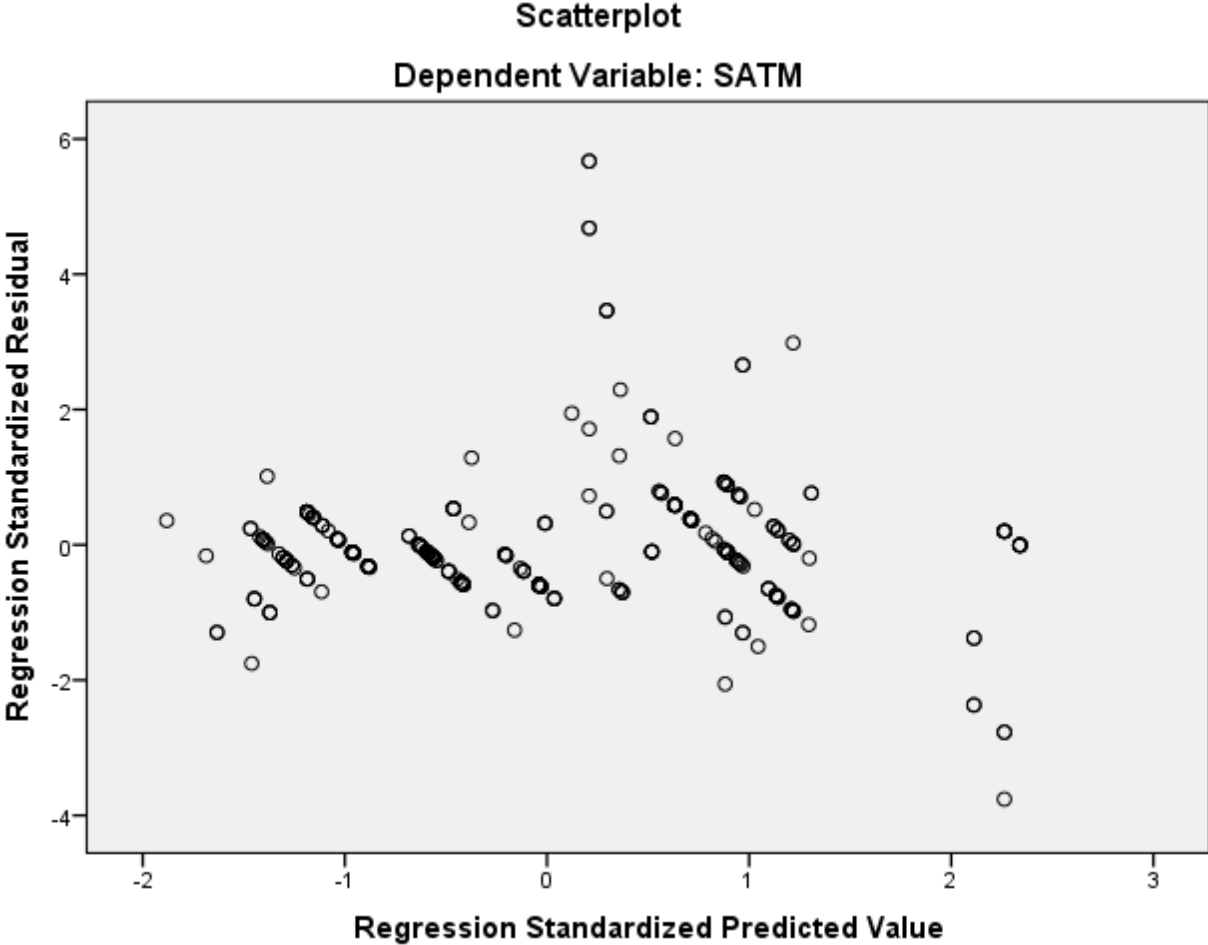
Figure 3:Histogram



It can be shown in the figure 3, above the histogram indicating that the data confirms that there was no serious violation of the normality assumption. Because residuals followed a straight line provides evidence of no gross violation of the assumption of normality and the histogram is almost bell-shaped.

4.4.2. Heteroskedasticity Test

Figure 4: Scatter Plot



Heteroskedasticity occurs when the variance of the error terms differ across observations. As indicated in the Figure 3 above, the scatter plot takes an approximate shape of a rectangular pattern, and no clustering or systematic. This discloses the assumption of homoscedasticity is met.

