



**St. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
PROGRAM GENERAL- MBA**

**THE EFFECTS OF SERVICE QUALITY DIMENSIONS ON  
CUSTOMER SATISFACTION:  
THE CASE OF NIB INSURANCE S.C**

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**ID: SGS/0319/2008A**

**JUNE, 2017**

**ADDIS, ABABA**

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY  
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**JUNE, 2017  
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## **Declaration**

I, the under signed, declare that this thesis is my original work and has not been presented for any degree in this or any other University and the work is original in nature and is suitable for submission for the award of Master's Degree in Business Administration.

BY: DESALEGN BERHE

Signature\_\_\_\_\_

Date \_\_\_\_\_

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# Table of Contents

Acknowledgments.....	i
Table of contents.....	ii
List of Acronyms.....	v
List of Tables.....	vi
List of Figures.....	vii
Abstract.....	viii

## **CHAPTER ONE: INTRODUCTION ..... 1**

1.1 Background of the Study .....	1
1.2 Statement of the Problem.....	2
1.3 Research Questions.....	4
1.4 Objectives of the Study.....	4
1.4.1 General Objective .....	4
1.4.2 Specific Objectives.....	4
1.5 Definition of Key Terms.....	4
1.6 Significance of the Study.....	5
1.7 Scope of the Study .....	6
1.8 Limitations.....	6
1.9 Organization of the Study.....	6

## **CHAPTER TWO: REVIEW OF RELATED LITERATURE..... 8**

2.1 Theoretical Literature .....	8
2.1.1 Overview of Customer Service.....	8
2.1.2 Service Quality.....	9
2.1.3 Customer Perception, Expectation and Satisfaction .....	10

2.1.3.1 Perception of Service Quality .....	10
2.1.3.2 Customer Expectations.....	10
2.1.3.3 Different Elements of Customer Expectations .....	11
2.1.4 Customer Satisfaction .....	12
2.1.5.1 Gap model .....	13
2.1.5.2 SERVQUAL.....	16
2.1.5.3 Criticisms of SERVQUAL.....	16
2.2 Empirical Review.....	20
2.2.1 Customer Satisfaction in Insurance Industry .....	20
2.2.2 Customer Satisfaction in Nib Insurance S.C.....	21
2.3 Conceptual Frame Work .....	22
2.4 Research Hypotheses.....	23
<b>CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY</b>	<b>25</b>
3.1 Research Design and Approach .....	25
3.2 Population and Sample Size.....	26
3.2.1 Population.....	26
3.2.2 Sample Size .....	26
3.3 Sampling Techniques.....	27
3.4 Data Collection Approach.....	27
3.5 Data Analysis Methods .....	27
3.6 Reliability and Validity .....	28
3.6.1 Reliability.....	28
3.6.2 Validity.....	29
3.7 Ethical Considerations .....	30
<b>CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION.....</b>	<b>31</b>
4.2 Customer Expectation and Perception of Service Quality Analyses .....	32
4.2.1 Respondents Expectation and Perception of Service Qualities of Tangibles .....	33
4.2.2 Respondents Expectation and Perception of Service Qualities of Reliability.....	36

4.2.3 Respondents Expectation and Perception of Service Qualities of Responsiveness .....	39
4.2.4 Respondents Expectation and Perception of Service Qualities of Assurance.....	42
4.2.5 Respondents Expectation and Perception of Service Qualities of Empathy .....	45
4.4 Correlation Analysis between Service Quality Dimensions and Customer Satisfaction.....	49
4.5 Multiple Regression Analysis .....	50
4.6. Discussion of Results .....	53
4.6.1. Descriptive Statistics (Mean, and Standard Deviation) and Correlation Analysis for the Service Quality Dimensions and Customer Satisfaction .....	53
4.6.2. Regressing Customer Satisfaction on the Service Quality Dimensions .....	54
<b>CHAPTER FIVE: FINDINGS, CONCLUSIONS AND RECOMMENDATIONS..</b>	<b>55</b>
5.1 Summary of Findings .....	55
5.2 Conclusions .....	56
5.3 Recommendations .....	58
5.4 Implications for Further Research.....	59
<b>References</b> .....	<b>60</b>
<b>Appendix –I</b> English version of questionnaire.....	<b>65</b>
<b>Appendix –II</b> Amharic version of questionnaire.....	<b>69</b>



## **LIST of ACRONYMS**

<b>NIC</b>	Nib Insurance S.C
<b>NBE</b>	National Bank of Ethiopia
<b>SPSS</b>	Statistical Package for Social Science
<b>SERVQUAL</b>	Service Quality Model
<b>SERVPERF</b>	Service Performance Model
<b>SGS</b>	School of Graduate Studies

## List of Tables

Table 3.1 Reliability test.....	29
Table 4.1 Respondents profile.....	31
Table 4.2 Respondents expectation and perception of service qualities of tangibility.....	33
Table 4.3 Summary of gab analysis for tangibles.....	35
Table 4.4 Respondents expectation and perception of service qualities of reliability .....	36
Table 4.5 Summary of gab analysis for reliability.....	38
Table 4.6 Respondents expectation and perception of service qualities of responsiveness...	39
Table 4.7 Summary of gab analysis for responsiveness.....	42
Table 4.8 Respondents expectation and perception of service qualities of assurance.....	43
Table 4.9 Summary of gab analysis for assurance.....	45
Table 4.10 Respondents expectation and perception of service qualities of empathy .....	46
Table 4.11 Summary of gab analysis for empathy.....	47
Table 4.12 Overall customer satisfaction level.....	48
Table 4.13 The relationship between service quality dimensions and customer satisfactions.....	49
Table 4.14 Regress customer satisfaction on service quality dimensions.....	50
Table 4.15 Summary of hypothesis analysis.....	52

## **List of Figures**

Fig 2.1 Factors that influence customer expectation of service.....	11
Fig 2.2 the gab model.....	15
Fig 2.3 Conceptual framework.....	23

## ***Abstract***

*The study assessed the effects of service quality dimensions on customer satisfaction. The study was identifying the factors that influence customer satisfaction of NIC service quality focused on the five dimensions of service quality such as tangibility, reliability, responsiveness, assurance and empathy which were considered as the base for the analysis of this study. To achieve the overall objective of the study the researcher collected data from customers of the NIC, using a questionnaire. Accordingly, 228 respondents participated in the study based on designed sample size. Both descriptive and inferential statistics methods were used in the study. A multiple regression model was fitted to see the significance of factors affecting customer's satisfaction. The data were analyzed by using SPSS version20 package. The result of the study revealed that the overall level of customer's satisfaction in the study area is low as compared to those who were satisfied. The result of study showed that except tangibility the rest service quality dimensions were positively related to and found to significantly affecting customer satisfaction of NIC. From the study; reliability, responsiveness and empathy remains the most determinant and they strongly influence customer's satisfaction level of NIC. In overall, the results of the regression revealed that independent variables (reliability, responsiveness and empathy) are significant with customer satisfaction at the level  $p < .05$ . Furthermore, multiple regressions identify the relative contribution of each variable and determine the best predictor variables among a set of variables. Reliability has the highest contribution to customer loyalty among the independents variables ( $B = .394$ ). Based on the findings, the study recommend the following management bodies of the NIC further investigate the main reason of unsatisfied customers and they should take corrective measure accordingly. Furthermore, the research would enable the company to see their wherebeing and gives a chance to explore the core value of their customers needs and these further make the company to sustain and to be the leading insurance service provider in market.*

*Key Words: Tangibility, Reliability, Responsiveness, Assurance, Empathy and Customer Satisfaction*



# **CHAPTER ONE**

## **INTRODUCTION**

This chapter introduces the reader to the study of the effects of service quality dimensions on customer satisfaction in the case of Nib Insurance S.C branches in Addis Ababa. It goes on to look at the background of the study, statement of the problem, research questions, objectives of the study, conceptual definition of key terms, significance of the study, Scope of the study, limitations and organization of the research report.

### **1.1 Background of the Study**

Customer satisfaction is a term most widely used in the business industry. According to Kotler (1996), customer satisfaction is the level of a person's felt state resulting from Comparing a product's perceived performance or outcome in violation to his/her own expectations. So it can be viewed as a comparative behavior between inputs beforehand and post obtainments. It is a business term explaining about a measurement of the kind of products and services provided by a company to meet its customer's expectation. Now a days, every organization strives to make its customer remain satisfied with its products and services. Customer satisfaction is surely a very critical element towards retaining profitable business relations with the customers. The combined effect of a high retention rate and the enhanced profitability of loyal customers can lead not only to higher profit, but to a better 'quality of earnings', as the Customer base is less volatile (Waker & Baker, 2000). Customer satisfaction and perceived service quality are also very interlinked constructs.

Service quality and customer satisfaction are very important concepts that companies must understand in order to remain competitive in business and hence grow. It is very important for companies to know how to measure these constructs from the customers' perspective in order to better understand their needs and satisfy them. Service quality is

considered very important because it leads to higher customer satisfaction. Service marketers have realized over past few years that competition can be well managed through quality. Thus service quality is imperative to achieve competitive advantage. Poor quality places a firm at a competitive disadvantage. Service quality offers a way of achieving success among competing services, particularly in case of firms that offer nearly identical services. In the globally competitive business environment, service quality has become increasingly important to the insurance industry. As the importance in service industries grows, several questions arise. How can we measure "quality of service" and what is its effect? Although there are varieties of models used to measure service quality as attributed to customers satisfaction, the most widely used model to measure perceived service quality is known as SERVQUAL, which was developed by Parasuraman (1985, 1988).

When it comes to the case under the study, Nib Insurance S.C is one of a private insurance companies which was established in 2002 by 658 Shareholders, with a paid up capital of birr 14million, and a subscribed capital of birr 30 million as a sister company to Nib International Bank. The company is currently rendering its general insurance and life assurance services through its 28 branch offices situated in different parts of the country with in and outside of Addis Ababa. According to the annual report of NIC (2014), NIC which from the outset emerged as a strong competitive private insurance Company is developing a sound portfolio which is demonstrated by a prudent underwriting. Accordingly, it has managed to increase its efficiency and expand its services over the past twelve years.

## **1.2 Statement of the Problem**

Recent developments in global economy have led the service companies especially the insurance companies to plan and execute their strategies towards increasing customer satisfaction through improved service quality. In a competitive market place, understanding customer needs become an important factor. As a result, companies have to move from product centric to customer centric. One of the key approaches to entertain the interest of the customer is through meeting their expectation in terms of service quality because according to Hazlina (2011), service quality is magnificent tool to measure the

customer satisfaction. Moreover, acquiring new customers is one step but ultimately in such competitive environment retention is required as an additional step. So, there is the need to increase understanding of the factors that drive customer satisfaction in the industry in order to provide management with empirical basis for developing effective marketing strategies.

When it comes to the practice in Ethiopia, the insurance sector is growing at a fast pace, recently, new insurance companies are joined the market to increase the level of competition. Therefore, this fast growth can have both challenges and opportunities to the existing firms. The growth in the sector benefits the customer in offering the opportunity to choose from one firm service to another one. Like wise, these also broaden the levels of the customer expectation from time to time, which creates complexity for the firms to depend on the existing service performance. On the other hand, the growth has also a challenges for each firms as there is a high competition between firms become stiffer than before.

With particular reference to the practice of Nib insurance S.C, there are some observable gaps in terms of satisfying the needs of the customers mainly because of service quality problems. To substantiate this statement, a preliminary investigation was conducted by the student researcher in the form of mini-survey and informal discussion with some of its customers. Moreover, attempts were made to review the customers' complaints/feedbacks as accessed from the suggestion box put in place by the company. The result obtained from these given sources reveals that currently the service delivery practice of the Company is not satisfying the needs and wants of customers to their expectations. For instance, the customer's complaints are come from the claim department i.e. the claim process takes too much time. Another dissatisfaction factors are the NIC practiced excess franchise/high deduction, survey decision making is sometimes inappropriate and rate used to calculate premium is high. There is also service hour compliant as well. Thus, this study attempts to examine the level of the service quality of Nib insurance S.C with particular reference to SERVQUAL model and its implications to the customers' satisfaction.



## **1.3 Research Questions**

1. What is the level of service quality of Nib insurance S.C as seen in the eyes of the customers?
2. What is the level of customer satisfaction at Nib insurance S.C?
- 3 What is the relationship between service quality and customer satisfaction in the NIC?
- 4 Which service quality dimensions significantly contribute to determine customer satisfaction?

## **1.4 Objectives of the Study**

### **1.4.1 General Objective**

The general objective of this study is to assess and measure the level of customer satisfaction and services dimensions rendered by Nib Insurance S.C.

