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The Impact of Service Quality on Customer Satisfaction and Loyalty in the Ethiopian Insurance Industry

BY

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DECLARATION

I hereby declare that this project work, **"The Impact of Service Quality on Customer Satisfaction and Loyalty in the Ethiopian Insurance Industry"**, undertaken by me for the partial fulfillment of Executive Master's of Business Administration [EMBA] at Addis Ababa University, is my original work and not submitted earlier for any degree either at this University or any other University.

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Abstract

This research project tries to assess and analyze the impact of service quality on customer satisfaction and customer loyalty in Ethiopian Insurance industry. Further, this study evaluates the relationship among service quality including its dimensions, customer satisfaction, and customer loyalty. For the purpose of the study primary data were collected using five point likert scale based questionnaire that was constructed taking into account all the dimensions of service quality as per the SERVPERF scale such as Tangibles, Reliability, Responsiveness, Assurance, and Empathy. Further, customer's perceptions were used to assess Customer Satisfaction and customer loyalty. A sample of 768 customers was selected using multi stage sampling technique, and 706 customers were responding. And the data was analyzed using descriptive statistics and inferential statistics. The statistical methods of analysis included a descriptive statistics (frequency, mean and standard deviation), factor of analysis, ANOVA, correlation and Regression analysis are presented through SPSS version 20.

The result of this study shows that, all service quality dimensions have positive and significant impact on customer satisfaction and customer loyalty. At the same time, Customer satisfaction has also a positive and significant impact on customer loyalty. The findings also reveal that service quality and all its dimensions have a significant and positive relationship with customer satisfaction and loyalty. Customer satisfaction and customer loyalty have also a significant and positive association. Moreover, overall service quality has a strong association with customer satisfaction and customer loyalty in Ethiopian Insurance Industry.

Key words: service quality, service quality dimensions, customer satisfaction, SERVPERF

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Acronyms

AFIC …… …..…....Africa Insurance S.C.
AIC ……..……Awash Insurance S.C.
ANOVA……..…..Analysis of Variance
EIC ……...……Ethiopian Insurance Corporation
E-Life ……..……..…..Ethio-Life & General Insurance S.C.
EFA ……..……..…....Explanatory factor analysis
Fig ……..……Figure
KMO ……..……Kaiser-Meyer_Olkin
MLR ……..Multiple Linear Regression
NBE ……..National Bank of Ethiopia
NIB ……..…….NIB Insurance S.C.
NIC ……..……Nile Insurance S.C.
NISCO ……..……..Nyala Insurance S.C.
OIC ……..……Oromia Insurance S.C.
RATER……Reliability, Assurance, Tangibles, Empathy, Responsiveness
SD……Standard Deviation
SERVQUAL……..Service Quality measurement
SERVPERF…….Service performance-only measurement
SPSS……..…….Statistical Package for social science
UNIC ……..……The United Insurance S.C.

Chapter One: Introduction

Background of the Study

The increased significance of the service sector to the economy and competition in the marketplace has led insurers continually seeking strategies to increase profitability and expand their market shares. These strategies often concentrate on improving service quality, increasing customers' satisfaction and trust, and fostering customers' loyalty. Service quality (SQ) has become an imperative research issue because of its noticeable relationship to costs (Crosby, 1979), profitability (Buzzell and Gale, 1987; Rust and Zahorik, 1993; Zahorik and Rust, 1992), customer satisfaction (Bolton and Drew, 1991; Boulding et al., 1993), customer retention (Reichheld and Sasser, 1990) and a positive impacts on firm's revenues (Bolton 1998). SQ is widely regarded as a driver of corporate marketing and financial performance. Further, Service quality has gained great attention from managers and academics due to its substantial influence on business performance, cost reduction, customer satisfaction, customer loyalty and profitability (Gummesson, 1998; Sureshchander et al., 2002).

Customer loyalty is considered an essential input to organizational success and profit. Firms with large groups of loyal customers have been shown to have large market shares. Market share, in turn, has been shown to be associated with higher rates of return on investment (Raj, 1985; Reichheld & Sasser, 1990).

As a matter of fact, many organizations agree to the fact that high customer satisfaction will lead to greater customer loyalty (Yi, 1991; Anderson and Sullivan, 1993; Boulding et al., 1993) which, in turn, leads to future revenue (Fornell, 1992; Bolton, 1998). For that matter, many organizations (including insurances) that resorted to having superior service quality have been found to be market leaders in terms of sales and long-term customer loyalty and retention (Anderson and Sullivan, 1993; Boulding et al., 1993; Eklo¨ f and Westlund, 2002).

Differentiation based on service quality can be a key source of competitiveness for insurance companies and hence have implication for leadership in such organizations. The trend of insurance companies shifting from a product-focused view to a customer-focused one has been

developing recently as insurance products become increasingly hard to differentiate in fiercely competitive markets. It is becoming desirable for insurance companies to develop a customer centric approach for future survival and growth. The awareness has already dawned that prompt, efficient and speedy service alone will tempt the existing customers to continue and induce new customers to try the services of the company.

The link between service behavior and service quality has confirmed its role and significance in management as well as in marketing (Valarie et al., 1996; Heskett & Sasser, 2010; Hutchinsona et al., 2009). During previous decades, the notions of service quality and service satisfaction have been highly considered and used in marketing. Marketing researchers have praised the advantages of satisfaction and quality, and have mentioned them as indices of an organization competitive benefit (Ruyter, 1997). On the other hand, service loyalty is one of the most important structures in service marketing, due to its final effect on customers' repeated purchases, and in fact, those loyal customers who purchase repeatedly are considered as the base of any business (Caruana, 2002). Although these concepts have been used so many times in the marketing literature, but the relations between these three concepts still remain ambiguous. Therefore, this research intends to study the relation of these three concepts.

Moreover, a study concerning service quality and its relationship to customer satisfaction as well as loyalty in the case of Ethiopian insurance industry is limited. Existing literature reveals that only few studies observed service quality. And most are descriptive reports which cannot demonstrate causal links between service quality and customer loyalty. So, this project will try to study customer's perception of service quality and examine the relationship between service quality and customer loyalty.

1.2. Background of Insurance in Ethiopia

In early twentieth century European entrepreneurs who came from Great Britain, Italy, France and others saw a significant interest in insurance industry and foreign investors owned the lion share of the investments (Hailu, 2007: 41-47). Jointly owned by the Emperor, his supporters and foreign companies, the first domestic insurance company, namely, Imperial Insurance Company started issuing policies in fire, life and general accident since 1951. It also underscored a turning

point in the history of insurance business that ended in the issuance of the Commercial Code of Ethiopia in 1960 (Hailu, 2007: 41-47). The insurance sector during the command economic system was characterized by monopoly of the sector by the government and reliance on a couple of classes of insurance business (motor and marine) for much of gross premium income. The nationalization of private insurance companies and the restrictions imposed on private business ventures had significant adverse impact on the development and growth of Ethiopian insurance industry.

Later, Proclamation No. 86/1994 shaded a new light in the history of insurance business in which Ethiopian insurance market has become a ground where the public and private insurance companies compete to take hold of a large portion of the market. The provisions in the legislation and the bold actions taken subsequently have certainly transformed the industry.

Ethiopia's insurance industry has developed rapidly over the past few years. According to the report of National Bank of Ethiopia (2014), there are 15 insurance companies in Ethiopia, out of these one is owned by government and the others are private share companies.

1.3. Statement of the Problem

Undoubtedly owing to the belief that delivery of higher service quality is a must for attaining customers satisfaction and a number of other desirable behavioral outcomes, recent years have witnessed a flurry of research exploring inter relationship between service quality and, satisfaction and behavioral outcomes (Festus and Hsu, et al., 2006; Thamariselvan and Raja, 2007). The interest is largely driven by the realization that higher service quality results in customer's satisfaction and loyalty, greater willingness to recommend to someone else, reduction in complaints and improved customer retention rates (Danaher, 1997; Magi and Julander, 1996).

While much is known about the relationships between service quality, satisfaction and behavioral outcomes as a result of research initially as conducted in the USA and England (Angur et al., 1999; Jamal Nasser, 2002; Yavas et al., 1997; Anthanassapoulous, et al., 2001), still there is a scarcity of research dealing with these issues in the context of Ethiopia.

The problem of this study is mainly informed by the fact that there is very limited empirical evidence in the area of customer satisfaction, service quality and Loyalty in the insurance industry in Ethiopia. As far as the researchers are concerned, very little study has been published on customer satisfaction and service quality in the insurance industry in Ethiopia to inform stakeholders, especially the industry regulator, the National Bank of Ethiopia (NBE), regarding the service quality delivered by insurance companies to customers. The increased competition in the insurance industry in Ethiopia and the growth trend in the gross insurance premiums for the past decade (NBE, 2013), does not offer empirical support for the claim that customers are satisfied with the service quality delivered by firms in the industry as well as loyal to firms.

Furthermore, many researchers have tried to study customer satisfaction with service quality in various industry contexts (Gyasi & Azumah, 2009; Mehdi, 2007; Asubonteng, McCleary, & Swan, 1996; Rust, & Oliver, 1994; Gronroos, 1994; Rust & Zahorik, 1993) few have related it to the insurance industry context in developing economies, like Ethiopia. In order to give management a rational basis for developing effective marketing strategies there is the need to increase understanding of the factors that drive customer satisfaction and loyalty in the industry. In view of the above, ***what are service quality dimensions and its impact on customer satisfaction and customer loyalty as well as their relationship in the context of the Ethiopia Insurance Industry is the central problem statement for this study***.

1.4. Research questions

More specifically, this study answers the following research questions:

- What is the impact of service quality on customer satisfaction and customer loyalty towards Insurance service in Ethiopia?
- What are the relation between three concepts of service quality, customer's satisfaction and loyalty?
- What are the relation between five dimensions of service quality, satisfaction and loyalty?

1.5. Research model and Hypotheses

1.5.1. The Research Model

A research model is developed to find out the interrelationships between service quality, customer satisfaction and customer loyalty in the Ethiopian Insurance Industry in Ethiopia. The research model is as follows:

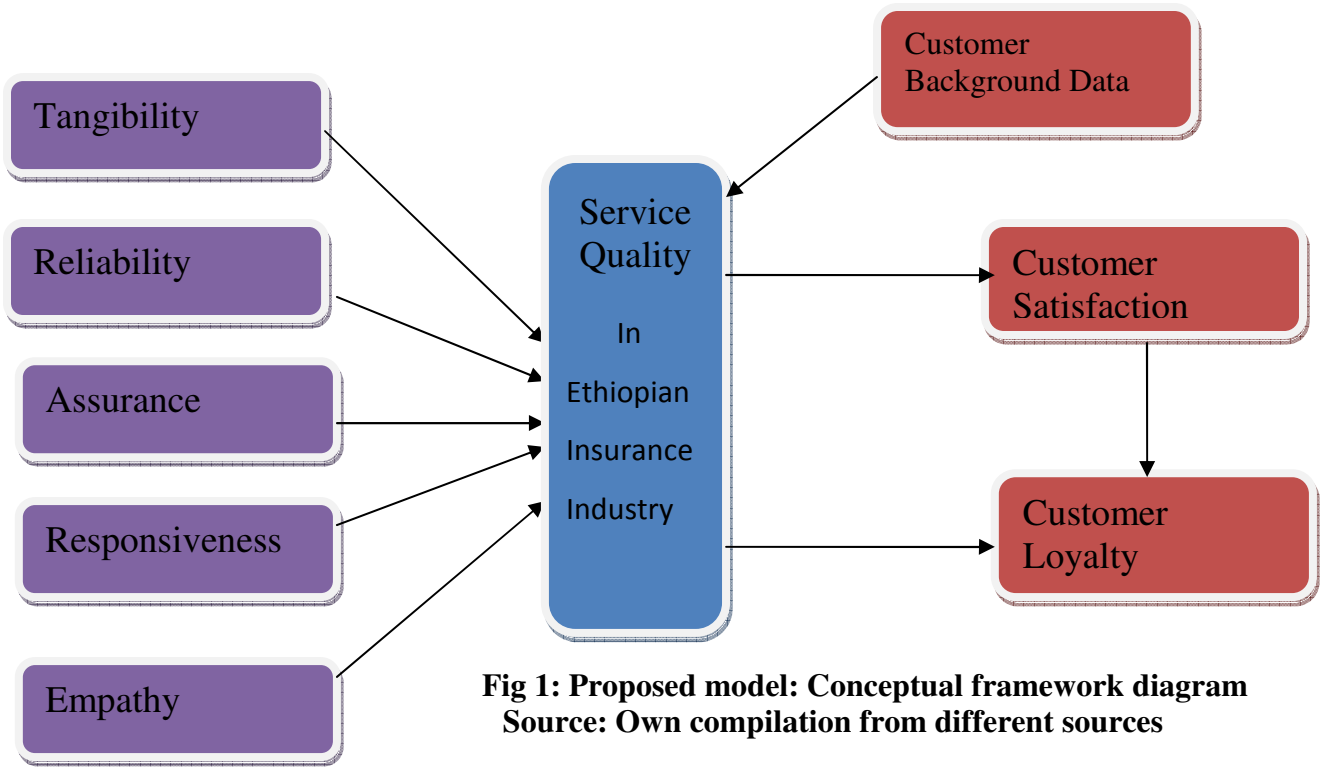


Fig 1: Proposed model: Conceptual framework diagram
Source: Own compilation from different sources

1.5.2. Statements of hypothesis

The hypotheses designed for this paper is based on the following assumptions:

- H_1: Assurance has a positive and significant relationship with customer satisfaction.
- H_2: Assurance has a positive and significant relationship with customer loyalty.