4.4.3 Multicollinearity Test

This refers to the relationship among the independent variables. Multi collinearity exist when the independent variables are highly correlated (Pallant, 2007). Small degree of multi collinearity is Tolerance value and VIF value are above 0.10 and below 10 respectively.

Table 8 : Multi collinearity Taste

Independent variables		Collinearity Statistics	
		Tolerance	VIF
	(Constant)		
	Tangibles	.374	2.67
	Reliabilty	.184	9.609
	Assurance	.174	6.748
	Empathy	.165	6.067
	Responsiveness	.195	5.129

Source: SPSS Version 20 output (2019)

As seen from the above table 10 the tolerance value of all variables is above 0.1 and also their VIF value is below 10 which indicate that there is no degree of multicollinearity problem among variables.

The table below illustrates the effect of independent variable on the dependent variable.

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

Table 9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.971	.943	.942	.170
a. Predictors: (Constant), Responsiveness, Tangibles, Assurance, Empathy, Reliability				
b. Dependent Variable: Customer Satisfactions				

(Source: Own Survey)

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 Ethiopian Insurance Corporation. A regression analysis results are presented in Model Summary table 9, the result as shown in the model summary designates that (Empathy, Tangibility, Responsiveness, Assurance, Reliability) explained 97.1 % of change in customer satisfactions.

The coefficient of multiple determinations (R2) was estimated 0.943 and adjusted R2 value was 0.942. This means that 94.3% of the variation in the dependent variable is explained by the explanatory variables included in the model. Furthermore, the adjusted R2 of 94.2% which is significant has further consolidated the goodness of the model; hence, it is econometric significance and reliable. Which showed that the model is fitted and its goodness to indicate the determinations of dependent variable explanations.

Table 10: ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	817256.675	5	163451.335	923.238	.000 ^b
	Residual	42458.972	322	131.860		
	Total	859715.648	327			
a. Dependent Variable: Customer Satisfaction						
b. Predictors: (Constant), Responsiveness, Tangibles, Assurance, Empathy, Reliability						

Source: (SPSS Output)

Table 10 indicated that there is a statistically significant effect between the independent variable (quality dimensions) and dependent variables (customer satisfaction) which the independent variable where F value was (923.238) at 0.000 (P<0.05), which states that there is statistically significant effect of service quality dimensions on customer satisfaction.

Table 11: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	collinearity statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.158	.054		2.908	.004		
	Tangibles	.085	.022	.089	3.810	.084	.374	2.675
	Reliability	.050	.041	.054	.1215	.225	.184	9.609
	Assurance	.622	.046	.086	-1.735	.000	.174	6.748
	Empathy	.289	.033	.669	9.007	.000	.165	6.067
	Responsiveness	.185	.028	.322	9.933	.000	.195	5.129
a. Dependent Variable: Customer Satisfaction								

Source: (SPSS Output)

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.

$$CS = B_0 + (B_1) TAN + (B_2) REL + (B_3) RES + (B_4) ASS + (B_5) EMPA + e$$

Where, CS= customer satisfaction, TAN= tangibility, REL= reliability, RES=responsiveness, ASSU=assurance, EMPA= empathy, BO= Constant, B1 to B5= beta coefficients, and e=the error term
Substituting the results in the model gives us: -

$$CS = 0.158 + 0.080TAN + 0.50REL + 0.185RES + 0.622ASSU + 0.289 EMP + e$$

Before we begin the interpretation for the beta coefficients it is important to evaluate the model in terms of the issue of multicollinearity 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 be seen from the table this requirement is not invalidated in our results and there is no issue of multicollinearity

The results in the table illustrates responsiveness (B=0.185), empathy (B=0.289), assurance (B=0.622) service quality dimensions have a significant influence on over all customers satisfaction at 95% confidence level ($p < 0.05$), indicating that for customers of EIC 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 $p > 0.05$

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

This chapter deals with the summary of findings, conclusions drawn from the findings and the recommendations forwarded for improvement in services delivery process of the branches under study. The recommendations cover the importance of improving on those dimensions in which EIC got inferior score and also to keep working on the superior scored dimensions. The chapter is presented under the headings: summary of findings, conclusion, and recommendation.