### **1.4.2 Specific Objectives**

The specific objectives include:-

- To examine the impact of service quality on customer satisfaction
- To examine the gap between customers' perceptions and expectations of service quality in NIC.
- To identify the most influencer or dominant dimension of service quality that contributes much towards overall customer satisfaction in NIC.
- To recommend possible solution to Nib Insurance S.C based on the results that will be obtained from the study.

## **1.5 Definition of Key Terms**

**Service:** Kotler defines service as “any intangible act or performance that one party offers to another that does not result in the ownership of anything” (Kotler & Keller, 2009, p. 789).

**Service quality:** - is how well a delivered service level matches customer's expectation. Parasuraman *et al.*, (1988, 1991pp. 208) as cited on Sang-Lin Han and Seung Baek, (2004).

**Customer expectations:** These are beliefs about service delivery that serve as standards or reference points against which performance is judged (Zeithaml&Betner, (2006).

**Customer perception:** Is the actual level of service the customers received. Perceived service quality is a component of customer satisfaction. Perceived service quality has been defined as the discrepancy between what the customer feels that a service provider should offer and his or her perception of what the service firm actually offers Parasuraman *et al.*, (1988) as cited on Audrey Gilmore, (2003 pp. 24).

**Customer satisfaction:** Satisfaction as a person's feelings of pleasure or disappointment resulting from the comparison of product's perceived performance in reference to expectations is customers' evaluation of performance of an offering to date (Kotler & Armstrong, 2010).

**Underwriting:** It is the process of assessing the eligibility of a customer in receiving equity. An insurance underwriter evaluates the risk and exposures of potential clients.

**Claims:** These are request made formally to an insurance company in returns for payment base on the terms of an insurance policy.

## **1.6 Significance of the Study**

This research would have a great deal of significance for the managers of the insurance company, because the company provides information about the level of quality service providing to its customers from the point of view of the customers. It would help them to know whether the company is delivering its promise to the customers and also it would provide them insight about the gap between customer's perception and expectation of service and ways to improve them. Furthermore, finding of this study would help the company marketing department to see and align their marketing strategy if there is a need for adjustment regarding Company's service quality performance.

## **1.7 Scope of the Study**

The study is specifically delimited to the different branches of the company that are located in Addis Ababa, though that is desirable for generalizing the findings to the entire out line branches. Furthermore, even if there are many determinants that affect customer satisfaction this study was not attempt to study all customer satisfaction factors rather focus on service quality. The study covered only the general insurance section of the Nib Insurance Company to assess customer satisfaction using the five dimensions of service quality measures. As per the data obtained from NBE, General insurance premium/Non-life Insurance dominates the sector with 93.8% premium market share leaving the balance to Life insurance business. Therefore, non-life insurance sector gets more concern by the researcher because obviously the numbers of customers are higher in number than Life Insurance and also these customers are familiar about the services provided by the company. So, this helps to get adequate number of respondents to assess this study.

## **1.8 Limitations**

The study was solely focused on customers of one company, which in turn made it insufficient for further studies that may focus to generalize about customers of all insurance companies. Moreover, the study did not incorporated interview, this lessens to know the view of managers.

## **1.9 Organization of the Study**

This research report is organized in five chapters. Chapter one includes introduction which in turn contain background of the study, statement of the problem, basic research questions, objectives of the study, definition of key terms, significance, scope of the study, limitations and organization of the Study. Chapter two contains all the relevant literatures to be reviewed with respect to service, service quality and customer satisfaction. Chapter three explains methodology of the research including different tools

of sampling and sampling design employed and methods of data collection and analysis used in the research. In Chapter four findings and results of the study are discussed. Chapter five contains summary of the study, conclusions and possible recommendations of the study.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

This chapter presents the review of literature related to service quality and customer satisfaction. The researcher discusses issues on service, service quality and customer satisfaction and defines relevant concepts and form a conceptual model in order to enhance the researcher understanding on the topic and provide answers to the research questions.

#### **2.1 Theoretical Literature**

##### **2.1.1 Overview of Customer Service**

A service is any activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything. The advance economies of the world are now dominated by services and virtually all companies view services as critical to retaining their customers today and in the future. Even manufacturing companies that, in the past, have depend on their physical goods for their existence but now their come to see and recognize that service provides one of their few sustainable competitive advantages Zeithaml & Bitner, (2006).

Many developed countries have seen a dramatic increase in the importance of services to national economies and to the individual consumer. In the major European countries, the US and Japan, more people are employed in services than in all other sectors of the economy put together. Both public and private sector services in these countries account for between 60 and 75 percent of gross domestic output. In international trade, services make up a quarter of the value of all international trade. In fact, a variety of service industries – from banking, insurance and communications to transportation, travel and

entertainment – now account for well over 60 per cent of the economy in developed countries around the world. In some countries, service occupations have been forecast to contribute to all net job growth in the next five years (Kotler, Wong, Saunders and Armstrong, 2005).

### **2.1.2 Service Quality**

The definition of quality depends on the role of the people defining it. Most consumers have a difficult time defining quality, but they know it when they see it. Since quality can be several things at the same time and may have various meanings, according to the person, the measures, applied and the context within which it is considered. The difficulty in defining quality exists regardless of product, and this is true for both manufacturing and service organizations. There is no single universal definition of quality. Quality is a totality features and characteristics in a product or service that bear upon its ability to satisfy needs. Furthermore it is the extent to which the customers or users believe the product or service surpasses their needs and expectations.

When it comes to Service quality, it is considered an important tool for a firm's struggle to differentiate itself from its competitors (Ladhari, 2009). The relevance of service quality to companies is emphasized especially through the fact that it offers a competitive advantage to companies that strive to improve and brings customer satisfaction. Service quality has received a great deal of attention from both academicians and practitioners (Negi, 2009) and in services marketing literature, service quality is defined as the overall assessment of a service by the customer (Eshghi *et al.*, 2008). Ghylin *et al.*, (2008) points out that, by defining service quality, companies will be able to deliver services with higher quality level presumably resulting in increased customer satisfaction. Understanding service quality must involve acknowledging the characteristics of service which are intangibility, heterogeneity and inseparability (Parasuraman *et al.*, 1985; Ladhari, 2009). In that way, service quality would be easily measured.

In this study, service quality can be defined as the difference between customer's expectation for service performance prior to the service encounter and their perception of the service received. Customer's expectation serves as a foundation for evaluating service quality because, quality is high when performance exceeds expectation and quality is low when performance does not meet their expectation (Asubonteng *et al.*, 1996). Expectation is viewed in service quality literature as desires or wants of consumer i.e., what they feel a service provider should offer rather than would offer (Parasuraman *et al.*, 1988). The customer's total perception of a service is based on his/her perception of the outcome and the process; the outcome is either value added or quality and the process is the role undertaken by the customer (Edvardsson, 1998).

### **2.1.3 Customer Perception, Expectation and Satisfaction**

#### **2.1.3.1 Perception of Service Quality**

Perceived service quality has been defined as the consumer's global attitude or judgment of the overall excellence or superiority of the service. Perceived service quality results from comparisons by consumers of expectations with their perceptions of service delivered by the suppliers. It is argued that the key to ensuring good service quality perception is in meeting or exceeding what customers expect from the service. Thus, if perception of the actual service delivered by the supplier falls short of expectation, a gap is created which should be addressed through strategies that affect the direction either of expectations or perceptions, or both (Parasuraman *et al.*, 1985).

#### **2.1.3.2 Customer Expectations**

Customer expectations are beliefs about a service that serve as standards against which service performance is judged (Zeithaml *et al.*, 1988). Customer expectations are internal standards that customers use to judge the quality of a service experience. Customers' expectations about what constitutes good service vary from one business to another. Expectations play an important role in the satisfaction formation. The extent to which a product or

service fulfills customer's need and desire may play an important role informing feelings of satisfaction because of the impact of confirmation or disconfirmation that have on satisfaction. Consumers expect to be delivered quality products and services; therefore companies try to offer quality products and services.

### 2.1.3.3 Different Elements of Customer Expectations

**Desired service:** - the "wished for" level of service quality that a customer believes can and should be delivered.

**Adequate service:** - the minimum level of service that a customer will accept without being dissatisfied.

**Predicted service:** - the level of service quality a customer believes a firm will actually deliver.

**Zone of tolerance:** - the range within which customers are willing to accept variations in service delivery. The inherent nature of services makes consistent service delivery difficult across employees in the same company and even by the same service employee from one day to another. The extent to which customers are willing to accept this variation is called the **zone of tolerance** a performance that falls below the adequate service level will cause frustration and dissatisfaction, whereas one that exceeds the desired service level will both please and surprise customers, creating the "customer delight". Another way of looking at the zone of tolerance is to think of it as the range of service within which customers do not pay explicit attention to service performance. When service falls outside this range, customers will react either positively or negatively Lovelock and Wright, (1999).

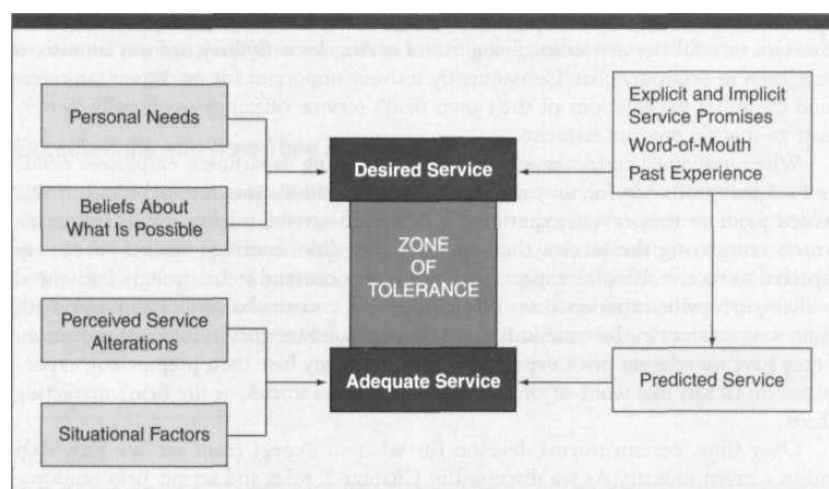


Fig 2.1 Factors That Influence Customer Expectations of Service

(Source: Parasuraman *et al.*, 1993)



## **2.1.4 Customer Satisfaction**

Customer satisfaction is a term most widely used in the business industry. According to Kotler (1996), customer satisfaction is the level of a person's felt state resulting from Comparing a product's perceived performance or outcome in violation to his/her own expectations. So it can be viewed as a comparative behavior between inputs beforehand and post obtainments. It is a business term explaining about a measurement of the kind of products and services provided by a company to meet its customer's expectation. To some, this may be seen as the company's key performance indicator (KPI).

Along with Zeithaml (2009), satisfaction or dissatisfaction is a measure or evaluation of a product or service's ability to meet a customer's need or expectations. Razak *et al.*, (2007) also reported that overall satisfaction is the outcome of customer's evaluation of a set of experiences that are linked with the specific service provider. Satisfaction can be related to attribute-specific and overall performance. It is attribute specific where it relates to a specific product or service (Cronin & Taylor, 1992). For instance, with Nib insurance S.C, satisfaction can be related to a specific attribute such as: Non motor Insurance /General insurance. Product like:- Comprehensive Insurance, Third Party Insurance, Marine all risk Insurance, Professional Indemnity, Group personal Insurance, Money, Fidelity or satisfaction with all service processes among others. On the other hand, customer satisfaction can be related to the overall performance of a product/service or the overall performance of an organization's products/services (Cronin & Taylor, 1992). The present study relates customer satisfaction to the overall performance of services delivered by organizations like Nib Insurance S.C in order to generalize the findings for managerial implications.

### **2.1.4.1 Benefits of Customer Satisfaction Measurement**

According to Kotler and Keller (2012) many companies are systematically measuring how well they treat customers, identifying the factors shaping satisfaction, and changing operations and marketing as a result. Wise firms measure customer satisfaction regularly,

because it is one key to customer retention. A highly satisfied customer generally stays longer, buys more, serves as a reference to others, pays less attention to competing brands and is less sensitive to price, offers supportive ideas to the company, and costs less to serve than new customers as a result of the minimal transaction costs. In addition to these, Kotler and Keller (2012) explained that periodic surveys can track customer satisfaction directly which in turn will help to measure repurchase intention and the likelihood of referral potential.

### **2.1.5 SERVQUAL Model**

According to Parasuraman *et al.*, (1985) a set of discrepancy or gaps exists regarding executive perception of service quality and the task associated with service delivery to consumers. These gaps can be major hurdles in attempting to deliver a service which consumers would perceive as being at high quality they analyze this gaps under one model called the gap model.