- H_3: Reliability has a positive and significant relationship with customer satisfaction.
- H_4: Reliability has a positive and significant relationship with customer customer loyalty.
- H_5: Tangibles has a positive and significant relationship with customer satisfaction.
- H_6: Tangibles has a positive and significant relationship with customer loyalty.
- H_7: Empathy has a positive and significant relationship with customer satisfaction.
- H_8: Empathy has a positive and significant relationship with customer loyalty.
- H_9: Responsiveness has a positive and significant relationship with customer satisfaction.
- H_{10}: Responsiveness has a positive and significant relationship with customer loyalty
- H_{11}: Overall Service quality has a positive and significant relationship with customer Satisfaction.
- H_{12}: Overall Service quality has a positive and significant relationship with customer loyalty
- H_{13}: Customer satisfaction is a positive and significant associated with customer loyalty.
- H_{14}: Customer satisfaction mediates the relationship between perceived service quality and customer loyalty.
- $H_{15:}$ Service quality has impact on customer satisfaction.
- $H_{16:}$ Service quality has impact on customer loyalty.
- $H_{17:}$ Customer satisfaction has impact on customer loyalty.

1.6. Objectives of the Study

1.6.1. General objective

The **general objective** of this study is to evaluate the impact of service quality on customer satisfaction and loyalty in the Ethiopian insurance industry.

1.6.2. Specific objectives

The following are the **specific objectives** of this study:

- ✓ To analyze the association between Service quality factors and customer satisfaction;

- ✓ To analyze the association between customer satisfaction and loyalty;
- ✓ To examine perceived service quality in terms of Empathy, Responsiveness, Assurance, Tangibility and Reliability in Ethiopian Insurance Industry.
- ✓ To study the impact of different dimensions on service quality offered by insurance companies in Ethiopia.
- ✓ To exhibit the Customers background data meaningfully.

1.7. Scope / Delimitations of the Study

The study is specifically delimited to only the nine insurance companies that offer both life and non-life insurance services in Ethiopia. It excludes insurance companies that offer only life or only non-life insurance services, or broking services. Again only individual customers, not institutional customers, who use the services of these insurance companies, at least, for the past twelve months will be included in this study for analysis.

1.8. Significance/contributions of the Study

The study will greatly important in various ways to policy makers, managers, stakeholders, and business/marketing practitioners.

To policy makers like government agencies such as the National Bank of Ethiopia, the finding and results of this study will provide helpful insights and a more reliable guide to monitoring the impact of the operations of Ethiopia's Insurance Industry.

To the management of Ethiopian's insurance companies, the findings and results that will be reported in this study will provide a more reliable scientific measure and perspective for describing and evaluating the level of their customer satisfaction with the services they deliver. This will provide empirical support for management strategic decisions in several critical areas of their operations.

To other stakeholders like investors, shareholders, employees, pressure groups, consumer associations, among others, the study will provide invaluable information that will allow them to provide useful suggestions to the improvement in service delivery of their respective insurance companies in Ethiopia.

The study will provide additional evidence as to the relationship between insurance service quality, customer satisfaction and loyalty. Further, it will serve as a literature/ reference.

1.9. Limitations of the Study

The major limitation is likely the researchers would have access to every locality of Ethiopia and its suburbs for respondents to complete questionnaire for the study. Language is another access limitation as it is difficult translating some questions and statements into the local language perfectly because of the limited vocabulary of the local language. The other limitation can be in survey research respondents may misinterpret various items on the questionnaire, some subjects in the study may simply forget to complete and return the questionnaire, and it is possible that segments of the population may not be able to read and respond to the questionnaire.

1.10. Organization of the Paper

This project is organized in five chapters. Chapter one presents the general introduction about the whole report. Chapter two describes both theoretical and empirical literature review related to the issue of service quality, customer satisfaction and customer loyalty; Chapter three provides research design and methodology employed in the analysis part. Chapter four contains data presentation, analysis and interpretation. Finally, the last chapter concludes the total work of the project and gives relevant recommendations based on the findings. A “Reference” of related literature that refers while writing the paper and annex includes after chapter five.

Chapter Two: Literature Review

2.1. Preliminary Literature Review

2.1.1. Service Quality

The fact that the perceived quality of the product is becoming the most important competition factor in business world has been the reason of naming the present business era as "Quality Era" (Peeler, 1996). Consequently, service marketing intellectuals and researchers have offered several metaphors of this issue. For example, Berry (cited in Kandampully, 1998, p 423) calls it the most powerful competition weapon and Clow (1993) calls it the organization's life-giving blood. Quality is a multi-dimensional phenomenon. Thus, reaching the service quality without distinguishing the important aspects of quality is impossible.

Service quality is interpreted as perceived quality in the service literature and it provides the meaning of a customer's judgment about a service (Culiberg and Rojšek, 2010). Many scholars have defined the concept of service quality in different ways and have suggested different ways of measuring it. Service quality is one of the mostly researched and debated topics in recent research literature (Ananth et al., 2010). Haffman and Batesan (2002) defined service quality as 'an attitude formed by a long-term, overall evaluation of a firm's performance'. Lovelock et al. (2011) defined service quality as 'consistently meeting or exceeding customer expectations'. Grönroos (1984) defines the perceived quality of a service is the result of an evaluation process in which customers compare their expectations of service delivery and its outcome to what they expect. Parasuraman et al. (1985) defined service quality as 'the global evaluation or attitude of overall excellence of services'. They defined operationalzed service quality as the extent of discrepancy between customers' expectations or desires and their perceptions. Parasuraman et al.

(1985) proposed a scale called SERVQUAL and it is a generic measurement tool that has been utilized extensively in assessing service quality in a wide variety of service settings. The scale contains with 22 items for evaluating both consumer's perception and expectation of service quality. Parasuraman et al. (1985) initially identified 10 dimensions used by consumers in evaluating service quality and finally consolidated them into five broad dimensions. SERVQUAL refers to five service quality dimensions (Parasuraman et al., 1988):

_ Reliability (The ability to perform the promised service dependably and accurately)

_ Responsiveness (Willingness to help customers and to provide prompt services)

_ Tangibles (Physical facilities, equipment, and appearance personnel)

_ Assurance (Knowledge and courtesy of employees and their ability to convey trust and confidence)

_ Empathy (Caring, individualized attention the firm provides its customer)

Though SERVQUAL has been utilized widely by practitioners it has been criticized on various conceptual and operational grounds. Some of the criticisms regarding SERVQUAL were the universality of the scale (Cronin and Taylor, 1992), appropriateness of utilizing it in different cultural context (Carman, 1990; Cui et al., 2003), focusing mainly on the service delivery process (Mangold and Babakus, 1991), and the questionnaire length due to measuring perception and expectation separately as different scores (Carman, 1990). Cronin and Taylor (1992) developed a performance based only measurement called SERVPERF for assessing service quality as a way of overcoming some criticisms encountered by SERVQUAL. SERVPERF only evaluates customer's perception of the service delivered while SERVQUAL evaluates both customer's expectation and perception of the service offer. SERVPERF assumes that it is

unnecessary to measure expectations directly from customers as they automatically provide their ratings by comparing performance perceptions with expectations (Culiberg and Rojšek, 2010). SERVPERF scale is identical to the SERVQUAL scale in its dimensions and structure.

Empirically SERVPERF has found superior to SERVQUAL scale (Jain and Gupta, 2004; Wang and Shieh, 2006) and it has been favored over the SERVQUAL (Babakus and Boller, 1992; Gotlieb, et al., 1994).

2.1.2. Customer Satisfaction

Customer satisfaction is a key factor in formation of customer's desires for future purchase (Mittal & Kamakura, 2001). Furthermore, the satisfied customers will probably talk to others about their good experiences. This fact, especially in the Middle Eastern cultures, where the social life has been shaped in a way that social communication with other people enhances the society, is more important (Jamal & Naser, 2002). Oliver (1996) defines satisfaction as the summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with a consumer's prior feeling about the consumer experience. Although satisfaction has been defined as the difference between expectation and performance, but there are differences between quality and satisfaction. For example, Parasuraman et al. (1991) say that satisfaction is a decision made after experience while quality is not the same. On the other hand, in satisfaction literature, expectations for goods is "would", while in service quality literature, expectations for goods is "should". Cadotte & Turgeon (1988) have introduced another group of factors known as neutral factors. Besides, Liljander & Strandvik (1993) say that experience is not needed for evaluating service quality, and service can be evaluated on the basis of the knowledge about service provider, while satisfaction is an inner view, resulted from customer's own experience from the service.

2.1.3. Service Loyalty

Many service organizations have developed customer loyalty programs as a part of relations development activities. Customer loyalty is a complicated concept. Oxford Dictionary defines

loyalty as a state of true to allegiance. But the mere repeated purchase by customers has been mixed with the above mentioned definition of loyalty. In service domain, loyalty has been defined in an extensive form as "observed behaviors" (Bloemer , 1999). Caruana (2002) argues that behavior is a full expression of loyalty to the brand and not just thoughts. However, behavior standards (such as repeated purchase) have been criticized, due to the lack of a conceptual basis of a dynamic process (Caruana, 2002). For example, the low frequency of repeated purchase of a special service may be resulted from different situation factors, such as non-availability or absence of a provider. According to this point of view, loyal behavior cannot offer a comprehensive conception of fundamental causes of loyalty. Additionally, repetition may be due to different restrictions resulted from the market. Consequently, the loyalty of this type of customers mainly differs from the loyalty of those customers who seriously support a product, and do have psychological bond with a product and a company. Therefore, customer's loyalty was considered as an attitudinal structure. For example, this issue appears in the tendency to advise the service offer to other customers. Finally, in addition to behavioral and attitudinal approaches, another approach to customer's loyalty, called cognitive approach, was introduced. The operational definition of this approach often refers to the first product or service which comes to the mind of a person, while making decision for purchase. Meanwhile, in their definition of this approach, Ostrowski et al. (1993) and Bloemer (1999) refer to the first product or service that a person chooses among products and services.

2.2. Review of Some Accomplished Studies

Despite the importance of service quality, so far a few researches have been done in this field in Ethiopia, but numerous researches have been accomplished abroad. At least 293 important articles have been written from 1976 to 1995 on service quality. Meanwhile, if we consider

articles in which service quality forms a part of the article, this number will be 4000 articles. These numbers clearly show the importance of service quality, and the researchers' attentions to this topic (Philip & Hazlett, 1997).

Munawar (2014) has researched Impact of Service Quality on Customer Satisfaction and Customer Loyalty: Evidence from Banking Sector and findings indicate that service quality and all its dimensions have significant and positive association with customer satisfaction and customer loyalty.

