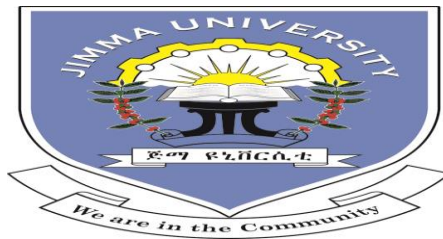


*The Effect of Service Quality on Customer Satisfaction: A Study
on Four Selected Insurance Companies in Hossana Town, Hadiya
Zone, SNNPR, Ethiopia*

*A Thesis Submitted To The School of Graduate Studies of Jimma University
In Partial Fulfilment Of The Requirements For The Award Of The Degree In
Master Of Business Administration (MBA)*

BY:

ADDISALEM TADESSE BOGALE



**JIMMA UNIVERSITY
COLEGE OF BUSINESS AND ECONOMICS
MBA PROGRAM**

MAY 31, 2017

JIMMA, ETHIOPIA

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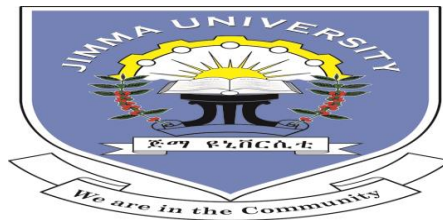
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Under the guidance of:

Emnet Negash (Assistant professor of management)

And

Mr. Belay Chekole



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DECLARATION

I hereby declare that this thesis entitled “The Effect of Service Quality on Customer Satisfaction: A Study on Four Selected Insurance Companies in Hossana Town, SNNPR” has been Carried out by me under the guidance and supervision of Emnet Negash (Assistant professor of management) And Mr. Belay Chekole. The thesis is original and has not been submitted for the award of degree of diploma at any university or instructions.

Researcher’s Name

Date

Signature

CERTIFICATE

This is to certify that the thesis entitled “The Effect of Service Quality on Customer Satisfaction: A Study on Four Selected Insurance Companies in Hossana Town, SNNPR” Submitted to Jimma University for the award of the Degree of Master of Business Administration (MBA) and is a record of Valuable research work carried out by Mr. Addisalem Tadesse, under our guidance and supervision

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

_____	_____	_____
<i>Name of Main Advisor</i>	<i>Signature</i>	<i>Date</i>

_____	_____	_____
<i>Name of Co Advisor</i>	<i>Signature</i>	<i>Date</i>

Approval sheet of thesis

As members of the Examining Board of the Final Open Defense, we certify that we have read and evaluated the thesis prepared by **Addisalem Tadesse Bogale**, entitled “The Effect of Service Quality on Customer Satisfaction: A Study on Four Selected Insurance Companies in Hossana Town, Hadiya Zone, SNNPR, Ethiopia”, and recommend that it be accepted as fulfilling the thesis requirements for the award of the degree in Master of Business Administration.

Name of Chairman	Signature	Date
Name of Internal Examiner	Signature	Date
Name of External Examiner	Signature	Date

Abstract

The liberalization of the economic system in Ethiopia enabled the emergence of private insurance companies and had created competitive environment in the insurance industries. Most of service sectors failures were due to negative gap score between perception and expectation of customer towards service quality dimensions. This is mainly true in insurance companies that regularly interface with customers. The motives of this study was examining the effects of service quality on customer satisfaction in four selected insurance companies of Hossana town, SNNPR. This research was carried out through cross-sectional survey design and mainly based on data collected through questionnaires. Simple random sampling method was used to select four insurance companies from currently operating eight insurance companies in the study area and then convenience sampling method was used to select respondents from available customers of each insurance company. Sample size 353 was determined by using the formula given by Yamane. The descriptive and inferential statistical tools such as; mean, percentage, correlation and multiple regressions were used to analyze collected data. The result of individual companies and total Gap analyzes indicates that the mean score of customers' expectations exceeded perceptions in all five dimensions. This implies that the selected insurance companies of Hossana town were not providing the level of service quality as demanded by customers. The findings suggest that selected insurance companies need to improve all the dimensions of service quality. Although, based on a finding of regression analyzes responsiveness had relatively strong significant and direct effect on customer satisfaction with beta value of .376 and followed by reliability with beta value of .327, tangibility with beta value of .187, empathy with beta value of .149, and assurance with beta value of .113 respectively. Based on the research results, it is recommended for the selected insurance companies to improve the delivery of service quality dimensions through Providing training to their employees, allocating resource based on relative importance of dimensions, carrying out depth research, continuously evaluating service performance, reviewing suggestion box and act accordingly.

Key Words: Tangibility, Reliability, Assurance, Responsiveness, Empathy

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Abbreviations and Acronyms

CP - Cumulative percent

CSI - Customer satisfaction index

EFA - exploratory factor analysis

FRQCY – Frequency

GDP - Gross domestic product

MEPS - Mean of Expected performance score

GS - Mean of Gap score

MOT - Moments of truth

MPPS - Mean of Perceived Performance Score

NBE - National Bank of Ethiopia

SEM - structural equation models

SERVPERF - Service performance

SNNP - Southern nation nationality and people

SPSS- Statistical Package for social Sciences

SQD- Service quality dimensions

SERVEQUAL -Service Quality Model

VF- Valid frequency

VIF - Variance inflation factors.

CHAPTER ONE

1 Introduction

This chapter consists of background to the study, background to insurances in Ethiopia, statement of the problem, general and specific objectives of the study, research hypotheses, significance of the study, scope of the study, description of the study area, and Structure of the thesis.

1.1 Background to the study

The service industry is among the highly dynamic industries as customers often demands change. These changes further drive the service provision and delivery forward with increasing demand for quality. Since, services are intangible in nature their success and failure is not easily measured or quantified. The success of any service providing organization can be measured in terms of its customers' attitude towards the service delivery practice; which means service quality will be the dominant element in customers' evaluations of a given service (Awoke, 2015). Customers' go to service providers expecting to get a quality service and the level of expectation among each individual is varies. Finding out what customers' expect is essential in providing a quality service. This can be done through marketing research focusing on issues such as what features are important to customers, what levels of these features customers expect and what customers think the company can and should do when problems occur in service delivery (Clow and Kutz, 2003).

In today's highly competitive global market, the importance of the service sector has sharply increased in both the developing and already developed countries. Over the past decades, the share of GDP attributable to services has continued to grow in many countries and accounts for more than 60 percent of the world output today (Lovelock and Wirtz, 2011).

The Ethiopian economy is dominated by the agriculture and services sectors, with each accounting for about 45 percent of gross domestic product, from service sector insurance service is one of the dominant businesses which provide service to a large number of customers (NBE, 2016). Insurance is practically necessary to any business activity and enterprise. Although, it is the essential means by which the disaster to an individual is shared by many, the

disaster to a community shared by other communities; great catastrophes are thereby lessened, and, it may be, repaired. Without insurance coverage, the private commercial sector would be unable to function efficiently. Insurance enables businesses to operate in a cost-effective manner by providing risk transfer mechanisms whereby risks associated with business activities are assumed by third parties (Akalu, 2015).

Due to competition among insurances, improving service quality is unquestionable for insurance companies to win the market. Provision of high quality service will result in higher customer satisfaction and enhance customer loyalty. Insurance companies that excel in quality service can have a distinct marketing edge since improved levels of service quality are related to higher revenues, increased cross-sell ratios, and higher customer retention and expanded market shares (Mohana And Tekeste, 2011).

Hence, this research mainly focuses on determining the impacts of service quality dimensions on customer satisfaction in four selected insurance companies of Hossana town. The study was conducted based on SERVQUAL model and it is significantly help the study area insurances to further improve their service quality by specifying most important service quality dimensions that needed by their customers. That helps them to reach higher degrees of client satisfaction and lead to greater customer loyalty and as well as more profitable of selected companies (Mihret and Tigist, 2016).

1.2 Background of Insurance in Ethiopia

The beginning of Insurance in Ethiopia can be traces back as far as 1805 when the Bank of Abyssinia began to carry out Fire and Marine Insurance as an agent of a foreign insurance Company. According to a survey made in 1954, there were insurance companies that were providing insurance service in the country (Dawit, 2015). Except the Imperial insurance company that was established in 1951, the rest of the insurance companies were branches or agents of foreign companies. The number of Insurance companies' branches increased significantly and reached 33 in 1960 (Mistre, 2015). At that time Insurance business like any business undertaking was classified as trade was administered by the commercial code. The minimum paid up capital required to establish an insurance company was as little as 12,520

Ethiopian Birr as in the commercial code. There was no Restriction on Foreign Insurers (Zelege, 2007).

The military government that came to power in 1974 put an end to all private entrepreneurship. Then all insurance companies were nationalized and from January 1, 1975 onwards, the government took over the ownership and control of these companies and merged them into a single unit called, Ethiopian Insurance Corporation. The insurance sector during the command economic system was characterized by Monopoly of the sector by the government, lack of dynamism and innovation, premium growth rates and relies on a couple of classes of insurance business (Motor& Marine) (Dawit, 2015).

To stimulate competition with the public insurance corporation (Ethiopian Insurance Corporation); Ethiopian government promulgated in the monetary proclamation No. 83/1994 to liberalize insurance laws that encourage the entry of private insurers into the financial system, that resulting significant important development of the country insurance sectors. The number of Insurances is increasing in Ethiopia due to the privatization and attractive market opportunity available in the country, especially after the downfall of Derge regime. Currently, 16 private and one state-owned insurance company are operating in the country with a total of 265 branches throughout the country (NBE, May10/17).

Seven private and one state owned totally eight insurance companies are operating in Hossana town. Those insurance companies give only non-life insurance services at study area branches. They provide more than 30 types of non-life Insurance policies. Non-life insurance policies are used to cover property and liability risks. The Companies revise policies regularly and produces new policies based on the country's current economic development and the demand of customers. The major property and liability insurance services given by the selected companies are all risks, Bankers Blanket Policy, Burglary and House Breaking, Bonds, Condominium, Consequential loss, Crop Insurance, Engineering, Fidelity Guarantee, Fire and Lightning, Goods in transit, Inland Carrier's liability, livestock, money, motor, personal/Group Personal accident, Plate glass, Product Liability, Professional Indemnity, Public Liability, Workmen's Compensation and the like.

1.3 Statement of the problem

The existing literatures Satendra (2011) and Mesay (2012) has documented that satisfying customers is the first major mission and purpose of any business organization. When customers are satisfied, organizations achieve higher sales, profit and market share and vice versa. Customer satisfaction also leads organizations to gain loyalty and achieve the desired objectives (Lymperopoulos *et al.*, 2006). On the other hand, a reason behind in most of service sectors failures was a negative variation of client perception and expectation towards service provision process (Akalu, 2015).

As indicated in previous researches Dijale (2011), Sulieman (2011), Dawit (2015) and Asma (2012) in most developing countries including Ethiopia, service providers' understood particular service quality dimensions different from what their customers expect. This is mainly true in the service sectors like Insurances companies that regularly interface with customers. Therefore, Service Quality improvement is a key issue that determines the survival of the insurance companies; because, unsatisfactory customer service leads to a drop in customer satisfaction and unwillingness to recommend the service to a friend (Lukmaan, 2013). This would in turn lead to an increase the number of customers' shift to the competitors.

In national perspective, a number of studies have been conducted in service quality dimensions and its impact on customer satisfaction. For instance, Akalu (2015) on the title of "Effects of service quality on customer satisfaction; in the case of insurance company of Addis Ababa", Hirut (2015) on the title of "The effect of service quality on customer based brand equity in; Commercial Bank of Ethiopia, Addis Ababa" and Meron (2015) on the title of "Impact of Service Quality on Customer Satisfaction; in Case of Bank of Abyssinia, Addis Ababa" are some of the researches done in this area. Even if, the numbers of researches had done in service quality at various industries, the studies on insurance companies were few. Also, most studies were conducted on individual companies independently. However, evaluating the service quality of each company may not give much input unless a comparison is made by their peers (Kotler and Keller, 2006).

In Ethiopia customers usually complain about efficiency and lack of quality excellence in the insurance sector (Zelege, 2007). To overcome this problem few published studies which

conducted in Ethiopia focused on the regional level and sub cities of Addis Ababa. But, on the zonal level, there is a scant study. According to researchers Ramezani *et al.* (2015), Davidow and Uttal (2009) and Rampersad (2001) the dimensions of service quality vary from one country to another, from one institution to another and even from culture to culture. So that, those studies that made at regional and federal level cannot exactly represent insurance companies' branches of Hossana town. Under this circumstance, the sustainability of service quality and customer satisfaction in study area insurance companies became questionable. Therefore, the absence of empirical studies in Hossana town insurance companies concerning service quality effect on customer satisfaction is what motivated this research to put contribution by examining the effects of service quality on customer satisfaction; in selected Insurances companies of Hosana town, SNNPR. Based on this, the study aims to answer the following questions: What is the effect of tangibility on customer satisfaction in selected insurance companies of Hosanna town, SNNPR? What is the effect of reliability on customer satisfaction in selected insurance companies of Hosanna town, SNNPR? What is the effect of responsiveness on customer satisfaction in selected insurance companies of Hosanna town, SNNPR? What is the effect of assurance on customer satisfaction in selected insurance companies of Hosanna town, SNNPR? And; what is the effect of empathy on customer satisfaction in selected insurance companies of Hosanna town, SNNPR?

1.4 Objective of the study

The objective of the study is divided into general objective and specific objectives. The general objective focuses on the broad area the study seeks to tackle; while, the specific objectives look at the specific areas the study addresses.

1.4.1 The general objective

The primary aim of this study is to examine the effects of service quality on customer Satisfaction in four selected insurance companies of Hosanna town, SNNPR.

1.4.2 Specific objectives of the study

To identify the effects of tangibility on customer's satisfaction in selected Insurance Companies of Hosanna town.

To identify the effects of reliability on customer's satisfaction in selected Insurance companies of Hosanna town

To identify the effects of responsiveness on customer's satisfaction in selected Insurance Companies of Hosanna town;

To identify the effects of assurance on customer's satisfaction in selected Insurance Companies of Hosanna town;

To identify the effect of empathy on customer's satisfaction in selected Insurance Companies of Hosanna town;

1.5 Research Hypotheses

In order to address the objectives of this study, literatures review of previous studies were conducted to drive the hypothesis based on existing knowledge and the following five hypotheses were developed for this research, that are:

H1: Tangibles has significant and positive impacts on customers' satisfaction in selected Insurance Companies of Hosanna town.

H2: Reliability has significant and positive impacts on customers' satisfaction in selected Insurance Companies of Hosanna town.

H3: Responsiveness has significant and positive impacts on customers' satisfaction in selected Insurance Companies of Hosanna town.

H4: Assurance has significant and positive impacts on customers' satisfaction in selected Insurance Companies of Hosanna town.

H5: Empathy has significant and positive impacts on customers' satisfaction in selected Insurance Companies of Hosanna town.

1.6 Significance of the study

The critical factor of insurance company performance is customers' satisfaction; that leads to loyalty, repurchase intention, and even recommendation to others. Moreover, considering the high costs of acquiring new customers and the customer turnover in insurances, it is very

important to study the effects of service quality on customer satisfaction. The study will give sufficient information to the study area insurance companies about the strengths and weaknesses of the services currently offering to customers and also help them to know areas which need improvement.

The finding of this study will enables the selected insurances to understand the relation between service quality delivery and customer satisfaction and helps them be acquainted with the most important dimension used to satisfy customers. Also, it indicates the extent of the gap between perceived performance and customers' expectations of service quality. This enables them to minimize the gaps and to meet customers' expectation.

Furthermore, this study will enables decision makers and policy makers to have better knowledge about insurance companies' service quality effect on customer satisfaction. Moreover, this study might be used as a baseline and serve as a reference for those who want to conduct further investigation in this area.

1.7 Scope of the study

This study was delimited to:

Conceptually; this study was focused on the relationship between service quality dimensions (tangibility, responsiveness, reliability, empathy, and assurance) and customer satisfaction in relative term. The study was also limited to general (non-life) insurance customer of four selected insurance companies (i.e. Ethiopian Insurance Corporation, Anbessa insurance companies, Nib insurance companies and Niyala insurance companies) of the study area.

Geographically; the study was conducted or limited to only Hossana town; capital of Hadiya Zone; which is found in Southern nation nationalities and peoples regional state.

Methodologically; this study was conducted based on cross sectional survey research design and also its sample survey research. Additionally, the main tool used to collect data from customers is questionnaires. This study was also conducted based on SERVQUAL tools.

1.8 Description of the study area

Hosanna town is located at 235 km south from the Ethiopian capital Addis Ababa. The absolute geographic location of Hosanna is 7°15'00" North latitude and 37°50'30" East longitude (Hadiya zone culture and tourism, 2016).

Hosanna town serves as a major business center for inhabitants in the region. Some of offers amenities including; Telephone service, postal service, gas stations, 24-hours electricity, Bank services, Insurance service and suitable Hotels and restaurant service.

The zone has an estimated total population of 1.2 million people. Many of its residents are primarily ethnic Hadiyas, followed by Kembata, Gurage, Silte, Oromiya and Amhara origins- they all live together peacefully. While the majority of its residents speak Hadiyigna as their first language, some speak other languages such as Amharic, Kambatigna, Guragigna, Silitigna and Oromigna. The population is predominantly Protestant, with some Muslims, Orthodox and Catholics (Hadiya zone culture and tourism office, 2016).

1.9 Structure of the thesis

The study was organized into five chapters. The first chapter presents the introduction part which contains: background to the study, background to Ethiopia insurance, statement of the problem, research hypotheses, general and specific objectives of the study, the significance of the study, Scope of the study, description of the Study Area and organization of the paper. The second chapter is about literature review, which incorporates: theoretical review, empirical review and conceptual framework of the study. While the third chapter contains a brief description of the research design, as well as the methods in which the data were collected, presented and analyzed. The fourth chapter presents, analyzes and interprets the data related to the objective of the study. Finally, the fifth chapter was about summary of findings, conclusions and recommendation or suggests possible solutions for identified problems of the finding.