5.1. Summary of Findings

The main objective of the study was to assess or investigate the effect of service quality on customer satisfaction in selected five branch of Ethiopian Insurance Corporation, found in Addis Ababa. The research was conducted using questionnaire consisting of 285 sample respondents of conveniently selected branches.

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 results of background information of respondents indicated that from the total respondents (77%) are male and (23%) are female. The largest group of respondents which contains 36.6% was aged between 35 and 44 while smallest groups are aged between 55 and 65 and above 65 which each comprises 2.7% of the respondents. This indicates that most of the customers of the bank were young people. With regard to educational level; most of the respondents were degree holders 86(47%) and diploma holders comprises 52(28.4%) of the customer. In terms of type of customer group majority of the customers are corporate clients 93(50.8%) of the clients and retail clients comprises 90 (49.2 %).

The results of the descriptive statistical analysis also indicated that, customers were more satisfied with the responsiveness, assurance and reliability dimensions of service quality with a mean score

of 3.6 and 3.47 respectively. However, the result indicates that, customers were less satisfied with the tangibility and empathy. About the ability of EIC to provide service at the designed and promised time, customers were expressing their dissatisfaction over poor service. There is lot of complaints from customer about the poor network and frequent power interruption. Customers are not happy with the current EIC performance expressing their disagreement towards delay of claim service.

Even though EIC relatively possess highest in terms of the staff's willingness to help and their swiftness in responding to customers request and acquiring the skill to deliver professional service, there is much to be done in delivering prompt service. It is clear that the role employee play in the process of service delivery is paramount. Therefore, the company can exploit the opportunity of having perceived professional and knowledgeable and skilled employees as a competitive advantage. Nowadays customers expect their service provider to cope up with the technological innovation of the time. This appear with EIC as customers perception fails to meet for attributes of using modern equipment and technology and making its physical facility appealing to its customers. There is also the issue of delays in the claims settlement process that can be inferred from the result. The opportunity to deliver its promise comes in the time of claim for every insurance company. Failure to do so can jeopardize the customer relationship the company has been building up with its customers in the underwriting procession customers perceive the settlement of claim to fail to meet their expectation. In terms of the premium the company charges it is the belief of the respondents that it is inflated and there is a need for adjustment. The industries reputation for the lack of clear, transparent and non-ambiguous policy terms is also true for EIC. The contract terms for many of the policies are difficult to read and understand for a layman.

The descriptive statistics concludes that in terms of overall customer satisfaction level 52.5% of EIC customers are satisfied and 17.5% are highly satisfied with the service provision of the company. However, the 2.7% and 13.1% of respondents are highly dissatisfied and dissatisfied respectively. The rest of the respondents (14.2%) reply they maintain a neutral position towards the service rendered by the company. Mean of the customer satisfaction which is 3.39 also shows that

customer of EIC are slightly satisfied. These results show that the corporation should work hard to satisfy its customers work hard to satisfy its customers.

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 are assurance ($r=0.932$) followed by empathy ($r=0.879$). The least correlated dimensions with the overall satisfaction level are tangibility ($r=0.725$) followed by responsiveness ($r=.827$) and reliability($r=0.803$). Whereas Reliability and Responsiveness dimensions show the highest correlation within dimensions followed by and assurance and responsiveness.

The correlation result shows that there is positive and significant relationship between tangibility, reliability, responsiveness, assurance, and empathy and customer satisfaction. The finding also indicates that the highest relationship was found between assurance and customer Satisfaction, while the lowest relationship was found between tangibility and customer satisfaction.

The multiple regression result highlights that service quality has an effect on customer satisfaction and the R² value shows that 94.3 % 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 assurance ($B=0.622$), empathy ($B=0.289$), responsiveness ($B=0.185$) have a significant impact on customer satisfaction and tangibility ($B=0.080$) and reliability ($.050$) have a less significant impact on the overall satisfaction at 95% confidence interval ($P<0.05$).