Service Quality, Customer Satisfaction and Loyalty: A Test of Mediation was worked by Moshab, et al. (2010). The present research was conducted in a bank in Tehran, Iran, in 2009/2010.The results of this research show that in all aspects, customers' expectation, are higher than their perceptions of the Bank's operation, and in fact the quality of offered services is low. Besides, this research findings show that the customer satisfaction plays the role of a mediator in the effects of service quality on service loyalty.

Bloemer (1998) has presented a model to show how the mental picture, service quality, and customer satisfaction influence customer loyalty. Findings of this research show that the mental picture indirectly and through service quality, influences loyalty. On the other hand, service quality influences loyalty both directly and indirectly (through satisfaction). Besides, this research showed that the reliability and position in the market are relatively important stimulants affecting the loyalty to bank services.

On the relationship between customer satisfaction, service quality and service loyalty in Malta's banks, Caruana (2002) concluded that customer satisfaction plays a mediator role in the effect of service quality on service loyalty. In fact, service quality affects service loyalty through customer satisfaction. In addition, results of this research show that service quality is an important gateway to customer satisfaction, and explains 53% of the variance.

Yongyui (2003) has presented a model for the relationship between service quality and bank's reputation. According to the findings of this research, the fivefold dimensions of service quality

have direct effect on the bank's reputation. In addition, on the basis of this research's findings, the bank's reputation plays an important role in determination of purchase, repeated purchase, and customer loyalty. This issue has much more importance in banking industry, because service quality cannot be accurately evaluated before purchasing.

On customers' abandonment behavior in America's banks, Chakravarty (2003) found that there is a meaningful negative relation among service quality dimensions, responsiveness, empathy, and reliability, with customer's tendency to abandon the bank. This study in India's banks show that the concept of service quality in developing countries is a multi-dimensional structure, and in fact the results clearly show that SERVQUAL model provides more evaluating information in relation with service quality gaps, than SERVPERF scale. (Kirti Dutta and Anil Dutta, 2009) observed that Customer expectations are higher than perceptions and this gap varies across the banking sector with tangibility having the highest impact on overall customer satisfaction. (Vanpariya and Ganguly, 2010) examined that service quality is having a positive and significant correlation with customer satisfaction, positive word of mouth and loyalty intention. (Elangovan and Sabitha, 2011) in their empirical study found that there is no significant difference in the level of satisfaction of the respondents belonging to different age, education and occupation except income. (Dharmalingam et al., 2011) stated that all the service quality attributes are positively correlated with customer satisfaction. (Gopalakrishnan et al., 2011) determined that Service quality and customer satisfaction had a direct positive effect on customer‟s retention intentions out of which Customer satisfaction is a stronger predictor for retention. (Jackie L. M. Tam, 2004) found that customer with higher perceptions of the value of the service results in turn with greater satisfaction.

Chapter Three: Research methodology

3.1. Research approach

Research may be deductive or inductive. In this study, we have carefully selected existing empirical theories and models, applying and testing them in assessing the impact of service quality on customer satisfaction and loyalty in the context of Ethiopian's Insurance Industry. Therefore, the study is deductive. Since deductive research approach begins with the development of a theory or hypothesis and later a development of a strategy to test it in a context to verify or reject its claims. So it is thinking from general to specific.

3.2. Data collection methods

Primary data is important for this study and for the study to produce a realistic outcome; the collation of data has to be distributed over a large population. So, the survey questionnaires was designed to apply to a heterogeneous population, where targeted respondents come from the general open public (from difference genders, races, age groups, marital status, education backgrounds, designations and professionalisms).

Secondary data pertaining to previous researches, government publication (NBE) and service records in related area also consider.

3.3. Questionnaire Design

A questionnaire was developed to measure the impact of service quality on customer satisfaction, and customer's loyalty in Insurance industry of Ethiopian. Five-point likert scale was used where 1 stands for "Strongly Disagree", 2 stands for "Disagree", 3 stands for "Neutral", 4 stands for "Agree" and 5 stands for "Strongly Agree." The questionnaire was divided into four sections which cover the dependent and independent variables of the research. The first part contained the demographic details like Status of area, age, gender, marital status, educational qualification, occupation, income. The second part contained twenty four items compiled with service quality

variables Tangibility- (4), Reliability-(5), Responsiveness- (5), Assurance- (3), and Empathy-(5), The Third part contained five variables for Customer satisfaction and fourth part contained five variables for customer Loyalty .

3.4. Data type and source

3.4.1. Data type

Quantitative data type was employed in this study, since mainly statistical analysis is based on quantitative data using appropriate measurement of their variables and it can be measured numerically. Quantitative approach is one in which the investigator primarily uses post positivist claims for developing knowledge and employing strategies of inquiry such as experiments and surveys and collects data on predetermined instruments that yield statistical data (Creswell 2003, as cited in Sidat, 2008).

Quantitative research approach is based on the development of testable hypotheses and theory. Quantitative investigations tend to measure "*how often*" or "*how much*" (Kenova and Jonnason, 2006).by utilizing this method, the researcher would to measure the impact of quality service on customer satisfaction and customer loyalty in the Ethiopian Insurance Industry. To collect the quantitative data the survey method has been used and eventually the data has been analyzed by using statistical techniques.

3.4.2. Data Sources

3.4.2.1. Primary Sources of data

A structured questionnaire was constructed taking into account all the dimensions of service quality as per the SERVPERF scale such as Tangibles, Reliability, Responsiveness, Assurance, and Empathy. Further, customer's perceptions were used to assess Customer Satisfaction and customer loyalty.

3.4.2.2. Secondary Sources of data

Information has been gathered from various journals like International Business Research, European Journal of Social Sciences, Journal of International Academic Research for Multidisciplinary, International Journal of Innovation, Management and Technology, International Journal of Business and Social Science ,British Journal of Economics, Management and Trade Research Journal of Finance and Accounting, Journal of mathematics and computer science etc

Secondary information has also been referred to various websites that have previous research studies and empirical investigations, annual reports of NBE etc

3.5. Target population

The target population for the study comprised all individual customers of all the insurance companies operating in Ethiopia that offer both Life and Non-Life Insurance services. The insurance industry consists of 9 Life and Non-Life Insurance companies namely, EIC, UNIC, AIC, AFIC, NISCO, NIB, OIC, NIC, E-Life. These companies are situated across different regions of the country.

3.6. Sampling method and Sampling size

A **Multi-stage sampling** technique, which is a type of probabilistic sampling technique and **convenient sampling** technique, which is a non-probabilistic sampling technique, used to select the respondents for three reasons. First the customers are scattered across the country, which makes it very difficult to contact each of them individually. Again, it is difficult getting the exact number of customers for each of the insurance companies in Ethiopia which is required for the use of any random sampling technique. Third, the researchers are working within the demands of an academic schedule so very limited time and resources to conduct the study.

With a multi-stage sampling the researcher employed **cluster sampling technique** as the first stage of the process and divided population into two clusters (Insurance customers located in Addis Ababa and upcountry). The second stage of the process was used **stratified sampling**

within cluster samples in order to identify the strata which are sub-groups of the population. In this regard two strata could be easily identified i.e. Customers of government owned Insurance company and Customers of Private Insurance companies. Under **stratified random sampling** five Insurance companies will **randomly** select out of which one public/government and four private insurance companies will be select.

Finally, using **convenience sampling** (as a result of incomplete data on the total population, cost and time constraints), questionnaires distributed among 768 customers of the select Insurance companies with sample size of an equal proportion of 384 for each strata. The questionnaires are self administered on one-to-one basis by a representative and/or the researcher at all selected insurances' main branches to customers present for transacting business with the insurance companies. The filled questionnaires will take from the respondents on the same day by the researcher or representatives.

Since there is no available statistics on the total number of individual customers in the insurance industry in Ethiopia the following sample size formula for infinite/unknown population is used to arrive at a representative number of respondents (Godden, 2004; Daniel, 1999):

$$SS = \frac{Z^2 \times p\,(1-p)}{M^2}$$

Where:

SS= Sample Size for infinite population (more than 50,000)

Z = Z value /z score based on desired confidence level

P = population proportion (expressed as decimal)

M = Margin of Error (allowable error)

The above formula is valid only if we apply the simple random or systematic random sampling methods. Cluster or multistage sampling methods require a large sample size to achieve the same

precision. Thus, in order to obtain adequate sample size the above formula need to be multiplied by the design effect (deff) (Cochran, 1977).

$$SS = \frac{1.96^2 X 0.5(0.5)}{0.05^2} = 384$$

$$SS = 384 * 2 = 768$$

Where:

SS= Sample Size for infinite population (more than 50,000)

Z = 1.96 for 95% confidence level

P = population proportion 0.5 (50%) since this would provide the maximum sample size.

M = Margin of Error (allowable error) at 5% (0.05)

Deff = 2 (Design effect)

3.7. Data analysis techniques

In the analysis part, the data was obtained from the survey had captured and analyzed using the Statistical Package for Social Sciences (SPSS), Version 20. At first, descriptive statistics was used to present a profile of the respondents and to identify the mean and standard deviation of service quality dimensions, customer satisfaction as well as customer loyalty. Then, Statistical tools like Factor Analysis; Correlation and Multiple Regression analysis were applied for analyzing the questionnaires in order to determine the impact of service quality on customer satisfaction and customer loyalty and the relationship between service quality, customer satisfaction and customer loyalty.

3.8. Reliability and Validity

The term reliability is defined as consistency of measurement (Bollen, 1989), or stability of measurement over a variety of conditions in which basically the same results should be obtained (Nunnally, 1978). There are various reliability coefficients. The most popular and commonly

used technique to estimate reliability or internal consistency in the behavioral sciences is coefficient alpha often referred to as Cronbach's alpha which was developed by Lee Cronbach in 1951 to provide a measure of the internal consistency of a test or scale; it is expressed as a number between 0 and 1. Value of 0.6 or less generally indicates unsatisfactory internal consistency reliability (Malhotra, 2006). Internal consistency describes the extent to which all the items in a test measure the same concept or construct and hence it is connected to the inter-relatedness of the items within the test. Coefficients of internal consistency increase as the number of items goes up, to a certain point. Internal consistency should be determined before a test can be employed for research or examination purposes to ensure validity.

Alpha is an important concept in the evaluation of assessments and questionnaires. It is mandatory that assessors and researchers should estimate this quantity to add validity and accuracy to the interpretation of their data.

If a research is not valid, it hardly matters if it is reliable. The research conducted need to be valid to be able to answer the research question.

On the other side, the general concept of validity is the degree to which a test is measuring what it purport or claim to measure (Bortz, 1999, Cronbach, 1970, Kline, 2000). Validity was traditionally subdivided into three categories: content, criterion-related, and construct validity (see Brown 1996, pp. 231-249). Content validity includes any validity strategies that focus on the content of the test. Criterion-related validity usually includes any validity strategies that focus on the correlation of the test being validated with some well-respected outside measure(s) of the same objectives or specifications test. Criterion-related validity of this sort is sometimes called concurrent validity (because both tests are administered at about the same time). Another version of criterion-related validity is called predictive validity. Predictive validity is the degree of correlation between the scores on a test and some other measure that the test is designed to predict. Construct validity has traditionally been defined as the experimental demonstration that a test is measuring the construct it claims to be measuring.

All three types of validity discussed above (content, criterion-related, and construct validity) are now taken to be different facets of a single unified form of construct validity" (Brown, 2000, 8-10).

Factor Validity: Factor validity is a construct validity technique used in assessing the quality of questionnaire and it is obtained by means of factors analysis. The main measures used to test the validity of an instrument in factor analysis include:

- Extraction communalities are estimates of the variance in each variable accounted for by the components. The communalities values indicate that the extracted components represent the variables well. Thus, small values indicate variables that do not fit well with the factor solution, and should possibly be dropped from the analysis.

- The Kaiser-Meyer-Olkin Measure of Sampling Adequacy is a statistic that indicates the proportion of variance in the variables that might be caused by underlying factors. High values (close to 1.0) generally indicate that a factor analysis may be useful with your data. If the value is less than 0.50, the results of the factor analysis probably won't be very useful.

- Bartlett's test of sphericity tests the hypothesis that the correlation matrix is an identity matrix, which would indicate that the variables are unrelated and therefore unsuitable for structure detection. Small values (less than 0.05) of the significance level indicate that a factor analysis may be useful with the data.