CHAPTER TWO

2 Review of Related Literature

This chapter deals with concepts and theories that are relevant to the issues in this study. The chapter gives an overview of Theoretical and Empirical literature and Conceptual Framework of the research that related to the research objective presented in the previous chapter.

2.1 A Theoretical review

2.1.1 Definition of service

Many authors define service in different manners: for instance kottler; defined services as “every intangible activity or benefit that one party can offer to another that is essential and does not result in the ownership of anything. Its production may or may not be tied to a physical product.” Any intangible actions that create a good perception within users; those actions are performed by person or machines or both called service. Although services are performed by service providers and consumer together its quality results in the perception and value assessment by the customer (Kotler, 2012).

2.1.2 Overview of service quality

For decades, service quality has been widely studied by many researchers but there is no common consensus about the conceptualization of service quality. Different researchers have focused on the different aspects of the service quality. The most common definition among the researchers for service quality is that “service quality is the customer’s perception of service excellence which means quality is defined by the customer’s impression of the service provided” (Pantouvakis, 2010).

Also, Service quality is needed for creating customer satisfaction and service quality is connected to customer perceptions and customer expectations. Service quality focuses specifically on dimensions of service and also service quality is a part of customer satisfaction. The service quality dimensions include reliability, assurance, responsiveness, empathy and tangibles (Houn *et al.*, 2012).

In short Service quality can be defined as the collective effect of service performances which determine the degree of satisfaction of a user of the service. In other words, quality is the customer's perception of a delivered service.

2.1.3 SERVQUAL

The original concept of service quality was a framework developed by Parasuraman et al (1985, 1988 and 1994). Their works led to the development of a 22-item scale, the SERVQUAL instrument which has been used extensively by most researchers. The SERVQUAL instrument was originally measured on ten (10) aspects or dimensions of service quality: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding, and tangibles (Kailash, 2012) as a means of measuring the gap between customer expectation and experience. (Gupta, 2012), explains the service quality as the gap between customers' expectation and their perception of the service experience. Based on their conceptualization of service quality, the original instrument was made up of 22-items. The data on these items were grouped under the five dimensions (Nyeck et al, 2002).

1. Reliability: is ability to perform the promised service dependably and accurately.
2. Responsiveness: willingness or readiness of employee or professionals to provide service.
3. Assurance: knowledge and competence of service providers and the ability to convey trust and confidence.
4. Empathy: Caring, individualized attention the firm provides to its customers.
5. Tangibles: Physical facilities, equipment's and appearance of personnel. Reliability, tangibles and responsiveness remained distinct, but the remaining seven components collapsed into two aggregate dimensions, assurance and empathy (Parasuraman *et al.*, 1988).

2.1.4 Criticisms of SERVQUAL

Though, the SERVQUAL model has been the major generic model used to measure and manage service quality across different service settings and various cultural backgrounds, it has been subjected to a number of theoretical and operational criticisms (Buttle, 1996). However Asubonteng *et al* (1996) conclude that until better but equally simple model emerges

SERVQUAL will predominate as a service quality measure. As identified by Buttle (1996) theoretical and operational criticisms of SERVQUAL are listed below.

2.1.4.1 Theoretical criticisms;

Paradigmatic objections: SERVQUAL is based on a disconfirmation model rather than an attitudinal paradigm; and SERVQUAL fails to draw on established economic, statistical and psychological theory.

Gaps model: there is little evidence that customers will assess service quality in terms of P – E gaps.

Process orientation: SERVQUAL focuses on the process of service delivery, not the outcomes of the service encounter.

Dimensionality: SERVQUAL's five dimensions are not universals; the number of dimensions comprising SQ is contextualized; items do not always load on to the factors which one would a priori expect; and there is a high degree of inter-correlation between the five RATER dimensions”(Buttle, 1996).

2.1.4.2 Operational criticisms:

Expectations: the term expectation is polysomic; consumers use standards other than expectations to evaluate SQ; and SERVQUAL fails to measure absolute SQ expectations.

Item composition: four or five items cannot capture the variability within each SQ dimension.

Moments of truth (MOT): customers' assessments of SQ may vary from MOT to MOT.

Polarity: the reversed polarity of items in the scale causes respondent error.

Two administrations: two administrations of the instrument cause boredom and confusion.

Variance extracted: the over SERVQUAL score accounts for a disappointing proportion of item variances” (Buttle, 1996).

Despite the criticisms, SERVQUAL has been used to measure service quality in a variety of contexts, including hospitals (Bakar et al., 2008), universities (Galloway, 1998), police services (Donnelly et al., 2006), banks (Kangis and Passa, 1997), travel agencies (Luk, 1997) and public

utilities (Babakus and Boller, 1992). The wide array of application of such an instrument as SERVQUAL spells confidence in its utilization as a technique for measuring service quality in various business sectors and service industries. Although some studies did fail to support its structure, Parasuraman et al (1993) defended the use of the different dimensions, based on conceptual and practical grounds. Parasuraman *et al.* (1988) noted that even if it may be necessary to reword or modify some of the items, yet the SERVQUAL scale is applicable in a wide range of business services. However, Parasuraman *et al.*, (1991) cautioned that the addition/deletion of items and/or dimensions may result in the loss of the scale's integrity.

In their arguments in support of the SERVQUAL, Nyeck *et al.*, (2002), posit that SERVQUAL remains the most complete attempt to conceptualize and measure service quality. They contend that its main benefit is the ability of researchers to examine numerous service industries such as healthcare, banking, financial services and education. The fact that SERVQUAL has critics does not render it moot. Rather the criticisms may well have to do with how researchers use the tool. (Nyeck *et al*, 2002).

2.1.5 Service quality Gap

What the company thinks its customer wants is not necessarily the same as, What the company thinks it has to offer is not necessarily the same as, What the company actually offers is not necessarily the same as, How the customer experiences this is not necessarily the same as, What the customer really wants (Rampersad, 2001). According to the formulation of Parasuraman et al (1985) there are five gaps that cause unsuccessful service delivery.

- Gap one: Gap between Customer Expectation and Management Perception (Knowledge Gap)

Management may think that they know what consumers want and proceed to deliver it when in fact; consumers may expect something quite different (not identifying what consumers expect).

- Gap two: Gap between Management Perception and Service Quality Specification (The Standard Gap):

Management may not set quality specifications or may not set them clearly. Alternatively, management may set clear quality specifications, but they may not be achievable (inappropriate service quality standards)

- Gap three: Gap between Service Quality Specification and Service Delivery (The Delivery Gap):

Unforeseen problems or poor management can lead to failure of a service provider to meet service quality specifications. This may be due to human error, but also to mechanical breakdown of facilitating or support goods (poor delivery of service quality).

- Gap four: Gap between Service Delivery and External Communication (communication Gap) :

There may be dissatisfied with a service because of the excessively heightened expectations developed through the service provider's communications efforts. Dissatisfaction developed through the service provider's communications efforts. Dissatisfaction occurs when actual delivery does not meet up to the expectations held out in a company's communication (promises mismatch delivery).

- Gap five: Gap between Perceived Service and Expected Service (service quality Gap): This gap occurs when the consumer misperceives the service quality. This gap depends on four gaps associated with service quality delivered on marketer side. $Gap\ 5 = f(Gap1, Gap2, Gap3, Gap4)$.

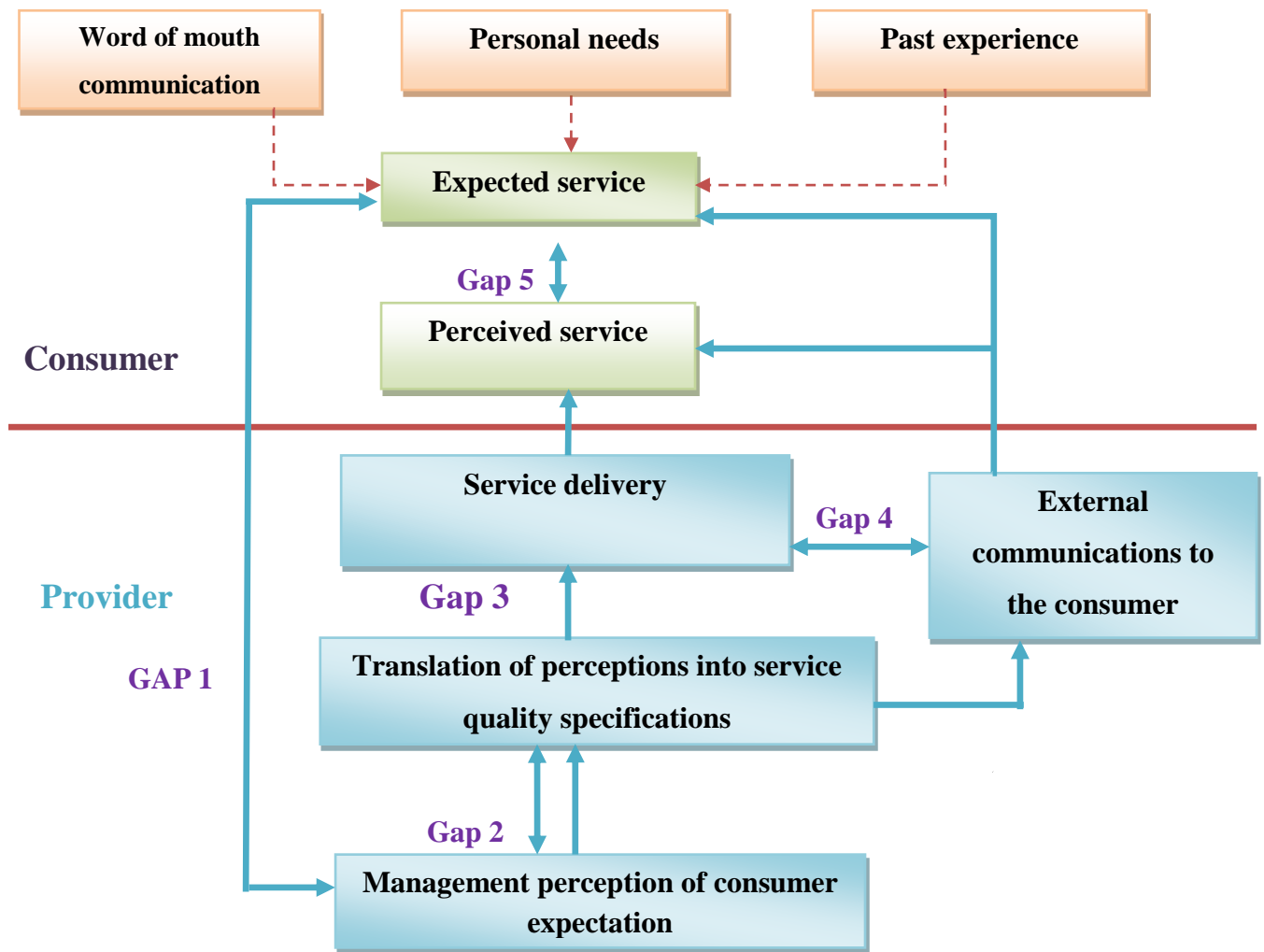


Figure 1: A conceptual model of service quality

Source: Lovelock and Writz, 2004

2.1.6 Factors that influence customer's perception and expectation

Because expectations play such a critical role in customer evaluation of services, marketers need to have a control over these factors as well, but many of the forces that influence customer expectation are uncontrollable.

When consumers are interested in purchasing service, they are likely to seek or take in information from several different sources. For example, they may call a store, ask a friend, or deliberately track newspaper advertisements to find the needed service at the lowest price. They may also receive service information by watching television or hearing an unsolicited comment from a colleague about a service that was performed well. In addition to these active

and passive types of external search for information, consumers may conduct an internal search by reviewing the information held in memory about the service. Those factors that determine customers' perception and expectation of quality service are:

- A. Explicit service promises
- B. Implicit service promises,
- C. Word-of-mouth communications, and
- D. Past experience.

A. Explicit service promises: - is personal and non-personal statement about the service made by the organization to customers. The statements are personal when they are communicated by salespeople or service or repair personnel; they are non-personal when they come from advertising, brochures, and other written publications. Explicit service promises are one of the few influences on expectations that are completely the control of the service provider. Promising exactly they will ultimately be delivered would seem a logical and appropriate way to manage customer expectations and ensure that reality first the promises. All types of explicit service promises have a direct effect on desired service expectation if the sales visit portrays a banking service that is available 24 hours a day, customer's desires for that service (as well as the service of competitors) will be shaped by this promise. Explicit service promises influence the level of both desired service and prediction service (Houn *et al.*,2012)

B. Implicit service promises: - are service-related cues other than explicit promises the lead to inferences about what the service should and will be like. These quality cues are dominated by price and the Tangibles associated with the service. In general, the higher the price and the more impressive the Tangibles, the more customers will expect from the service.

C. Word-of-mouth communication: - The importance of word-of-mouth communication in shaping expectations of service is well documented. These personal and sometimes non personal statements made by parties other than the organization convey to customers what the service will be like and influence both predicted and desired service. Word of mouth tends to be very important in services that are difficult to evaluate before purchase and direct experience of them.

Experts (including consumer reports, friends, and family) are also word-of-mouth sources that can affect the levels of desired and predicted service.

D. Past experience: - Past experience, the customer's previous exposure to service that is relevant to the focal service, is another force in shaping predictions and desires. The service relevant for prediction can be previous exposure to the focal firm's service. For example, you probably compare each stay in a particular hotel with all previous stay in that hotel (Zeithamal and Bitner, 2006).

2.1.7 Customer satisfaction

Several authors have defined customer satisfaction in various ways: According to Kotler (2000), satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectation.

Gaither (1994) defines customer satisfaction as the determination of customer requirements and demonstrated success in meeting them.

Kotler (2006) again defined customer satisfaction by giving details on the attributes of a highly satisfied customer. According to him, a highly satisfied customer stays loyal longer, and buys more as the company introduces new products and upgrades existing products; talks favorably about the company and its products, pays less attention to competing brands and is less sensitive to price, offers a service or product ideas to the company and costs less to serve him than new customers because transactions are routine.

Kotler and Armstrong (2001), in their Principles of Marketing, define customer satisfaction as the extent to which a product's perceived performance matches a buyer's expectations. They continued that, if the product's performance falls short of expectations, the buyer would be dissatisfied but if performance matches or exceeds expectation, the customer will be satisfied or highly satisfied. In service quality literature, customer expectations are understood as desires or wants of consumers Zeithaml, Berry & Parasuraman (1993) or "what they feel the service provider should offer rather than would offer." Customer perceptions are defined as "the customer's judgment of the service organization's performance" (Davidow and Uttal, 2009).

Customer satisfaction is a “psychological concept that involves the feeling of wellbeing and pleasure that results from obtaining what one hopes for and expects from an appealing product and/or service” (World trade organization, 1985);

“Satisfaction is a person’s feeling of pleasure or disappointment resulting from comparing a product’s performance (outcome) in relation to his or her expectation” (Kotler& Keller, 2006).

2.1.7.1 Reasons of Customer Dissatisfaction

According to Munusamy *et al.*(2010), sometimes customers become dissatisfied; some of the reasons for this dissatisfaction are:-

Not knowing the Expectations: Customer remains dissatisfied unless the company knows what the customer actually expects out of their product.

Not Meeting the Expectations: a customer may become dissatisfied because the service does not live up to expectations. In addition to that as a result of the rapid improvement in the technology, customer may compare the services provided by a company with those of the competitors, which may lead to dissatisfaction and customers over expectations and their changing needs may lead them for dissatisfaction.

2.1.7.2 Things to Do When You Have a Dissatisfied Customer

If customers dissatisfied, the first step is to identify and define their dissatisfaction. Their wants and needs first must be uncovered and defined to see if the features and benefits of your company’s product or services can satisfy those wants and needs. Their dissatisfaction as well as their satisfaction should be measured and analyzed to get a better perception of their true level of dissatisfaction. Once the reason and level of their dissatisfaction is exposed then a system to improve that unhappiness can be instituted and a control can be implemented to insure continuation of that improvement in product or level of service (Gupta, 2012)

2.1.8 The relationship between Service quality and customer satisfaction

Due to the dynamic nature of expectation, evaluations change over time from person to person and from culture to culture. Customers perceive services in terms of the quality of the service and how satisfied they are overall with their experiences (Culiberg, 2010). The reason for the

focus on quality of service and customer satisfaction is the belief that organizations can differentiate themselves by means of providing better service quality and overall customer satisfaction.

According to Zeithaml and Bitner (2003) the term satisfaction and quality were used interchangeably. But researchers have attempted to be more precise about the meanings and measurement of the two concepts, resulting in considerable debate. Consensus is growing that the two concepts are fundamentally different in terms of their underlying causes and outcomes. Although they have certain things in common, satisfaction is generally viewed as a broader concept, whereas service quality assessment focuses specifically on dimensions of service. Based on this view perceived service quality is a component of customer satisfaction.

According to Kotler (2006), satisfaction is the post-purchase evaluation of products or services taking into consideration the expectations. Researchers are divided over the antecedents of service quality and satisfaction. Some believe service quality leads to satisfaction, others think it's not. The studies of Lee *et al.*, (2000); Gilbert and Veloutsou (2004) and Sulieman (2013) suggest service quality leads to customer satisfaction. To achieve a high level of customer satisfaction, most researchers suggest that a high level of service quality should be delivered by the service provider as service quality is normally considered an antecedent of customer satisfaction. As service quality improves, the probability of customer satisfaction increases (Mesay 2012).

2.2 Empirical review

The empirical literature survey helps the development of the theoretical framework and hypothesis for testing. There have been a lot of studies conducted in the field of service quality and customer satisfaction in various service industries in both at the national and international level. Some of the previous related research studies in international and national perspective have been reviewed as follows.