5.2 Conclusion

The main purpose of this study is to measure the effect of service quality dimensions on customer satisfaction in the case of EIC. In order to address this issue in the Ethiopian insurance corporation this study adopted the modified SERVQUAL (SERVPERF) measure and took adjustments to align it with the context of the Ethiopian insurance 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 reliability dimensions of the company. Special considerations should be drawn to elements of tangibility and empathy attributes. The uses of appealing facility and modern or advance technologies could be considered deficient in the case of EIC. Even though reliability dimension shows higher perception result, the underwriting and claims process failed to fulfill customer's expectation that is evident in the lowest scores registered in attributes like Settlement of claims with unnecessary delays and providing clear and understandable policy terms. The empathy dimension registered the lowest perception because the corporation failed to deliver personal attention and didn't attend to their need; customers expect empathetic behavior from insurance companies.

According to the results of the regression it is safe to say that the assurance, responsiveness and empathy play a dominant role in predicting customer satisfaction level in the case of EIC. Time is becoming an expensive commodity and it is important for customer service personnel to promptly deliver their service. EIC customers believe there is a lack of responsiveness in the part of the company's 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. The dimension Empathy is also with a high beta coefficient that enables us to conclude there is a significant relationship between this dimension and customer satisfaction.

In general, the following specific empirical findings emerged from the investigation: The five service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy) has positive and significant effect on customer satisfaction. Majority of EIC customers are not satisfied with the current delivery system of the corporation

5.3. Recommendation

The purpose of measuring service quality and the level of customer satisfaction is to take corrective actions. The insurance industry faces numbers of challenge and a unique roadblock to build loyal and quality customer relationships. The biggest challenge the insurance industry face is **meeting customer expectations** for faster, better service in the face of rising loss cost and increasing price

competition. Based up on the analysis conducted the following possible recommendations can help the company 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 will result in improving service and building a better customer relationship. Therefore, the company should incorporate improvement of its technological innovations in its strategic plan. For instance, online claims registration, 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.

- Additionally, the use of appealing physical facility is important in maintaining the companies brand image that it tries to build as being the financially strongest insurance firm in the country as it can shape the attitude and perception of customers in building their brand image. Therefore, the company should consider in changing its old buildings to a modern and luxuries setting, improve in choosing its furniture's and decorative designs, and make sure its employees respect the dressing code the company have in place.
- The reliability dimension attributes with the highest present problem in the underwriting and claims process. As insurance is a contract agreement it is important for both parties to enter the agreement after they understood the contract terms and provisions.
- The insurance company should not take advantage in the ignorance of its customers or it will lose the confidence of its customers. Therefore, it is the believe of the researcher for EIC to come up with contracts that customers can understand easily and avoid ambiguous terms that can raise issues in the time of claim
- Both the staffs and the insurance agents the company uses to acquire business should impose this believe in their underwriting of any business.
- In the claims process most customers of EIC hold the position that the process is slow moving as compared to their expectation. The issue of the service encounter sequence can be raised in this case the customers of EIC deal with other stake holders in their time

of claims like the traffic police, towing services, garages, hospitals and so. The customers overall service quality evaluation is then the accumulated evaluation of multiple service experiences. Therefore, it is advisable for EIC to control such relationships and make its claim services prompt by avoiding red tape and unnecessary delays as today's claimant is tomorrow's lucrative premium payer.

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

Customers expect complete, consistent, accurate answers to their questions, whether they are inquiring about the status of claim or the cost of new insurance. Special concern should be given to customers during the time of claim considering the state of mind customers likely will be. Listening to customer's grievance and providing speedy service as long as the claim lodged is acceptable should be the main purpose of staffs in their interaction with customers.

The company should come up with strategies that will ensure that customers are informed of exactly when services will be 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 company 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.