CHAPTER FOUR

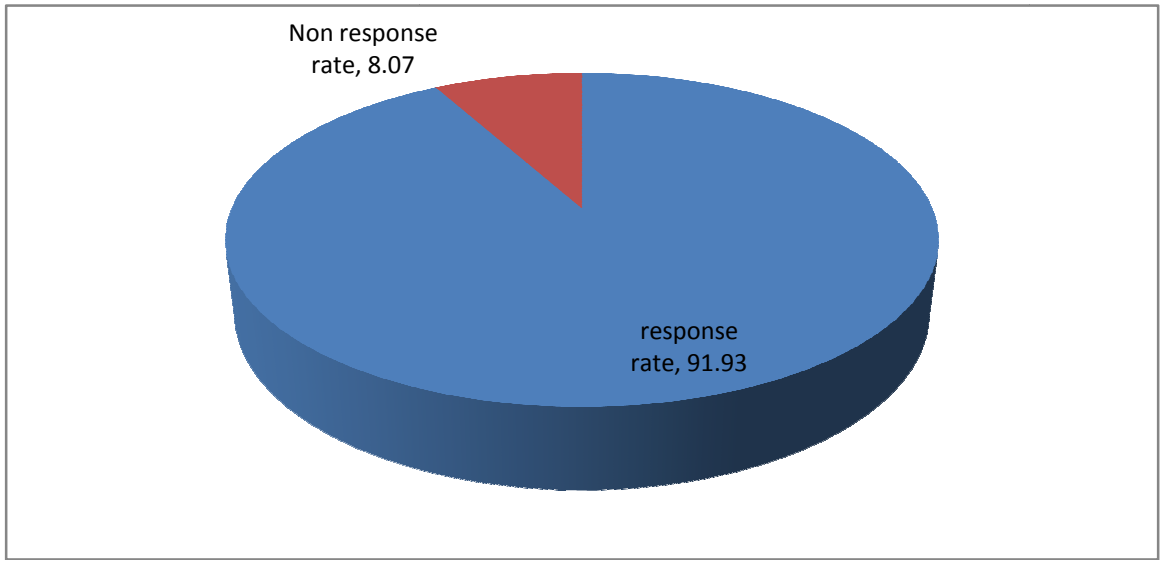
Data Analysis and Discussion of Results

4.1 Overview

In this chapter, the results obtained in the project are presented and discussed. First background information on the respondent statistics is presented. Such information includes demographic profile. Then the statistical methods of analysis were discussed, which included a descriptive analysis, factor of analysis, a correlation and Regression analysis are presented through SPSS version 20.

4.2 Response Rate

Seven hundred sixty eight (768) questionnaires were distributed to the respondent and out of that seven hundred six questionnaires (706) of them were returned for analysis with a response rate of 91.93% (Figure)



4.3 Profile of the Respondents

Data collected on the respondents was focused in the areas of gender, age, education, Marital Status, employment status, types of insurance policy bought, respondent have been done business with insurance company and premium amount they paid . This profile was useful to gain an overall insight of the insurance customers responding to the questionnaire.

The table below shows the details of background information of the respondents.

Table 4.1 Background information of Respondents

Characteristics/Variables		Frequency	Percent	Valid percent	Cumulative percent
Gender	Male	506	71.7	71.7	71.7
	Female	200	28.3	28.3	100.0
	Total	706	100.0	100.0	
Age	Less than 25	31	4.4	4.4	4.4
	25 to 34	181	25.9	25.9	30.3
	35 to 44	239	33.9	33.9	64.2
	45 to 54	209	29.6	29.6	93.8
	55 to 64	33	4.7	4.7	98.4
	65 and above	11	1.6	1.6	100.0
	Total	706	100.0	100.0	
Educational level	Some high School or below	34	4.8	4.8	4.8
	Graduate High school	102	14.4	14.4	19.3
	Diploma	201	28.5	28.5	47.7
	Degree	302	42.8	42.8	90.5
	Graduate Degree and above	67	9.5	9.5	100.0
	Total	706	100.0	100.0	
Marital Status	Married	531	75.2	75.2	75.2
	Unmarried	175	24.8	24.8	100.0

	Total	706	100.0	100.0	
Type of policy	Life	19	2.7	2.3	2.3
	Non life	596	84.4	90.5	92.8
	Both	91	12.9	7.2	100.0
	Total	706	100.0	100.0	
How long have you	Less than 4	124	17.6	17.6	17.6
been a customer?	4 to 7	183	25.9	25.9	43.5
	8 to11	183	25.9	25.9	69.4
	12 to 15	90	12.7	12.7	82.2
	16 to 20	62	8.8	8.8	90.9
	Above 20	64	9.1	9.1	100.0
	Total	706	100.0	100.0	
Premium Paid	Less than 1000	163	23.1	23.1	23.1
Amount	1000 to 5000	218	30.9	30.9	54.0
	5001 to 10000	162	22.9	22.9	76.9
	More than 10000	163	23.1	23.1	100.0
	Total	706	100.0	100.0	

Source: Own survey, 2015

As the above table 4.1 indicated that there were more males as compared to females. Male respondents represent 71.7 %, and female respondents represent 28.3 %. The marital status of respondents also shows that 75.2% are married and 24.8% are not married.

The Respondents in the 35 to 44 years of age category represented 33.9%, closely followed by the 45 to 44 and 25 to 34 age grouping of respondents at 29.6% and 25.9% respectively. This indicates that majority of them are in the economically active population. The age group between 55 to 64 represented 4.7%, while the age category below 25 years of age represented 4.4% of the

respondents. The 65 and over age category represented the smallest number of replies which is 1.6% of all the respondents.

Concerning educational level the largest groups of the respondents have a fine educated background that have hold Degree and diploma that account 42.8% and 28.5% respectively. 14.4% of respondents are those who completed high school. The respondents who have hold Masters Degree and above represent 9.5%. The smallest number of respondents 4.8% are attended some high School or below.

The type of insurance policy respondents are hold reviews 2.7% in the Life insurance business, whiles 84.4% are in the Non-Life insurance, living 12.9% of them in both Life and Non-Life insurance. The data entails us In Ethiopian Insurance Industry most of customers purchase non-life insurance policy rather than life insurance policy.

Regard to service experience respondents' doing business with their insurance company, 51.8% of the respondents are in the range of 4-11 years, 17.6 % of the respondents are in the range of less than 4 years, 12.7% are in the range of 12-15 years, and 9.1% of the respondents are above 20 years and 8.8% are in the range of 16-20 years.

As far as premium amount paid by respondents is concerned, 30.9 % of the respondents are in the range of premium paid between Birr 1000 to 5000, 23.1% of the respondents are in the range of premium paid less than Birr 1000 and more than 10000. 22.9% are in the range of premium paid between Birr 5001 to 1000.

4.4. Descriptive Statistics

4.2 Mean and SD score for the five service quality dimensions

Table 4.2 Descriptive Statistics for Service quality Dimensions

	N	Mean	Std. Deviation
Tangibility	706	4.34	.543
Reliability	706	3.55	.627
Responsiveness	706	4.01	.377
Assurance	706	3.70	.652
Empathy	706	3.58	.692
Valid N (list wise)	706		

Source: Own, computed from survey data, 2015

Table 4.2 illustrates the details about mean and standard deviation scores of the service quality dimensions.

The mean score of first service quality dimension i.e. tangibles is 4.34 with a standard deviation of .543. The mean score of tangibles is shown customers were agree that insurer's ambience, equipment, sitting area facilities, communication materials and personnel of the insurer enhance their levels of satisfaction and make them more loyal towards their respective insurer. Furthermore, there is less variability in the responses as indicated by the standard deviation of tangibles.

Reliability has a mean score of 3.55 with a standard deviation of .627. The mean score of reliability clearly point out that customers somewhat agree that insurer providers provide promised service precisely and consistently. The standard deviation of reliability is quite low which shows less inter response variability.

Responsiveness has a mean score of 4.01 with a standard deviation of .377. This result shows that the Insurers provide prompt service to their customers and readiness to respond customers demand.

Assurance has a mean score of 3.70 with a standard deviation of .652 which indicates that there is less variability of the responses and customers to some extent agreed that insurers seize trustworthy behavior and reflect valid commitments in providing services. It may also definitely influence their customers' retention.

The mean score of empathy is 3.58 with a standard deviation of .692. The mean of empathy is more than 3 but less than 4 that is fine but not significant enough to make the customers strongly agreed that insurance staff listen to the customers' problems carefully and provide individualized attention to their concerns and demands. However, variability in the responses is much lower as indicated by the standard deviation of empathy.

Therefore, it may be concluded from table 4.2 that respondents are most satisfied with tangibility, and followed by responsiveness. Customers are relatively less satisfied with reliability and empathy.

4.4.2. Mean and SD score for the dependent and independent variables

Table 4.3 Descriptive Statistics

	N	Mean	Std. Deviation
Service quality	706	3.84	.377
Customer Satisfaction	706	3.6657	.53664
Customer loyalty	706	3.6737	.53508
Valid N (list wise)	706		

Source: Own, computed from survey data, 2015

Table 4.3 depicts the descriptive statistics of variables involved in the research. Based on the above analysis, the mean score of service quality is 3.84 with a standard deviation of .377. The mean score of service quality that is an average of overall service quality dimensions indicate that customers almost agree that their insurers have delivered best quality services to satisfy their various needs. The standard deviation of service quality is also quite low which means variability of the responses on service quality is less and overall reliability of the score is better.

The mean score of customer satisfaction is 3.6657 with a standard deviation of .53664. The mean score of customer satisfaction is close to 4 which show that customers agree that they are satisfied with the quality of services delivered by their respective insurers. However, variability in the responses is lower as indicated by the standard deviation of customer satisfaction.

The mean score of customer loyalty is 3.6737 with a standard deviation of .53508. The mean score of customer loyalty is also close to 4 which show that customers agree that they are loyal for their respective insurers with less variability in the responses as indicated by the standard deviation of customer loyalty.

4.5 Reliability Analysis

In this project the scale reliability was checked by Cronbach's alpha Reliability test for each item, for all service quality dimensions and for all items. A summary of the reliability statistics of the data from the SPSS version 20 is presented in Table 4.4

Table 4.4 Test of Reliability

Multidimensional items	**Number of Items**	**Cronbach's Alpha**
Tangibles	3	0.841
Reliability	3	0.765
Responsiveness	3	0.795
Assurance	4	0.883
Empathy	3	0.888
Customer Satisfaction	5	0.841
Loyalty	5	0.714
All service quality items	16	0.859
All items	26	0.931

Source: Own, computed from survey data, 2015

Since the value of chronbach alphas for this study is above 0.6 for all scale variables so the data collected from respondents is reliable and consistent with the scale. In simple term the result is confirmed the reliability and consistency of the questionnaire.

4.6 Factor Analysis: validity/construct validity

This analysis is useful for assessing factor validity/construct validity. The main measures used to test the validity of an instrument in factor analysis include Extraction communalities, The Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's test of sphericity.

4.6.1 Extraction communalities

From Table 4.6 below, all the ratio of service quality dimension questions item communalities are larger than the minimum level of 0.5, so communalities values indicate that the extracted components represent the variables well. The same is true for customer satisfaction and loyalty items. Table 4.6 Communalities for service quality dimensions items

	Initial	Extraction
Tang1	1.000	.715
Tang2	1.000	.879
Tang3	1.000	.876
Reliab1	1.000	.516
Reliab2	1.000	.971
Reliab3	1.000	.934
Respon1	1.000	.794
Respon2	1.000	.665
Respon3	1.000	.747
Assurance1	1.000	.953
Assurance2	1.000	.891
Assurance3	1.000	.973
Assurance4	1.000	.953
Empaty1	1.000	.979
Empaty2	1.000	.984
Empaty3	1.000	.964

Extraction Method: Principal Component Analysis. Source: Own, computed from Survey data,2015

Table 4.7 Communalities for Customer satisfaction and loyalty items

Communalities

	Initial	Extraction
Satisfac1	1.000	.960
Satisfac2	1.000	.931
Satisfac3	1.000	.946
Satisfac4	1.000	.799
Satisfac5	1.000	.504
Loyalty1	1.000	.954
Loyalty2	1.000	.866
Loyalty3	1.000	.883
Loyalty4	1.000	.955
Loyalty5	1.000	.964

Extraction Method: Principal Component Analysis.