Internationally a lot of study was conducted on the issues of service quality. Let summarize some of them chronologically:

Rama et al. (2011); conducted the study to examine the service quality perceptions of the customers of public sector and private sector banks in the city of Visakhapatnam, India. A total of 300 respondents were surveyed by using the universally accepted SERVQUAL model in which 42 quality measurement parameters are used under the five dimensions of service quality: Tangibles, Reliability, Assurance, Responsiveness, and Empathy. The study reveals that the Reliability and Assurance dimensions of service quality scored the highest ratings while the Tangibles dimension got the lowest score. Moreover, the study found a strong dissimilarity in service quality perceptions between customers of private sector and public sector banks.

Satendra et al. (2011); examined the relationship between service quality and customer satisfaction among group of customer towards the public sector banking industries in India. The study is cross sectional and descriptive in nature. Service quality consists of service product, service delivery and service environment, whereas service product refers to the technical quality of service, service delivery refers to functional quality and service environment refers to internal and external. 400 questionnaires distributed to the customer of different department and agency, where 304 is returned back. The hypotheses were tested using the multiple regressions. The finding indicates that service product is significantly and positively related to customer satisfaction; however service delivery and service environment are not significant predictors of customer satisfaction.

Houn et al. (2012); The purpose of their study is to build a broader understanding of the determinants of customer satisfaction throughout the financial services industry by incorporating the perceptions of fairness in service delivery (FAIRSERV) and outlining why and how FAIRSERV is important to customer satisfaction. The researchers conduct a cross-sectional questionnaire survey, including samples of 420 customers from the financial services industry in Taiwan. PLS-Graph is used to evaluate the measures of reliability as well as validities, and to test the hypotheses. The results show that fair service not only has a significant impact on customer satisfaction, but also plays a role equivalent to service quality in determining customers 'trust and perceived value, which in turn lead to customer satisfaction.

Kailash (2012); analyzed the performance among two categories of banks – public and private sector banks (only domestic) in Vijayawada city using the list of service attributes based on

different service dimensions such as tangibles, reliability, responsiveness, assurance and empathy during December 2011. The simple random sampling technique is adopted and 175 respondents, 111 customers of Public Sector Banks and 64 customers of Private Sector Banks constitute the sample for the survey. The findings show that Private sector banks performed significantly by satisfying its customers with good services and they have been successful in retaining its customers by providing better facilities than Public sector banks. The research points that new financial products and services have to be continuously introduced in order to stay competent and that Public sector banks have to build long term strategic relationships with its customers.

Also in our country Ethiopia researchers conduct their study on the issues of service quality. Let see some of them:

Djalalie (2011); examined the perception of service quality and loyalty among customers of Ethiopia insurance company. Service quality was measured using seven dimensions which were: Access, quality, Infrastructure quality, Responsiveness, Competence, Courtesy, Problem Solving quality and Credibility. Data were analyzed using GAP analysis, factor analysis, and correlation analysis. The finding reinforces the need for Insurance managers place an emphasis on the underlying dimensions of service quality, and should start with improving service quality in order to raise customer satisfaction.

Goiteom (2011); in his study of Factors influencing the choice of banking services, Finding from this study reveal that the most two important bank selection criteria for customers are “convenience” and “service provision” for the entire customers while it is “bank’s image” as the second most important factor for male customers. On the other hand, the least two important factors of bank selection for customers are “financial benefits/technology”, “reputation” and “promotion strategy” whereas “attractiveness” for female customers. The findings, it is recommended that hierarchical information integration may be a potentially useful method for bank managers to study complex decision making problems such as bank choice.

Mesay (2012); aimed at assessing the service quality of private banks and its impact on customer satisfaction. The study also tried to test the relationship that exists between customer satisfaction and their loyalty. The mean score values for service quality dimensions was

between 2.6 and 3.4. This indicates that improvements in service quality should be conducted on all the five service quality dimensions, especially the dimensions of responsiveness and empathy. This study also found a positive relationship between all service quality dimensions and customer satisfaction. Accordingly, the results of this research paper confirmed the theory of literatures regarding the relationship between service quality dimensions and customer satisfaction. Although this research provides some significant insights into service quality in the Ethiopian banking industry, there is still a chance to extend the findings to gain a more comprehensive understanding of the nature of banking services. The future research may highlight the service quality in banking in total, comparative analysis of SERVPERF scores in different types of banks and comparative analysis of SERVQUAL and SERVPERF scores in the banking industry. Moreover the study focused on the customer loyalty aspect of the banking industry.

Akalu (2015); Adopt GAP model to analysis the data found by studying the effect of service quality on customer satisfaction in insurance companies, concludes that five service quality dimensions have positive and significant relationship with customer satisfaction. The study showed that the selected insurance companies in Addis Ababa were not providing the level of service quality demanded by customers. The findings suggested that the insurance companies need to improve all the dimensions of service quality.

Hirut (2015); in her study of The effect of service quality on customer based brand Equity (a case of commercial bank of Ethiopia), she clearly states that Service quality is considered as a significant instrument for a firm's great effort in order to differentiate itself from its competitors and effective implementation of those five dimensions of service quality have a significant effect on customer based brand equity. Service quality is vital to the development and infuses strong and dominant brands because it enhances perceived superiority of the brands or customer based brand equity on the side of existing and potential customers and helps to distinguish brands from other similar service providers in competitive markets.

Dawit (2015); used gap model for analysing customer's perception of Service quality in two selected Insurance companies. His finding reveals that the customers' expectations are not met in EIC has higher average negative gap scores for all dimensions. Reliability, Responsiveness and Empathy have higher negative gap score than NIC while tangibility and Assurance have a

higher negative score in NIC than EIC Both companies should take key strategic measures such as strategic human resource management, application of latest technology and advanced management system so that positive dimensions in all attributes can be obtained.

In short, as understood from above international and national empirical review the issue "quality of service" has become an increasingly important topic because of its close relationship with factors influencing the brand Equity (Hirut, 2015), customer satisfaction (Dijale, 2011; Sulieman, 2011; Satendra, 2011; Babatunde 2012; Mesay 2012; Dawit 2015; Akalu 2015, Asma 2012), customer loyalty (Shirshendu 2011) and Competition (Nirmaljet, 2012).

Although, as looked on the above reviews mostly researchers used SERVQUAL (GAP) and SERVPERF tools to measure service quality. But the author of this research was decided to use SERVQUAL model. Because SERVPEREF tools measure the perceived serviced performance and disregards expected performance level. But in SERVQUAL there are a tool that's measure expected and perceived performance of service quality.

2.3 Conceptual framework

The conceptual framework indicates the crucial process, which is useful to show the direction of the study.

Independent variables

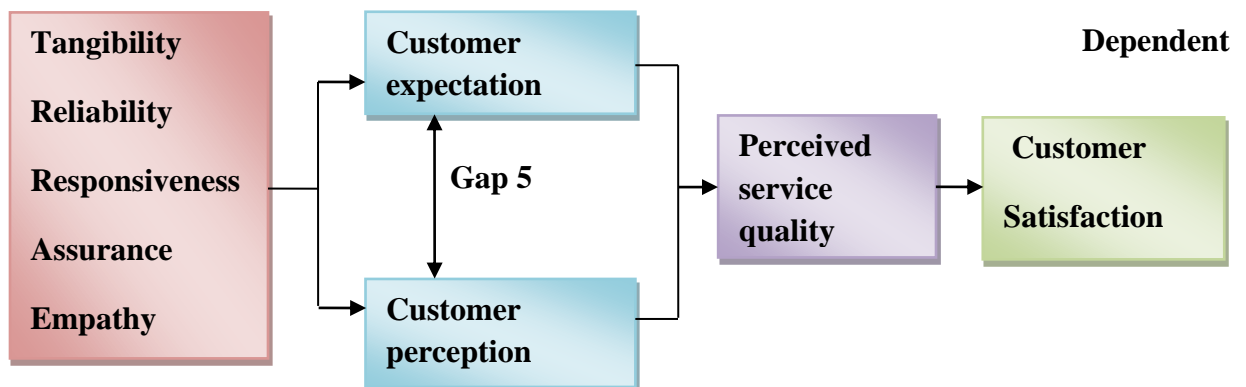


Figure 2: Conceptual frame work Model

Source: Adopted with modification from Yarimoglu (2014)

The study shows the relationship between the five service quality dimensions (reliability, responsiveness, assurance, empathy and tangible) and customer satisfaction. Also the study focuses on gap 5 which represents the difference between customers' expectation and perceptions.

CHAPTER THREE

3 Research design and methodology

This chapter gives an outline of the research design and methodology that used in the study. Therefore, research design, target population of the study, sampling procedure and sample size, data source and collection method, method of data analysis, model specification, reliability of the instrument and description of study variable were discussed respectively.

3.1 Research design

Miller and Salkind (2002) define research design as, basically master plan of a research that focuses on how the study is to be conducted. The study was designed to employ cross-sectional studies which had been taking a study within a particular timeframe. According to Soureli *et.al.*, (2006) the cross sectional design, also known as one- shot and it is best suited to studies aimed at finding out the prevalence of a phenomenon, situation, problem, attitude or issue, by taking a cross- section of the respondents. Therefore, this design helps researcher to obtain an overall picture of research objective as it stands at the time of the study.

The investigation conducted by both descriptive and inferential research methods. Descriptive approaches were employed for the data that the researcher collects from respondents through questionnaire. Detail description of the findings was displayed in tables and charts. Although, inferential method was used to determine each service quality dimensions impact on customer satisfaction. Furthermore, inferential statistics allow inferences to a larger population from the sample and this method was used to insure efficiency of research finding with various diagnostic tests (Davis, 2000).

3.2 Data source and collection method

The researcher was used both primary and secondary data sources to achieve objectives of this research. Secondary sources of data were collected from different books, journals, Insurance companies' websites, articles and previous researches that related to service quality and customer satisfaction.

Primary data were collected from four selected insurance companies' customers of Hosanna town. The researcher was adopted SERVQUAL questionnaire from Akalu (2015) with modification. The questionnaires contain two groups of 22 questions to measure service quality dimensions. Also, four questionnaires were derived from Kotler (2006), to measure satisfaction level of customer.

All questionnaires were 5 point Likert Scale and completed by selected insurance companies' customers. According to Prayag (2007), five point scales reduces the level of frustration among respondents, and increases the rate and quality of the responses. Although, Das (2009) describe the benefits of Likert as; quick and economical to administer and score, easily quantify (easy to calculate mean) most attitude measurement, provide direct and reliable assessment of attitudes and they lend themselves well to item analysis procedures.

The respondents were asked to rate each statement for their expectation and perception of service quality dimensions and overall satisfaction level respectively with Likert scales of (1= Not important, 2 = Less important, 3 = Neutral, 4 = Important and 5 = Very important) for customers' expectation; (1 = Very dissatisfied, 2 = Dissatisfied, 3 = Neutral, 4 = Satisfied and 5 = Very satisfied) for customer's perception and (1= Extremely low, 2 = Very low, 3 = Neutral, 4 = Very high and 5 = Extremely high) for customer satisfaction. The questionnaire was divided into four sections. Section A was about Demographic information about customers, Section B was about Customers' Expectations; section C was about customer Experiences (perception) and finally, in Section D Customers was asked about the overall judgment of their satisfaction level.

The Researcher was used four enumerators to collect data by giving brief instructions of how to distribute and collect questionnaires (Appendix I).

3.3 Reliability of the instrument

The researcher was tried to avoid the error that likely happen due to shortage of instrument or inability of the instrument to measure what is intended to measure and crosses validate the response of the questionnaire with the document analyzed. Then, the improved language clarity of the questionnaire was used through refining the instruments and avoiding personal bias of the researcher. A performance of reliability test was used to check the consistency and

accuracy of the measurement scales. By doing so, the researcher was maintained the reliability and validity of the research (Djalalie, 2011).

Checking the validity and reliability of data collecting instruments before providing to the actual study subject is the core to assure the quality of the data (Kerr *et al.*, 2006). To ensure validity, the instruments was developed and a pilot study was carried out on 35(that is; 10 percent of the sample size) non-life insurance customers of study area insurance companies, to pre-test the instrument. The pre-test provide an advance opportunity for the investigator to check the questionnaires and to minimize errors due to improper design elements, such as question, wording or sequence (Mullins, 1999).

After the dispatched questionnaires' were returned, necessary modification on items and complete removal and replacement of unclear questions were done.

Table 1: Final reliability test results

Service quality dimensions	Number of attributes	Cronbach Alphas' Results for perceived performance	Cronbach Alphas' Results for Expected performance
Tangibility	4	0.731	0.842
Reliability	5	0.814	0.805
Responsiveness	4	0.839	0.831
Assurance	4	0.811	0.812
Empathy	5	0.821	0.776
Customer satisfaction	4	0.874	-
The average	4.3333	0.815	0.8132

Source: Survey result, 2017

As suggested by researcher Davis (2000), an alpha value of 0.7 or above is considered to be reliable. In this research average test results of the Cronbach's alpha values was 0.815 for perceived performance and 0.8132 for expected performance. Therefore, the result is greater than 0.7 and it indicates there is not reliability problem in the instrument (questionnaires').

3.4 Population of the study

Target Populations to be studied are, all non-life insurance service customers in the study area. Currently one governmental and seven private owned; totally eight insurance companies are operating in Hosanna town. Which are; Ethiopia Insurance Corporation, Hibret insurance company, Nile insurance company, Nib insurance company, Anbessa insurance company, Birhan insurance company, Awash insurance company and Niyala insurance company. All the insurance companies give only non – life insurance services in the study area.

3.5 Sample design

In order to select the appropriate representative of the total population and to make the research findings more relevant and accurate, the sample design would be well structured (Davis, 2000). So, the researcher designed the sample as follows.

3.5.1 Sampling technique

Out of currently operating eighth insurance companies in study area four insurance companies (Ethiopia insurance corporation, Anbessa insurance company, Nib insurance company and Niyala insurance company) were selected through simple random sampling techniques (lottery method). According to Chris *et al* (2003) “A simple random sampling is a sample taken in such a way that each combination of an individual in the population has an equal chance of being selected.” Therefore, all insurance companies of study area have equal chance to be selected as a sample; that is due to uniform non-life insurance services given by all insurance companies in the study area. After the insurance companies sample size determined, the researcher used a convenience sampling method to select the sample respondent from the available population. The researcher employed convenience sampling method because it is practically impossible to carry out a probability sampling since there is no point in time during which all customers are available due to different reasons and it is not possible to contact everyone who may be sampled. Therefore, sample is selected from elements of a population that are easily accessible (Jayaraman *et. al.*, 2010).

3.5.2 Sample size

Based on customer service department information 2,989 customers are getting non-life insurance services from four selected insurance companies of Hossana town. The sample size

was determined by using the formula given by Yamane (1967). According to Amugune (2014), this formula used to draw an adequate sample size and it is more Simplified for distributing sample Proportions.

$$n = \frac{N}{1+N(e^2)} \qquad n = \frac{2,989}{1+(2,989)(0.05)^2} \approx 353$$

n = the sample size of the study

N= total number of non-life insurance customers of four selected insurance companies of the Hossana town

e = margin of error= 5 %= 0.05

l=designates the probability of the event occurring

Proportional sample size allocation to each insurance company was determined by the following formula:

$$n_i = \frac{n \times N_i}{N}$$

Where, n_i is sample size of i insurance companies customers

n is sample size of the study

N is total population size

N_j is population size of j insurance company

$$n_1 = \frac{353 \times 1122}{2,989} = \frac{396066}{2,989} \approx 133 \quad \text{Of Ethiopia insurance corporation customers}$$

$$n_2 = \frac{353 \times 703}{2,989} = \frac{287474}{2,989} \approx 83 \quad \text{Of Anbessa Insurance Company customers}$$

$$n_3 = \frac{353 \times 655}{2,989} = \frac{231215}{2,989} \approx 77 \quad \text{Of Nib Insurance Company customers}$$

$$n_4 = \frac{353 \times 509}{2,989} = \frac{179677}{2,989} \approx 60 \quad \text{Of Niyala Insurance Company customers}$$

3.5.3 Sampling Unit

The sampling units were 353 non-life insurance customers of four selected insurance companies of the Hossana town (Appendix II).

3.6 Method of data analysis

Both descriptive and inferential statistics tools were employed to analyze the collected data. According to Stevens (2009), descriptive statistics is important to have a clear picture of the characteristics of sample units. By applying descriptive statistics one can compare and contrast different situations existing in the sample units with the desired characteristics. In this study, the descriptive statistics tools such as mean, frequency and percentage were applied to data collected from non-life insurance service customers of selected insurance companies. According to Shieh (2010), inferential statistics allow inferences to a larger population from the sample. The researcher was used inferential statistical tools such as; correlation and standard multiple linear regressions to determine effects of service quality on customer satisfaction.

Service quality is described depending up on comparison between customers' expectations about a service and their perception of the way the service has been performed. Service quality was examined based on Parasuraman *et al.*, (1988) five dimensions namely, tangibility, reliability, responsiveness, assurance and empathy. To measure 22 items of five dimensions, the SERVQUAL equation was adopted from Habtamu and Awoke (2015, pp. 150) as follow:

$$SQ = \sum_{i=1}^{22} (\bar{p}_i - \bar{E}_i)$$

SQ = Perceived service quality

\bar{p}_i = Mean of performance level perceived on attribute i for the delivered service

\bar{E}_i = Mean of expected performance level on attribute i for the service generally

Although, according to Grigoroudis and Siskos (2010, PP 26), it is possible to measure an overall customer satisfaction, based on the customer judgments. So that, to measure customer

satisfaction researcher adopt Grigoroudis and Siskos (2010) customer satisfaction index (CSI) equation as follow:

$$\bar{X} = \frac{1}{M} \sum_{i=1}^M \bar{x}_j$$

Where; \bar{X} = Average scores of satisfaction \bar{x}_j = customer satisfaction attributes.

M=size of customer sample.

3.7 Model specification

In this study multiple linear regression model were used to achieve research objectives. The basic objective of using multiple linear regression analysis in this study was to make the research more effective in analyzing impacts of independent variables (tangibility, reliability, responsiveness, assurance and empathy) on the dependent variable (customer satisfaction).