REFERENCES

- Abereham Mersha Wurgesa, (2009), *Critical evaluation of the general insurance business practices in Ethiopia*, unpublished Master's Thesis, Unity University
- Abu, N. K. (2004). Service quality dimensions: A study on various sizes of grocery retailer's A conceptual paper, *Proceeding of IBBC*, p.633-641.
- AfiAko-N. 2011. Impacts of Customer Service on Customer Satisfaction, A Case Study of Fidelity Bank, Adum, Kumasi: by Enyonam: Kenya Nairobi.
- Ahmed AndSungip (2008) An Assessment on Service Quality in Malaysia Insurance Industry.
- Ahmossawi, M. (2001). Bank selection criteria employed by college students in Bahrain: an empirical analysis. *International Journal of Bank Marketing* 19(3): 115-125. April 10, 2013, from <http://www.bjournal.co.uk/BJASS.aspx>.
- Akan, P. (1995). Dimensions of service quality: a study in Istanbul, *Managing service quality*, MCB University Press, Vol.5, Number 6, p.39-43. Service quality, *The Journal of Services Marketing*, Vol.10, Number 6, p.62-81.
- Anderson , Eugene W, (1994) , Customer Satisfaction and Word of mouth , Working Paper , National quality research center , university of michigan business school , Ann Arbor ,MI.
- Babakus and Gregory W. Boller An empirical assessment of the SERVQUAL scale. *r. Journal of Business Research*, 1992, vol. 24, issue 3 ...
- Badri, M. A., Abdulla, M. and Al-Madani, A. (2005). Service quality assessment and application of SERVQUAL, Vol. 22, Number 8, p. 819-848.
- Beamish, K. and Ashford, R. (2007/2008). *Marketing Planning*. 1st Edition. Oxford OX2 8DP, UK. Butterworth-Heinemann.

- Berry, L.L., Zeithaml, V.A., Parasuraman, A. (1990) Five imperatives for improving service quality. *Sloan Manage Rev*, 31(4): 29-38.
- Bitner, M.J., Fisk R.P. and Brown, S.W. (1993). "Tracking the Evolution of the Services Marketing Literature", *Journal of Retailing*, 69, 1, 61 - 103.
- Blery et al,2009 ,the impact of customer satisfaction on customer satisfaction, Reliability Reliability means the ability of a service provider to provide the committed services truth fully and consistently
- Bojanic, D. C. and Rosen, L. D. (1994). Measuring service quality in restaurants: an application of the Servqual instrument, *Journal of Hospitality and amp; Tourism Research* 1994; Vol.18, Number 3, p.4-14.
- Bougoure, U. and Lee, B. (2009). Service quality in Hong Kong: wet markets vs supermarkets, *British Food Journal*, Vol. 111, Number 1, p.70-79.
- Brown et. Al. (1993) Tracking the Evolution of Service Marketing Literature.
- Cadotte, E. R., Woodruff, R. B., & Jenkins, R. L. (1987). Expectations and norms in models of consumer satisfaction. *Journal of Marketing Research*, 24(3).
- Carpenter J. M. and Moore, M. (2006), Consumer demographics, store attributes, and retail format choice in the US grocery market, *International Journal of Retail and Distribution management*, Vol. 34, Number 6, p.432-452.
- Chow, S. L. (1997). Statistical significance: rational validity and utility (Introducing statistical methods). Illustrated Edition. Sage Publications Ltd.
- Churchill and Peter (1995), marketing: creating value for customers, English book, illustrated 6
- Corbetta, P. (2003) Social Research Theory Methods and Techniques. SAGE Publications Ltd
- Cronin, Jnr, J, Taylor, S.A. (1992), Measuring service quality: a reexamination and extension, -

Journal of marketing,56,p55-58

Curry, A. and Sinclair, E. (2002). Assessing the quality of physiotherapy services using Servqual.

Dubrovski,(2001) "The Role of Customer Satisfaction in Achieving Business Excellence," Total Quality Management, Vol. 12, No. 7, 2001, pp. 920-925.

Edvardsson.(1998). Service quality improvement.*Managing service quality*, Vol.8.Number 2, p.142-149.

Ennew, Watkins and Wright (1993), cases in marketing financial services, **Butterworth-Heinemann**. Published Date: 11th March 1993

Ethiopian Insurance Corporation Medin (October 2016/17: No, 23) A Bi- Annual Magazine of Ethiopian Insurance Corporation No.85. Addis Ababa (Journal)

Etzel, Walker, and Stanton (1997), the fundamentals of marketing, volume 1, macgraw- Hill, business and economics.

Fasil Asfaw,2015The Impact of Service Quality on Customer Satisfaction and Loyalty in the Ethiopian Insurance Industry

Fen, Y. S. and Meillian, K. (2005). Service quality and customer satisfaction: Antecedents of customer's re-patronage, *Sunway Academic Journal*.Vol. 4, p.60-73.