Source: Own, computed from survey data, 2015

4.6.2 KMO (Measure of Sample Adequacy)

In table 4.8, 4.9 and 4.10 the calculated Kaiser-Meyer-Olkin (KMO) measure of sample adequacy is 0.808 for the service quality factors, 0.742 for customer satisfaction factor, and 0.570 for loyalty factor. For High values (close to 1.0) generally indicate that a factor analysis may be useful with your data. If the value is less than 0.50, the results of the factor analysis probably won't be very useful. Based on the KMO test it is inferred that the adequacy of the sample enable to run factor analysis and further it indicates the suitability of the research data for structure detection.

Table 4.8

KMO and Bartlett's Test for service quality

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.808
TBartlett's Test of Sphericity	Approx. Chi-Square	20331.109
	df	120
	Sig.	.000

Source: Own, computed from survey data, 2015

Table 4.9

KMO and Bartlett's Test for customer satisfaction

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.742
Bartlett's Test of Sphericity	Approx. Chi-Square	2770.472
	df	10
	Sig.	.000

Source: Own, computed from survey data, 2015

Table 4.10

KMO and Bartlett's Test for loyalty

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.570
Bartlett's Test of Sphericity	Approx. Chi-Square	3172.588
	df	10
	Sig.	.000

Source: Own, computed from survey data, 2015

4.6.3 Bartlett's test of sphericity

From the above tables (4.8,4.9 and 4.10) the Approximate Chi-Square value are 20331.109, 2770.472 and 3172.588 for service quality, for customer satisfaction and loyalty respectively. The significance values for all factors are (000) which are less than the level of significance 0.05, so this tests reveal the correlations among the variables considered for the study and a factor analysis considered for data reduction is efficient and justifiable.

4.7 Factor Analysis: Data reduction/further Analysis

Factor analysis is a data reduction technique used to diminish a large number of variables to a smaller set of principal factors that summarize the important information contained in the variables (Coakes & Steed, 2007). Factor analysis is the common practice in service quality studies in order to obtain factor score for further analysis, to test the validity of measurements, to calculate Cronbach's alpha coefficient.

In this study first the correlation matrix, KMO measure of sampling adequacy and Bartlett's test of sphericity were checked in order to determine the appropriateness of data. Secondly, exploratory factor analysis (EFA) is applied to recognize the underlying relationships between measured variables. Scores collected for the sixteen variables of Service quality dimensions are taken for factor analysis and it was reduced by principal component analysis extraction method through Varimax with Kaiser Normalization rotation method converged in 6 iterations. For further analysis and explanation the study select four Factors which are having Eigen value more than one.

Four factors extracted can be deduced on the basis of the factor matrix and the decision to include a variable in a factor was based on the values of the factor loadings. Factor loading less than 0.4 were not including in the matrix and only factor loadings greater than 0.4 should be considered.

Table 4.11 Rotated Component Matrix

Rotated Component Matrix /output of factor analysis

	Component			
	1	2	3	4
Visually appealing materials and facilities associated with the service	-.475	-.308	.405	.480
Staff appeared neat and professional	-.099	-.083	.908	.196
Modern looking updated equipment, fixtures and facilities	-.168	-.091	.852	.337
Providing promised services as per the set schedule	.465	.310	-.310	.328
Providing services right the first time	.941	.263	-.124	.032
Showing sincere interest in solving customers' problems	.340	.877	-.219	.042
Apprising the customers of the nature and schedule of services available in the organization	.011	.044	.065	.888
Willingness to help customers and the readiness to respond to customers' requests	.139	.043	.477	.645
Providing prompt service to customers	.029	-.038	.471	.723
Agents and employees have the proper knowledge and competence to answer customers' specific queries and requests	.932	.262	-.121	.038
Agents and employees who instill confidence in customers through proper behavior	.874	.281	.203	-.079
Making customers feel safe and secure in their transactions	.268	.947	.052	-.033
Appropriate behaviour of the concerned staff	.281	.933	.041	-.047

Giving caring and individual attention to customers by having customers' best interests at heart	.942	.269	-.135	.030
Agents and employees who understand the specific needs of their customers	.943	.275	-.128	.047
Having convenient operating hours and days of the branches for the customers	.346	.892	-.208	.066

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

Source: Own, computed from survey data, 2015

The factor analysis facilitated us to identify four critical factors/ dimensions instead of five dimensions as recognized earlier in the model. The four factors include;

Factor 1: Reliability and Empathy

- ✓ Providing promised services as per the set schedule
- ✓ Providing services right the first time
- ✓ Giving caring and individual attention to customers by having customers' best interests at heart
- ✓ Agents and employees who understand the specific needs of their customers

Factor 2: Assurance

- ✓ Making customers feel safe and secure in their transactions
- ✓ Appropriate behaviour of the concerned staff

Factor 3: Tangibility

- ✓ Staff appeared neat and professional
- ✓ Modern looking updated equipment, fixtures and facilities

Factor 4 : Responsiveness

- ✓ Apprising the customers of the nature and schedule of services available in the organization

- ✓ Willingness to help customers and the readiness to respond to customers' requests
- ✓ Providing prompt service to customers

Table 4.12 Factor analysis values for the Service quality dimensions

Factor	Service Quality factors	Number of variables in each factors extracted	Eigen Value	Percentage of variance explained	Cronbach's alpha
1.	Reliability & Empathy	4	7.590	47.439	0.925
2.	Assurance	2	3.392	21.198	0.990
3.	Tangibility	2	1.779	11.118	0.891
4.	Responsiveness	3	1.034	6.460	0.795
KMO measure of sampling Adequacy: 0.808			Barlett's test of sphericity Chi-square value: 20331.09 Significance at Zero percent level.		

Source: Primary Data

Table 4.12 the extracted service quality factors, number of variables in each factor, Eigen value, percent of variation explained and the Cronbach's alpha for Reliability for each factor.

The most important factors for this study are Reliability and Empathy with the Eigen Value 7.590 and with the reliability of 0.925. The Percentage of variance explained with regard to Reliability and Empathy are 47.439. Next important factors considered is Assurance and, Tangibility with the Eigen value 3.392 and 1.779 having reliability and percentage of variance 0.99 and 0.891: 21.198 and 11.118 respectively. The last factor extracted through factor analysis is Responsiveness with Eigen Value of 1.034 together with 6.460 percentages of variance and having the reliability co-efficient of 0.795.

4.8. Pearson Correlation analysis

Based on the result obtained from the factor analysis, the extracted factors are considered to find out the association between service quality dimensions (represented by tangibility, reliability,

responsiveness, assurance, and empathy), customer satisfaction and loyalty. For this analysis Pearson correlation was computed.

Table 4.13 Inter-correlation analysis between the service quality dimensions, customer satisfaction and loyalty

		Reliability & Empathy	Assurance	Tangibility	Responsiveness	Overall service quality	Customer Satisfaction	Loyalty
Reliability & Empathy	Pearson Correlation	1	.000	.000	.000	.500**	.848**	.708**
	Sig. (2-tailed)		1.000	1.000	1.000	.000	.000	.000
	N	706	706	706	706	706	706	706
Assurance	Pearson Correlation	.000	1	.000	.000	.500**	.379**	.662**
	Sig. (2-tailed)	1.000		1.000	1.000	.000	.000	.000
	N	706	706	706	706	706	706	706
Tangibility	Pearson Correlation	.000	.000	1	.000	.500**	.145**	.131**
	Sig. (2-tailed)	1.000	1.000		1.000	.000	.000	.000
	N	706	706	706	706	706	706	706
Responsiveness	Pearson Correlation	.000	.000	.000	1	.500**	.151**	.033
	Sig. (2-tailed)	1.000	1.000	1.000		.000	.000	.385
	N	706	706	706	706	706	706	706
Overall service quality	Pearson Correlation	.500**	.500**	.500**	.500**	1	.617**	.636**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	706	706	706	706	706	706	706
Customer Satisfaction	Pearson Correlation	.848**	.379**	.145**	.151**	.617**	1	.926**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	706	706	706	706	706	706	706
Loyalty	Pearson Correlation	.708**	.662**	.131**	.033	.636**	.926**	1
	Sig. (2-tailed)	.000	.000	.000	.385	.000	.000	
	N	706	706	706	706	706	706	706

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

Source: Own, computed from survey data, 2015

The above table presents the results of Pearson correlation on the association between service quality dimension, the overall service quality, customer satisfaction and loyalty that is generated

from SPSS version. The results point out that service quality and all its dimensions such as tangibles, reliability, assurance and empathy have a significant and positive relationship with customer satisfaction and loyalty in Ethiopian Insurance Industry. So we accept hypotheses from $H_1$to H_{12}. Further Customer satisfaction and customer loyalty have also a significant and positive association. Thus, we accept hypotheses of H_{13}.

Overall service quality has a strong correlation with customer satisfaction and customer loyalty as provided by the particular correlation coefficients of .617 and .636 thus we accept hypotheses of H_{11} and H_{12} which postulate that there is a significant and positive relationship of service quality with customer satisfaction and customer loyalty.

Among service quality dimensions reliability and empathy also have a strong correlation with customer satisfaction and customer loyalty as provided by the particular correlation coefficients of .848 and .706 respectively. Hence the result implies there is a significant and positive relationship with customer satisfaction and customer loyalty.

Among service quality dimensions tangibility and responsiveness have a weak but a significant and positive correlation with customer satisfaction and customer loyalty as provided by the particular correlation coefficients of .145 and .131 (tangibility) and 0.151 and .033 (responsiveness) respectively.

Assurance has a strong positive and significant association with customer loyalty (.662) and a weak but positive and significant correlation with customer satisfaction (.379).

Furthermore, there also presents a strong positive and significant association between customer satisfaction and customer loyalty as indicated by the correlation coefficient of .236.

4.9 Regression Analysis

Multiple linear regression (MLR) analysis was applied to investigate the impact of service quality on customer satisfaction and customer loyalty. Further the analysis also considered the impact of customer satisfaction on customer loyalty.

Coefficient of determination-R^2 is the measure of proportion of the variance of dependent variable about its mean that is explained by the independent or predictor variables (Hair et.al, 1998). Higher value of R^2 represents greater explanatory power of the regression equation.

4.9.1 Impact of service quality on customer satisfaction

Table 4.14 Model Summary (Independent variables as predictors to customer satisfaction).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.952	.907	.906	.30617445

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

b. Dependent Variable: Customer Satisfaction

Source: Own, computed from survey data, 2015

Table 4.14 presents the model summary of the model which states customer satisfaction as a function of responsiveness, tangibility, assurance, reliability and empathy. Based on the above model summary R square value indicated that the independent variables explained the dependent variable by 0.907. This result implies that service quality accounted for 90.7 percent of the variance in customer satisfaction. So, Service quality variables explained the customer satisfaction by 90.7 percent.

Table 4.15 Coefficients (Independent variables as predictors to customer satisfaction)

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.505E-016	.012		.000	1.000
	Reliability & Empathy	.848	.012	.848	73.545	.000
	Assurance	.379	.012	.379	32.895	.000
	Tangibility	.145	.012	.145	12.533	.000
	Responsiveness	.151	.012	.151	13.099	.000

a. Dependent Variable: Customer Satisfaction

Source: Own, computed from survey data, 2015

Table 4.15 shows the coefficients of the independent variables (responsiveness, tangibility, assurance, reliability and empathy) have a positive sign and P<0.01 for all independent variables; this result indicates that service quality variables have a positive and significant effect on customer satisfaction. These results are agreed with the correlation analysis explained in section 4.5.

Table 4.16 ANOVA (Independent variables as predictors to customer satisfaction)

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	639.286	4	159.822	1704.895	.000
	Residual	65.714	701	.094		
	Total	705.000	705			

a. Dependent Variable: Customer Satisfaction

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

Source: Own, computed from survey data, 2015

ANOVA tells overall goodness of fit of the model. F-statistic of the model is 1704.895 with significant at the 0.000 level which is quite good and entails that model is a good fit at 1% level of significance.