Furthermore, according to Grigoroudis and Siskos (2010, pp. 28); *“Multiple linear regression analysis is one of the most widely used statistical methods for analyzing customer satisfaction data. The method is used to study the relation between the performance of service quality (independent variables) and the overall customer satisfaction judgment (dependent variable).”*

Gujarati (1995) defines a regression function as follows:

$$y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_n X_n + u_i$$

Where; Y is dependent variable (customer satisfaction)

β_n is the coefficient of independent variables,

X_n is independent variables (tangibility, reliability, responsiveness, assurance and empathy)

U_i is error term. u_i can be described as;

$$u_i = Y - \beta_0 - \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_n X_n$$

Multiple linear regression model assumptions was conducted based on a Gujarati (1995) and Fidell (2001). Checking goodness-of-fit carry significant benefits for the research; because once the model is fitted, it is effective in describing the outcome of variables. Let summarize each assumptions one by one;

Multicollinearity: it meant the existence of a perfect or exact, linear relationship among some or all explanatory variables of a regression model. If there is perfect collinearity among the independent variables, their regression coefficients are indeterminate and their standard errors are not defined. Therefore, independence of independent variables was tested by Variance inflation factor (VIF) and tolerance.

$$VIF(X_j) = \frac{1}{1-R_j^2} \quad \text{Tolerance} = 1 - R^2$$

Where; X_j = the j^{th} explanatory variables regressed on the other independent variables.

R_j^2 = The coefficient of determination when the variable X_j regressed on the remaining explanatory variable.

Normality: The distribution of residuals should be normal at each value of the dependent variable is one of multiple linier regression assumption. This means that errors are normally distributed, and that a plot of the values of the residuals will approximate a normal curve (Keith, 2006). According to Gujarati (1995) u_i are independently and normally distributed with mean zero and a common variance σ^2 was given as; $u_i \sim IN(0, \sigma^2)$

Homoscedasticity: The variance of the residuals for every set of values for the independent variable is equal and violation is called heteroscedasticity. This means that researcher assume that errors are spread out consistently between the variables. Symbolically described as follow;

$$Var\left(\frac{u_i}{x_1, \dots, x_k}\right) = \sigma^2 \quad \text{For all } i$$

Where; Var is variance

U_i is disturbance term or error term

X_k is explanatory variable

σ^2 Is the constant or homoscedastic variance of u_i

Sample size: sample size representativeness was tested by the formula given by Tabachnick and Fidell (2001). This formula used to test sample size representativeness by taking into account the number of independent variables as follow:

$N > 50 + 8m$ Where; m = number of independent variables, N -sample size.

3.8 Description of study variables

Dependent variable:

Customer satisfaction: Kotler (2006) defined satisfaction as “a person’s feeling of pleasure or disappointment resulting from comparing a product or service perceived performance (or outcome) in relation to his or her expectations”.

Independent variables: are five dimensions of service quality. According to Sulieman (2013) those service quality dimensions with its unique features are given below:

Tangibles: The appearance of physical facilities, equipment, personnel, and communication materials.

Reliability: The ability to perform the promised service both dependably and accurately. Reliable service performance is a customer expectation and means that the service is accomplished on time, in the same manner, and without errors every time.

Responsiveness: This dimension include the following features: willing to serve customers, telling to customers exactly when services will be performed, management accessibility, providing prompt and honest responses to customers’ inquiries

Assurance: The knowledge and courtesy of employees as well as their ability to convey trust and confidence. The assurance dimension includes the following features: competence to perform the service, politeness and respect for the customer, effective communication with the customer, and the general attitude that the server has the customer’s best interests at heart.

Empathy: The provision of caring, individualized attention to customers. Empathy includes the following: features: approachability, sensitivity, and effort to understand the customer’s needs.

CHAPTER FOUR

4 Results and discussions

This chapter consists of the presentation, analysis and the interpretation of the data gathered through a structured questionnaire. The data considered in this chapter were obtained by using the SERVQUAL model. Under this section response rate of questionnaires, demographic characteristics of sample customers, gap analysis for selected insurances, total gap analysis, overall customer satisfaction rating for selected insurance, Pearson correlation analysis and multiple linear regression analysis were presented respectively.

4.1 Response rate

As shown in the below figure 3, out of 353 totally distributed questionnaires, 306 (86.68 percent) were collected while, 47 (13.12 percent) questionnaires were remained uncollected even after continuous follow up. Moreover, from the collected questionnaire, 287 (81.3 percent) was valid and the remaining 19 (5.3 percent) questionnaire were incomplete or had errors. The response rate information on questionnaires was briefly summarized in below figure 3 as follow;

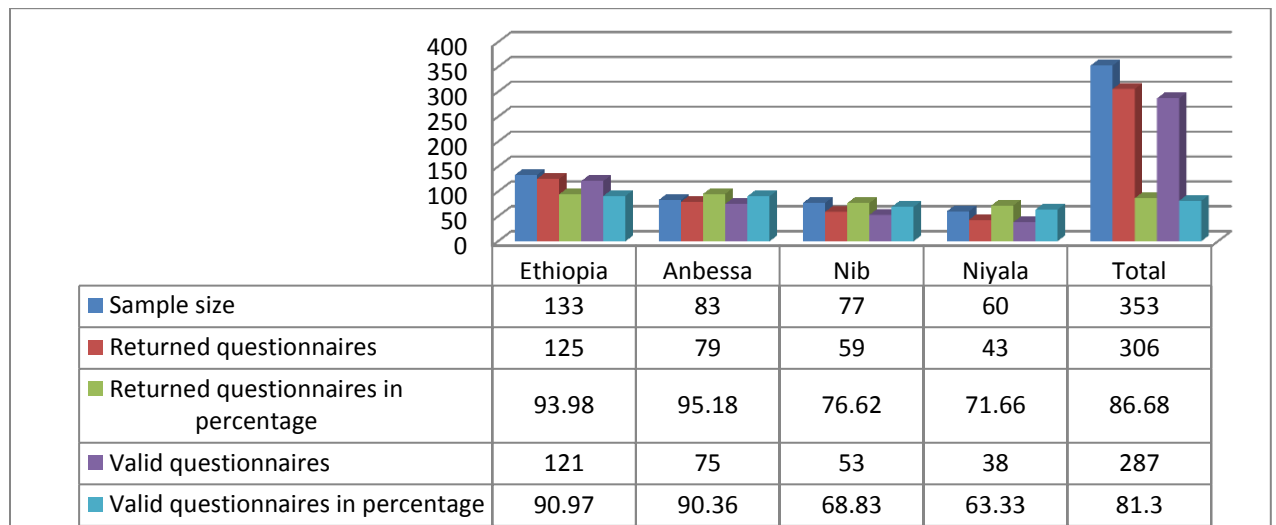


Figure 3: Response rate

Source: Survey Result, 2017

Note that valid questionnaire percentage is calculated based on sample size.

Therefore, an analysis was made based on the responses obtained from 287(81.3 percent) properly filed questionnaires. Based on the sample size test result of this research, such amount was considered sufficient for statistical analysis and to give a generalization about a population of this study.

4.2 Demographic information of the respondents

The results obtained from demographic information of the structured questionnaires were presented through frequency (FRQCY) and valid percentage as shown on the table below.

Table 2: Demographic characteristics of respondents

Variables	Categories	Ethiopia insurance		Anbessa insurance		Nib insurance		Niyala insurance	
		FRQCY	%	FRQCY	%	FRQCY	%	FRQCY	%
Gender	Male	108	81	57	76	48	90.6	32	82.1
	Female	13	19	18	24	5	9.4	7	17.9
Age	<30	6	5	7	9.3	6	11.3	3	7.7
	31-45	57	47.1	37	49.3	21	39.6	16	41
	46-60	54	44.6	27	36	21	39.6	19	48.7
	>60	4	3.3	4	5.3	5	9.4	1	2.6
Marital status	Married	93	76.9	57	72	43	81.1	33	84.6
	Single	25	20.7	17	22.7	8	15.1	5	12.8
	Other	3	2.5	4	5.3	2	3.8	-	-
Level of education	High school and below	75	62	41	54.7	34	64.2	26	66.7
	Certificate	9	7.4	5	6.7	5	9.4	4	10.3
	Diploma	9	7.4	16	21.3	3	5.7	9	23.1
	BA Degree	21	17.4	10	13.3	10	18.9	-	-
	Masters and Above	7	5.8	3	4	1	1.9	-	-
Occupation	Salaried	41	33.9	28	37.3	13	24.5	13	33.3
	Self employed	77	63.6	44	58.3	38	71.7	26	66.7
	Retired	3	2.6	3	4	3.6	2	3	-

Source: Survey result, 2017

Note that: all percentage value was computed based on each company valid questionnaires.

As it has been indicated in the above Table 2; out of 287 respondents, 245 were male and only 42 were female. This result reveals that the existence of less number of female customers in

study area insurance companies. So that, both private and public insurances should work to increase female customer through issuing various objectives that increase female customer number. Regarding the age of sample customers 22 (7.6 percent) of respondents are aged under 30; 134 (46.68 percent) respondents are between 31 and 45; 121 (42.16 percent) respondents are between 46- 60; and 14 (4.87 percent) respondents are 61 years and above. This in turn indicates that, the majorities of the Hosanna town insurance company's customer are youngsters and has in a productive age range. Marital status result shows, the lion's share 226 (78.74 percent) of the respondents was married; 55 (19.16 percent) of the respondents were single and the remaining 9 (3.13 percent) were responded others. Concerning their academic qualification 176 (61.32 percent) respondents were High school and below High school; 23 (8.01 percent) are a certificate holder; 37 (2.89 percent) are diploma holders; 41 (14.28 percent) are degree holders and the remaining 11 (3.83percent) are masters and above holders. This education level result indicates that the majority of study area customers are high school and below high school so, in order to fill this gap insurances should serve customers through short term orientation and training. Finally, with regard to occupation, 95 (33.10 percent) of respondents has salaried; 185 (64.45 percent) of respondents are self-employed and 8 (2.78 percent) are retired. Insurance is necessary for everybody, but most of study area insurance customers are self-employed. In these regard insurance companies should work with governmental and nongovernmental organization to increase the number of salaried insurance customers.

4.3 Gap analysis

SERVQUAL model is widely used to measure perceived service quality. That is because past studies found that the customer's perception of service quality depends upon the size and direction of the gap between the service the customer expects to receive and what he or she perceive to have been received (Parasuraman *et al*,1985).

So that, in this study Gap model was adapted to measure service quality by deducting customer Expectation from customer perception.

4.3.1 Individual insurance company Gap analysis

In this part mean score of perceived performance, a mean score of expected performance and a mean score of Gap analysis for Ethiopia Insurance Corporations, Anbessa insurance company, Nib insurance company and Niyala insurance company were discussed respectively.

4.3.1.1 Level of clients' expectations and perceptions towards service quality in Ethiopian Insurance Corporation

The mean of Perceived Performance, Mean of Expected Performance and Gap score of the Ethiopia Insurance Corporation was shown in the below table 3 as follow:

Table 3: Ethiopia insurance corporation Gap analysis

SQD	Perceptions	Expectations	Gap Scores
Tangibility	3.48966	4.223	-0.73347
Reliability	3.818182	4.519	-0.70083
Responsiveness	3.561983	4.597107	-1.03512
Assurance	3.551653	4.4173	-0.8657
Empathy	3.624793	4.137	-0.5124
Average score	3.609254	4.378681	-0.7695

Source: Survey result, 2017

According to the above Table 3, the averages mean score of the overall customers' perception score was at 3.624793, expectation score was at 4.3786814 and the Gap score was -0.7647998. These indicate that customer expectation was higher than perception about the corporation's service quality dimensions.

Although, in a study area branch of the Ethiopia Insurance Corporation all the five service quality dimensions scored a negative gap. Let us see each dimension one by one; tangibility has an average gap score of -0.73347 and in this dimension the company was better performed than other three selected companies. But, negative figure shows still customers do not think that the insurance corporation fulfil their expectations about physical appearance, convenience of location, in neat appearance of employees, modern equipment and technologies use.

On the other hand reliability dimension has a gap score of -0.70083; which indicates that the branches fail to meet customers' expectation on this dimension attributes of; indemnity provision without hassle, financial stability, in solving customers' concern, in transaction of

quality products and services, and in providing the service at the time the company promise to do so.

Customers of Ethiopia Insurance Corporation showed overall expectations in responsiveness dimension was at mean 4.597107 and at the same time their perception of customers about this dimension was mean of 3.561983. That means customers do not think that the company fulfil their expectations in this dimension. The difference between expectations and perceptions or Gap score in this dimension for Ethiopia insurance company was at mean -1.03512. This indicates that the company was the highest Gap score in this dimension to compare to other dimensions. That is due to the high negative customer perception – expectation gap was recorded in attributes such as; employees happy and willing to serve customers, the company's staffs tell customers exactly when services will be performed, the company's staff willingness to help customers, management accessibility and honest to responses customers' inquiries.

According to Gilbert (2004), assurance is about Employees have the required skills in providing services, sufficient knowledge of service information, courtesy and employees make customers feel safe in their transaction. Customers of Ethiopia Insurance Corporation showed an overall expectation in this dimension was at 4.4173; at the same time their perception about this dimension was 3.551653. That indicates the customers do not think that the Ethiopia insurance corporation fulfil their expectations in this dimension. But with compare to the rest three selected companies, in this dimension the company were scored better Gap score of -0.8657. So that, Ethiopia insurance company performance at assurance dimension attributes were relatively in a better position than other three selected companies in the study area.

Although, with comparison with other three selected companies, the last dimension empathy was scored relatively better gap score of -0.5124. However, still the company operates is not sufficient in attributes of empathy dimension i.e. in satisfying customers' heart interest, using reliable knowledge, giving individual attention to customers, demonstrating integrity, trustworthiness, in dealing with customers and promote ethical behavior in the workplace.

All the above analysis of the five dimensions of the Ethiopia Insurance Corporation indicates that the customers' perceptions fall short of their expectations. In other words, the levels of service quality that the customers receive are lower than their expectation, i.e. there is a certain

degree of dissatisfaction (service quality Gap) among customers of Hosanna town Ethiopia Insurance Corporation branch.

Based on above table 3, customers of Ethiopia insurance corporation reflects a highest Gap score in responsiveness dimension (-1.03512) and followed by assurance (-0.8657), tangibility (-0.73347), reliability (-0.70083) and empathy (-0.5124) respectively.

In comparison with other three selected companies' better Gap was scored in tangibles, assurance, and empathy dimensions. Also the company overall service quality score is better than other three selected companies.

4.3.1.2 Level of clients' expectations and perceptions towards service Quality in Anbessa insurance company

Table 4 below shows the differences of Mean of Perceived Performance and Mean of Expected Performance or Gap score analysis of service quality dimensions for Anbessa insurance company customers.

Table 4: Anbessa insurance company Gap analysis

SRVQAL	Perceptions	Expectations	Gap Scores
Tangibility	3.48663	4.8633	-1.37667
Reliability	4.25333	4.429333	-0.176
Responsiveness	3.916667	4.8633	-1.94667
Assurance	3.71	4.8633	-1.15333
Empathy	4.00533	4.752	-0.74667
Average score	3.87499874	4.7542466	-0.87924786

Source: Survey result, 2017

Based on above table 4 Anbessa Insurance Company overall service quality dimensions perception score was 3.87499874; expectations were 4.7542466 and the Gap score shows at 0.87924786. That means average perceived service quality is lower than customers' expectations about insurance service. Also, all five dimensions recorded a negative service quality gap. That indicates Anbessa insurances service was not meet customers' expectation in all dimensions.

Tangibles have an average gap score of -1.37667; this figure is largest gap score in this dimension with comparison to other three selected companies. This negative gap score happened due to the high customer perception - expectation gap in attributes likes modern looking equipment, visually appealing physical facilities, location convenience and well dressing and neat in appearance of employees of the branch.

On the other hand, reliability dimension were scored relatively better average gap score of -0.176 in Anbessa insurance company than other three selected insurance companies. But, the negative figure indicates that there is some problem with attribute like; provide indemnity without hassle, financially stability of branches, solving customer concern, transact products and services with the highest quality and in keeping promises.

Responsiveness has an average gap score of -1.94667. This figure was the relatively larger Gap score than other three selected companies; that is due to there is relatively large customer perception- expectation gap problem in study area Anbessa insurance company attributes of; informing customer's exact time of service performance, Prompt customer service, Staff willingness to help customers and in responding to customers. The researcher can conclude that improving such attributes can minimize Expectation – perception gap of customers.

Customers of Anbessa Insurance Corporation showed overall expectations in Assurance dimension was at 4.8633; and their perception about this dimension was 3.71 and the average gap score was at -1.15333. This figure is second largest Gap in the company. So that, customers do not think that the company fulfil their expectations in this dimension attributes of; in providing skilful services, insufficient knowledge of service information, courtesy and in making customers feel safe in their transaction.

The last dimension Empathy has an average gap score of -0.74667. So, the company operation is not sufficient in attributes of satisfying customers heart interest in; using reliable knowledge and efficient distribution, giving individual attention to customers, demonstrating integrity, trustworthiness, dealing with customers and employees, commitment to ethics and promote ethical behaviour in the work place.

Based on above table 4 Anbessa insurance company customers reflects a highest Gap score in responsiveness dimension (-1.94667) and followed by tangibility (-1.37667), assurance (-1.15333), empathy (-0.74667) and reliability (-0.176) respectively.

Although, with comparison with other three selected companies the company were relatively poor performed in tangibility and responsiveness dimensions and well performed in reliability dimension.

4.3.1.3 Level of clients' expectations and perceptions towards service quality in Nib insurance company

The below table 5 shows the differences of Mean of Perceived Performance and Mean of Expected Performance or Gap score of service quality dimensions in Nib insurance company.

Table 5: Nib insurance company Gap analysis

SQD	Perceptions	Expectations	Gap Scores
Tangibility	3.471698	4.84434	-1.37264
Reliability	4.007547	4.822642	-0.81509
Responsiveness	3.834906	4.844	-1.00943
Assurance	3.56134	4.8443	-1.28302
Empathy	4.05283	4.807547	-0.75472
Average score	3.7856642	4.83256558	-1.0469016

Source: Survey result, 2017

Table 5 result shows that the average of the overall perception score is at 3.7856642 and expectations score is at 4.8325655 and Gap score shows at -1.0469016. The figure indicates that the company failed to rich customer expectation in all service quality dimensions.