Feigenbaum, 1986, toatal quality control, McGraw –Hill 1986 -quality control, no reviews

FikruTsegaye, (2013), insurance products in Ethiopia: Marketing dilemma (analyticalreview),

Ethiopian journal of marketing, vol 1, pp29-42

Fornell, C. (1992). "A National Customer Satisfaction Barometer: The Swedish Experience."
Journal of Marketing, Vol. 56, p.6-21.

- Garcia, J. A. M. and Caro, L. M. (2010). Rethinking perceived service quality: An alternative to hierarchical and multidimensional models. *Total Quality Management*. Vol. 21, Number 1, p.93– 118.
- Garvin, D. (1988). *Managing quality*. New York. Macmillan.
- Giese, J. L., and Cote, J. A. (2002). Defining Consumer Satisfaction, *Academy of Marketing Science*, Vol. 2000, Number 1, p.1-24.
- Gilmore* Audrey, *Services Marketing and Management*. Front Cover. Audrey *Gilmore*. SAGE Publications, Jun 2, 2003 - Business & Economics - 215 pages. 4 Reviews. Services ...
- Gronroos, C.A (1982), Strategic Management and Marketing in the service sector, *Swedish School of Economics and Business Administration*, Helsingborg.
- Gronroos, C.A (1984), service model and its marketing implication, *European journal of marketing*, Vol 18(4), pp36-44
- Gronroos. C (1990), *Service Management and Marketing*, Lexington, MA: Lexington Books, p37-39
- Gronroos, (2004), the relationship marketing process, communication, interaction, dialogue, value", *Journal of Business & Industrial Marketing*, Vol. 19 No.
- Habtamu. (2010). the assessment the impact of service quality and customers satisfaction applying the SERVEQUAL model to the saving account holders of private banks: Addis Ababa
- Hague, P. N. (2004). *Market Research in Practice: A Guide to the Basics*. London, Great Britain:
- Hailu Zeleke (2007), *Insurance in Ethiopia: Historical Development, present status and Future challenges*, Master printing press PLC
- Hardie N. & Walsh P. (1994). Towards a better understanding of quality. *international Journal of quality and reliability management*, Vol.11, p.53-63.

- Hartline, M. D., & Ferrell, O. C. (1996). The management of customer-contact service employees: An empirical investigation. Journal of Marketing, 60(4), 52-70.*
- Jobber, David (2001), principle and practice of marketing,
- Johns, N. (1998). What is this thing called service? *European Journal of Marketing*, Vol. 33, Number 9/10, p.958-973.
- Kanojia, Dr. Yadav (2012), customer satisfaction in commercial banks, international journal of trade and commerce-academia.edu
- Karatepe, O. M.; Yavas, U.; Babakus, E. 2005. Measuring service quality of banks: scale development and validation, *Journal of Retailing and Consumer Services* 12(5): 373–383. doi:10.1016/j.jretconser.2005.01.001 Ken Irons, 1997,
- Kindye, E. (2011). Effect of after sales service on customer satisfaction and loyalty in automotive industry in Ethiopia: Thesis, Addis Ababa University electronics library
- Kogan Page Ltd.
- Kothari, C.R. (2004), *Research methodology methods and techniques*, 2nd revised edition, New age international limited, New Delhi
- Kotler, P. and Keller, K. (2006), *Marketing Management*, 12th ed, Pearson education inc, New Jersey.
- Kotler, P. (1999), *Marketing Management: Analysis, Planning, Implementation, and Control*, 9thed., Prentice- Hall, New Jersey, USA.
- Kumar* 1999, 2005, 2011. First edition ... Reprinted 2007, 2008 (twice), 2009 (twice). This third ...
The *research* process: characteristics and requirements.