#### **2.1.5.1 Gap model**

Parasuraman *et al.*, (1985) proposed that service quality is a function of the differences between expectation and performance along the quality dimensions. They developed a service quality model based on gap analysis. The various gaps visualized in the model are:-

##### ***Gap 1: Consumer expectation - management perception gap/the position gap/***

Service firms may not always understand what features a service must have in order to meet consumer needs and what levels of performance on those features are needed to bring deliver high quality service. This results to affecting the way consumers evaluate service quality.

***Gap 2: Management perception - service quality specification gap /the gap specification***

This gap arises when the company identifies the consumers want but the means to deliver to expectation does not exist. Some factors that affect this gap could be resource constraints, market conditions and management indifference. These could affect service quality perception of the consumer.

***Gap 3: Service quality specifications – service delivery gap/the delivery gap/***

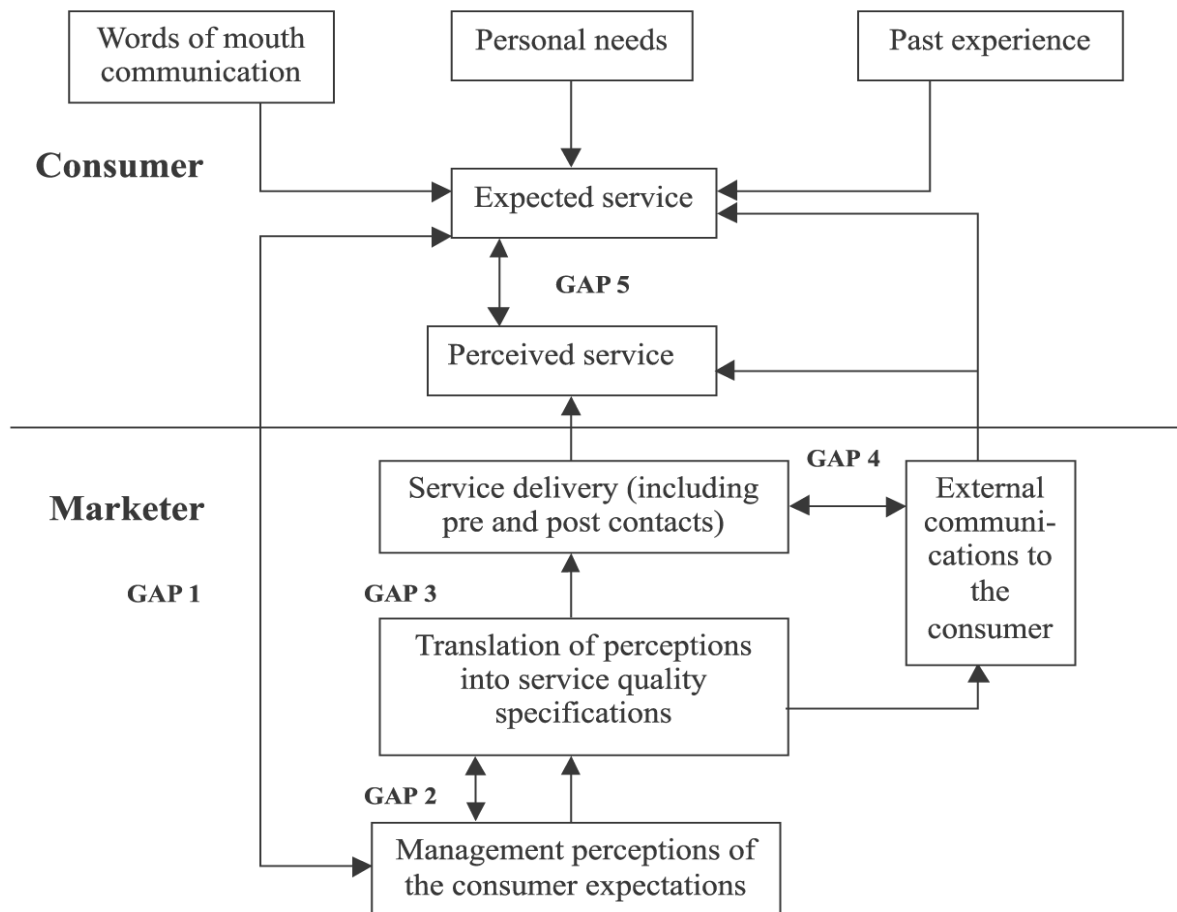
Companies could have guidelines for performing service well and treating consumers correctly but these do not mean high service quality performance is assured. Employees play an important role in assuring good service quality perception and their performance cannot be standardized. This affects the delivery of service which has an impact on the way consumers perceive service quality.

***Gap 4: Service delivery – external communications gap/the communication gap/***

External communications can affect not only consumer expectations of service but also consumer perceptions of the delivered service. Companies can neglect to inform consumers of special efforts to assure quality that are not visible to them and this could influence service quality perceptions by consumers.

***Gap 5: Expected Service – perceived service gap/the perception gap/***

From their study, it showed that the key to ensuring good service quality is meeting or exceeding what consumers expect from the service and that judgment of high and low service quality depend on how consumers perceive the actual performance in the context of what they expected.



Source: Parasuraman *et al.* (1985)

**Fig 2.2 the gap model**

Gaps 1-4 are within the control of an organization and need to be analyzed to determine the cause and changes to be implemented which can reduce these four gaps emerge from an executive perspective on a service organization's design, marketing and delivery of service.

They, in turn, contribute to another gap, mentioned earlier; gap 5 which is the discrepancy between customers' expected services and the perceived service actually delivered. Thus, this study is mainly focuses on this gap, the difference between customers' expectations and percived service quality of Nib insurance S.C.

### **2.1.5.2 SERVQUAL**

After the gap model, a SERVQUAL model which is a multi-item scale was developed to assess customer perceptions of service quality in service industries (Parasuraman *et al.*, 1988). SERVQUAL was created to measure service quality and is based on the view that, customer's assessment of service quality is a paramount. It is operationalized in terms of the relationship between expectations and outcomes. SERVQUAL represents service quality as the discrepancy between a customer's expectations for a service offering and the customer's perceptions of the service received, requiring respondents to answer questions about both their expectations and their perceptions (Parasuraman *et al.*, (1988). SERVQUAL is a concise multiple item scale with good reliability and validity that retailers can use to better understand the service expectations and perception of consumer and, as a result, improve service. The instrument has been designed to be applicable across a broad spectrum of services (Parasuraman *et al.*, 1988) revealed ten dimensions viz., tangibles, reliability, responsiveness, competence, courtesy, credibility, security, communication, understanding, and access in the original model of service quality. But in the subsequent study of (Parasuraman *et al.*, 1988), these ten dimensions were condensed into five viz., tangibles, reliability, responsiveness, assurance, and empathy. This led to the development of a 22-item SERVQUAL scale for measuring service quality.

Even though there is no one universally accepted measurement model of service quality that is applicable for all types of services, there are two most popular models namely SERVQUAL and SERVPERF. SERVPERF Cronin and Taylor, (1992) is purely a Performance based approach to the measurement of service quality. However, SERVQUAL is the most frequently used model to measure service quality and made to be used by services organizations or industries to improve service quality (Parasuraman *et al.*, 1988).

### **2.1.5.3 Criticisms of SERVQUAL**

According to Buttle (1996), notwithstanding its growing popularity and widespread application, SERVQUAL has been subjected to a number of theoretical and operational criticisms which are detailed below:

## 1. Theoretical:

**Paradigmatic objections:** SERVQUAL is based on a disconfirmation paradigm 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 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.

## 2. Operational:

**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.

**Variance extracted:** the over SERVQUAL score accounts for a disappointing proportion of item variances.

Despite of the above drawbacks, there have been several empirical studies of (Stafford *et al.*, 1998; has confirmed that the applicability of SERVQUAL, of the five dimension model in insurance industry. As a consequence, the researcher used SERVQUAL instrument to measure the levels of services provided in NIC by using a SERVQUAL five dimensions. These suggested a five dimensional structure of perceived service quality are tangibles, reliability, responsiveness, empathy and security as the instruments for measuring the service quality.

**Tangibles as a Servqual Dimension:-**The tangibles involve the firms' representatives, physical facilities, materials, and equipment as well as communication materials. Furthermore, physical environmental conditions appeared as a clear evidence of the care and attention paid for the details offered by the service provider (Ladhari, 2008). More specifically, Magesh, (2010) define the tangibility appearance of physical facilities, equipment, personnel, and written materials. Finally, in the present research,

tangibles are the facilities and the banking services offered by the providers of the Arab bank headquarters as perceived by the specific Arab banking customers. Such tangibles are measured using 4 items of the tangible dimension of the *22-item SERVQUAL*.

**Reliability as a Servqual Dimension:** - Reliability depends on handling customer service issues, performs the services right the first time; offers services on time, and maintain a record of error-free. Moreover, they define reliability as the most significant factor in conventional service (Aldlaigan, and Buttle, 2002). Reliability also consists of the right order fulfillment; accurate records; accurate quote; right in the bill; Results are more accurate than commissions; keep the promise of service. He also mentions that reliability is the most significant factor in banking services (Kotler, 2008). More specifically, in a study by (Banumn,2007), SERVQUAL was applied to gather data in four different companies, including banks, credit card companies, the company's maintenance services, and long-distance phone company. He found high reliability in all four of these companies, with the possible exception of some of the values associated with significant dimensions (Ladhari, 2008). Finally, reliability is defined as the “ability to perform the promised service dependably and accurately” .In this research, reliability is the ability of banking service providers at a specific Arab bank to execute the promised service as perceived by the specific Arab bank headquarters’ banking customers. This is measured using 5 items of the reliability dimension of the 22-item SERVQUAL.

**Responsiveness as a Servqual Dimension:-**Responsiveness is defined as "the willingness to help customers and provide prompt service" (Kanyurhi, 2013). Furthermore, Johnston (2007) defines responsiveness such as speed and timeliness of service delivery. This consists of processing speed and service capabilities to respond promptly to customer service requests, and wait a short and queuing time. More specifically, responsiveness is defined as the willingness or readiness of employees to provide services. It contains the timeliness of service (Baumann, 2007). It also contains understanding the needs and requirements of the customer, easy operation time, individual attention provided by the staff, attention to the problem and customers' safety in their dealings (Ladhari, 2008). Finally, in this research, responsiveness is the readiness

of banking service providers at a specific Arab bank headquarters to provide punctual services as perceived by a specific Arab bank headquarters' banking customers. This is measured using 4 items of the responsiveness dimension of the 22-item SERVQUAL.

**Assurance as a Servqual Dimension:-**It involves the knowledge and courtesy of employees and their ability to convey trust and confidence. Thus, assurance includes competence, courtesy, credibility, and security. More specifically, it is defined by (Zeithaml, 2009) as the employees' knowledge and courtesy and the service provider's ability to inspire trust and confidence. The trust and confidence may be represented in the personnel who links the customer to the organization. Security is ensued when the service becomes safe, and the customer information gets protection. This is measured using 4 items of the assurance dimension of the 22-item SERVQUAL.

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

Additionally, the SERVQUAL model indicates that satisfaction is related to the size and direction of disconfirmation of a person's experience when he/she faces his/her initial expectations (Magesh, 2010). This study uses 4 items of the empathy dimension of the 22- item SERVQUAL.



## **2.2 Empirical Review**

### **2.2.1 Customer Satisfaction in Insurance Industry**

Research has shown that the quality of services and the achievement of customer satisfaction and loyalty are fundamental for the survival of insurers Ravin K.Sharma & M.R.Basal (2011). Based on this study of comparison on the insurance service quality aspects of Chinese and Indian customers using service quality model, a high significance of correlation is found in both countries. These major correlations are the personal support they receive from employees, rather than the technical innovations they apply matter very critically. These supports include first rate service, personal recognition and friendly interactions and a sense of confidence and trust. Although the study focuses on life insurance product of business, the review emphasizes the results can be used in other industries of other countries as well. Therefore, these measurements should be incorporated by modifying necessary changes in service quality aspects in accordance with the socioeconomic environment of that nation. Hence the need to adapt necessary changes of service quality studies in the Ethiopian context.

Another empirical evidence on service quality reflects that since SERVQUAL was developed in western country, it has been suggested that researchers should be sensitive to cultural differences in examining the dimensionality of service quality in other countries Ravin K.Sharma & M.R.Basal (2011). In examining of cross cultural differences between North American and Latin American consumers, (Collart, 2000) found that the relative importance of service quality dimensions was different between the two groups. According to (Collart, 2000) claims that customers from different cultures perceive service quality differently. Further empirical review of literature reveals that a specific application of the SERVEQUAL model is tailored to the business norm and model of a given country. A typical study by is the comparative analysis of the insurance service qualities of Greece and Kenya. More specifically GIQUAL is used as an instrument in order to measure the service quality of the Greek insurance industry. This shows that the items must be customized to gauge to the business environment. For example four additional items were added to evaluate the effect of price, product quality, and ambiguity of insurance contracts in insurance claims settlement were taken as

perceptions of the items in Greek insurance industry which is more prominent features of the industry. Another assessment of the outcome of the test in the industry shows that tangibility has no significant impact. This is because their business is heavily dependent on the agency system, where customers contact the companies through sales agents or brokers.