4.9.2 Impact of service quality on customer loyalty

Table 4.17 Model Summary (Independent variables as predictors to customer loyalty).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.979	.958	.958	.20538516

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

b. Dependent Variable: Loyalty

Source: Own, computed from survey data, 2015

Table 4.17 presents the model summary of the model which states customer loyalty as a function of responsiveness, tangibility, assurance, reliability and empathy. The regression results show all service quality variables combined significantly influence customer loyalty. R square value of 0.958 indicates 95.8 percent of the variance in customer loyalty can be predicted by the the service quality provide by the insurers.

Table 4.18 Coefficients (Independent variables as predictors to customer loyalty)

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.755E-015	.008		.000	1.000
	Reliability & Empathy	.708	.008	.708	91.525	.000
	Assurance	.662	.008	.662	85.613	.000
	Tangibility	.131	.008	.131	16.956	.000
	Responsiveness	.033	.008	.033	4.230	.000

a. Dependent Variable: Loyalty

Source: Own, computed from survey data, 2015

Table 4.18 shows the coefficients of the independent variables (responsiveness, tangibility, assurance, reliability and empathy) have a positive sign and $P<0.01$ for all independent variables;

this result indicates that service quality variables have a positive and significant effect on customer loyalty. These results are similar with the correlation analysis explained in section 4.5.

Table 4.19 ANOVA (Independent variables as predictors to customer loyalty)

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	675.430	4	168.857	4002.967	.000
	Residual	29.570	701	.042		
	Total	705.000	705			

a. Dependent Variable: Loyalty

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

Source: Own, computed from survey data, 2015

ANOVA tells overall goodness of fit of the model. F-statistic of the model is 4002.967 with significant at the 0.000 level which is quite good and entails that model is a good fit at 1% level of significance.

4.9.3 Impact of customer satisfaction on customer loyalty

Table 4.20 Model Summary (Independent variables as predictors to customer loyalty).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.926	.857	.857	.37804760

a. Predictors: (Constant), Customer Satisfaction

b. Dependent Variable: Loyalty

Source: Own, computed from survey data, 2015

Table 4.20 depicts the model summary of the model which expresses customer loyalty as a function customer satisfaction. The regression results show customer satisfaction significantly

influence customer loyalty. R square value of 0.857 indicates 85.7 percent of the variance in customer loyalty can be predicted by the service quality provide by the insurers.

Table 4.21 Coefficients (customer loyalty as predictors to customer loyalty)

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.299E-015	.014		.000	1.000
	Customer Satisfaction	.926	.014	.926	65.029	.000

a. Dependent Variable: Loyalty

Source: Own, computed from survey data, 2015

Table 4.21 shows the coefficients of the independent variables (customer satisfaction) have a positive sign and P<0.01 for all independent variables; this result indicates that customer satisfaction has a positive and significant effect on customer loyalty. All the variables have a positive and significant relationship with customer satisfaction. These results are agreed with the correlation analysis explained before.

Table 4.22 ANOVA (customer satisfaction as predictors to customer loyalty)

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	604.384	1	604.384	4228.830	.000
	Residual	100.616	704	.143		
	Total	705.000	705			

a. Dependent Variable: Loyalty

b. Predictors: (Constant), Customer Satisfaction

Source: Own, computed from survey data, 2015

ANOVA tells overall goodness of fit of the model. F-statistic of the model is 4228.830 with significant at the 0.000 level which is quite good and entails that model is a good fit at 1% level of significance.

Chapter Five:

Conclusion, Recommendation, Limitations and Implications for Future Research

5.1. Conclusions

Based on the data analysis and discussion of the results the following conclusions are drawn:

- ✓ Demographic background of the sample indicates that insurance companies have more male customers than female customers with majority are married and the age categories are fall in the economically active population. Concerning education background the largest groups of respondents have a good level of education with hold degree and diploma. More than half of the respondents have been doing business in the range of 4-11 years with their insurance company and the data entails us In Ethiopian Insurance Industry most of customers have purchased non-life insurance policy rather than life insurance policy.

- ✓ As per mean score value respondents are most satisfied with tangibility, and followed by responsiveness. Customers are relatively less satisfied with reliability and empathy. The mean score of service quality that is an average of overall service quality dimensions indicate that customers almost agree that their insurers have delivered best quality services to satisfy their various needs. The standard deviation of service quality is also quite low which means variability of the responses on service quality is less and overall reliability of the score is better.

- ✓ The mean score of customer satisfaction is close to 4 which show that customers agree that they are satisfied with the quality of services delivered by their respective insurers. However, variability in the responses is lower as indicated by the standard deviation of customer satisfaction. The mean score of customer loyalty is also close to 4 which show that customers agree that they are loyal for their respective insurers with less variability in the responses as indicated by the standard deviation of customer loyalty.

- ✓ The value of chronbach alphas result is confirmed the reliability and consistency of the questionnaire. So data collected from respondents is reliable and consistent with the scale.

- ✓ The validity of an instrument in factor analysis includes Extraction communalities, The Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's test of sphericity. Communalities values indicate that the extracted components for service quality represent the variables well. The same is true for customer satisfaction and loyalty. Based on the KMO test it is inferred that the adequacy of the sample enable to run factor analysis and further it indicates the suitability of the research data for structure detection. Bartlett's test of sphericity this tests reveal the correlations among the variables considered for the study and a factor analysis considered for data reduction is efficient and justifiable.

- ✓ The factor analysis facilitated us to identify four critical factors/ dimensions instead of five dimensions as recognized earlier in the model. The four factors include factor 1: Reliability and Empathy, factor 2: Assurance, factor 3: Tangibility and Factor 4: Responsiveness.

- ✓ Based on the Eigen Value analysis the most important factors for this study are Reliability and Empathy. Next important factors considered are Assurance and, Tangibility. The last factor is Responsiveness.

- ✓ It is evident that assurance and empathy mainly drive customer satisfaction.

- ✓ Overall service quality and all its dimensions such as tangibles, reliability, assurance and empathy have a significant and positive relationship with customer satisfaction and loyalty in Ethiopian Insurance Industry.

- ✓ Customer satisfaction has also a significant and positive association with customer loyalty.

- ✓ Generally, based on the result of this project, it is evidently observed that the performance of service quality in Ethiopian Insurance Industry is creating positive and significant impact on customer satisfaction and Loyalty. Furthermore, customer satisfaction has also a positive and significant effect on customer loyalty.

5.2. Recommendations

Based on the major findings and conclusions of the project, the following recommendations are forwarded to the management and other stakeholders.

- In general this project finds that Ethiopian Insurance Industry is evaluated positively by respondents, but continuous improvements are recommended to keep up a competitive advantage.

- The insurers should recognized and determine the service quality factors\dimension and the presence of premium service quality has a positive impact on customer satisfaction and loyalty in Ethiopian insurance sector. For instance regular surveys should be conducted to gain the data from the customers regarding their perceptions, expectations and recommendations to improve the service quality.

- The usual predictors of the customer satisfaction and customer loyalty such as five service quality dimension (i.e. tangibility, reliability, assurance, responsiveness and empathy) still have a strong impact on the customer satisfaction and loyalty. Thus these factors must be the center of the strategy that is aiming at enhancing customer satisfaction and customer loyalty.

- According to most theoretical and empirical works the most important determinant of the customer satisfaction and customer loyalty is service quality. Hence, the provision of first-class quality services must be the main objective of the business strategy of insurance companies in Ethiopia.
- The insurance companies must be paying attention for innovation and consider the services they provide in accordance to the needs and demands of the customers. Customer must be the focal point of every strategy. In this regard, the insurers must think in terms of end result of their service quality innovations and the focus should be on the long run rather the short run.
- The demographical characteristics of the customers (both potential and existing) could be analyzed and find out the needs and demands of the active population, so that the specialized service quality interventions can be devised and channelized to particularly meet the demands and needs of that group and eventually to enhance their levels of satisfaction and loyalty.

5.3 Limitations and Implications for Future Research

This research project has the following limitations and it is recommended that future study should be conducted.

- The research was considered only the customer of insurers which provides both life and non life service. Moreover, it was also focused only at the main branch level. So further research should be carried out in order to obtain better generalize results.
- This study employed a qualitative method of analysis and ignored the qualitative aspect. Thus, future research should be used in depth qualitative method such as interview and focus group discussion in order to provide more in depth understanding of the various aspects and impact of service quality on customer satisfaction and customer loyalty in the insurance industry.
- This study did not considered a longitudinal research design rather it pursued data gathered at a single point in time. Due to this reason it is very difficult to explain causal relationships among the variables of the study.
- Further research may be conducted to review more variables of service quality dimensions and includes based on the suitability of insurance industry.

- Empirical research needs to conduct comparative analysis with in branches , among insurers or even other industries.

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Annex I: Profile of the Respondents

```
FREQUENCIES VARIABLES=gender Education Mstatus Empstatus Tpolicy Age_group
Premium_paid Customer_for_how_many_years
  /ORDER=ANALYSIS.
```

Frequencies

Statistics

		gender	Highest level of education	Maritial status	Employement status	Types of policy	Age group	Premium amount paid	How long have you been a customer
N	Valid	706	706	706	706	706	706	706	706
	Missing	0	0	0	0	0	0	0	0

Frequency Table

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	506	71.7	71.7	71.7
	Female	200	28.3	28.3	100.0
	Total	706	100.0	100.0	

Highest level of education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Some High School	34	4.8	4.8	4.8
	Graduated High School	102	14.4	14.4	19.3
	Diploma	201	28.5	28.5	47.7
	Degree	302	42.8	42.8	90.5
	Graduate degree or above	67	9.5	9.5	100.0
	Total	706	100.0	100.0	

Maritial status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	531	75.2	75.2	75.2
	Unmarried	175	24.8	24.8	100.0
	Total	706	100.0	100.0	

Types of policy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Life	19	2.7	2.7	2.7
	Non life	596	84.4	84.4	87.1
	Both life and non life	91	12.9	12.9	100.0
	Total	706	100.0	100.0	

Age group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 25	31	4.4	4.4	4.4
	25-34	183	25.9	25.9	30.3
	35-44	239	33.9	33.9	64.2
	45-54	209	29.6	29.6	93.8
	55-65	33	4.7	4.7	98.4
	Greater than 65	11	1.6	1.6	100.0
	Total	706	100.0	100.0	

Premium amount paid

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1000	163	23.1	23.1	23.1
	1000-5000	218	30.9	30.9	54.0
	5001-10000	162	22.9	22.9	76.9
	More than 10000	163	23.1	23.1	100.0
	Total	706	100.0	100.0	

How long have you been a customer

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 4 years	124	17.6	17.6	17.6
	4-7 years	183	25.9	25.9	43.5
	8-11 years	183	25.9	25.9	69.4
	12-15 years	90	12.7	12.7	82.2
	16-20 years	62	8.8	8.8	90.9
	More than 20 years	64	9.1	9.1	100.0
	Total	706	100.0	100.0	

Annex II : **Factor Analysis**

[DataSet1] C:\Users\sata\Desktop\test 3.sav

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.808
Bartlett's Test of Sphericity	Approx. Chi-Square	20331.109
	df	120
	Sig.	.000

Communalities

	Initial	Extraction
Visually appealing materials and facilities associated with the service	1.000	.715
Staff appeared neat and professional	1.000	.879
Modern looking updated equipment, fixtures and facilities	1.000	.876
Providing promised services as per the set schedule	1.000	.516
Providing services right the first time	1.000	.971
Showing sincere interest in solving customers' problems	1.000	.934
Apprising the customers of the nature and schedule of services available in the organization	1.000	.794
Willingness to help customers and the readiness to respond to customers' requests	1.000	.665
Providing prompt service to customers	1.000	.747

Agents and employees have the proper knowledge and competence to answer customers' specific queries and requests	1.000	.953
Agents and employees who instill confidence in customers through proper behavior	1.000	.891
Making customers feel safe and secure in their transactions	1.000	.973
Appropriate behaviour of the concerned staff	1.000	.953
Giving caring and individual attention to customers by having customers' best interests at heart	1.000	.979
Agents and employees who understand the specific needs of their customers	1.000	.984
Having convenient operating hours and days of the branches for the customers	1.000	.964

Extraction Method: Principal Component Analysis.