- Lee,H.,Lee, Y. and Yoo, D. (2000). The determinants of perceived service quality and its relationship with satisfaction, *Journal of Service Marketing*, Vol. 14, Number 3, p.217-231.
- Lehtinen and Lehtinen (1982), service quality and satisfaction, the moderating role of value,
- Long, R. G., White C.M., Friedman W. H. and Brazeal D.V. (2000). The Qualitative versus Quantitative research debate: A question of metaphorical assumptions, *International Journal of Value-based Management*, Vol.13, p.189-197.
- Lovelock and Wright (1999) Principles of Service Marketing and Management. Front Cover. Christopher H. Lovelock, Lauren Wright. Prentice Hall, 1999 - Administración de mercadeo - 414 ..
- McCarthy and Perreault (1993), basic marketing: a global-managerial approach, business and economics
- Marczyk, G., De Matto, D. and Festinger, D. (2005), *Essentials of Research Design and Methodology*, John wiley & sons Inc, Hoboken, New Jersey
- Mesay Shata, 2012. Banking Service Quality and Its Impact on Customer Satisfaction in State Owned Banks in East Gojjam Zone Ethiopia.
- National Bank of Ethiopia, *Annual Report of National Bank of Ethiopia*. Available from: www.nbe.org.et, Accessed 10 December 2013
- K. Newman and A. Cowling(1996), “Service Quality in Retail Bankng: The Experience of Two British Clearing Banks,” *International Journal of Bank Marketing*, Vol. 14, No. 6, 1996, pp. 3-11.
- Newman K (2001), Interrogating SERVQUAL: a critical Assessment of service quality measurement in a high stress retail bank, *International journal of bank marketing*, 19,3, 126- 139.

- Oliver, R. L. (1980), Effect of expectation and disconfirmation on postexposure product evaluations - An alternative interpretation, *Journal of Applied Psychology*, Vol. 62, Number 4, p. 480-486.
- Oliver, R.L. and Swan, J.E. (1989) Consumer Perceptions of Interpersonal Equity and Satisfaction in Transactions A Field Survey Approach. *Journal of Marketing*.
- Plamer, Adrian (2001), Principles of service marketing, 2nd edition, provides a comprehensive coverage of the issues involved in effective marketing within this highly varied and dynamic sector.
- Parasuraman, A.; Berry, L.L.; and Zeithaml, V.A. (1988), SERVQUAL: A multiple-item scale for measuring customer perceptions of service quality, *Journal of retailing*, vol 64 (1), pp12-40.
- Parasuraman, A; Zeithaml. A; Berry.L (1985): A conceptual model of service quality and its implications for future research future research, *Journal of Marketing*, Vol 49, pp41-50
- Parasuraman, A; Zeithaml. A; Berry.L (1991): Reassessment of SERVQUAL scale, *Journal of Retailing*, Vol 67, Number4
- Parasuraman, A; Zeithaml. A; Berry.L (1994): Reassessment of expectation as comparison standard in measuring service quality: Implication for further research, *Journal of Marketing*, vol 58, pp111-124
- Rakshit Negi, (2009), Users perceived service quality of mobile communications: experience from Ethiopia, *International Journal of Quality & Reliability Management*, Vol. 26 No. 7, pp. 699-711
- Reimer, A. and Kuehn, R. (2005). The impact of service scape on quality perception, *European Journal of Marketing*, Vol. 39, Number 7/8, p.785-808.

- Sahin, B., Demir, C., Celik, Y., and Teke, A. K. (2006). Factors affecting satisfaction level with the food services in a military hospital, *Journal of medical systems*, Vol. 30, Issue 5.
- Salkind, N. J. (2003). *Statistics for people who think they hate statistics*. 2nd Edition. Sage Publications, Inc.
- Saravanan, R. and Rao, K. S. P. (2007). Measurement of service quality from the customer's perspective – An empirical study, *Total Quality Management*, Vol.
- Sedighiyan, H. (2000). Marketing management and insurance sale, *Iran Insurance Publications*, First edition.
- Serenko and Turel (2006), factors affecting customer satisfaction, international research journal of finance and economics-issue 60/2010
- Smith and chamberline, opportunities and challenges of micro insurance in Ethiopia,2009
- Spreng and Mackoy (1996); McDougall & Levesque (2000) from publication: Customer Satisfaction in the Banking Sector: The Case of North Cyprus ..*
- Sureshchandar et al, the relationship between service quality and customer satisfaction
- Tsoukato, E. & Rand, K. (2007), Cultural influences on service quality and customer satisfaction: Evidence from Greek insurance, *Managing service quality*, vol 17,pp467-485 Mall and Pyne (1973),
- Wicks,A.M.,and Roethlein, C. J. (2009). A Satisfaction-Based Definition of Quality *Journal of Business and Economic Studies*, Vol. 15, No. 1, Spring 2009, 82-97.
- Yasin, MM; Alavi J; Kunt M, & Zimmerer TW (2004), TQM practices in service organizations: An exploratory study into the implication outcome and effectiveness, *Manage, service Quality*, vol14(5):377-389

Yi, Y. (1990). A critical review of consumer satisfaction, in Zeithaml, V. (Eds), *Review of Marketing, American Marketing Association, Chicago, IL*, p.68-123

Zeithaml, V.A & Mary Jo Bitner (2003), *Service marketing Integrating customer focus across the firm*, 3rd edition, Tata Mcgraw Hill publishing company L, newdelhi.