In comparison, the Kenyan insurance industry has some roots of influence of culture in the early years of the British colony. A remarkable analysis of the research design in the study reveals that the SERVEQUAL metric in investigating service quality in the respective industries were distinctively different in terms of design and operationalization Evangelos T.S Mawa, Graham K. (2004). The SERVQUAL metric requires substantial modification (customization) prior to its application. Considering that only 55% of items within the two scales used had 19 universal application within the two industries is reason enough to be wary when applying SERVQUAL.

### **2.2.2 Customer Satisfaction in Nib Insurance S.C**

In this study customer satisfaction is defined in relation to only dimensions connected to the service quality delivered by Nib Insurance S.C. Satisfaction can be related to attribute-specific and overall performance. It is attribute specific where it relates to a specific product or service (Cronin & Taylor, 1992). For instance, with Nib Insurance S.C, satisfaction can be related to a specific attribute such as: Comprehensive Insurance, Third Party Insurance, Bond insurance, Marine insurance, or satisfaction with the claim processes among others. On the other hand, customer satisfaction can be related to the overall performance of a product/service or the overall performance of an organization's products/services (Cronin & Taylor, 1992).

This study relates customer satisfaction to the overall performance of services delivered by Nib Insurance S.C in order to generalize the findings for managerial implications. Nib Insurance S.C has a need to develop a customer oriented strategy concerning customer satisfaction, if it wants to ensure a long term presence in the marketplace. Thus, a service quality measurement is very crucial for organization in order to track customer expectations with company performance. Service quality is a measure of how well the

service level delivered matches customer expectations (Lewis & Booms, 1983). Delivering quality service means conforming to customer expectations on a consistent basis.

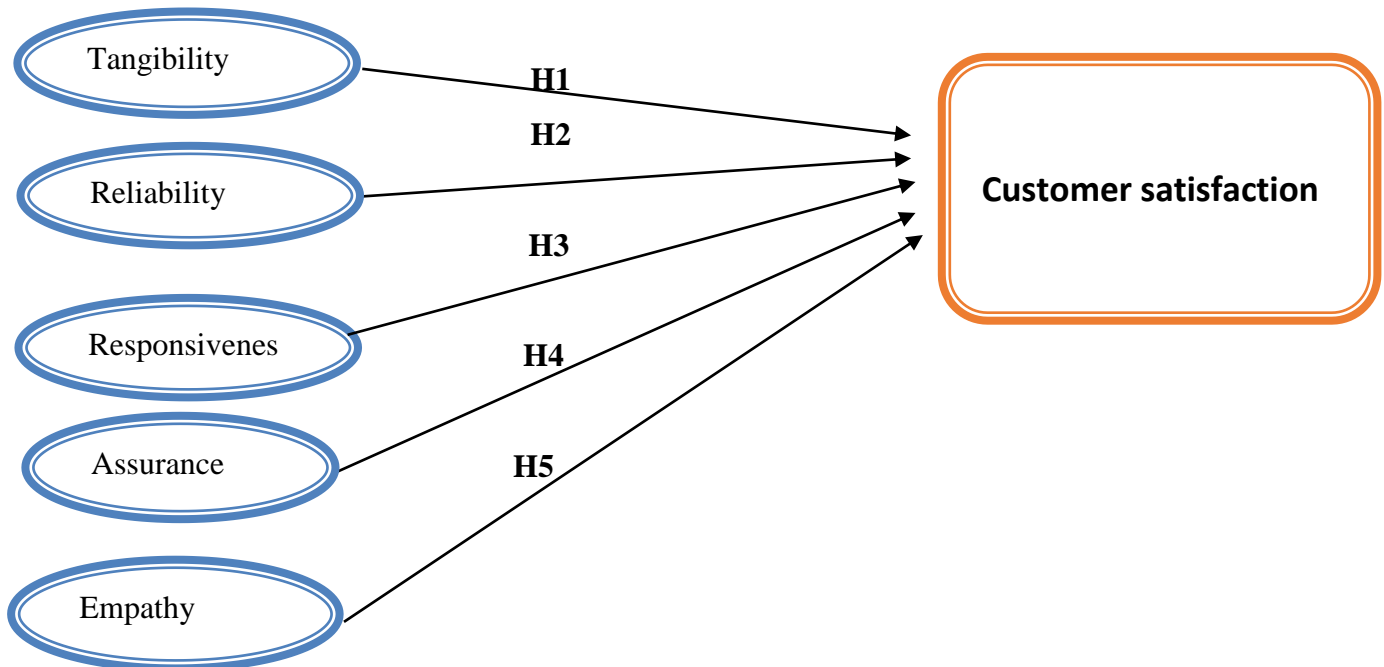
## **2.3 Conceptual Frame Work**

The general idea from the past literature is that there is a relationship between customer satisfaction and service quality; also that service quality could be evaluated with the use of five service quality dimensions and the most useable is the SERVQUAL scale. Thus, customers in this paper are those who consume the services, satisfaction denotes customer's desire to maintain a business relationship with the organization and it is also the feelings of the customers towards the services provided to them by the organizations; while customer satisfaction in this study is the pleasures obtained by customers for the services provided to them by the employees of the organizations. It has been proven that "perceived service quality is a component of customer satisfaction" (Ziethaml *et al.*, 2006, p.106-107).

The SERVQUAL model has been proven to be the best model to measure service quality in service sectors especially with the customer perspective. This idea generates an assumption that the five dimensions of SERVQUAL model could have a direct relationship with customer satisfaction. Moreover, most studies confirm that there is a relationship between service quality and customer satisfaction. For instance, Magesh, (2010) found a positive relationship between service quality and customer satisfaction. Similarly, Kotler, & Armstrong, (2010) assured that service quality has a positive effect on customer satisfaction which means that the higher quality of service attracts more customers who have bought back the desire and intention to recommend.

Finally, this theoretical framework guiding the evaluation is depicted in figure below, considering different types of models. Also, this study will investigate independent variables which can determine service quality namely: tangibles, reliability, responsiveness, assurance and empathy as well as their impact on level of satisfaction (dependent variable). Based on the concept this study is designed to determine the impact

of overall perceived service quality on customer satisfaction and assess if there is a relationship between service quality dimensions with customer satisfaction.



**Figure 2.3 Conceptual framework**

## **2.4 Research Hypotheses**

In line with the above mentioned research objectives the following hypotheses are formulated.

*H10: Tangibility does not have a significant and positive relationship with customer satisfaction.*

*H1: Tangibility is significantly and positively related to customer satisfaction*

*H20: Reliability does not have a significant and positive relationship with customer satisfaction.*

*H2: Reliability is significantly and positively related to customer satisfaction*

*H30: Responsiveness does not have a significant and positive relationship with customer satisfaction.*

*H3: Responsiveness is significantly and positively related to customer satisfaction*

*H40: Assurance does not have a significant and positive relationship with customer satisfaction.*

*H4: Assurance is significantly and positively related to customer satisfaction.*

*H50: Empathy does not have a significant and positive relationship with customer satisfaction.*

*H5: Empathy is significantly and positively related to customer satisfac*

## CHAPTER THREE

### RESEARCH DESIGN AND METHODOLOGY

This chapter deals with, the research approach, sample and sampling techniques, source of data, methods of data collection and data collection instruments.

#### 3.1 Research Design and Approach

There are two basic approaches to research, which are quantitative approach and the qualitative approach. The quantitative approach involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion. Whereas qualitative approach to research is concerned with subjective assessment of attitudes, opinions and behavior research in such a situation is a function of researcher's insights and impressions (Kothari, 2004). Accordingly, this research was conducted using quantitative approach to understand the causal relationship among the five dimensions of **SERVQUAL** on customer satisfaction.

Furthermore, in terms of the purpose it entails to address research could also be classified as into two. The first one is **Descriptive research**, which is directed at making careful observations and detailed documentation of a phenomenon of interest. These observations must be based on the scientific method. The second approach is **Explanatory research**, which seeks explanations of observed phenomena, problems, or behaviors. While descriptive research examines the what, where, and when of a phenomenon, explanatory research seeks answers to why and how types of questions. Since this study shall focus on quantitative method and the research approach chosen are both and descriptive and explanatory approaches. Firstly, the study is descriptive as it seeks to describe in detail the state of customer satisfaction and service quality in NIC. Secondly, an explanatory method is selected since it seek to determine the relationship between the service quality variable with customer satisfaction and how service quality dimension affect the overall customer satisfaction in NIC.

## 3.2 Population and Sample Size

### 3.2.1 Population

The target population of this study is focused on the existing corporate customers of general insurance section. According to the annual reports of marketing and development department the company has 800 existing corporate clients with a different premium amounts across all branches. Out of the total population, 680 corporate customer are found in Addis Ababa these have a high amount of annual premium contribution for the company.

### 3.2.2 Sample Size

Participants of the study were different branches of the Company clients of Addis Ababa who have been insured for more than three years. Since the majority of customers are non-life insurance section, the study attempted in this area. In addition to this, in order to make a representative data, the researcher used only those having three years experience with the company. The study sample taken by using the formula proposed by Yamane (1967).

#### Formula

$$n = \frac{N}{1 + N(e)^2} = \frac{680}{1 + 680(0.05)^2} = \underline{252 \text{ (Customers)}}$$

Where

n=sample size

e= level of precision, at confidence level (0.05)

N=Population Size

Using  $N = 680$  in the formula, the resulting sample size ( $n$ ) is 252 and will be distributed to the branches customers. Accordingly 252 sample size were selected and questionnaire were prepared and distributed to the customers at the time of service delivery in random manner.

### **3.3 Sampling Techniques**

The researcher used a non-probabilistic convenience sampling methods to select the sample from the available population. The researcher decided to employ convenience sampling method as it is actually impossible to carry on a probability sampling because 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. From 252 usable questionnaires 228 questionnaires were collected from the company customers.

### **3.4 Data Collection Approach**

Both primary and secondary data were used for this study. The primary data collected through a pre-tested structured questionnaire with five point likert scale and secondary data collected from company's websites, published articles etc.

### **3.5 Data Analysis Methods**

The data analyzed with the help of Statistical tools. The data gathered from respondents was summarized using a descriptive statistic method through table, frequency counts and percentages. To test the gap between perceived and expected service quality a mean score and standard deviations were used to offer a condensed data. In addition, correlation analysis, were used to explore the relationship between service quality dimensions and customer satisfaction. Where as, a multiple linear regrassion analysis used to find out the impact of independent variables on the dependent one. The equation of multiple regression on this study is generally built around two sets of variable, namely dependent variables



(customer satisfaction) and independent variables (tangibility, reliability, responsiveness, assurance, and empathy). The basic objective of using regression equation on this study is to make the researcher more effective at describing, understanding, predicting, and controlling the stated variables.

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

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

Where Y is the dependent variable (customer satisfaction)

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

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

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

## **3.6 Reliability and Validity**

### **3.6.1 Reliability**

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

Table 3.1 Reliability test of each service quality dimension

<b>SERVQUAL Dimensions</b>	<b>Cronbach's Alpha Based on Standardized Items</b>	<b>Number of Items</b>
<b>Tangibles</b>	.646	4
<b>Reliability</b>	.564	4
<b>Responsiveness</b>	.962	4
<b>Assurance</b>	.948	4
<b>Empathy</b>	.975	4
<b>Overall statements</b>	<b>.816</b>	<b>22</b>

Source: SPSS reliability test

The results above show that Cronbach's alpha, according to the benchmark discussed above, it can be concluded that all questions used in the questionnaire reliably assess customer satisfaction.

### **3.6.2 Validity**

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

- Data were collected from those target population respondents who have good understanding and experiences in using the service of Nib Insurance S.C.
- Survey questions were prepared based on previous empirical research review and literature review to ensure result validity.
- The participants were asked to give comments on the statements of the questionnaires to avoid subjectivity and ambiguity.

### **3.7 Ethical Considerations**

The study took necessary ethical issues into consideration. When collecting questionnaires from customers of Nib Insurance S.C, their permission and mutual consent were asked and the purpose was thoroughly explained. Name of the respondents and details were not asked to write in order to increase the confidentiality of the information they gave and also the questionnaire was explained that the purpose of research is for academic purpose. Finally, the respondents are included based on their willingness. So this study were conducted in the appropriate and ethical manner taking all ethical issues into consideration.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

This core chapter deals with the discussion and analysis of data collected from NIC customers. As indicated in the methodology part the study conducted basically using questionnaires filled by respondents. The researcher totally distributed 252 questionnaires however, the analysis were done only based 228 (90.5%), 24 questionnaires were omitted for their errors’.