Although, the average Gap score for tangibles is ranked highest of other dimensions score, which is at -1.37264, and followed closely by the assurance (-1.28302), responsiveness (-1.00943), reliability (-0.81509) and empathy (-0.75s472). The negative gap score was recorded in all service quality dimensions of the company; these imply that Nib insurance company customer's expectations were higher than the perceived service quality in all dimensions of service quality.

Therefore, According to table 5, customers have high expectation whereas their perceived low towards all service quality dimension attributes such as tangibility attributes of; physical appearance, convenience of location, modern equipment, technology, well dressing and neat in appearance of employees. Although, Nib insurance companies fail to satisfy customer reliability attributes of; provide indemnity without hassle, financial stability of branches, solving customer concern, transact products and services with the highest quality and in keeping promises. The same is true in responsiveness dimension of informing customer's exact time of service performance, Prompt customer service, Staff willingness to help and to respond to customer concern. More over there is negative customer perception expectation gap in assurance dimension attributes of; required skills of providing the Services, sufficient knowledge of service information, courtesy to customers and employees make customers feel safe in their transaction. Furthermore, customer expectation was higher than perception in empathy dimension attributes of; satisfying heart interest of the customer, in using efficient distributors and intermediaries, in giving individual attention to customers, integrity and trustworthiness and in committed to ethics and promote ethical behavior in the workplace.

Based on above table 5 Nib insurance company customers shows the highest Gap score in tangibility (-1.37264) and followed by assurance (-1.28302), responsiveness (-1.00943), reliability (-0.81509) and empathy (-0.75472) respectively. Responsiveness dimension was scored relatively better Gap than other three selected companies in this study.

4.3.1.4 Level of clients' expectations and perceptions towards service quality in Niyala insurance company

The below table 6 shows the differences of Mean of Perceived Performance and Mean of Expected Performance or Gap score analysis of service quality dimensions for Niyala insurance company customers.

Table 6: Niyala insurance company Gap analysis

SQD	Perceptions	Expectations	Gap Scores
Tangibles	3.473684	4.8486	-1.375
Reliability	3.652632	4.836842	-1.18421
Responsiveness	3.769737	4.848684	-1.07895
Assurance	3.539474	4.84868	-1.30921
Empathy	3.915789	4.747368	-0.83158
Average score	3.6702632	4.8260348	-1.1557716

Source: Survey result, 2017

Table 6 shows that the average score of the overall perception score was 3.6702632, expectations was 4.8260348 and the Gap score shows at -1.1557716. That means customers perceived service quality is lower than their expectations towards service quality dimensions.

Based on individual dimensions of this company, all the five dimensions recorded a negative service quality gap. According to Table 6 tangibles has a comparatively high gap score of -1.375 in Niyala insurance company and followed by; assurance (-1.30921), reliability (-1.18421), responsiveness (-1.07895) and empathy (-0.83158) respectively. The negative figure implying that the customer's perception of the insurer's service quality falls short of customer's expectation.

Also, relatively highest Gap score was recorded in reliability, assurance and empathy dimensions than other three selected companies of this study.

4.3.2 Total Gap analysis

This part shows mean values of perceived performance (MPP), expected performance (MEP) and gap scores (MGS) of service quality dimensions for the total sample of selected insurance companies of Hossana town.

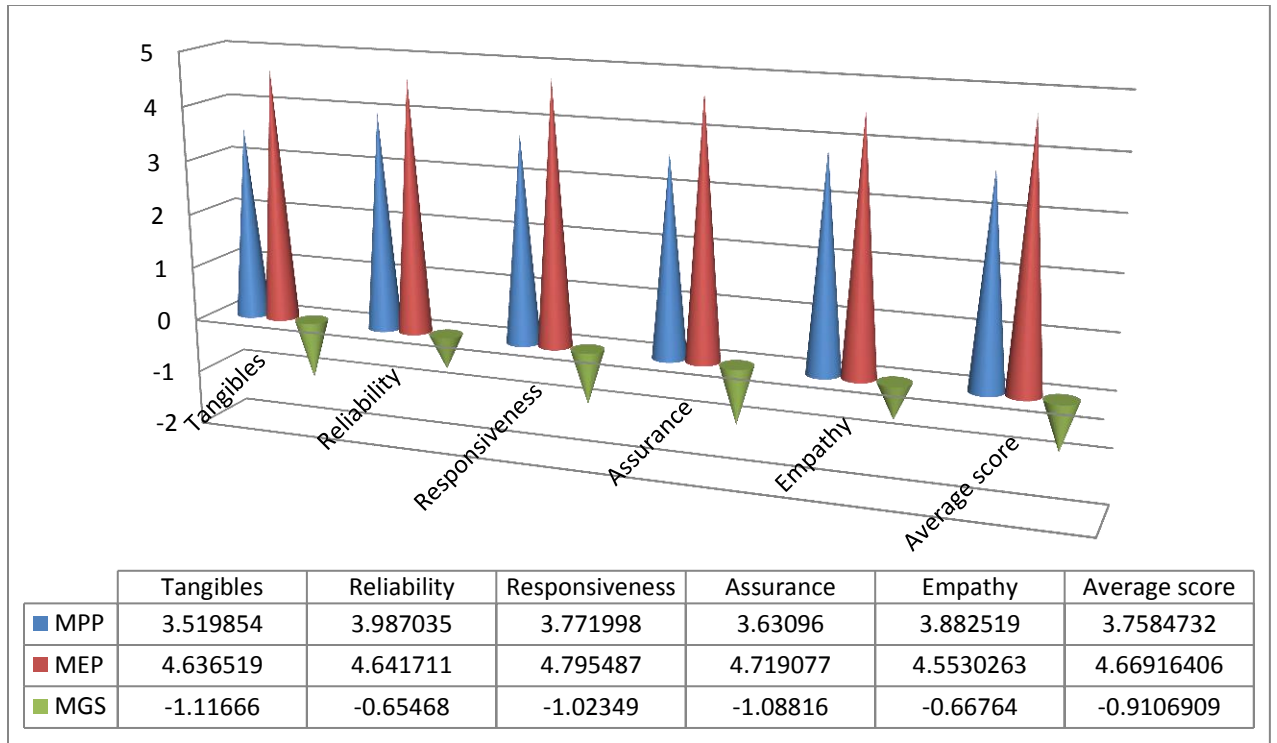


Figure 4: Gap Score (GS) of selected insurance companies.

Source: Survey result, 2017

Figure 4 indicates that customers' expectations had the higher mean scores than customer perception for the five service quality dimension as well as the individual items in selected insurance companies of Hossana town; as a result negative gap score recorded in all dimensions. The average score of the overall perception score were 3.7584732, expectations were 4.66916406 and the Gap score shows a -0.9106909. That indicates, the perceived service quality is lower than customer expectations.

From the above Figure 4, researcher can conclude that selected insurance companies were scored highest Gap in tangibles and followed by assurance, responsiveness, empathy and reliability dimensions respectively.

4.4 Overall customer satisfaction

This section showed the frequency and percentage of overall satisfaction level for Ethiopia Insurance Corporations, Anbessa insurance company, Nib insurance company and Niyala insurance company respondents that either or not feel satisfied with their insurance company services.

Kotler defined customer satisfaction by giving details on the attributes of a highly satisfied customer. According to him, a highly satisfied customer stays loyal, talks favorably about the company and its products, upgrades existing products, never complained company service, and offers a service ideas to the company. So that, the researcher adopted customer satisfaction attributes from Kotler (2006). This approach is consistent with the previous research work of Houn *et.al* (2012); Krishna *et.al* (2010) and Culiberg (2010).

4.4.1 Overall customer satisfaction level of Ethiopia Insurance Corporation

Table 7 below shows the frequency and percentage of Hosana town Ethiopia insurance corporation overall customer satisfaction level.

Table 7: Overall Customer Satisfaction level for Ethiopia Insurance Corporation

Attributes of Customer satisfaction	Extremely low		Very low		Neutral		Very high		Extremely high	
	FRQCY	%	FRQCY	%	FRQCY	%	FRQCY	%	FRQCY	%
Offering service ideas to the insurance company	-	-	55	45.5	15	12.3	45	37.2	6	5
Continuing with insurance company in the future	-	-	21	17.4	15	12.4	64	52.9	21	17.4
Talks favourably to others about the insurance company and its services	-	-	51	42.1	9	7.4	44	36.4	17	14
Never complained about insurance regarding of poor quality of service	-	-	47	38.8	30	24.8	36	29.8	8	6.6
Average	-	-	43.5	35.95	17.25	14.25	47.25	39.07	13	10.74

Source: Survey result, 2017

Based on above table 7; from Ethiopia Insurance Corporation sample respondent 42.2 percent of the respondents offer service ideas to their insurance company. On the contrary, the rest 45.5 percent of company respondents did not offers service ideas to their insurance company. The other 12.3 percent did not make any specification about their attitudes.

Although, 70.3 percent of the respondents felt that they would renew their insurance with their company. On the other hand, 17.41 percent of respondents did not think to renew their insurance policy with their current company. The rest 12.4 percent did not make any specification about their attitudes.

From Corporation total respondent 50.4 percent are talks favourably about the company and its products. On the other hand 42.1 percent of respondents do not tell others about the good quality of their insurance service and remain 7.4 percent respondents do not make any specification regarding their viewpoints.

In addition, the above table shows that 36.4 percent of the respondents reflected that they never complained their insurance service regarding of quality of service. On the contrary the rest 38.8 percent of respondents complained their corporation quality of service. The other 24.8 percent does not make any specification about their opinions.

In short, based on the above table 7, the researcher deduced that 10.74 percent of Ethiopia insurance corporation customer satisfaction level was extremely high. Although, 39.075 percent respondents' satisfaction level were very high, the other 35.95 percent satisfied very low and remain 14.2 percent do not make any specification regarding their viewpoints towards customer satisfaction attributes.

4.4.2 Overall customer satisfaction level of Anbessa insurance company

Table 8 below shows the frequency and percentage of Hossana town Anbessa insurance company overall customer satisfaction level.

Table 8: Overall Customer Satisfaction for Anbessa Insurance Corporation

Attributes of Customer satisfaction	Extremely low		Very low		Neutral		Very high		Extremely high	
	FRQCY	%	FRQCY	%	FRQCY	%	FRQCY	%	FRQCY	%
Offering service ideas to the insurance company	-	-	41	54.7	5	6.7	28	37.3	1	1.3
Continuing with the insurance company in the future	-	-	5	6.6	-	-	50	66.7	20	26.7
Talks favourably about the company and its services	-	-	21	28	3	4	45	60	6	8
Never complained about insurance service regarding of poor quality of service	-	-	49	65.3	7	9.3	15	20	4	5.3
Average	-	-	29	38.66	3.75	5	34.5	46	7.75	10.32

Source: Survey result, 2017

The above table 8 shows that, from Anbessa Insurance Company sample respondent 38.6 percent offers service ideas to their insurance company. On the contrary the rest 54.7 percent of company respondents did not offer service ideas to their insurance company. The other 6.7 percent of sample respondents of the company are neutral and did not made any specification about their attitudes.

Although, the result in this part shows that 93.4 percent of the respondents think that they will renew their insurance with their insurance company. On the contrary the rest 6.6 percent of respondents did not think to renew their insurance service with their insurance company.

Furthermore, according to table 8 out of Anbessa insurance company customer 68 percent is telling to others about the good quality of service of their insurance. On the other hand 28 percent does not tell about the good quality of service of their insurance to others. The other 4 percent of Anbessa insurance company customers did not made any specification about their opinions.

Although, 25.3 percent of the respondents reflects as they never complain their insurance service regardless of quality of service. On the contrary the rest 38.8 percent of respondents complained their insurance service regarding quality of service. The other 9.3 percent of the company sample respondents did not made any specification about their opinions.

In short, based on the above table 8 researcher deduced that 10.32 percent of Anbessa insurance company customers satisfaction level was extremely high and 6 percent respondents are satisfied very high, on the other hand 38.6 percent reflects a very low level of satisfaction and remain 5 percent did not make any specification regarding their viewpoints towards customer satisfaction attributes.

4.4.3 Overall customer satisfaction of Nib insurance company

Table 9 below shows the frequency and percentage of Nib insurance company overall customer satisfaction level.

Table 9 : Overall customer satisfaction of Nib insurance company

Attributes of Customer satisfaction	Extremely low		Very low		Neutral		Very high		Extremely high	
	FRQCY	%	FRQCY	%	FRQCY	%	FRQCY	%	FRQCY	%
Offering service ideas to insurance company	-	-	27	50.9	9	17	16	30.2	1	1.9
Continuing with insurance company in the future	-	-	-	-	15	28.3	30	56.6	8	15.1
Talks favourably about the company and its services	-	-	25	47.2	1	1.9	24	45.3	3	5.7
Never complained about insurance service regarding poor quality of service	-	-	31	58.5	8	15.1	12	22.6	2	3.8
Average	-	-	20.75	39.15	8.25	15.55	20.5	38.67	3.5	6.6

Source: Survey result, 2017

The above table 9 result shows that, among sample respondents of Nib Insurance Company 32.1 percent of the respondents offer service ideas to their insurance company. On the contrary, the rest 50.9 percent of company respondents did not offer service ideas for their company. The other 17 percent of sample respondents of the company are neutral and did not make any specification about their attitudes.

Although, based on above table analysis finding; out of company sample customer 71.7 percent of the respondents felt that they would renew their insurance with their insurance company. On the other, hand rest 28.3 percent did not made any specification about their attitudes.

In the table above shows 51 percent of sample customers of the company are told about the good quality of service of their insurance to others. Another 47.2 percent of respondents did not talk to others about the good quality of service of their insurance. Only 1.9 percent did not make any specification regarding their viewpoints.

The table above shows that although 26.4 percent of the respondents reflected that they never complain their insurance service regardless of quality of service. On the contrary the rest 58.5 percent of respondents complain their insurance service regarding of quality of service. The other 15.1 percent does not make any specification about their opinions.

In short, based on the above table researcher deduced that 6.6 percent of Nib insurance company customers satisfaction level was extremely high and although, 38.67 percent respondents are satisfied very high and the other 39.15 percent reflects as not satisfied customers by responding very low and remain 15.55 percent did not made any specification regarding their viewpoints towards customer satisfaction attributes.

4.4.4 Overall customer satisfaction of Niyala insurance company

Table 10 below shows the frequency and percentage of Niyala insurance company branch overall customer satisfaction level.

Table 10: Overall customer satisfaction of Niyala insurance company

Attributes of Customer satisfaction	Extremely low		Very low		Neutral		Very high		Extremely high	
	FRQCY	%	FRQCY	%	FRQCY	%	FRQCY	%	FRQCY	%
Offering service ideas to insurance company	-	-	22	57.9	2	5.3	13	34.2	1	2.6
Continuing with insurance company in the future	-	-	14	36.8	-	-	23	60.5	1	2.6
Talks to others favourably about the company and its services	-	-	16	42.1	3	7.9	19	50	-	-
Never complained about insurance service regarding of poor quality of service	-	-	25	68.5	1	2.6	12	31.6	-	-
Average	-	-	19.2	50.5	1.5	3.9	16.5	43.42	0.5	1.3

Source: Survey result, 2017

The above table 10 result shows that, among Niyala insurance company sample customers 36.8 percent of the respondents offer service ideas to their insurance company. On the contrary, the rest 57.9 percent of company respondents did not offers service ideas to their insurance company. The other 5.3 percent of sample customers of the company are neutral and did not made any specification about their attitudes.

In addition, out of company sample customer 63.1 percent of the respondents feel that they would renew their insurance policy with their insurance company. On the other hand rest 36.8 percent did not feel to renew their policy with their insurance company.

Although, the above table shows 50 percent of sample customers of companies are talking to others about the good quality of their insurance services. On the other hand 42.1 percent of respondents did not tell to others about good quality of service of their insurance. Another 17.9 percent did make any specification regarding their viewpoints.

Based on above table, 31.6 percent of the respondents reflect that they never complain their insurance service regarding of quality of service. On the contrary the rest 68.5 percent of respondents complain their insurance service regarding of quality of service. Remain 2.6 percent did not made any specification about their opinions.

Therefore, based on the above table researcher deduced 1.3 percent of Niyala insurance company customers satisfaction level was extremely high. Although, 43.42 percent respondents are very satisfied and on the other hand 50.5 percent reflects as not satisfied and remain 3.9 percent did not make any specification regarding their viewpoints towards customer satisfaction attributes.

4.5 Correlations

According to Wajahat (2010), before the start of regression analysis it is important to check the correlation test between dependent variable and independent variables. The Pearson correlation scale ranges from -1 to +1, any value greater than zero indicates a positive direct relationship between the two variables, which implies that every increase in the independent variable will lead to the increase independent variable, while any value less than zero indicates a negative indirect relationship between two variables, that means that every increase in the independent variable will lead to the decrease on the dependent variable (Hafiz, 2007).

Table 11: Pearson’s correlation coefficient matrix

		Customer satisfaction	Tangibility	Reliability	Responsiveness	Assurance	Empathy
Customer satisfaction	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	287					
Tangibility	Pearson Correlation	.355**	1				
	Sig. (2-tailed)	.000					
	N	287	287				
Reliability	Pearson Correlation	.596**	.110	1			
	Sig. (2-tailed)	.000	.062				
	N	287	287	287			
Responsiveness	Pearson Correlation	.687**	.164**	.454**	1		
	Sig. (2-tailed)	.000	.005	.000			
	N	287	287	287	287		
Assurance	Pearson Correlation	.611**	.288**	.464**	.491**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	287	287	287	287	287	
Empathy	Pearson Correlation	.470**	.255**	.170**	.438**	.472**	1
	Sig. (2-tailed)	.000	.000	.004	.000	.000	
	N	287	287	287	287	287	287

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

Source: Survey result, 2017

From the above table 11 result, it can be observed that, responsiveness is the most correlated variable with customer satisfaction (with the r value of 0.687) and it was followed by assurance (with the r value of 0.611), reliability (with the r value of 0.596), empathy (with the r value of 0.47) and tangibility (with the r value of 0.355) respectively.