Component Transformation Matrix

Component	1	2	3	4
1	.761	.603	-.233	-.047
2	.170	.102	.675	.711
3	-.613	.789	.039	-.003
4	-.124	-.059	-.699	.702

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.590	47.439	47.439	7.590	47.439	47.439	5.182	32.385	32.385
2	3.392	21.198	68.637	3.392	21.198	68.637	3.909	24.429	56.814
3	1.779	11.118	79.755	1.779	11.118	79.755	2.466	15.411	72.225
4	1.034	6.460	86.216	1.034	6.460	86.216	2.239	13.991	86.216
5	.750	4.690	90.906						
6	.530	3.314	94.220						
7	.431	2.693	96.913						
8	.196	1.225	98.138						
9	.109	.681	98.819						
10	.059	.370	99.189						
11	.049	.304	99.493						
12	.031	.195	99.688						
13	.020	.126	99.813						
14	.016	.098	99.912						
15	.009	.055	99.966						
16	.005	.034	100.000						

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component			
	1	2	3	4
Visually appealing materials and facilities associated with the service	-.664	.503	.063	.131
Staff appeared neat and professional	-.346	.727	.030	-.480
Modern looking updated equipment, fixtures and facilities	-.397	.777	.064	-.332
Providing promised services as per the set schedule	.598	.134	-.054	.371
Providing services right the first time	.903	.126	-.375	-.023
Showing sincere interest in solving customers' problems	.837	.029	.475	.089

Apprising the customers of the nature and schedule of services available in the organization	-.021	.681	.028	.573
Willingness to help customers and the readiness to respond to customers' requests	-.010	.809	-.035	.100
Providing prompt service to customers	-.144	.833	-.032	.177
Agents and employees have the proper knowledge and competence to answer customers' specific queries and requests	.894	.130	-.369	-.020
Agents and employees who instill confidence in customers through proper behavior	.791	.258	-.307	-.323
Making customers feel safe and secure in their transactions	.765	.153	.585	-.149
Appropriate behaviour of the concerned staff	.769	.136	.565	-.151
Giving caring and individual attention to customers by having customers' best interests at heart	.910	.117	-.371	-.017
Agents and employees who understand the specific needs of their customers	.911	.135	-.367	-.011
Having convenient operating hours and days of the branches for the customers	.847	.055	.483	.096

Extraction Method: Principal Component Analysis.

a. 4 components extracted.

Rotated Component Matrix[a]

	Component			
	1	2	3	4
Visually appealing materials and facilities associated with the service	-.475	-.308	.405	.480
Staff appeared neat and professional	-.099	-.083	.908	.196
Modern looking updated equipment, fixtures and facilities	-.168	-.091	.852	.337
Providing promised services as per the set schedule	.465	.310	-.310	.328
Providing services right the first time	.941	.263	-.124	.032
Showing sincere interest in solving customers' problems	.340	.877	-.219	.042
Apprising the customers of the nature and schedule of services available in the organization	.011	.044	.065	.888
Willingness to help customers and the readiness to respond to customers' requests	.139	.043	.477	.645
Providing prompt service to customers	.029	-.038	.471	.723
Agents and employees have the proper knowledge and competence to answer customers' specific queries and requests	.932	.262	-.121	.038
Agents and employees who instill confidence in customers through proper behavior	.874	.281	.203	-.079
Making customers feel safe and secure in their transactions	.268	.947	.052	-.033

Appropriate behaviour of the concerned staff	.281	.933	.041	-.047
Giving caring and individual attention to customers by having customers' best interests at heart	.942	.269	-.135	.030
Agents and employees who understand the specific needs of their customers	.943	.275	-.128	.047
Having convenient operating hours and days of the branches for the customers	.346	.892	-.208	.066

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 6 iterations.

Annex III : **Correlations Analysis**

[DataSet1] C:\Users\sata\Desktop\test 3.sav

Correlations

		Reliability & Empathy	Assurance	Tangibility	Responsiveness	Overall service quality	Customer Satisfaction	Loyalty
Reliability & Empathy	Pearson Correlation	1	.000	.000	.000	.500**	.848**	.708**
	Sig. (2-tailed)		1.000	1.000	1.000	.000	.000	.000
	N	706	706	706	706	706	706	706
Assurance	Pearson Correlation	.000	1	.000	.000	.500**	.379**	.662**
	Sig. (2-tailed)	1.000		1.000	1.000	.000	.000	.000
	N	706	706	706	706	706	706	706
Tangibility	Pearson Correlation	.000	.000	1	.000	.500**	-.145**	-.131**
	Sig. (2-tailed)	1.000	1.000		1.000	.000	.000	.000
	N	706	706	706	706	706	706	706
Responsiveness	Pearson Correlation	.000	.000	.000	1	.500**	.151**	.033
	Sig. (2-tailed)	1.000	1.000	1.000		.000	.000	.385
	N	706	706	706	706	706	706	706
Overall service quality	Pearson Correlation	.500**	.500**	.500**	.500**	1	.617**	.636**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	706	706	706	706	706	706	706
Customer Satisfaction	Pearson Correlation	.848**	.379**	-.145**	.151**	.617**	1	.926**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	706	706	706	706	706	706	706
Loyalty	Pearson Correlation	.708**	.662**	-.131**	.033	.636**	.926**	1
	Sig. (2-tailed)	.000	.000	.000	.385	.000	.000	
	N	706	706	706	706	706	706	706

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

Annex IV : **Regression Analysis**

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.952[a]	.907	.906	.30617445

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

b. Dependent Variable: Customer Satisfaction

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.505E-016	.012		.000	1.000
	Reliability & Empathy	.848	.012	.848	73.545	.000
	Assurance	.379	.012	.379	32.895	.000
	Tangibility	-.145	.012	-.145	-12.533	.000
	Responsiveness	.151	.012	.151	13.099	.000

a. Dependent Variable: Customer Satisfaction

Excluded Variables[a]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
						Tolerance
1	Overall service quality	.[b]	.	.	.	.000

a. Dependent Variable: Customer Satisfaction

b. Predictors in the Model: (Constant), Responsiveness, Tangibility, Assurance, Reliability & Empathy

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	639.286	4	159.822	1704.895	.000[b]
	Residual	65.714	701	.094		
	Total	705.000	705			

a. Dependent Variable: Customer Satisfaction

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

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.979[a]	.958	.958	.20538516

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

b. Dependent Variable: Loyalty

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.755E-015	.008		.000	1.000
	Reliability & Empathy	.708	.008	.708	91.525	.000
	Assurance	.662	.008	.662	85.613	.000
	Tangibility	-.131	.008	-.131	-16.956	.000
	Responsiveness	.033	.008	.033	4.230	.000

a. Dependent Variable: Loyalty

Excluded Variables[a]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
						Tolerance
1	Overall service quality	.[b]	.	.	.	.000

a. Dependent Variable: Loyalty

b. Predictors in the Model: (Constant), Responsiveness, Tangibility, Assurance, Reliability & Empathy

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	675.430	4	168.857	4002.967	.000[b]
	Residual	29.570	701	.042		
	Total	705.000	705			

a. Dependent Variable: Loyalty

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

Annex IV : **Questionnaire(English)**

Dear Participants,

I am a final-year post graduate student of Addis Ababa University currently taking up Executive Master of Business Administration (EMBA). I am currently conducting my data collection for my research project entitled "**The Impact of Service Quality on Customer Satisfaction and Loyalty in the Ethiopian Insurance Industry**". So, I would like to know your attitudes and behaviors related to Service Quality, satisfaction and loyalty about the Insurance service provider you are using presently. The data collected is confidential and will only be used for analysis of the study and not for any other purpose.

This questionnaire consists four sections. The first section consist 8 questions regarding demographic information. The second section consist 16 attributes which are to be measured on a five point Likert scale to measure Service Quality insurance company. The third section contains 5 questions to indicate customers' judgment of satisfaction measured in five point Likert scale. The last section (section IV) consist 5 questions about loyalty which is measured in five point Likert scale.

Hoping that you lend me a couple of minutes of your time for answering the survey and your kindly help is crucial for our successful completion of this research project.

Your contribution in the study will be greatly appreciated. Thank you very much for your time and assistance.

Fasil Asfaw

Section I: Respondent Information

Please tick [√] the appropriate box for your answers.

1. Gender:
   - ❑ Male
   - ❑ Female

2. Your age group?
   - ❑ Less than or 24
   - ❑ 25-34
   - ❑ 35-44
   - ❑ 45-54
   - ❑ 55-64
   - ❑ 65 or over

3. What is the highest level of formal education you have completed? (Please check only one.)
   - ❑ Some High School
   - ❑ Graduated High School
   - ❑ Diploma
   - ❑ Degree
   - ❑ Graduate degree or above

4. What is your marital status?
   - ❑ Married
   - ❑ Unmarried

6. Which type of insurance policy do you have with your **major/main** insurance company?
   - ❑ Life insurance
   - ❑ Non-Life insurance
   - ❑ Both Life and Non-Life

7. How long have you been a customer to your **major/main** insurance company?
   - ❑ less than 4 years
   - ❑ 4-7 years
   - ❑ 8-11 years
   - ❑ 12-15 years
   - ❑ 16-20 years
   - ❑ More than 20 years

8. Premium Amount paid (in Birr):
   - ❑ less than 1000
   - ❑ 1000-5000
   - ❑ 5001-10000
   - ❑ More than 10000

Section II: Service Quality Dimensions

Please tick [√] the appropriate box for your answers and rank each statement as follows:

5 = strongly agree; 4= agree; 3 = neutral/ not sure; 2 = disagree; 1= strongly disagree.

Service Quality Dimensions	5	4	3	2	1
Tangibility					
Visually appealing materials and facilities associated with the service	☐	☐	☐	☐	☐
Staff appeared neat and professional	☐	☐	☐	☐	☐
Modern looking updated equipment, fixtures and facilities	☐	☐	☐	☐	☐
Reliability					
Providing promised services as per the set schedule	☐	☐	☐	☐	☐
Providing services right the first time	☐	☐	☐	☐	☐
Showing sincere interest in solving customers' problems	☐	☐	☐	☐	☐
Responsiveness					
Apprising the customers of the nature and schedule of services available in the organization	☐	☐	☐	☐	☐
Willingness to help customers and the readiness to respond to customers' requests	☐	☐	☐	☐	☐

Providing prompt service to customers	☐	☐	☐	☐	☐
Assurance					
Agents and employees have the proper knowledge and competence to answer customers' specific queries and requests	☐	☐	☐	☐	☐
Agents and employees who instill confidence in customers through proper behavior	☐	☐	☐	☐	☐
Making customers feel safe and secure in their transactions	☐	☐	☐	☐	☐
Appropriate behaviour of the concerned staff	☐	☐	☐	☐	☐
Empathy					
Giving caring and individual attention to customers by having customers' best interests at heart	☐	☐	☐	☐	☐
Agents and employees who understand the specific needs of their customers	☐	☐	☐	☐	☐
Having convenient operating hours and days of the branches for the customers	☐	☐	☐	☐	☐

Section III: Customer Satisfaction

Please tick [√] the appropriate box for your answers and rank each statement as follows:

5 = strongly agree; 4= agree; 3 = neutral/ not sure; 2 = disagree; 1= strongly disagree.

Satisfaction indicator	5	4	3	2	1
I feel satisfied when using insurance services from my insurance service provider.	☐	☐	☐	☐	☐
The employee was able to render the service according to my expectations and I am satisfied with the professional competence of the company.	☐	☐	☐	☐	☐
I am satisfied with the amount I paid for the service I received.	☐	☐	☐	☐	☐
I am satisfied with time it took to process my transaction. I am satisfied with the speed by which the service was delivered.	☐	☐	☐	☐	☐
I am satisfied with the overall service quality offered by the company	☐	☐	☐	☐	☐

Section IV: Customer Loyalty

Please tick [√] the appropriate box for your answers and rank each statement as follows:

5 = strongly agree; 4= agree; 3 = neutral/ not sure; 2 = disagree; 1= strongly disagree.