#### 4.1 Respondents Profile

To find out general background of customers of NIC, respondents were asked in which business category they belong, for how long they stay in the NIC, and their premium in birr/annually. The results obtained from the structured questionnaires are represented on the table below.

Table 4.1 Respondets profile

Description responds	Response	
	Frequency (No)	Percent (%)
<b>A. Business Category</b>		
Private Limited Company	109	47.8
Share Company	99	43
NGO	3	1.3
Government	18	7.9
<b>Total</b>	<b>228</b>	<b>100</b>
<b>B. Customers Years of Stay in NIC</b>		
1 - 4 years	97	42.5
4 - 8 years	90	39.5
8 - 11 years	41	18.0
<b>Total</b>	<b>228</b>	<b>100.0</b>
<b>C. Premium in Birr/annually</b>		
Below 45,000	114	50.0
45,000 - 245,000	74	32.5
245,000 - 345,000	25	11.0
345,000 - 445,000	10	4.4
above 445,000	5	2.2
<b>Total</b>	<b>228</b>	<b>100.0</b>

Source Questionnaire 2017

The above respondents profile reveal that, out of 228 total respondents majority of the respondents account for 109 (47.8%) engaged in a private business category, while about 99 (43%) of respondents come from share company, the rest respondents that used NIC were very few these were represented by 18(7.9%) government and 3(1.3%) NGO respectively. This indicates that most of the respondents were private limited companies and the lowest portions of the respondent were covered by non-governmental organizations.

With related to customers year of stay in Nib insurance S.C, majority of the respondents were not stay long in the company as a client these were assured by 97(42.3%) respondents which were found 1 – 4Years and 90 (39.5%) respondents stayed in the company service 4 – 8 Years, however, about 41(18%) respondents stayed long years in the company (8 – 11 years).

In relation to respondents premium (the amount paid for the insurance in birr/annually) indicated as follow, 114 (50%) and 74 (32.5%) respectively indicated that the amount paid for the insurance in birr/annually was below 45,000 and between the average range of 45,000 – 245000 respectively. On the other hand, 25 (11%) and 10 (4.4%) of the respondents respectively indicated their amount of birr paid annually between the average of 245,000 - 345,000 and 345,000 - 445,000. However, only 5 (2.2%) of the respondents indicated their highest pay of premium annually which is above 445,000. This shows that, from the overall sample size the majority of the respondents are those who have been generating an income the range below 45,000 for the company.

## **4.2 Customer Expectation and Perception of Service Quality Analyses**

Customer expectations are beliefs about a service that serve as standards against which service performance is judged. What customers think a service provider should offer rather than what might be on offer. Expectations are formed from a variety of sources such as the customer's personal needs and wishes, customer's personal philosophy about a particular service, by promises (staff, advertising and other communications), by implicit. On the other hand, perceived service quality has been defined as the consumer's

attitude or judgment of the overall excellence or superiority of the service. Perceived service quality results from comparisons by consumers of expectations with their perceptions of service delivered by the suppliers. Based on these in this study the researcher tried to measure service quality of the study area and its effect on customer satisfaction by measuring customer's expectation and their perception using the five dimension service quality measurements these are tangibles, reliability, responsiveness, assurance and empathy.

#### 4.2.1 Respondents Expectation and Perception of Service Qualities of Tangibles

The tangibles involve the firms' representatives, physical facilities, materials, and equipment as well as communication materials. Tangible materials have their own impact in determining customer satisfaction level in insurance as well as banking service. To study the customer's expectation and perception of service quality the study made an attempt to develop a likert type scale questions. The likert scale has five questions and the customers were asked to reply their response as strongly disagree, disagree, neutral, agree and strongly agree. The information regarding this has been shown below in table as follow.

Table 4.2 Respondents expectation and perception of service qualities of tangibles

EXPECTATION						PERCEPTION				
No	SD	D	NW	A	SA	SD	D	NW	A	SA
Q1	-	-	14 (5%)	169 (74%)	45 (20%)	11 (5%)	73 (32%)	44 (19%)	100 (44%)	-
Q2	-	-	67 (29%)	120 (52%)	41 (18%)	6 (3%)	23 (10%)	29 (13%)	160 (70%)	10 (4%)
Q3	1(.4%) )	3 (1%)	10 (4%)	133 (58%)	81 (36%)	12 (5%)	33 (15%)	52 (23%)	131 (57%)	-
Q4	-	-	8 (4%)	169 (74%)	51 (22%)	25 (11%)	77 (34%)	25 (11%)	84 (37%)	17 (8%)

Source: Questionnaires' 2017

The above table indicates customer's expectation and their perception on the provided four basic measurement questions. The first question addressed to the respondent was, "NIC Offices have up-to-date equipment", with related to this question respondents expectation were so high this were indicated by 169 (74%) respondents agreement, and 45 (20%) of them indicate their strong agreement, however only 14 (5%) of the respondents said neutral. This was indicating that, customer expectation with regard to the study area materials to dating are so high. In contrary to perception of customers was provided by 11 (5%), and 73 (32%) who said strongly disagree and disagree, this indicates that perception of customers on the materials were low. On the other hand large number of respondents 100 (42%) still indicate their high expectation fit with the best performance of the insurance. However, large number of respondents accounted for 44 (19%) said neutral this may indicate that, respondents still can't compare the materials used by the insurance are whether up to date or not.

With regard to a second question forwarded by the survey "NIC employees are well dressed and neat in appearance" 120 (52%) and 41 (18%) respondents respectively indicate their agreement and strong agreement, which implies their expectation were very high, while, 67 (29%) respondents were still neutrals which implies they haven't whether positive or negative expectation on the provided question. However, none of respondents were not indicate low and very low expectation on the provided question. Similarly the survey were measured perception of respondents based on their expectation accordingly majority of respondents 170 (74%) (Agree and strongly agree) perceive positively on the performance of the insurance with regards to employee protocol.

The survey in the third item were provide a tangible measurement question which is "Physical facilities (like Office Buildings, Brochures, furniture, Insurance policy Documents, etc.) are visually appealing and convenient", accordingly, majority of the respondents accounted for 133 (58%) and 81 (36%) respectively said agree and strongly agree which indicate their high expectation of on the provided question. However, when the survey measure perception of respondents 131 (57%) indicate on the likert scale of agree, which indicate still their high expectation was not achieve even if the organization perform well.

The fourth question addressed to the respondent was "The physical environment of the office is clean" regarding to this question 169 (74%) and 51 (22%) respectively said agree and strongly agree which indicate their high expectation, while when we measure actual

performance of the study still show a little difference. Accordingly, 25 (11%) and 77 (39%) respectively said strongly disagree and disagree, this disagreement level indicate that customer expectation on the provided question and the actual performance of the study area were not similar (high expectation but low actual performance). However, there were also respondents accounted for 84 (37%) and 17(8%) receive their high expectation and actual performance of the study area.

All the attributes in this dimension have a low gap score except the attribute of ‘The physical environment of the office is clean’. Generally, the discussion regarding tangibility dimension indicates that, even though some of the expectation and actual performance of responds negatively related, majority of respondents expectation regard to tangibles, such as, appearance of physical facilities, equipment, personnel and communication materials and NIC employees are well dressed and neat in appearance are correlated positively. Therefore, it is possible to say that customer’s satisfaction level is satisfactory regarding to tangible aspect.

Table 4.3 Summary of gap analysis for tangibles

Dimensions	N	Expectation		Perception		Gap (P-E)
		Mean	Std. deviation	Mean	Std. deviation	Mean
NIC Offices have up-to-date equipments	228	4.13	0.491	3.02	0.977	-1.11
NIC employees are well dressed and neat in appearance	228	3.88	0.680	3.63	0.825	-0.25
Physical facilities are very appealing & convenient	228	4.27	0.647	3.32	0.910	-0.95
The physical environment of the office is clean	228	4.18	0.473	2.96	1.203	-1.22
<b>Overall tangibility average mean</b>	<b>228</b>	<b>4.11</b>		<b>3.23</b>		<b>-0.88</b>

Source: Questionnaires’ 2017



## 4.2.2 Respondents Expectation and Perception of Service Qualities of Reliability

Reliability is the ability to perform the promised service dependably, accurately and consistently. Reliability depends on handling customer service issues, performs the services right the first time, offers services on time, and maintain a record of error-free. Moreover, reliability is the most significant factor in conventional service. It also consists of the right order fulfillment; accurate records; accurate quote; right in the bill; results are more accurate than commissions; keep the promise of service. Therefore, in premise to this concept this survey were provided related four basic questions to assess NIC service reliability and customer's satisfaction comparing clients expectation and perception or actual performance of the insurance.

Table 4.4 Respondents expectation and perception of service qualities of reliability

EXPECTATION						PERCEPTION				
Q <sub>o</sub>	SD	D	NW	A	SA	SD	D	NW	A	SA
Q1	-	-	30 (13%)	100 (44%)	98 (43%)	66 (29%)	112 (49%)	31 (14%)	18 (8%)	-
Q2			36 (17%)	110 (48%)	80 (35%)	52 (23%)	112 (49%)	43 (19%)	17 (8%)	4 (1.8%)
Q3			9 (4%)	120 (53%)	99 (43%)	41 (18%)	112 (49%)	52 (23%)	17 (8%)	6 (3%)
Q4			19 (8%)	139 (61%)	70 (31%)	55 (24%)	132 (58%)	28 (12%)	10 (4%)	3 (2%)

Source: Questionnaires' 2017

As indicated on the above table the survey were tried to assess customers of NIC on the reliability of the service quality based on client's expectation and perception related questions. Accordingly, respondents were forwarded their view on the provided question as follow:

With regard to employee activities in solving customers claim the study asked a question ‘When a customer has a claim/or other problem, NIC employees shows a sincere interest in solving it’ in this regard majority of respondents accounted for 100 (44%) & 98 (43%) respectively said agree and strongly agree, which indicate their high level of expectation on the company activity regarding to the question. On the other hand, 30(13%) respondents said neutral which indicate they are not sure about their expectation how to solve claim, however, none of respondents said strongly disagree and disagree still this indicate customers were not expect the insurance perform claims poorly. In contrary to respondent’s expectation what respondents were perceived correlated negatively. Accordingly, about 66 (29%) and 112 (49%) respondents respectively said strongly disagree and disagree on the provided question, on the other hand 31 (14%) respondents said neutral i.e. some of the clients specifically who said neutral with regarding to this question said still their company didn’t got problem so that it was difficult to them to judge the activities. However, the small proportion of respondents accounted for 18 (8%) said that, their expectation and actual performance of the study are positively correlated.

Similarly the survey were also assessed customers expectation and perception with related to the insurance over all reliability to settles claims easily and with no unnecessary delays, accordingly majority of respondents accounted for 110 (48%) and 80 (35%) respectively said agree and strongly agree which indicate clients expectation were very high however, the study indicate the high and positive expectation of respondents correlated with their perception negatively; this were assured by 66 (29%) and 112 (29%) respondents respectively said strongly disagree and disagree. Therefore, based on the survey analysis the actual performance of the study insurance in solving claims without uncertainties and delays still show a gap.

To assess respondents expectation and perception with regard to accuracy the survey were provided a statement as insurance service providers insists on err free records, study forward a question “The NIC keeps its records accurately” regarding to this question respondents expectation were very high these were indicated by large number of respondents such as, 120 (53%) and 99 (43%)who said respectively agree and

strongly agree, however, even though client expectation were very high but the actual performance indicated by large number of respondent 41 (18%) & 112 (49%) who said disagree and strongly disagree this still show there is a problem in accurate recording system of the insurance.

Finally, the survey were assess time accuracy of the insurance providing a question ‘‘NIC performs the service on right time’’ accordingly customers expectation were very high this was indicated by 139 (61%) and 70 (31%) who replied their answer strongly agree and agree respectively. However, majority of respondents expectation were not fit with the actual performance in receiving service in the accurate time specifically claims accordingly large number of respondents accounted for 55 (24%) and 132 (58%) respectively implied their disagreement and strong disagreement on the insurance service of on the accurate time.

Thus, according to this study the NIC service reliability, in general, is unsatisfactory, which means customers were join the insurance company with high expectation of reliability but the actual performance perceived by the clients were the reverse. This indicates that majority of the respondents dissatisfied on this service quality dimension, specifically, claim solving practice, accuracy of time in solving problem, and recording statements free of err a problems as indicated by the respondents.