Furthermore, according to Evans (1996) correlation is an effect size and can be described with absolute value of r as 0.00 up to 0.19 is “very weak”, 0.20 up to 0.39 is “weak”, 0.40 up to 0.59 is “moderate”, 0.60 up to 0.79 is “strong”, and 0.80 up to 1.0 is “very strong.”

Based on this in Hossana town selected insurance companies; customer satisfaction is strongly correlated with the responsiveness and assurance; moderately correlated with the reliability and empathy and weakly correlated with tangibility.

4.6 Regression analyzes result

Regression analysis allows the prediction or estimation of the value of one variable (the criterion, dependent, or predicted variable; called as Y) from one or more predictor variables (called X) (Keith, 2006). Researchers (Akalu, 2015; Meron, 2015; Al-Hawaryet al., 2011 and Alhamadani, 2011) employed multiple linear regression models to determine impacts of service quality on customer satisfaction. Also, the researcher adopted multiple linear regression models to identify effects of five service quality dimensions on customer satisfaction.

Table 12: Model summary

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.812 ^a	.659	.653	.254541	1.649

a. *Dependent Variable: Customer satisfaction*

b. *Predictors: (Constant), Empathy, Reliability, Tangibility, Responsiveness, Assurance*
Source: Survey result, 2017

From table 12, it can be seen that R value is 0.812. Therefore, R value indicates that there is a strong positive relationship between customer satisfaction and service quality dimensions namely; tangibility, reliability, responsiveness, assurance and empathy. The r-square value in the model summary tells the goodness of fit of the model. R-square value for this model is 0.659, which means five service quality dimensions are able to measure customer satisfaction at 65.9 percent. However; the remaining 34.1 percent could be some other variables which had not been considered in this study.

Table 13: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	35.155	5	7.031	108.517	.000 ^b
	Residual	18.206	281	.065		
	Total	53.361	286			

Source: Survey result, 2017

As seen in above table 13, total sum of squares (63.361) is equal to the sum of explained sum of squares (35.155) and residual sum of squares (18.206). A study of these components total

sum of squares of is known as the analysis of variance (ANOVA) from the regression viewpoint.

From the above table 13, it is identified that the value of F-stat is 108.517(mean square of regression divided by mean square of residual) and it is significant at p value of 0.00 ($p < 0.05$). This indicates that the overall model was reasonably fit and there was a statistically significant association between service quality dimension and customer satisfaction. Hence, it can be concluded that service quality dimensions (service dimensions collectively) have significant impact on customer satisfaction of Hossana town selected insurance companies.

Table 14: Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	4.300	.042		102.351	.000	4.217	4.383
Tangibility	.107	.021	.187	5.092	.000	.066	.148
Reliability	.190	.024	.327	7.981	.000	.143	.237
¹ Responsiveness	.362	.045	.376	8.144	.000	.275	.450
Assurance	.080	.034	.113	2.353	.019	.013	.148
Empathy	.169	.047	.149	3.608	.000	.077	.262

a. Dependent Variable: Customer satisfaction
Source: Survey result, 2017

The relationship of dependent variable Y to the independent variables X1, X2, X3 ...Xn can be expressed as: $y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$. Here, β_0 is constant and β_n is the coefficient of independent variables (Satendra et.l, 2011). The researcher used unstandardized coefficients to constructing a regression equation (Pallant and Julie,2005). From the coefficient table 14, the substitution of the equation becomes:

$$\text{Customer satisfaction} = 4.3 + 0.107 \text{ tangibility} + 0.19 \text{ reliability} + 0.362 \text{ responsiveness} + 0.08 \text{ assurances} + 0.169 \text{ empathy}$$

4.6.1 Hypothesis test result

Five hypotheses have been tested to answer the research questions based on the research problem and objectives. The hypotheses address each service quality dimension such as;

tangibles, reliability, responsiveness, assurance and empathy impacts on customer satisfaction. The hypothesis test results were presented as follows.

Hypothesis 1

H1: Tangibility has a positive and significant effect on customer satisfaction in selected insurance companies of Hossana town; at p value of ≤ 0.05 and β value.107.

The value of $p \leq 0.05$ with contribution of $\beta=.107$ revealed that, tangibility has a significant effect on customer satisfaction. So that, null hypothesis was rejected. Although, beta value of 0.107 indicates that tangibility has positive effect on customers' satisfaction of study area selected insurance companies. Moreover, the beta value of 0.107 implies that an increase in the effectiveness of tangibility by one unit leads to an increase in customer satisfaction by 0.107 units. Therefore, more investment in; physical facilities, convenience of location, modern equipment, technology and appearance of personnel results more customer's satisfaction.

This finding is consistent with the previous study by Hawary *et al.* (2011), Mohammad and Alhamadani (2011), Tizazu (2012), Akalu (2015), Beliyu (2012), Meron (2015) and Hirut (2015); who reported tangibility positively and significantly influenced the level of customer satisfaction. But, it is contrary to the research study by Yeni (2016), Malik et al. (2011) and Endalkachew (2012) who found that no significant influence of tangibility on customer satisfaction.

Hypothesis 2

H2: Reliability has a positive and significant effect on customer satisfaction in selected insurance companies of Hossana town; at p value of ≤ 0.05 and β value.190.

In the above coefficient table 14, the $p \leq 0.05$ with contribution of $\beta=.190$ showed that reliability has a significant effect on customer satisfaction. So, the null hypothesis was rejected. Although, beta value of 0.190 indicates that reliability has positive effect on customers' satisfaction of study area selected insurance companies. Moreover, the beta value implies that an increase in the effectiveness of reliability by one unit leads to an increase in customer satisfaction level by 0.190 units. Therefore, selected insurance companies should improve the attributes of reliability such as; providing indemnity without hassle, financially stability,

solving customers' concern, transacting products and services of highest quality and keeping promises to increase the satisfaction level of customers.

This finding is consistent with the previous study by Dijale (2011), Mesay (2012), Dawit (2015), Akalu (2015) and Asma (2012) who reported that reliability positively and significantly influenced the level of customer satisfaction. But, it is contrary to the study by Gupta (2012) who found insignificant influence of reliability in customer satisfaction.

Hypothesis 3

H3: Responsiveness has a positive and significant effect on customer satisfaction in selected insurance companies of Hossana town; at p value of 0.05 and β value .362.

Based on above coefficient Table 14; $p \leq 0.05$ with contribution of $\beta=.362$ revealed that responsiveness has significant effect on customer satisfaction. Therefore, the null hypothesis was rejected. Also, beta value of .363 indicates that responsiveness has positive effect on customers' satisfaction of study area insurance companies. Moreover, the beta value of 0.362 implies that an increase in the effectiveness of responsiveness by one unit leads to an increase in customer satisfaction by 0.363 units. Hence, in order to satisfy customers more, the study area insurances should improve attributes responsiveness such as the company's staffs telling customers exactly when services will be delivered, the company's staff willingness to help customers, management accessibility and honest responses to customers' inquiries.

This finding is similar to the previous research work conducted by Akalu (2015), Dijale (2011), Mesay (2012) and Dawit (2015), who reported that responsiveness positively and significantly influence the level of customer satisfaction. But, it is contrary to the study by Babatunde (2012) and Endalkachew (2012) who found there is no significant influence of reliability on customer satisfaction.

Hypothesis 4

H4: Assurance has a positive and significant effect on customer satisfaction of selected insurance companies of the Hossana town; at p value of ≤ 0.05 and β value .080.

Based on above coefficient table 14; p value of ≤ 0.05 with contribution of $\beta=.080$ revealed that assurance has a significant effect on customer satisfaction. So that, null hypothesis was rejected. Also, beta value of .080 indicates assurance has a direct effect on customers' satisfaction of study area insurance companies. Moreover, the beta value of 0.080 implies that an increase in the effectiveness of assurance by one unit leads to an increase in customer satisfaction by 0.080 units. Therefore, the more the study area insurance companies invests in the attributes of assurances such as; required skills in providing services, sufficient knowledge of service, consistently courteous with customers, and employees make customers feel safe in their transactions there by resulting, in more customer satisfaction.

This finding is consistent with the previous study by Akalu (2015), Endalkachew (2012), Meron (2015), Dawit (2015) and Hirut (2015) who reported that assurance has positive and significant effect on customer satisfaction.

Hypothesis 5

H5: Empathy has a positive and significant effect on customer satisfaction in selected insurance companies of Hossana town; at p value of ≤ 0.05 and β value.169.

Based on coefficient table 14, $p \leq 0.05$ with contribution of $\beta=.169$ revealed that empathy has a significant effect on customer satisfaction. Therefore, the null hypothesis was rejected. Also, beta value of 0.169 indicates that empathy has a positive effect on customers' satisfaction of study area insurance companies. Moreover, the beta value of 0.169 implies that an increase in the effectiveness of empathy by one unit leads to an increase in customer satisfaction by 0.169 units. So, to increase satisfaction level of customers, selected companies should invest more in attributes of empathy dimensions such as: satisfying customer's heart interest, using reliable knowledge, giving customers individual attention, demonstrating integrity, trustworthiness, dealing with customers and employees commitment to ethics and promote ethical behavior in the workplace.

This finding is consistent with the previous study by Dijale (2011); Dawit (2015) and Akalu (2015) who reported that customer satisfaction was directly and significantly affected by empathy; But, it is contrary to the study by Al-Hawary *et al.* (2011) who found insignificant influence of empathy in customer satisfaction(appendix IV).

Moreover, based on the findings of regression analysis, the researcher found that all of the service quality dimensions (tangibility, reliability, responsiveness, assurance, and empathy) had positive and significant effects on customer satisfaction of Hossana town selected insurance companies’.

The Standardized Beta values for each of the different variables have been converted to the same scale; so that, it is better compete them (Pallant and Julie , 2005). Therefore, researcher was used the standardized Beta coefficients, to compare or prioritize the effects of independent variables(tangibility, reliability, responsiveness, assurance, and empathy) on dependent variable(customer satisfaction) in selected insurance companies of Hossana town. So that, based on table 14 above, responsiveness had a relatively strong and direct effect on customer satisfaction at β value of .376 and followed by reliability at β value of .327, tangibles at β value of .187, empathy at β value of .149, and assurance at β value of .113 respectively.

4.6.2 Multiple linear regression assumptions

Before running regression analysis, it is essential to test assumptions of multiple linear regression analysis Model (Keith, 2006; Pallant, 2005). Therefore, each assumption result was discussed in the following sub topics;

4.6.2.1 Normality test

The normality assumption is about the mean of the residuals is zero. Moreover, Normality tests are used to determine whether a data set is well-modeled by a normal distribution or not, or to compute how likely an underlying random variable is to be normally distributed (Gujarati, 2009).

Therefore, the researcher was used Histogram methods of testing the normality of the data. According to Fidell (2001), if the residuals are normally distributed around it’s mean of zero, the histogram should be a bell-shaped and regression standardized residual plotted between 3.3

and -3.3. So that, from figure 5 below, it can be noted that the data conforms to the normality assumption (Stevens, 2009).

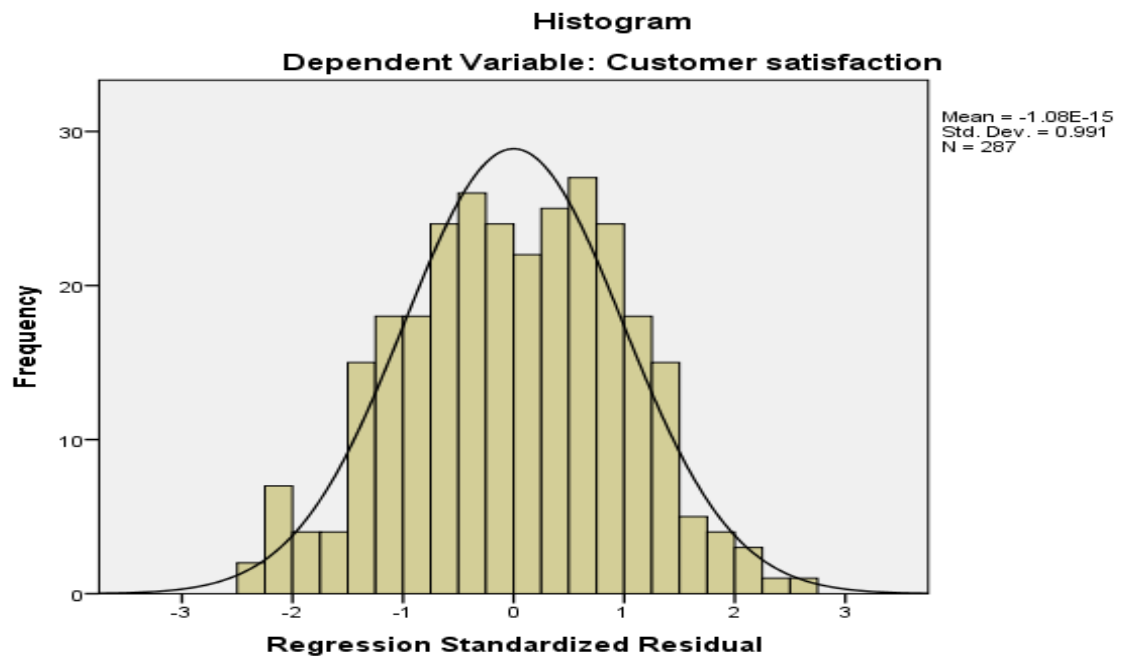


Figure 5: Normal distribution Histogram results

Source: survey result, 2017

4.6.2.2 Linearity test

Multiple regressions can accurately estimate the relationship between dependent and independent variables, when their relationship is linear in nature (Keith, 2006). If linearity is violated, all the estimates of the regression including regression coefficients, standard errors, and tests of statistical significance may be biased (Keith, 2006). This can be best checked by p-p plot residual as shown in figure 6 below. When, p-p residual look at straight line, the relationship between the dependent and independent variables is linear. Therefore, there is no linearity problem on the data used for this study.

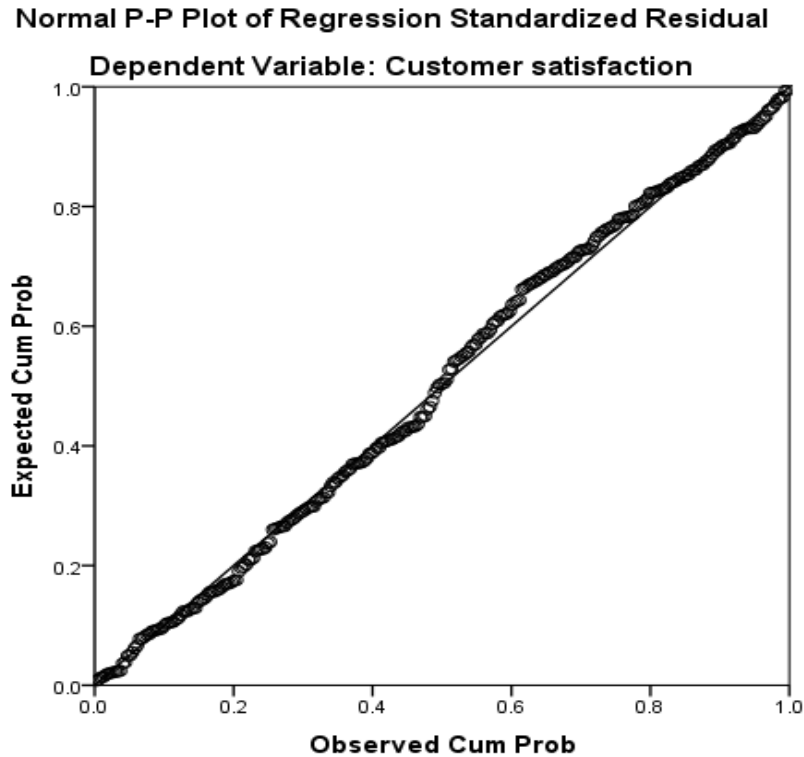


Figure 6: P-P plot; linearity test results

Source: survey result, 2017

4.6.2.3 Multicollinearity test between independent variables

According to Gujarati (2003), multicollinearity test helps to identify the correlation between explanatory variables and to avoid double effect of independent variable from the model. When independent variables are multicollinear, there is overlap or sharing of predictive power. This may lead to the paradoxical effect, whereby the regression model fits the data well, but none of the explanatory variables (individually) has a significant impact in predicting the dependent variable. For this purpose, variance inflation factor (VIF) and tolerance test were employed to check whether or not multicollinearity problem exists in explanatory variables. If the value of VIF is less than 10, there is no Multicollinearity between the explanatory variables and on the other hand VIF greater or equal to 10 is an indicator of a serious Multicollinearity problem. In addition, Tolerance is an indicator of how much of the variability of the specified independent is not explained by the other independent variables in the model and is calculated using the formula $1 - R^2$ for each variable. If this value is very small (less than .10), it

indicates that the multiple correlation with other variables is high, suggesting the possibility of multicollinearity (Keith, 2006; Shieh, 2010).

Table 15: Collinearity Statistics

	Tolerance	VIF
Tangibility	.897	1.115
Reliability	.723	1.383
Responsiveness	.571	1.751
Assurance	.524	1.908
Empathy	.711	1.406

Source: survey result, 2017

As shown in collinearity Statistics table 15 above, the value of VIF of all independent variables was found to be smaller than ten and as well as tolerance test result is greater than 0.1. These values indicated that there is no Multicollinearity problem on this research explanatory variable.

4.6.2.4 Heteroscedasticity Test

The variance of the residuals for every set of values for the independent variable should be equal and violation is called heteroscedasticity. This means that researchers assume that errors are spread out consistently between the variables.

Scatterplot of more than 3.3 or less than -3.3 indicates a heteroscedasticity problem (Tabachnick & Fidell, 2007). Therefore, as shown in figure 7 below the data did not violate heteroscedasticity assumption and instead it was homoscedastic.