Loyalty indicator	5	4	3	2	1
I intend to continue using insurance services from my insurance company for a long time.	☐	☐	☐	☐	☐
I am willing to say positive things about the insurance company to other people.	☐	☐	☐	☐	☐
I will encourage friends and relatives to use the services offered by the company.	☐	☐	☐	☐	☐
I will prioritize this insurance company when selecting the same type of insurance service among insurers.	☐	☐	☐	☐	☐
Overall, I am a loyal customer to my insurance.	☐	☐	☐	☐	☐

Any additional comments you may wish to make

Thank you again for your cooperation. Your comments are valuable!

Annex IV : **Questionnaire(Amharic)**

መጠይቅ

ውድ ተሳታፊዎች

እኔ በአዲስ አበባ ዩኒቨርሲቲ የድህረ ምረቃ ፕሮግራም በከፍተኛ ንግድ አመራር (ኢኤምቢኤ) የመጨረሻ አመት ተመራቂ ተማሪ የሆንኩኝ በአሁኑ ሰዓት "በኢትዮጵያ የመድን ኢንዱስትሪ ውስጥ የአገልግሎት ጥራት በደንበኛ እርካታ እንዲሁም ታማኝነትን ላይ ያለውን ተጽዕኖ" በተመለከተ ለማጠናው ፕሮጀክት መረጃ በማሰባሰብ ላይ ነኝ። በመሆኑም የእርስዎን አጠቃላይ አስተያየት ከአገልግሎት ጥራት፣ እርካታ እና ታማኝነትን በተመለከተ ከእርስዎ ማወቅ አስፈልጎኛል። ይህ የሚሰበሰበው መረጃ ሚስጥራዊ ሲሆን ለዚህ ጥናት ብቻ የሚውል ሲሆን ለሌላ አገልግሎት አይውልም።

ይህ መጠይቅ አራት ክፍሎች አሉት። የመጀመሪያው ክፍል ተጠያቂዎችን በተመለከተ ስምንት (8) ጥያቄዎች የያዘ ሲሆን ሁለተኛው ክፍል አስራ ስድስት (16) ጥያቄዎች ያሉት ሲሆን እነዚህ በአምስት ነጥቦች የሊከርት ስኬል መሰረት የመድን ድርጅቶች የአገልግሎት ጥራትን የሚመዝኑ ናቸው። ሶስተኛው ክፍል አምስት (5) ጥያቄዎች ያሉት ሲሆን ይህም በአምስት የሊከርት ስኬል ነጥቦች መሰረት የደንበኞች የእርካታ ሁኔታን የሚያመላክቱ ናቸው፤ የመጨረሻው እና አራተኛው ክፍል አምስት (5) ጥያቄዎች የያዘ ሲሆን በአምስት ሊከርት ስኬል መሰረት ታማኝነትን የሚመዝኑ ናቸው።

ይህንን የሰርቬይ ጥያቄ ለመመለስ የተወሰኑ ደቂቃዎችን እንደሚሰጡኝ ተስፋ እያደረግኩ የርሶ እርዳታ ለእኔ የፕሮጀክት ምርምር በስኬታማነት መጠናቀቅ ወሳኝ መሆኑን እገልፃለሁ። በተጨማሪም የርሶ አስተዋፅኦ በእጅጉ የሚደነቅ ሲሆን ጊዜውን ስለሰጡንና ስለተባበሩን በጣም አመሰግናለሁ።

ፋሲል አስፋው

ክፍል አንድ፡ ተጠያቂዎችን በተመለከተ መሰረታዊ መረጃዎች

እባክዎን መልሶችዎን በተገቢው ሳጥን ውስጥ በ (✓) ምልክትን ያመላክቱ/ያስቀምጡ

1. ጾታ

   ወንድ ☐ ሴት ☐

2. የእድሜ ቡድን

   ☐ 18-24 ☐ 25-34

   ☐ 35-44 ☐ 45-54

   ☐ 55-64 ☐ 65 እና ከዚያ በላይ

3. በመደበኛ ያጠናቀቁት ከፍተኛ የትምህርት ደረጃ (እባክዎን አንዱን ብቻ ይምረጡ)

   ☐ 1ኛ ወይም 2ኛ ደረጃ በተወሰነ የተማረ ☐ 2ኛ ደረጃ የጨረሰ

   ☐ ዲፕሎማ ☐ ዲግሪ

   ☐ የዲግሪ ተመራቂ እና ከዚያ በላይ

4. የትዳር ሁኔታ

   ☐ ያገባ ☐ ያላገባ

5. በመድን ድርጅቶች ውስጥ ምን አይነት የመድን ፖሊሲ አለዎት

   ☐ የህይወት መድን ☐ ህይወት ነክ ያልሆነ መድን

   ☐ የህይወት እና ህይወት ነክ ያልሆነ መድን

6. በዚህ የመድን ድርጅት ውስጥ ለምን ያህል ጊዜ ደንበኛ ሆነዋል፡፡

   ☐ ከ 4 ዓመት ያነሰ ☐ ከ4-7 ዓመት ☐ ከ8-11 ዓመት

   ☐ከ12-15 ዓመት ☐ ከ15-20 ዓመት ☐ ከ20 ዓመት በላይ

7. የሚከፍሉት የአረቦን መጠን በብር

   ☐ ከ1000 ብር ያነሰ ☐ ከ1000-5000

   ☐ ከ5000-10000 ☐ ከ10000 በላይ

ክፍል ሁለት፡ የአገልግሎት ጥራት ገጽታዎች

እባክዎን መልሶችዎን በተገቢው ሳጥን ውስጥ በ (✓) ምልክትን ያመላክቱ/ያስቀምጡ

እንዲሁም እያንዳንዱን መግለጫ እንደሚከተለው ደረጃ ይስጡ፡

5=በጣም እስማማለሁ 4=እስማማለሁ 3=መካከለኛ/እርግጠኛ አይደለሁም 2=አልስማማም 1=አበክሬ አልስማማም

የአገልግሎት ጥራት አመላካቾች	5	4	3	2	1
ተጨባጭነት					
ከአገልግሎቱ ጋር በተገናኘ ለአይን የሚስቡ ማቴሪያሎች እና አቅርቦቶች	☐	☐	☐	☐	☐
የሥራ ባልደረቦች ንፁህ እና ሙያዊ ደረጃውን በጠበቀ መልኩ መቅረብ	☐	☐	☐	☐	☐
ዘመናዊነትን የተላበሱ የተሻሻሉ መሣሪያዎች፡ ተገጣሚ አካላት እና አቅርቦቶች	☐	☐	☐	☐	☐
ታማኒነት					
ቃል የተገቡትን አገልግሎቶች በተቀመጠላቸው የጊዜ ሰሌዳ ማቅረብ	☐	☐	☐	☐	☐
ትክክለኞቹን አገልግሎቶች ለመጀመሪያ ጊዜ ማቅረብ	☐	☐	☐	☐	☐
የደንበኞችን ችግሮች ለማስወገድ ቅን ፍላጐት ማሳየት	☐	☐	☐	☐	☐
ምላሽ ሰጪነት					
የደንበኞችን ሁኔታ እንዲሁም በድርጅቱ ውሰጥ የሚቀርቡ የአገልግሎቶችን ጊዜ መገምገም	☐	☐	☐	☐	☐
ደንበኞችን ለመርዳት ፈቃደኛ መሆን እና የደንበኞች ጥያቄ ምላሽ ለመስጠት ዝግጁ መሆን	☐	☐	☐	☐	☐
ፈጣን አገልግሎቶች ለደንበኞች ማቅረብ	☐	☐	☐	☐	☐
ማረጋገጫ					
ወኪሎች እና ሰራተኞች የደንበኞችን ልዩ ልዩ	☐	☐	☐	☐	☐

ጥያቄዎች እና አሳሳቢ ሁኔታዎች ለመመለስ ተገቢ ብቃት እና እውቀት አላቸው፡፡					
ወኪሎች እና ሰራተኞች በደንበኞች ውስጥ ከፍተኛ ደረጃ ያለው መተማመን በተገቢው ባህሪ አማካይነት ያሰርፃሉ፡፡	☐	☐	☐	☐	☐
ደንበኞች ደህንነታቸው እንደተጠበቀ እነዲያስቡና አስተማማኝ ግብይቶች ውስጥ እንዲሳተፉ ያደርጋሉ	☐	☐	☐	☐	☐
የሚመለከተው ሠራተኛ ተገቢነት ያለውን ባህሪ ያሳያል	☐	☐	☐	☐	☐
ሀዘኔታ					
ልባዊ በሆነ መልኩ ደንበኞች በጣም ጥሩ ጥቅም እንዲያገኙ እንክብካቤ ያዘለ እና ግለሰባዊ ትኩረትን መለገስ	☐	☐	☐	☐	☐
ወኪሎች እና ሰራተኞች የደንበኞችን ልዩ ልዩ ፍላጐቶችን መረዳት	☐	☐	☐	☐	☐
አመቺ የስራ ሰአታት እና ቀናት ለቅርንጫፍ ደንበኞች መኖር	☐	☐	☐	☐	☐

ክፍል ሶስት፡ የደንበኞች እርካታ

እባክዎን መልሶችዎን በተገቢው ሳጥን ውስጥ በ (✓) ምልክትን ያመላክቱ/ያስቀምጡ

እንዲሁም እያንዳንዱን መግለጫ እንደሚከተለው ደረጃ ይስጡ፡

5=በጣም እስማማለሁ 4=እስማማለሁ 3=መካከለኛ/እርግጠኛ አይደለሁም 2=አልስማማም 1=አበክሬ አልስማማም

የእርካታ አመላካች	5	4	3	2	1
ከመድን አገልግሎት አቅራቢዬ የመድን አገልግሎቶችን ስጠቀም እርካታ ይሰማኛል	☐	☐	☐	☐	☐
ሰራተኛው በምጠብቀው መሠረት አገልግሎቶችን የሚሰጥ ሲሆን በኩባንያው የሙያዊ ብቃት	☐	☐	☐	☐	☐

እርካታ አለኝ፡፡					
ላገኘሁት አገልግሎት በከፈልኩት የገንዘብ መጠን እርካታ አለኝ	☐	☐	☐	☐	☐
ጥያቄዬን ለማስተናግድ በሚፈጀው ጊዜና ፍጥነት እርካታ አለኝ	☐	☐	☐	☐	☐
በኩባንያው በሚቀርበው አጠቃላይ የአገልግሎት ጥራት እርካታ አለኝ	☐	☐	☐	☐	☐

ክፍል አራት፡ የደንበኞች ታማኝነት

እባክዎን መልሶችዎን በተገቢው ሳጥን ውስጥ በ (✓) ምልክትን ያመላክቱ/ያስቀምጡ

እንዲሁም እያንዳንዱን መግለጫ እንደሚከተለው ደረጃ ይስጡ፡

5=በጣም እስማማለሁ 4=እስማማለሁ 3=መካከለኛ/እርግጠኛ አይደለሁም 2=አልስማማም 1=አበክሬ አልስማማም

የታማኝነት አመላካች	5	4	3	2	1
ከመድን አገልግሎት አቅራቢዬ የመድን አገልግሎቶችን ለረዥም ጊዜ የመጠቀም እቅድ አለኝ	☐	☐	☐	☐	☐
ስለመድን ኩባንያዬ ለሌሎች ሰዎች አወንታዊ ነገሮችን ለመናገር ፈቃደኛ ነኝ፡፡	☐	☐	☐	☐	☐
ወዳጆቼ እና ዘመዶቼ በኩባንያው የሚቀርቡ አገልግሎቶችን እንዲጠቀሙ አበረታታለሁ	☐	☐	☐	☐	☐
በመድን አቅራቢዎች መካከል ተመሳሳይ የመድን አገልግሎት አይነት ሲመረጥ ለመድን ኩባንያው ቅድሚያ እሰጣለሁ	☐	☐	☐	☐	☐
በአጠቃላይ ለመድን ኩባንያዬ ታማኝ ደንበኛ ነኝ	☐	☐	☐	☐	☐

ማናቸውም ተጨማሪ አስተያየቶች ካለዎት እባክዎን ከዚህ በታች ያስፍሩ

ለትብብርዎ በድጋሚ እናመሰግናለን! አስተያየቶችዎ ዋጋ አላቸው!