Table 4.5 Summary of gap analysis for reliability

Dimensions	N	Expectation		Perception		Gap (P-E)
		Mean	Std. deviation	Mean	Std. deviation	Mean
When a customer has a claim/or other problem, NIC employees shows a sincere interest in solving it	228	4.29	0.688	2.01	0.885	-2.28
The NIC settles claims easily and with no unnecessary delays	228	4.18	0.696	2.16	0.922	-2.02

The NIC keeps its records accurately	228	4.39	0.565	2.27	0.932	-2.19
The NIC performs its service right the first time	228	4.22	0.584	2.00	0.812	-2.22
<b>Overall reliability average mean</b>		<b>4.27</b>		<b>2.11</b>		<b>-2.16</b>

Source: Questionnaires' 2017

### 4.2.3 Respondents Expectation and Perception of Service Qualities of Responsiveness

Responsiveness is the willingness of employee to help customers and provide prompt service. Furthermore, it is responsiveness such as speed and timeliness of service delivery. This consists of processing speed and service capabilities to respond promptly to customer service requests, and wait a short and queuing time. More specifically, responsiveness is defined as the willingness or readiness of employees to provide services. Based on the scholar's definition it can be said that employee responsiveness can affect customer satisfaction. With regards to this concept the study were assessed customers of NIC satisfaction based on their expectation and perception level of service quality through five likert scale questions similar with the previous dimension discussion.

Table 4.6 Respondents expectation and perception of service qualities of responsiveness

EXPECTATION						PERCEPTION				
No	SD	D	NW	A	SA	SD	D	NW	A	SA
Q1	-	-	18 (7.9%)	126 (55%)	84 (37%)	53 (23%)	84 (37%)	11 (5%)	72 (31%)	8 (3.5%)
Q2			14 (6%)	135 (59%)	79 (35%)	11 (5%)	41(18 )	23 (10%)	137 (60%)	16 (7%)
Q3			18 (8%)	145 (63%)	65 (29%)	26 (11%)	58 (25%)	16 (7%)	113 (50%)	15 (7%)
Q4	3 (1.3)	11 (5%)	12 (5.2%)	150 (66%)	52 (22%)	27 (12%)	56 (25%)	30 (13%)	89 (39%)	26 (11%)

Source: Questionnaires' 2017

To study the customer's view towards the insurance employee responsiveness the surveys provide four major questions as indicate in the above table and customers were asked to reply their response based on the provided likert scale. Based on these below the study present customers view for the provided each question.

The first question addressed to the respondent was "NIC employees give you quick service" accordingly, respondent customers were indicated their higher expectation level such as, 126 (55%) and 84 (37%) respondents respectively said agree and strongly agree. Even though large proportion of respondents accounted for 80(35%) meet their expectation however, some of the respondents were not meet their high expectation this were indicated by 53 (23%) and 84 (37%) respondents respectively who said disagree and strongly disagree.

The survey were forwarded a question "The NIC employees tell customers exactly where services will be performed" accordingly, respondent customers were replied their high level of expectation as follow, 135 (59%) and 79 (33%) customer respondents respectively said agree and strongly agree, while 14 (6%) respondents side neutral means didn't expect on the activities whether positively or negatively, similarly respondents were assessed if they meet their high expectation accordingly 153(67%) respondents were satisfied by employees activity in informing the exact information or service where customers are get.

The survey also tried to assess employees responsiveness using the following question "Employee in NIC are willing to help clients" means to assess if employees are helping customers they need help specifically, in showing how to write, where to write, or sign and other similar helps. In this regard the sample employee indicate their respective answer for the provided question accordingly, 145(63%) and 65(29%) respondents indicated their high level of expectation said agree and strongly agree respectively. Similarly large number of respondent also assure that their expectation were positively correlated with the actual performance with the provided question such as 113 (50%) and

15(7%) respectively said agree and strongly agree on the activity well done in the company.

Customer satisfaction level and employee responsiveness also assessed by a question that “ Employee in NIC are never too busy to respond customers questions” accordingly majority of the respondents accounted for 150 (66%) and 52 (22%) respectively indicated their high level of expectation said agree and strongly agree and similarly some of the respondent also received as their positive expectation such as 115(50%) respondents replied their agreement, however, 27(12%) and 56(25%) respondents respectively indicate their level of strongly disagree and disagree which implies their high level of expectation and actual performance of the company was not similar.

Among the four items used to measure responsiveness the part where “The NIC employees tell customers exactly when services will be performed” the one that is somehow closer to customers expectation in comparison to the other items and the item that needs most improvement and the one that is contributing highly to the dissatisfaction of customers is that “NIC employees give you quick service”. Generally, the service quality dimension measurement discussed on the above table, the result indicates high level of expectation and relatively receive their expectation on the actual performance of the organization in responsiveness of employee.

Table 4.7 Summary of gap analysis for responsiveness

Dimensions	N	Expectation		Perception		Gap (P-E)
		Mean	Std. deviation	Mean	Std. deviation	Mean
NIC employees give you quick service	228	4.28	0.604	2.81	1.209	-1.47
The NIC employees tell customers exactly when services will be performed	228	4.28	0.572	3.46	1.021	-0.82
The NIC employees are always willing to help you	228	4.20	0.568	3.14	1.206	-1.06
The NIC employees are never too busy to respond to your requests	228	4.03	0.770	3.13	1.246	-0.9
<b>Over all responsiveness average mean</b>	<b>228</b>	<b>4.19</b>		<b>3.13</b>		<b>-1.06</b>

Source: Questionnaires' 2017

#### 4.2.4 Respondents Expectation and Perception of Service Qualities of Assurance

Assurance is knowledge and good manners or courtesy of employees. Further, it the ability of employees with the help of the knowledge possessed to inspire trust and confidence will strongly strike the level of customer satisfaction. In banking services provided to the customer, assurance means providing financial assistance in a polite and friendly manner, ease in accessibility of account details, comfort or convenience inside the insurance company, a well experienced and professional management team and will have favorable outcomes on customer satisfaction. Based on the above concept the study were provided five scale of likerst scale question like the previous discussion to assess the impact of NIC assurance and customers level of satisfaction.

Table 4.8 Respondents expectation and perception of service qualities of assurance

EXPECTATION						PERCEPTION				
Q <sub>o</sub>	SD	D	NW	A	SA	SD	D	NW	A	SA
Q1	-	-	10 (4%)	120 (53%)	98 (43%)	36 (16%)	55 (24%)	21 (9%)	99 (43%)	17 (8%)
Q2	7 (3%)	31 (14%)	9 (4%)	120 (52%)	61 (27%)	22 (10%)	52 (23%)	24 (11%)	102 (45%)	28 (12%)
Q3			8 (4%)	140 (61%)	80 (35%)	13 (6%)	35 (15%)	17 (8%)	116 (51%)	47 (21%)
Q4			47 (21%)	108 (47%)	73 (32%)	51 (22%)	96 (42%)	15 (7%)	51 (22%)	15 (7%)

Source: Questionnaires' 2017

To analyses the fourth variable of assurance just like the previous analysis the study provide four basic questions as indicated in the above table. Respondents were give their respective answer over the provided questions, by choosing the alternative five type of likert scale whether strongly agree, agree, neutral or by saying disagree and strongly disagree.

Based on these the first question forwarded to assess assurance of NIC is that ‘The first question addressed to the respondent was, ‘’The NIC employees are trustworthy’’ for these question 120 (53%) and 98(43%) respondent respectively indicate their agreement level by said agree and strongly agree respectively, however when respondent indicated their expectation with the actual performance of what they expect were not similar accordingly, 36 (16%) and 55 (24%) respondents respectively indicated their dissatisfaction level said strongly disagree and disagree while about 21 (9%) respondent said neutral the rest 99 (43%) and 17(8%) respondent respectively indicated their satisfaction electively said agree and strongly agree.

Similarly respondents were assessed their agreement level on employee activity to create trust and confidence of the customer, accordingly about 120 (52%) and 61(27%) indicate their highest level of expectation, respectively implied their agreement and strong



agreement similarly, 102 (45%) and 28(12%) respondents also assured as they meet their expectation in the actual service of the company while about 24(11%) respondents are neutral but the rest 52(23%) and 22(10%) respondents respectively implied their disagreement and strong disagreement.

Regarding to the employee politeness the survey forward, that employee NIC are polite accordingly, 116 (51%) and 47( 21%) respondent respectively said agree and strongly agree which implies employee of the organization are polite.

With related to employees knowledge of the NIC the study were forward a question ‘‘ Employees have necessary knowledge to response customers’’ accordingly majority of respondents accounted for 51(22%) and 96(42%) respectively indicated their disagreement and strong disagreement. These are large number of respondents who assured employees knowledge in answering every detail questions asked by the customers are not sufficient.

Interpretation regarding assurance as a dimension, the ‘‘The NIC employees have sufficient knowledge of service information,’’ attribute has the largest negative gap score among the attributes in this dimension. Which shows, the staff are not able to answer all customers’ questions. The other attributes which have a relatively lower value and more specifically ‘‘The behavior of the employees instills confidence in you,’’ attribute indicates that, customers are less concerned with the behaviour of employee in instiling confidence in their minds.

Table 4.9 Summary of gap analysis for assurance

Dimensions	N	Expectation		Perception		Gap (P-E)
		Mean	Std. deviation	Mean	Std. deviation	Mean
The NIC employees are trustworthy	228	4.33	0.603	3.02	1.269	-1.31
The behavior of the employees instills confidence in you	228	3.86	1.055	3.27	1.218	-0.59
The NIC employees are consistently polite	228	4.31	0.536	3.65	1.137	-0.66
The NIC employees have sufficient knowledge of service information	228	4.11	0.718	2.48	1.243	-1.63
<b>Over all assurance average mean</b>	<b>228</b>	<b>4.15</b>		<b>3.10</b>		<b>-1.04</b>

Source: Questionnaires' 2017

#### **4.2.5 Respondents Expectation and Perception of Service Qualities of Empathy**

Empathy is providing caring and individualized attention to customers to make them feel they are receiving caring services and individualized attention. Service empathy characterizes both the service provider's willingness and capability to respond to individual customer desires. Based on the above concept the study were provided five likerst scale question like the previous discussion to assess the impact of empathy on customer satisfaction.

Table 4.10 Respondents expectation and perception of service qualities of empathy

EXPECTATION						PERCEPTION				
No	SD	D	NW	A	SA	SD	D	NW	A	SA
Q1	-	-	29 (13%)	139 (61%)	60 (26%)	23 (10%)	49 (22%)	14 (6%)	104 (45%)	38 (17%)
Q2			22 (10%)	140 (61%)	66 (29%)	29 (13%)	67 (29.5%)	19 (8%)	106 (46%)	7 (3%)
Q3			21 (9%)	147 (65%)	60 (26%)	28 (12%)	65 (28%)	22 (10%)	111 (49%)	2 (0.9%)
Q4			18 (8%)	130 (57%)	80 (35%)	31 (13.5%)	53 (23%)	18 (8%)	105 (46%)	21 (9%)

Source: Questionnaires' 2017

The first question addressed to the respondent was ‘‘ NIC has your best interest at heart’’ large number of respondents expectation accounted 139 (61%) and 60 (26%) were positive and high similarly, 104 (47%) and 38(17%) respondents respectively indicate as the company performance is also high as expected earlier.

The second question addressed to the respondent was, ‘‘The NIC employees understand customers' specific need’’ respondents whose expectation and performance of the organization were not similar, accordingly majority of respondents expectation were very high these were implied by 140 (61%) and 66 (29%) respondents who side agree and strongly agree while large number of respondent accounted for 29(13%)and 67(29.5%) respectively indicated low performance of the study area respectively indicating strongly disagree and disagree for the question, however, about 106(46%) of respondent still indicate the insurance regarding to the provided question perform well.

For the question provided ‘‘Nib Insurance’s operating /working hours are convenient to its customers’’ majority of the respondents expectation and perception were similar amazingly, about 147 (65%) and 60 (26%) respondents respectively indicate their high and very high level of expectation, similarly they received their perception.

To assess respondents expectation and perception with regard to last item, study forward a question “NIC has employees who give customers personal service,” regarding to this question respondents expectation were very high these were indicated by large number of respondents such as, 130 (57%) and 80 (35%) who said respectively agree and strongly agree, however, even though client expectation were very high but the actual performance indicated by large number of respondent 53 (23%) & 31(13.5% ) who said disagree and strongly disagree this show still there is a problem in providing a good personal service in the insurance.

Concerning to empathy attribute at NIC ,the insurer appear to be particularly weak in the attributes “NIC has employees who give customers personal service” and “The NIC employees understand customers' specific need” indicates the customers are dissatisfied on this attributes.