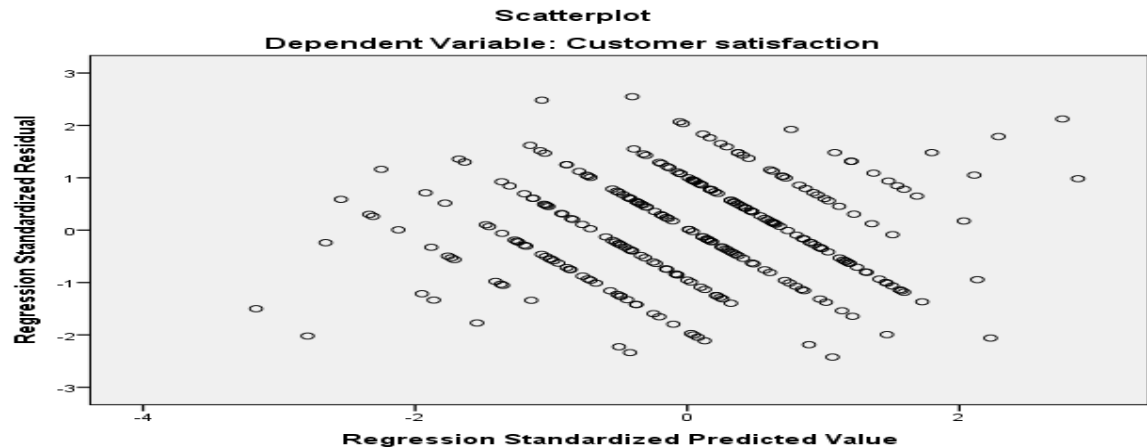


Figure 7: scatterplot Heteroscedasticity test results

Source: survey result, 2017

4.6.2.5 Sample size test

With a small sample, one can obtain a result that does not generalize other target population. If results do not generalize to other samples, then it is little scientific value. To test sample size researcher uses a formula given by (Pallant, 2005, p. 142). This formula used to test sample size problem by taking into account the number of independent variables as follow:

$$N > 50 + 8m = N > 50 + 8(5) = 287 > 90$$

Where; m = number of independent variables, N- valid sample size

Therefore, based on the above equation result, valid sample size 287 is greater than 90 and this result showed that the data conforms to the sample size assumption.

In summary, from Gap analysis result of this study, it can be conclude that all selected insurance companies of Hosanna town failed to fulfill customer expectation with all service quality dimensions such as; tangibility, reliability, responsiveness, assurance, and empathy. On the other hand, Pearson's correlation and regression test results showed that all service quality dimensions had positive and significant effects on customer satisfaction level. For instance, responsiveness was the most important factor to have positive and significant effect on customer satisfaction, followed by reliability, empathy, tangibles, and assurance. Therefore, selected insurance companies should improve those dimensions to increase satisfaction level of customers of their insurances.

CHAPTER FIVE

5 Summary of finding, Conclusion and Recommendation

Based on the analysis and interpretations made at the previous chapter, the following finding, conclusions and recommendation are made.

5.1 Summary of finding

The basic interest of this study is to find out the effects of service quality on customer satisfaction in four selected insurance companies of Hossana town. The 22 service quality attributes of SERVQUAL model are used to investigate the relationship between the service quality dimensions and customer satisfaction. The data obtained from the respondents was analyzed by using various statistical tools. After analysing the information gathered through questionnaires the following findings were presented.

The individual and total gap scores of selected insurance companies had scored negative gap; which means that the insurance companies did not meet customers' expectation by five service quality dimensions.

Based on Ethiopia insurance corporation Gap analysis, highest Gap was recorded in responsiveness dimension (-1.03512) and followed by assurance (-0.8657), tangibility (-0.73347), reliability (-0.70083) and empathy (-0.5124) dimensions respectively. In comparison with other three selected companies' better Gap had scored in tangibles, assurance, and empathy dimensions.

Although, Anbessa insurance company customers reflects a highest Gap score in responsiveness dimension (-1.94667) and followed by tangibility (-1.37667), assurance (-1.15333), empathy (-0.74667) and reliability (-0.176) dimensions respectively. Also, company was performed poorly in tangibility and responsiveness dimensions and performed well at reliability dimension in comparison with other three selected companies.

Nib insurance company customers shows highest Gap score in tangibility (-1.37264) and followed by assurance (-1.28302), responsiveness (-1.00943), reliability (-0.81509) and

empathy (-0.75472) respectively. Nib insurance company was relatively better Gap score in responsiveness dimension.

Furthermore, Niyala insurance company customer was scored highest Gap in tangibility (-1.375) dimension and followed by; assurance (-1.30921), reliability (-1.18421), responsiveness (-1.07895) and empathy (-0.83158) dimensions respectively. Also, relatively highest Gap score was recorded in reliability, assurance and empathy dimensions than other three selected companies of this study.

Overall customers satisfaction analysis result showed that; 49.81 percent of Ethiopia insurance corporation, 56.32 percent of Anbessa insurance company, 45.27 percent of Nib insurance company and 44.72 percent of Niyala insurance company customers feel that they satisfied by their insurance company; on the other hand 35.95 percent of Ethiopia insurance corporation, 38.6 percent of Anbessa insurance company, 39.15 percent of Nib insurance company and 50.5 percent of Niyala insurance company customers reflects as not satisfied customers and the remaining 14.2 percent of Ethiopia insurance corporation, 5 percent of Anbessa insurance company, 15.5 percent of Nib insurance company and 3.9 percent of Niyala insurance company customers did not made any specification regarding their viewpoints towards customer satisfaction attributes.

The correlation result showed that, the five service quality dimensions (tangibility, responsiveness, assurance, empathy and reliability) were positively and significantly related to customer satisfaction.

Moreover, in terms of the stated research hypotheses the following findings emerged from the multiple linier regression analysis investigation: The five service quality dimensions which are tangibility, reliability, assurance, responsiveness and empathy have a positive and significant effect on customer satisfaction in four selected insurance companies in the study area. Regression finding further show that, responsiveness had relatively strong and direct relationship with customer satisfaction at β value.376 and followed by reliability at β value.327, tangibles at β value.187, empathy at β value.149, and assurance at β value.113 respectively.

Thus, findings are very important and enable Hossana town insurance companies to have a better understanding of their customer's feelings towards service quality dimensions. That helps them to be competitive in local and global market by satisfying their customers.

5.2 Conclusion

Based on gap score and multiple linear regression analyses finding of selected insurance companies, the following conclusion is made which is a critical factor to be careful to assure the long run competitiveness of the companies in the market.

The Multiple linear regression model analysis result shows that insurance company' facilities, Convenience of location, uses modern equipment and technology and the appearance of personnel have a positive and significant effect on customer satisfaction. But, based on analysis result, selected companies have scored negative Gap on those attributes of tangibility; that means tangibility dimension service performance in selected companies was not as expected by customers.

Regression results further shows that promise keeping, provides indemnity without hassle, financially stability, show sincere interest in solving customers' concern, transact products and services of the highest quality; are positive and significant effect on customer satisfaction. However, based on Gap analysis result selected companies fail to fulfil customer expectation in attributes of reliability dimension.

When the insurances' responsiveness became high; the level of customer satisfaction also increases. Therefore, willingness and readiness of employees of insurances in providing the service has a positive effect on customer satisfaction. Thus customers' of Hossana town selected insurance companies prefer the insurers which is willing and ready to give prompt service and to tell the exact time when they provide service. Also, they expect help and answer for their problems and question from front line employees. Nevertheless, the insurances Gap analysis result show that there is problem responsiveness dimension attributes of; employees' willingness to serve customers, in telling exactly when services will be performed, in willing to help customers and honest responses to customer inquiries.

Knowledge and competence of service providers and the ability to convey trust and confidence has positive effect on customer satisfaction. But employees in selected insurance have a problem in instilling confidence in customers and the company's employees are not courteous as expected by customers and they lack the knowledge to answer customers' question.

Although, if the selected companies understand customer needs and provide individualized attention to their customers or increase the empathy they can also improve the level of customer's satisfaction. However, the insurances have a problem in giving individualized attention. Furthermore, the employees have a problem in understanding the specific need and the interest of the customers as customers' expectation.

5.3 Recommendation

The result of this studies showed that selected insurance company customer's expectations exceed their perception in all service quality dimensions. Therefore, each selected companies should improve responsiveness, reliability, empathy, tangibles, and assurance dimensions attribute to minimizing negative customer expectation - perception gap and to win in a competitive market.

Based on the findings of this research, the researcher gave the following recommendation that helps the selected insurance companies improve their service quality dimensions and increase customer satisfaction level.

- Providing training: selected insurance companies desirable to train its employees in order to deliver prompt service. The management of each companies should focus on training employees; that improve reliability (performing the promised service both dependably and accurately), responsiveness (willingness to help customers and to provide prompt service), empathy (provision of caring and individualized attention to customers), and as well as assurance and tangibility dimensions. It is advisable to train staff in service quality improvement programs e.g. Customers' service improvement.
- Service performance evaluation: It is important to evaluate the level of its service quality frequently, this will allow the selected insurances to measure frequently its effectiveness of quality service provision from the eyes of its customers and can determine their satisfaction

level, by doing so, and it can maintain its customers and be able to attract a wide range of customers. In support of the above recommendation, Parasuraman, *et al.*, (1988), suggests that SERVQUAL is most valuable when it is used periodically to track service quality trends of the organization.

- Efficient Resource allocation: It is advisable for the selected insurance companies to plan and allocate its resources according to the relative importance of the service quality dimensions- as indicated in Gap analysis and regression analysis part of this research.
- Carrying out research: It is necessary to conduct research on regular base to identify the service quality level; which helps companies to know customers' perceptions and expectations gap. Neglecting research may lead to incorrect or incomplete manager perceptions. This can be used in line with Market intelligence. Developing a file of market intelligence information and helping managers to evaluate new information about customer expectation can improve satisfaction level of customers and can be used as input for further research. More investment in consumer research means more knowledge about customers' expectations, therefore less gap between what customers want and what managers think customers want. This will probably allow customers to provide input for the improvement of the insurances' service.
- Although, it is better to review suggestions and comments customers provide on suggestion box and act accordingly. Because, some customers reflects their expectations of service quality through leaving comment in company suggestion box.

5.4 Limitation of the study

This study was conducted on four selected insurance companies; but those insurances have many branches across the country, so the finding of the study may not fully represent them due to variations in environmental factors. Also, the respondent in this study was sample customers from each branch, the sampling unit under study may not be able to fully generalize to a large population of each insurance customer.

This study was mainly focused on the effect of service quality on customer satisfaction but there might have factors beyond service quality dimensions that can improve customer satisfaction and those factors were not addressed by this study.

5.5 Direction for further research

For future researchers, it's better choose a longitudinal (time series or panel) research design to examine the cause and effect relationship as well as to analyze and compare changes in variables over time. Although, better to involve or including all other rest insurances; because survey method may increase reliability of the research finding. Due to the scope of this research objective, the researcher did not investigate the impact of customer satisfaction in the performance of the organization. So, future research can further investigate the impacts of customer satisfaction on organizational performance.

Moreover, the current study employed five elements as independent variables under service quality dimensions and investigated their effects on customer satisfaction. This implies that other variables relating to service quality dimensions were not considered. Hence, it is suggested that in future, other researchers should factor in other elements of service quality dimensions and assess their impact on customer satisfaction.

Finally, this study did not make use of moderating/control variables in the conceptual framework and therefore, there is an opportunity for other researchers to introduce these variables like age, gender or size of the companies and establish whether the findings can be generalized.

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Appendices

Appendix I: Instructions for Enumerators and Questionnaires

i. Instructions for enumerators:

1. Make brief introduction to each respondent before starting the distribution i.e., tell them your name;
2. Explain clearly the purpose and objectives of the study;
3. Ask their consent before you distribute;
4. If respondent have not time to respond the questionnaire at a moment you distribute, let them to respond at home and please follow up with their address or phone number;
5. Please do not try to use technical terms while discussing with respondents, and ;

ii. QUESTIONNAIRES
JIMMA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT MBA PROGRAM

Questionnaire will be filled by non-life insurance policy Customer of ----- Insurance Company.

Dear Respondent,

The purpose of this questionnaire is to collect primary data for conducting a study on the topic, “The effects of Service Quality on Customer Satisfaction in selected insurance companies of Hossana town” for the partial fulfillment of the Masters of Business administration (MBA) Program at Jimma University. I kindly request you to provide me reliable information. Your responses will be kept confidential.

Thank you in advance for your cooperation.

N.B:

✚ No need to write your name

✚ Put (√) inside the box or table for an alternative you think is right

Section A: Personal Information

1. Gender: Male Female

2. Age: < 30 31-45 46-60 > 60

3. Marital Status: Married Single Other

4. Level of Education:

High School and below Certificate

Diploma Degree Masters and above

5. Occupation: Salaried Self-employment Retired
 Other

Section B: Customers' Expectations

This section will ask your outlook of the delivery of services to the customer in all course of action of insurance service. The services are including since purchasing process until the claim process. Please indicate the extent to which you think that your insurance company should acquire the feature described. There is no right or wrong answers. I am only interested in the number that best represents your expectations about the level of service(s) that your insurance company should provide. Please kindly circle one of the five numbers to the right of each statement as indicated in the following:-

1= Not important 2= Less important 3= Neutral 4= Important 5= Very important

No.	Service quality dimensions	Not important	Less important	Neutral	Important	Very important
		1	2	3	4	5
	Tangibles					
1	Excellent insurance company has visually appealing physical facilities	1	2	3	4	5
2	Excellent insurance's location is convenient	1	2	3	4	5
3	Excellent insurance uses modern and appropriate equipment and technology	1	2	3	4	5
4	The employees of Excellent insurance are well dressed and neat in appearance	1	2	3	4	5
	Reliability					
5	Excellent insurance provide indemnity	1	2	3	4	5

	without hassle					
6	Excellent insurance company is financially stable	1	2	3	4	5
7	Excellent insurance's company staff show sincere interest in solving customers' concern	1	2	3	4	5
8	Excellent insurance transact products and services of highest quality	1	2	3	4	5
9	When Excellent insurance's staff will promise to do something by a certain time and do so	1	2	3	4	5
	Responsiveness					
10	Excellent insurance employees are happy and willing to serve customers	1	2	3	4	5
11	Excellent insurance's staff tell customers exactly when services will be performed	1	2	3	4	5
12	Excellent insurance's staff always be willing to help customers	1	2	3	4	5
13	Excellent insurance's management are accessible, listen to and provide prompt and honest responses to customers inquiries	1	2	3	4	5
	Assurance					

14	Excellent insurance's employees have the required skills in providing services	1	2	3	4	5
15	Excellent insurance's employees have sufficient knowledge of service information	1	2	3	4	5
16	Excellent insurance's employees are consistently courteous with customers	1	2	3	4	5
17	Excellent insurance's employees make customers feel safe in their transaction	1	2	3	4	5
	Empathy					
18	Excellent insurance has customers' best interest at heart	1	2	3	4	5
19	Excellent insurance uses reliable, knowledgeable and efficient distribution outlet- brokers, agents and other intermediaries	1	2	3	4	5
20	Excellent insurance's employees give customers individual attention	1	2	3	4	5
21	Excellent insurance's employees demonstrate integrity and trustworthiness in dealing with customers	1	2	3	4	5
22	Excellent insurance's employees are committed to ethics and promote ethical behavior in the work place	1	2	3	4	5

Section C: Experiences

The following section asks your opinion related to your experiences in your insurance company since the purchasing process until claim process.

1= Very dissatisfied 2= Dissatisfied 3= Neutral 4= Satisfied 5= Very satisfied

No	Service quality dimensions	Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied
		1	2	3	4	5
	Tangibles					
1	Our Insurance company has visually appealing physical facilities	1	2	3	4	5
2	Our Insurance company's location is convenient	1	2	3	4	5
3	Our company uses modern and appropriate equipment and technology	1	2	3	4	5
4	The employees of our Insurance company are well dressed and neat in appearance	1	2	3	4	5
	Reliability					
5	Our Insurance company provide indemnity without hassle	1	2	3	4	5
6	Our Insurance company is financially stable	1	2	3	4	5
7	Our Insurance company staff show sincere interest in solving customers' concern	1	2	3	4	5

8	Our company transact products and services of highest quality	1	2	3	4	5
9	When our company's staff will promise to do something by a certain time and do so	1	2	3	4	5
	Responsiveness					
10	Employees of our Insurance company are happy and willing to serve customers	1	2	3	4	5
11	Our company's staff tell customers exactly when services will be performed	1	2	3	4	5
12	Our company's staff will always be willing to help Customers	1	2	3	4	5
13	Our company's management are accessible, listen to and provide prompt and honest responses to customers inquiries	1	2	3	4	5
	Assurance					
14	Our Insurance company employees have the required skills in providing services	1	2	3	4	5
15	Our Insurance company employees have sufficient knowledge of service information	1	2	3	4	5
16	Employees of our insurance company are consistently courteous with customers	1	2	3	4	5
17	Employees of our insurance company make customers feel safe in their transaction	1	2	3	4	5
	Empathy					

18	Our company has customers' best interest at heart	1	2	3	4	5
19	Our company uses reliable, knowledgeable and efficient distribution outlet- brokers, agents and other intermediaries	1	2	3	4	5
20	Our insurance company employees give individual attention to customers.	1	2	3	4	5
21	Our company employees demonstrate integrity and trustworthiness in dealing with customers	1	2	3	4	5
22	Our company employees are committed to ethics and promote ethical behavior in the work place	1	2	3	4	5

Section D: Overall Customer Satisfaction

Please indicate on a five point scale the extent to which you find the following statements important by indicating the number that best shows your judgment.

Please rank each statement as follows:-

Extremely low=1 Very low=2 Neutral=3 Very high=4 Extremely high=5

No.	Statement	Score				
		1	2	3	4	5
1	I offers service ideas to my insurance company	1	2	3	4	5
2	Please indicate whether you continue with your insurance company in the future	1	2	3	4	5
3	Talks favorably about the company and its services	1	2	3	4	5
4	I never complain my insurance service regarding poor quality of service.	1	2	3	4	5

Thank you!