Appendix1

A QUESTIONNAIRE ON THE IMPACT OF SERVICE QUALITY ON CUSTOMER SATISFACTION IN EIC

(To be filled by customers)

Dear respondents

This questionnaire is designed to collect data on the perception levels of customers in relation to service quality delivered by the Ethiopian Insurance Corporation.

This questionnaire is organized under three parts: General information, SERVQUAL questions, and level of customer satisfaction. The information you provide will be kept confidential & cannot be transferred to a third party. The result of the study is expected to benefit the insurance marketers to design and deliver a better service to customers.

The researcher is kindly requesting you to provide the necessary information to the best of your knowledge and be part of the noble effort to be made in measuring the quality of service delivered By EIC and its effect on the level of customer satisfaction. Completing this questionnaire will take you only 20 minutes. Thank you in advance for spending your precious time to answer the questions

Thanking you, The researcher

Part I. General information

Gender?

1. Male 2. Female

Age?

1. 18-24 4. 45-54
2. 25-34 5. 55-64
3. 35-44 6. 65 andover

Level of education

1. Primary education 2. Secondary level education
3. Certificate 4. Diploma
5. Degree 6. Others

Type of customers

1. Retail 2. Corporate

Part II: Survey of your perceptions towards service quality office.

Direction: This survey deals with your opinion about **EIC Service Delivery System**. Please rate the extent to which you expect and perceive the services offered by the organization by encircling the appropriate number against each statement. There is no right or wrong answers. What is expected from you is to select the best choice among given alternatives in order to show your expectations and perceptions about the Services Delivered beylic.

Level of **PERCEPTION** towards service quality of EIC (**Where, the score levels are described as: 1.Strongly Disagree 2-Disagree 3-Neutral 4- Agree 5- Strongly Agree**)

Dimensions		Your Level of perception for Ethiopian insurance corporation				
TANGIBLES						
1	usually uses appealing materials associated with service	5	4	3	2	1
2	Uses visually appealing physical facilities	5	4	3	2	1
3	Uses modern equipment & technology	5	4	3	2	1
4	Use neat appearing employees & agents	5	4	3	2	1
5	Establishes its branches at convenient location					
RELIABILITY						
6	Issues contracts with clear, transparent and no ambiguous terms	5	4	3	2	1
7	Settles customers claims with no unnecessary delays	5	4	3	2	1
8	perform the service right at the first-time	5	4	3	2	1
9	Uses consistent customer focused easy to understand underwriting policies	5	4	3	2	1
RESPONSIVENESS						
10	The staff keeps promises when to do something by a certain time	5	4	3	2	1
11	The staff tells you exactly when services will be provided	5	4	3	2	1
12	The staff give you prompt service	5	4	3	2	1
13	The staffs are willing to help you	5	4	3	2	1

14	The staff is not too busy to respond to customers request	5	4	3	2	1
	ASSURANCE					
15	The staff has the necessary knowledge to give professional service	5	4	3	2	1
16	Employees are Committed to be consistently courteous with customers	5	4	3	2	1
17	Regularly instilling confidence and safety in customers	5	4	3	2	1
18	claimants are assured of best possible attention	5	4	3	2	1
	EMPATHY					
19	The staffs have the customers best interest at heart	5	4	3	2	1
20	The staff shows personal attention to you	5	4	3	2	1
21	The staff knows your specific needs	5	4	3	2	1
22	Operating hours are convenient to all customers	5	4	3	2	1

Part III: Customer Satisfaction Level

Customers overall satisfaction	Highly dissatisfied	Dissatisfied	Neutral	Satisfied	Highly satisfied
You are satisfied with staffs response and prompt services provided	5	4	3	2	1
You are satisfied with the skill and competency of the employees	5	4	3	2	1
You are satisfied with overall service of EIC.	5	4	3	2	1