Table 4.11 Summary of gap analysis for empathy

Dimensions	N	Expectation		Perception		Gap (P-E)
		Mean	Std. deviation	Mean	Std. deviation	Mean
NIC has your best interest at heart	228	4.13	0.611	3.37	1.268	-0.76
The NIC employees understand customers' specific need	228	4.19	0.591	3.09	1.227	-1.2
Nib insurance’s operating /working hours are convenient to its customers	228	4.17	0.572	2.97	1.141	-1.10
NIC has employees who give customers personal service	228	4.27	0.597	3.14	1.261	-1.13
<b>Over all empathy average mean</b>		<b>4.19</b>		<b>3.14</b>		<b>-1.05</b>

Source: Questionnaires’ 2017

### 4.3 Level of Customer Satisfaction in NIC

Customer satisfaction requires full meeting customer expectations of products and services. When performance matches or exceeds customer expectations for service, they are satisfied. If not, they are not satisfied. In premises the concept in this section of the study tried to analyze the relationship between the NIC services qualities and customers level of satisfaction provided the following survey question and dependent respective are answer presented below in the given table:

Table 4.12 Overall customer satisfaction level

Level of Satisfaction	Frequency	Valid Percent
Highly Dissatisfied	29	12.7
Dissatisfied	87	38.2
Neutral	21	9.2
Satisfied	80	35.1
Highly satisfied	11	4.8
<b>Total</b>	<b>228</b>	<b>100.0</b>

Source: Questionnaires' 2017

As it can be seen from the table above 80(35.1%) of the respondents are satisfied, while, 11 (4.8%) of the respondents are very satisfied, 21(9.2%) of respondents chose to remain neutral, 87 (38.2%) dissatisfied and 29 (12.7%) is very dissatisfied. Therefore even if the average percentage of respondents are somehow satisfied by the service provided by the insurance of NIC, 38.2 % and 12.7 % respondents are still dissatisfied and highly dissatisfied. From these one can infer that the insurance needs to work more to change this result and highly satisfy its customers for customers are key divers of insurance performance in today's environment.

#### 4.4 Correlation Analysis between Service Quality Dimensions and Customer Satisfaction

To find out the relationship between service quality dimensions and customer satisfaction, Pearson's correlation coefficient ( $r$ ) which measures the strength and direction of a linear relationship between two variables is used. Values of Pearson's correlation coefficient are always between -1 and +1. A correlation coefficient of +1 indicates that two variables are perfectly related in a positive sense; a correlation coefficient of -1 indicates that two variables are perfectly related in a negative sense, and a correlation coefficient of 0 indicates that there is no linear relationship between the two variables. A low correlation coefficient; 0.1 - 0.29 suggests that the relationship between two items is weak or non-existent. If  $r$  is between 0.3 and 0.49 the relationship is moderate. A high correlation coefficient i.e.  $>0.5$  indicates a strong relationship between variables.

Table 4.13 the relationship between service quality dimensions and customer Satisfaction

Dimensions		Satisfaction
Tangibility	Pearson Correlation	-.053
	Sig. (2-tailed)	.424
	N	228
Reliability	Pearson Correlation	.513**
	Sig. (2-tailed)	.000
	N	228
Responsiveness	Pearson Correlation	.479**
	Sig. (2-tailed)	.000
	N	228
Assurance	Pearson Correlation	.416**
	Sig. (2-tailed)	.000
	N	228
Empathy	Pearson Correlation	.491**
	Sig. (2-tailed)	.000
	N	228

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

\*-Correlation is significant at the 0.05 level (2-tailed).

From the result we can see that reliability is highly correlated to satisfaction ( $r = 0.513$ ) followed by empathy ( $r = 0.491$ ), responsiveness ( $r = 0.479$ ), and assurance ( $r = 0.416$ ). When we look at the inter correlation between the service quality dimensions we can see that there is a positive and significant relationship which implies that a change made in one of the service quality dimension will positively motivate the other service quality dimension. Thus from this result confirmed that there is a positive and significant relationship between service quality dimension and customer satisfaction between, reliability, empathy, responsiveness and assurance, hence any improvement in one of the dimensions will positively contribute in enhancing the customer satisfaction. However, the results also indicate that, there is a negative and insignificant relationship between tangibility and customer satisfaction ( $r = -0.53$ ).

#### 4.5 Multiple Regression Analysis

The main aim of the study was to examine the extent service quality dimensions contribute to determine customer satisfaction. To investigate the relationship between SERVQUAL dimensions and customer satisfaction, a multiple linear regression model was applied. By taking each SERVQUAL dimensions as independent variables and overall Customer satisfaction as a dependent variable. The beta coefficients indicated that, how and to what extent SERVQUAL dimensions such as tangibles, reliability, responsiveness, assurance and empathy influence customer's satisfaction of the company.

Table 4.14 Regress Customer satisfaction on service quality dimensions

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.347	.286		1.213	.226
	Tangibility	-.092	.063	-.074	-1.464	.145
	Reliability	.394	.079	.289	4.984	.000
	Responsiveness	.242	.064	.243	3.763	.000
	Assurance	.097	.062	.102	1.567	.118
	Empathy	.299	.051	.315	5.891	.000

Dependent Variable: Satisfaction

Hypothesis testing is based on standardized coefficients beta and P-value to test whether the hypotheses are rejected or not.

### **Hypothesis 1**

Ho1: Tangibility will not have a positive and significant effect on customer satisfaction.

Ha2: Tangibility will have a positive and significant effect on customer satisfaction.

As shown in the above table, p-value is not significant ( $p > 0.01$ ), and the beta value of tangibility was negative ( $\beta = -0.74$ ). Therefore, the researcher fail to reject the null hypothesis and tangibility has a negative and insignificant effect on customer satisfaction.

### **Hypothesis 2**

Ho2: Reliability will not have a positive and significant effect on customer satisfaction.

Ha2: Reliability will have a positive and significant effect on customer satisfaction.

The results of table 4.8 showed that the standardized coefficient beta and p value of reliability were positive and significant ( $\beta = 0.289$ ,  $p < 0.01$ ). Thus, the researcher may reject the null hypothesis and it is accepted that, reliability has a positive and significant effect on customer satisfaction.

### **Hypothesis 3**

Ho3: Responsiveness will not have a positive and significant effect on customer satisfaction.

Ha3: Responsiveness will have a positive and significant effect on customer satisfaction.

The results of table 4.8 showed that the standardized coefficient beta and p value of responsiveness were positive and significant ( $\beta = 0.243$ ,  $p < 0.01$ ). Thus, the researcher may reject the null hypothesis and it is accepted that, reliability has a positive and significant effect on customer satisfaction

### **Hypothesis 4**

As shown in the above table, p-value is not significant ( $p > 0.01$ ), and the beta value of assurance was ( $\beta = 0.102$ ). Therefore, the researcher fail to reject the null hypothesis and assurance has insignificant effect on customer satisfaction.



## Hypothesis 5

Ho5: Empathy will not have a positive and significant effect on customer satisfaction.

Ha5: Empathy will have a positive and significant effect on customer satisfaction.

Furthermore, table 4.8 also indicates that, the standardized beta and p - value of empathy were positive (beta = 0.315), and significant at 99% confidence level ( $P < 0.01$ ). As a result, the researcher may reject the null hypothesis. So empathy has a positive and significant effect on customer satisfaction.

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

Table 4.15 Summary of hypothesis results

<i>Hypothesis</i>	<i>Statement of the hypothesis</i>	<i>Method of Analysis used</i>	<i>Result Accepted/ Rejected</i>
<i>H10</i>	<i>H10: Tangibility does not have a significant and positive relationship with customer satisfaction.</i>	<i>Regression</i>	<i>Accepted</i>
<i>H1</i>	<i>H1: Tangibility is significantly and positively related to customer satisfaction</i>	<i>Regression</i>	<i>Rejected</i>
<i>H20</i>	<i>H20: Reliability does not have a significant and positive relationship with customer satisfaction.</i>	<i>Regression</i>	<i>Rejected</i>
<i>H2</i>	<i>H2: Reliability is significantly and positively related to customer satisfaction</i>	<i>Regression</i>	<i>Accepted</i>
<i>H30</i>	<i>H30: Responsiveness does not have a significant and positive relationship with customer satisfaction.</i>	<i>Regression</i>	<i>Rejected</i>
<i>H3</i>	<i>H3: Responsiveness is significantly and positively</i>	<i>Regression</i>	<i>Accepted</i>

	<i>related to customer satisfaction</i>		
<i>H40</i>	<i>H40: Assurance does not have a significant and positive relationship with customer satisfaction.</i>	<i>Regression</i>	<i>Accepted</i>
<i>H4</i>	<i>H4: Assurance is significantly and positively related to customer satisfaction.</i>	<i>Regression</i>	<i>Rejected</i>
<i>H50</i>	<i>H50: Empathy does not have a significant and positive relationship with customer satisfaction.</i>	<i>Regression</i>	<i>Rejected</i>
<i>H5</i>	<i>H5: Empathy is significantly and positively related to Customer satisfaction</i>	<i>Regression</i>	<i>Accepted</i>

## **4.6. Discussion of Results**

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

### **4.6.1. Descriptive Statistics (Mean, and Standard Deviation) and Correlation Analysis for the Service Quality Dimensions and Customer Satisfaction**

The finding of this study indicates that customers were most satisfied with the tangibility dimension of service quality. However, customers were less satisfied with reliability, empathy, assurance and responsiveness dimensions of service quality. The correlation result show that there is positive and significant relationship between reliability, assurance, responsiveness and empathy with customer satisfaction however, the results indicate that, tangibility has a negative and insignificant relationship with customer satisfaction. The finding further indicates that the highest relationship is found between reliability and customer satisfaction.

#### **4.6.2. Regressing Customer Satisfaction on the Service Quality Dimensions**

The result of this study indicates that reliability has a positive and significant effect on customer satisfaction. The finding of this study also indicates that responsiveness has a positive and significant effect on customer satisfaction. However, the finding of this study indicates that tangibility has a negative and insignificant effect on customer satisfaction.

The finding of this study further indicates that empathy has a positive and significant effect on customer satisfaction. Moreover, the result of this study also indicates that assurance has an insignificant effect on customer satisfaction.

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

## **CHAPTER FIVE**

### **FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Summary of Findings**

The objective of the study was to assess the effects of service quality dimensions on customer's satisfaction in NIC. To achieving the major objective of the study the researcher were collected data using questionnaire from customers of NIC. Accordingly, the following findings from the analysis is stated hereunder;

Customers expectation regard to tangibility question were high, more or less they were perceive what they expect. However, customer expectation regard to reliability, responsiveness, empathy and assurance were not perceived by respondents as they expect.

The results of the descriptive statistical analysis indicated that, customers were significantly dissatisfied by reliability followed by, responsiveness, empathy and assurance dimensions of service quality.

The overall satisfaction of clients with the existing service quality results shows that,from total respondents of NIC,91(39.9%) were comfortable with the service quality,116(50.9%) dissatisfied and 21(9.2) of the respondent were indifferent about the current service quality of NIC.

The results of the correlation revealed that except tangibility, the rest independent variables are positively correlated with each other with the existance of the dependent variable.

In overall, the results of the regression revealed that except tangibility and assurance the rest independent variables (service quality dimensions) are significant with customer satisfaction at the level  $p < .05$ .

Moreover, multiple regressions identify the relative contribution of each variable and determine the best predictor variables among a set of variables. Reliability has the highest contribution to customer loyalty among the independents variables ( $B = .394$ ).

## **5.2 Conclusions**

Based on the analysis of the study in chapter four the following conclusions are stated on the assessment service quality dimension and customer satisfaction in the case of NIC.

Delivering customer satisfaction is at the heart of every service provider. The most important aspect of the relationship between service provider and customer is that there is a disconnect between what customers want and what service providers offer. This is particularly true in case of services like insurance. This study has been undertaken to determine the effect of service quality on customer satisfaction and to measure the gap between the perception and expectation of service quality. The findings of this research brought answers to the pre-stated research questions. Accordingly, the following conclusion is forwarded in line with the research questions.

The results indicate that the gap between customer's perception and expectation are negative in all service dimensions. Also the research revealed that, the highest gap is seen in overall perceived quality is from reliability dimension with a gap score of -2.16, which contribute the highest gap of all dimensions.

The research result about the level of customer satisfaction reveal that, 39.9% respondent were satisfied with the service rendered at NIC, where as, 9.2% of them were indifferent and 50.9% are dissatisfied with the service. Therefore even if some percentage of respondents are somehow satisfied by the service provided by the insurance of NIC, majority respondents are highly dissatisfied and dissatisfied. From these one can infer that

the insurance needs to work more to change this result and highly satisfy its customers since customers are key drivers of insurance performance in today's environment. However, since 9.2% of the respondent were neutral, the company should maintain an assessment on their service expectation.

In relation to relationship between service quality and customer satisfaction the result revealed that, overall service quality has significantly positive relationship with customer satisfaction. From the research result we can see that reliability is highly correlated to satisfaction followed by empathy, responsiveness, and assurance. When we look at the inter correlation between the service quality dimensions we can see that there is a positive and significant relationship which implies that a change made in one of the service quality dimension will positively motivate the other service quality dimension.