ጅማ ዩኒቨርሲቲ የቢዝነስ እና ኢኮኖሚክስ ፋካሊቲ የቢዝነስ አስተዳደር ትምህርት ክፍል

መጠይቅ:

በ ----- ኢንሹራንስ ተቋም የሕይወት ያልሆነ የኢንሹራንስ ዋስትና ደንበኛ የሚሞላ መጠይቅ:

ይህ መጠይቅ የተዘጋጀው በጅማ ዩኒቨርሲቲ በመነጅመንት ትምህርት ክፍል በኤም.ቢ.ኤ ፒሮግራም የድህረ ምረቃ ተማሪ ሲሆን አላማውም “የሆላዕና ከተማ ኢንሹራንስ ድርጅቶች አገልግሎት አሰጣጥ እና በደንበኞች እርካታ ላይ ያለው ተጽዕኖ በምል ርዕስ ለምደረግ ጥናት የመጀመሪያ ደረጃ መረጃ ለመሰብሰብ ነው። የምስጢት መልስ የምውለው ለዚህ ጥናት አላማ ብቻ ነው። ስለሆነም ከዚህ በታች ለቀረቡት ጥያቄዎች ትክክል ነው ሚሉትን መልስ ይሰጡ ዘንድ በትህትና እጠይቃለሁ።

በቅድሚያ ስለትብብሪዎ አመሰግናለሁ!

መመሪያ:-

ስምዎን መጥቀስ አያስፈልግም፤

ትክክል ነው ለሚሉትን መልስ በተዘጋጀው ሳጥን ውስጥ በ √ ምልክት ያስቀምጡ

ክፍል አንድ

1. ጾታ : ወንድ ሴት
2. ዕድሜ: <30 31-45 46-60 >60
3. የጋብቻ ሁኔታ: ያገባ ያላገባ ሌላ.....
4. የትምህርት ደረጃ:
 - የሁተኛ ደረጃ
 - ስርትፊኬት

ደገሎማ

ደግሪ

ማስተርስ እና ከዚያ በላይ

5. ስራ ተቀጣሪ የግል ስራ ጠረተኛ ሌላ.....

6. አመታዊ የኢንቪራንስ ፕሪሚየም(ብር) :

ከ1000 ብር በታች ከ 1000-5000ብር

ከ 5000-10000 ብር ከ 10000ብር በላይ

ክፍል ሁለት፡ የጥሩ ኢንሹራንስ ተቋም የአገልግሎት አሰጣጥ ጥራት ምን መሆን እንዳለበት የሚያመለክቱበት መጠይቅ፡

እንደ አንድ ኢንሹራንስ አገልግሎት ተጠቃሚ፡ የኢንሹራንስ አገልግሎት በከፍተኛ ጥራት ደረጃ ይሰጣል ብለው የሚገምቱትን ኢንሹራንስ ያስቡ። እንደዚህ ያለ ኢንሹራንስ ከውል መሸጥ እስከ ካሳ መስተንግዶ በእርስዎ አመለካከት ልኖረው ይገባል ብለው ከሚያስቡት መለያዎች፡ ከዚህ በታች የተጠቀሱትን ጉዳዮች ያስፈላጊነታቸውን ደረጃ ከ1-5 ከቀረቡት አማራጭ ቁጥሮች አንዱን በመክበብ እባክዎትን ያመልክቱ፡

- 1 = በጭራሽ አልሰማም 2 = አልሰማም 3 = ሃሳብ የለኝም
 4 = እሰማለሁ 5 = በጣም እሰማለሁ

		አልሰማም	አልሰማም	ሃሳብ የለኝም	እሰማለሁ	በጣም እሰማለሁ
		1	2	3	4	5
1	የጥሩ ኢንሹራንስ ድርጅት መገልገያ ዕቃዎች ለአይን ሳቢ ናቸው።	1	2	3	4	5
2	ጥሩ ኢንሹራንስ የሚገኝበት ቦታ ለስራ አመቺ ነው።	1	2	3	4	5
3	ጥሩ ኢንሹራንስ ድርጅቶች ዘመናዊ መሳሪያዎችን እና አዳድስ ቴክኖሎጂዎችን ይጠቀማሉ።	1	2	3	4	5
4	የጥሩ ኢንሹራንስ ሰራተኞች ጽዱ ናቸው።	1	2	3	4	5

5	ጥሩ ኢንሹራንሶች ያለውጣውረድ ካሳ ይከፍላል።	1	2	3	4	5
6	የጥሩ ኢንሹራንስ የፋይናንስ አቅም አስተማማኝ ነው።	1	2	3	4	5
7	የጥሩ ኢንሹራንስ ሰራተኞች ደንበኞች ችግር በሚገጥማቸው ጊዜ ችግራቸውን ለመፍታት ያላቸውን ፍላጎት በቅንነት ያሳያሉ።	1	2	3	4	5
8	የጥሩ ኢንሹራንስ አገልግሎት እና ፖሊሲዎች ጥራታቸውን የጠበቁ ናቸው።	1	2	3	4	5
9	የጥሩ ኢንሹራንስ ሰራተኞች አንድ ነገር በተወሰነ ጊዜ ውስጥ ለማድረግ ቃል ከገቡ የገቡትን ቃል ይፈጽማሉ።	1	2	3	4	5
10	የጥሩ ኢንሹራንስ ሰራተኞች ደንበኞችን ለማገልገል ደስተኛና ፍቃደኞች ናቸው።	1	2	3	4	5
11	የጥሩ ኢንሹራንስ ሰራተኞች በምን ሰዓት አገልግሎት እንደሚሰጥዎት ይገልጻሉ።	1	2	3	4	5
12	የጥሩ ኢንሹራንስ ሰራተኞች ሁል ጊዜ እርስዎ ለመርዳት ፈቃደኞች ናቸው።	1	2	3	4	5

13	የጥሩ ኢንሹራንስ ኃላፊዎች የደንበኞችን ጥያቄ ለመመለስ ሁሌም ዝግጁ ናቸው።	1	2	3	4	5
14	የጥሩ ኢንሹራንስ ሰራተኞች አገልግልቱን ለመስጠት የሚያስችል ክህሎት አላቸው።	1	2	3	4	5
15	የጥሩ ኢንሹራንስ ሰራተኞች ስለአገልግልታቸው በቂ የሆነ መረጃ አላቸው።	1	2	3	4	5
16	የጥሩ ኢንሹራንስ ሰራተኞች ሁሌም ለደንበኞች ትሁት ናቸው።	1	2	3	4	5
17	የጥሩ ኢንሹራንስ ሰራተኞች በሚሰጡት አገልግሎት ላይ የመተማመን ስሜት እንድናረዳቸው ያደርጋሉ።	1	2	3	4	5
18	ጥሩ ኢንሹራንስ የደንበኞችን የልብ መሻት ያውቃሉ።	1	2	3	4	5
19	ጥሩ ኢንሹራንስ አገልግልቱን ለማዳረስ ብቃት ያላቸው ብሮክሮንና የሽያጭ ወኪሎችን ይጠቀማል።	1	2	3	4	5
20	የጥሩ ኢንሹራንስ ሰራተኞች ለደንበኞቻቸው ልዩ ትኩረት	1	2	3	4	5

	ይሰጣሉ።					
21	የጥሩ ኢንሹራንስ ሰራተኞች ደንበኞቻቸውን በታማኝነት እና በቅንነት ያገለግላሉ።	1	2	3	4	5
22	የጥሩ ኢንሹራንስ ሰራተኞች የሙያ ስነ-ምግባርን ያከብራሉ።	1	2	3	4	5

ክፍል ሦስት፡ እንሹራንስ ስለሚጠቀሙበት ድርጅት የአገልግሎት ጥረት ደረጃ የሚያመለክቱበት መጠይቅ

የሚቀጥሉ አረፍተ ነገሮች ስለ ኢንሹራንስ ድርጅት ያልዎትን አመለካከት የሚመለከቱ ናቸው። በእያንዳንዱ አረፍተ ነገሮች የተጠቀሱት ነገሮች ከኢንሹራንስ ድርጅት ውል መግዛት እስከ ካሳ መስተንግዶ ምን ያህል መጠን አለው ብለው ያምናሉ; ኢንሹራንሱ በአረፍተ ነገሮቹ ለተጠቀሱት ነገሮች በምን ደረጃ እንደሚገለጽ እባክዎትን ከ1-5 ከቀረቡት ቁጥሮች እንሹራንስዎን ይገልጻል የምሉትን አንዱን በመክበብ ያመልክቱ።

		በጭራሽ	አልረከሁም	አልረከሁም	ሃሳብ የለኝም	ረክቻለሁ	በጣም ረክቻለሁ
		1	2	3	4	5	
1	የኢንሹራንሱ መገልገያ ዕቃዎች ለአይን ሳቢ ናቸው።	1	2	3	4	5	
2	ኢንሹራንሱ የሚገኝበት ቦታ ለስራ አመቺ ነው።	1	2	3	4	5	
3	ኢንሹራንሱ ዘመናዊ መሳሪያዎችን እና አዳድስ ቴክኖሎጂዎችን ይጠቀማል።	1	2	3	4	5	
4	የኢንሹራንሱ ሰራተኞች ጽዱ ናቸው።	1	2	3	4	5	
5	ኢንሹራንሱ ያለ ውጣ ውረድ ካሳ ይከፍላል።	1	2	3	4	5	

6	የኢንሹራንሱ ፋይናንስ አቅም አስተማማኝ ነው።	1	2	3	4	5
7	ሰራተኞች ደንበኞች ችግር በሚገጥማቸው ጊዜ ችግራቸውን ለመፍታት ያላቸውን ፍላጎት በቅንነት ያሳያሉ።	1	2	3	4	5
8	የኢንሹራንሱ አገልግሎት እና ፖሊሲዎች ጥራታቸውን የጠበቁ ናቸው።	1	2	3	4	5
9	ሰራተኞቹ አንድ ነገር በተወሰነ ጊዜ ውስጥ ለማድረግ ቃል ከገቡ የገቡትን ቃል ይፈጽማሉ።	1	2	3	4	5
10	የኢንሹራንሱ ሰራተኞች ደንበኞችን ለማገልገል ደስተኛና ፍቃደኞች ናቸው።	1	2	3	4	5
11	ሰራተኞቹ በምን ሰዓት አገልግሎት እንደሚሰጥዎት ይገልጹሉታል።	1	2	3	4	5
12	የኢንሹራንሱ ሰራተኞች ሁል ጊዜ እርስዎን ለመርዳት ፈቃደኞች ናቸው።	1	2	3	4	5
13	የኢንሹራንሱ ኃላፊዎች የደንበኞችን ጥያቄ ለመመለስ ሁሌም ዝግጁ ናቸው።	1	2	3	4	5
14	ሰራተኞቹ አገልግሎቱን ለመስጠት የሚያስችል ክህሎት አላቸው።	1	2	3	4	5

15	ሰራተኞቹ ስለአገልግሎታቸው በቂ የሆነ መረጃ አላቸው።	1	2	3	4	5
16	ሰራተኞቹ ሁሌም ለደንበኞች ትሁት ናቸው።	1	2	3	4	5
17	የኢንሹራንሱ ሰራተኞች በሚሰጥዎት አገልግሎት ላይ መተማመን ስሜት እንዲኖራቸው ያደርጋሉ።	1	2	3	4	5
18	ኢንሹራንሱ የደንበኞችን የልብ መሻት ያውቃል።	1	2	3	4	5
19	ኢንሹራንሱ አገልግሎቱን ላማዳረስ ብቃት ያላቸው ብሮክሮችንና የሽያጭ ወኪሎችን ይጠቀማል።	1	2	3	4	5
20	ሰራተኞቹ ለደንበኞቻቸው ልዩ ትኩረት ይሰጣሉ።	1	2	3	4	5
21	ሰራተኞቹ ደንበኞቻቸውን በታማኝነት እና በቅንነት ያገለግላሉ።	1	2	3	4	5
22	ሰራተኞቹ የሙያ ስነምግባርን ያከብራሉ።	1	2	3	4	5

ክፍል አራት: ለኢንሹራንስ ድርጅትዎ ያልዎትን አጠቃላይ አመለካከት የሚገልጹበት መጠይቅ:

ከዚህ በታች በተዘረዘሩት አረፍተ ነገሮች ኢንሹራንስ ስለሚጠቀሙበት ድርጅትዎ ያልዎትን አጠቃላይ አመለካከት በምን ያህል መጠን የሚመዘኑት እንደሆነ ከ1-5 ከቀረቡት አማራጮች ድርጅቱን ልወክል ይችላል ብለው የሚያስቡትን አንዱን በመክብብ ያመልክቱ።

ተ.ቁ		እጅግ ዝቅተኛ	በጣም ዝቅተኛ	ሃሳብ የለኝም	በጣም ከፍተኛ	እጅግ ከፍተኛ
		1	2	3	4	5
1	ለኢንሹራንስ ድርጅቱ ጠቃሚ የአገልግሎት አሰጣጥ ሀሳብ እሰጣለሁኝ	1	2	3	4	5
2	አሁን ባሉበት የኢንሹራንስ ድርጅት ይቀጥላሉ?	1	2	3	4	5
3	የኢንሹራንስ ድርጅትዎትን አገልግሎት ጥራት ጥሩ ገጽታ ለሌሎች ይናገራሉ?	1	2	3	4	5
4	የኢንሹራንስ ድርጅቱ በምሰጠው አገልግሎት አሰጣጥ ችግር ተችቼ አላውቅም።	1	2	3	4	5

እናመሰግናለን!

Appendix II: Proportion of each company's sample

No	Name of insurance companies	Population	Sample size	Valid Questionnaires
1	Ethiopia insurance corporation	1122	133	121
2	Anbessa Insurance Company	703	83	75
3	Nib Insurance Company	655	77	53
4	Niyala Insurance Company	509	60	38
Total		2989	353	287

Source: survey result, 2017

Appendix III: List of Insurance Companies Operating in Ethiopia

No.	Insurance co.	Establishment year
1	Ethiopian Insurance Corporation	1975
2	Africa Insurance Company S.C	1994
3	Awash Insurance Company S.C	1994
4	National Insurance Company of Ethiopia S.C	1994
5	Nile Insurance Company S.C	1995
6	Nyala Insurance Company S.C	1995
7	Global Insurance Company S.C.	1997
8	The United Insurance S.C	1997
9	NIB Insurance Company	2002
10	Lion Insurance Company S.C	2007
11	Ethio-Life and General Insurance S.C.	2008
12	Oromia Insurance Company S.C.	2009
13	Abay Insurance Company	2010
14	Berhan Insurance S.C.	2011
15	Lucy Insurance S.C.	2012
16	Tsehay Insurance S.C.	2012
17	Bunna Insurance S.C.	2013

Source: National Bank of Ethiopia May 10, 2017 annual report

Appendix IV: Finding of Previous researchers

Authors	Title of the study	Result
Akalu(2015)	The effect of service quality on customer Satisfaction in selected insurance Companies in Addis Ababa	By using SERVQUAL instrument (GAP analysis) and multiple linier regression models he found that the five service quality dimensions have positive and significant relationship with customer satisfaction.
Beliyu (2012)	Quality of Service delivery and its impact on Customer Satisfaction in Four Selected Commercial Banks of Addis Ababa	The finding shows that all the five service quality dimensions are positively related with customer satisfaction. Reliability shows the highest positive relation with customer satisfaction and tangibles demonstrates the least positive relation with customer satisfaction. She employed SERVQUAL instrument (GAP analysis) and multiple linier regression model.
Al-Hawaryet al.(2011)	5 dimensions of SERVQUAL (tangibility, reliability, responsiveness, assurance and empathy	The four service quality dimensions (tangibility, reliability, assurance, and responsiveness) have a positive and significant effect on customer satisfaction. Empathy has a negative and significant effect on customer satisfaction. He adopt GAP model for analysis.
Tizazu k.(2012)	The Effect of Customer Service Quality on Customer Satisfaction in	He use SERVQUAL instrument (GAP analysis) and Multiple linier regression model; and found that there is positive

	Selected Private Banks	and significant relationship between Tangibility, reliability, assurance, empathy and customer satisfaction. However, the results also indicate that, there is a negative and insignificant relationship between responsiveness and customer satisfaction.
Hirut (2015)	The effect of service quality on customer based brand Equity (a case of commercial bank of Ethiopia)	The finding of this research clearly states that Service quality is considered as a significant instrument for a firm's great effort in order to differentiate itself from its competitors and effective implementation of those five dimensions of service quality have a significant effect on customer based brand equity.
Meron (2015)	Impact of Service Quality on Customer Satisfaction: The Case of Bank of Abyssinia S.C	She uses SERVQUAL instrument (GAP analysis) and multiple linier regression models. The results of this study indicate that, all the service quality dimensions (tangibility, reliability, responsiveness, empathy and assurance) have positive and Significant relationship with customer satisfaction.
Mohammad and Alhamadani (2011)	Five dimensions of Service quality(tangibility, reliability, responsiveness, assurance and	Through SERVQUAL instrument (GAP analysis) and multiple linier regression models he found that the five service quality dimensions (tangibility, reliability, responsiveness,

	empathy)	assurance and empathy) have a positive and significant effect on customer satisfaction.
Dawit (2015)	Comparative Analysis of customer's perception of Service quality in two selected Insurance companies	The five service quality dimensions have positive and significant relationship with customer satisfaction.
Endalkachew(2012)	Assessing the impact of Core Banking and service quality on Customer Satisfaction in Commercial Bank of Ethiopia (A case of Bishofftu Branch)	By using SERVQUAL instrument (GAP analysis) and multiple linear regression models he found that the three service quality dimension (reliability, assurance, empathy) have positive and significant impact on customer satisfaction at the bank. However, the rest two dimensions (responsiveness and tangibility) have no impact on customer satisfaction core banking also have positive and significant impact on customer satisfaction.

Source: Empirical study survey, 2017