In this research, all service quality dimensions except, tangibility and assurance have significantly contribute in determining customer satisfaction. The findings of this study also indicated that reliability is the most important factor to have positive and significant effect on customer satisfaction, followed by empathy and responsiveness.

Generally, the study identified, on many performance indicators (reliability, responsiveness, assurance and empathy) majority of the respondents responded that they were very dissatisfied and / expresses their disagreement with service provided by their organization. This evaluation of respondents indicates that on most performance indicators, NIC did not meet their expectation. However, some of the respondent agree that, the company performs positively on the provided service dimensions. In this regards the company some area achieve good results such as, on the dimension of tangibility.

### 5.3 Recommendations

- ❖ The results indicate that the gap between customer's perception and expectation are negative in all service dimensions. so the insurance company needs to conduct customer focused researches to clearly understand what kind of service quality does its customers expects from it and work hard to meet and exceed their expectations in the future.
- ❖ Reliability dimension was considered as one of the most important factors influencing customer satisfaction. However, the customers of NIC were found less satisfied in this regard. Thus, One way of handling this problem is the employees of the company should work on keeping their promises when promise to do something by a certain time, show a sincere interest in solving client problem, inform users of the time required to perform transaction, and perform service right the first time and should maintain a strategy to settle claims easliy with unnesessary delay . Furthermore, the companies should give the policy terms and condition with easy ,understandable terms and even should be delivered/interpreted in a local language.
- ❖ Customer satisfaction is mainly driven by responsiveness items indicating that performing such as, understanding customers need, kindness, and helpful providing customers with the desired skills enabling them to deliver effective service. That behavior will influence customer satisfaction and enhance customer's retention and loyalty. As customer satisfaction will vary with time, the study recommend that NIC managers would periodically assess the current satisfaction level and defining the most modifications to be brought to services to allow it to fulfill the customer's needs.
- ❖ Empathy dimension was considered as one of the most important factors influencing customer satisfaction. However, the customers of the insurance were found less satisfied in terms of the empathy dimensions. One way of addressing this could be by treating customer with great respect, giving individual attention to customers, serving customers based on their specific needs and improving its branch accessibility and working hours in a way it meets the customer's need.
- ❖ The company need to create a good working environment to its employees and also needs to create a good communication between it front line and back office

staff because their success depends on one another this good working condition will enable employees to give individual attention to their customers and help them understand and serve well their specific needs and also happy employees yields happy customers.

- ❖ NIC should strongly work to decentralize its claim service in both service handling and location which currently is given by the head office only. The location is inconvenient for customers to come to the head office for claims and the work load of the staff that arose as a result of centralization has degraded the effectiveness of the claims service and hence it calls for the decentralization of the service to all branches to give focused and quality service to customers.
- ❖ Furthermore, all the five service quality dimension are positively correlated with each other except tangibility, thus, NIC should see the effects /behaviour of each dimension to one another while making a strategic decision as each of them are strongly correlated.
- ❖ Finally, since it is worthy to affirm that customers are the key for any business organization's success, training is required especially for newly engaged workers on customers caring process.

## **5.4 Implications for Further Research**

As the present research is an attempt to examine the effects of service quality dimension on customer's satisfaction in a single firm, at Addis Ababa, therefore additional studies needed to be undertaken to examine customer satisfaction patterns in other regions and with larger samples. In addition, as employees are important in the area of service quality it will be a potential issue to research service quality from the employee perspective in the organization. Further more, as the study use a quantitative research method, it become bases for future researcher to see the implication of the result in qualitative or using both methodologies. Last but not least, future research shall also be conducted by exploring other service quality dimension which might have a higher potential in determining customer satisfaction.



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## **APPENDIXES**

### **Appendix –I English version questionnaire**

#### **St. MARY’S UNIVERSITY SCHOOL OF GRADUATE STUDIES PROGRAM GENERAL- MBA**

#### **A questionnaire to be filed by customers of Nib Insurance S.C**

**Dear sir/madam,**

This questionnaire is designed to measure the effect of service quality on customer satisfaction offered by Nib Insurance S.C. The study is part of the requirements for Master’s degree in Business Administration (MBA). The finding of the study will be used for academic purpose only. Therefore you are kindly requested to fill all questions carefully and the information you give will remain strictly confidential. The researcher would like to thank you in advance for taking the time from your busy schedule to fill this questionnaire.

**N.B**  No need to write your name

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

#### **Part I: Background Information**

1. In which type of business category do you belong?

Private Limited Company       Government       NGO     Share  
Company

2. For how long are you a customer of the NIC?

1-4 Years       4-8 Years       above 8 Years

3. Premium in birr/annually/?

- Below 45,000     
 45,000-245,000     
 245,000-345,000     
 345,000-445,000  
 above 445,000

**Part II: SERVQUAL ITEMS** (to measure service quality and is based on the view that, your assessment of service quality is important).

**Instructions:**-The following sets of statements represent different aspects of service provided by Nib Insurance S.C. Please indicate the extent of your agreement or disagreement with each statement by circling in the box corresponding to each question under both expectation and perception to a number from 1 to 5 that represents your level of agreement or Disagreement (**Where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree**).The expectation part implies how you anticipate or realize NIC services should be and the perception is deals with, what you experience after you use the service of the company. Please make sure that you respond only once to one question.

DIMENSION		EXPECTATION					PERCEPTION				
		1	2	3	4	5	1	2	3	4	5
<b>1. Tangibles</b>											
1.1	NIC Offices have up-to-date equipment's	1	2	3	4	5	1	2	3	4	5
1.2	NIC employees are well dressed and neat in appearance	1	2	3	4	5	1	2	3	4	5
1.3	Physical facilities (like Office Buildings, Brochures, furniture, Insurance policy Documents, etc.) are visually appealing and convenient	1	2	3	4	5	1	2	3	4	5
1.4	The physical environment of the office is clean	1	2	3	4	5	1	2	3	4	5
<b>2. Reliability</b>											

2.1	When a customer has a claim/or other problem, NIC employees shows a sincere interest in solving it	1	2	3	4	5		1	2	3	4	5
2.2	The NIC settles claims easily and with no unnecessary delays	1	2	3	4	5		1	2	3	4	5
2.3	The NIC keeps its records accurately	1	2	3	4	5		1	2	3	4	5
2.4	The NIC performs its service right the first time	1	2	3	4	5		1	2	3	4	5
<b>3. Responsiveness</b>												
3.1	NIC employees give you quick service	1	2	3	4	5		1	2	3	4	5
3.2	The NIC employees tell customers exactly when services will be performed	1	2	3	4	5		1	2	3	4	5
3.3	The NIC employees are always willing to help you	1	2	3	4	5		1	2	3	4	5
3.4	The NIC employees are never too busy to respond to your requests	1	2	3	4	5		1	2	3	4	5
<b>4. Assurance</b>												
4.1	The NIC employees are trustworthy	1	2	3	4	5		1	2	3	4	5
4.2	The behavior of the employees instills confidence in you	1	2	3	4	5		1	2	3	4	5
4.3	The NIC employees are consistently polite	1	2	3	4	5		1	2	3	4	5
4.4	The NIC employees have sufficient knowledge of service information	1	2	3	4	5		1	2	3	4	5



5. Empathy												
5.1	NIC has your best interest at heart	1	2	3	4	5		1	2	3	4	5
5.2	The NIC employees understand customers' specific need	1	2	3	4	5		1	2	3	4	5
5.3	Nib Insurance's operating /working hours are convenient to its customers.	1	2	3	4	5		1	2	3	4	5
5.4	NIC has employees who give customers personal service	1	2	3	4	5		1	2	3	4	5

**Part III: OVERALL CUSTOMER SATISFACTION AND SERVICE QUALITY QUESTIONS**

1.1	Overall, there is good service quality provided by NIC	1	2	3	4	5
1.2	Overall, I am satisfied by the service provided by NIC	1	2	3	4	5

*Thank you!!*

## Appendix –II Amharic version of questionnaire

### ቅድስት ማርያም ዩኒቨርሲቲ

#### የድህረ ምረቃ ት/ቤት

#### የኤምቢኤ ዲፓርትመንት ትምህርት ክፍል

#### በንብ ኢንሹራንስ ኩባንያ ለተገለገሉ ደንበኞች የተዘጋጀ መጠይቅ

#### ክቡራን እና ክቡራት

ይህ መጠይቅ የተዘጋጀው በንብ ኢንሹራንስ ኩባንያ ደንበኞች የሚሰጠውን የአገልግሎት ጥራት እና የደንበኞችን እርካታ ለመለካት ታስቦ ለሚሰራው የመመረቂያ ፅሁፍ እንደ መረጃ ግብአትነት እንዲያገለግል ነው። መጠይቁ የሚያገለግለው ለጥናታዊ ፅሁፍ ብቻ ሲሆን በዚህ መጠይቅ ላይ የመሳተፍ ሚስጢር ለሌላ ወገን ተላልፎ የማይሰጥ መሆኑን ላረጋግጥሎት እወዳለሁ ስለዚህም ጥያቄዎቹን በነፃነት እንድትሞሉልኝ ስል በትህትና እጠይቃለሁ። ከውድ ጊዜዎት ላይ ሰውተው ይህንን መጠይቅ ለመሙላት ፍቃደኛ ስለሆኑ በቅድሚያ አመሰግናለሁ።

#### መመሪያ

ስምዎን መጻፍ አያስፈልግም

ከተሠጡት ምርጫዎች ውስጥ እርስዎ ያመኑበት መልስ ላይ <<  >> ይህን ምልክት ያድርጉ

#### ክፍል አንድ : የመላሾች የግል መረጃ

1. የትኛው ድርጅት ውስጥ ያገለግላሉ?

ኃላፊቱ የተወሰነ የግል ኩባንያ

መንግስታዊ ያልሆነ ድርጅት

የመንግስት

አክሲዮን ማህበር

2. ለምን ያህል ዓመታት የኢንሹራንሱ ደንበኛ ናት?

ከ1-4 አመት

ከ4-8 አመት

ከ8 አመት በላይ

3. አመታዊ የኢንሹራንስ ክፍያ መጠንዎ ስንት ነው?

ከ 45,000 በታች

45,000-245,000

245,000-345,000

345,000-

445,000

ከ 445,000 በላይ

#### ክፍል ሁለት: የአገልግሎት ጥራት ደረጃ መለኪያ

ከዚህ በታች የተዘረዘሩት አረፍተ ነገሮች በንብ ኢንሹራንስ ኩባንያ የሚሰጠውን የደንበኞች አገልግሎትን ይመለከታሉ። የጠበቁት አገልግሎት እና ያገኙት አገልግሎት ደረጃ በተመለከተ ከእያንዳንዱ አረፍተ ነገር ጋር

መስማማትዎን ወይንም አለመስማማትዎ በየአረፍተ ነገሮቹ ጎን ከሚገኙት ሳጥኖች ውስጥ የእርሶን ስሜት ያንጸባርቃል ብለው በሚያምኑበት ሳጥን ውስጥ ባለው ቁጥር ላይ ያክብቡ ( 1=በጣም አልስማማም ፣ 2=አልስማማም ፣ 3= መካከለኛ 4=እስማማለሁ ፣ 5=በጣም እስማማለሁ) ማለት ናቸው። እባክዎን ለአንድ ጥያቄ አንድ ግዜ ብቻ መልስ ይስጡ።

መመዘኛ መስፈርቶች		ከጠበቁት አገልግሎት አንጻር					በተግባር አገልግሎት ያገኙት				
<b>1. ተጨባጭ የአገልግሎት መስጫ</b>											
1.1	ንብ ኢንሹራንስ ኩባንያ ዘመናዊ መሳሪያዎች አሉት	1	2	3	4	5	1	2	3	4	5
1.2	የንብ ኢንሹራንስ ኩባንያ ሰራተኞች ደረጃውን የጠበቀ የአለባበስ ስርአት አላቸው	1	2	3	4	5	1	2	3	4	5
1.3	የንብ ኢንሹራንስ ኩባንያ ቢሮዎች እና የአገልግሎት መስጫ እቃዎች ለዓይን ማራኪ ናቸው	1	2	3	4	5	1	2	3	4	5
1.4	ንብ ኢንሹራንስ ኩባንያ ውብ እና ሰፊ የአገልግሎት መስጫ ቦታ አለው	1	2	3	4	5	1	2	3	4	5
<b>2. ተአማኒነት</b>											
2.1	የንብ ኢንሹራንስ ኩባንያ ሰራተኞች ደንበኞቻቸውን ችግር በሚገጥማቸው ጊዜ ችግራቸውን ለመፍታት ያላቸውን ፍላጎት በቅንነት ያሳያሉ	1	2	3	4	5	1	2	3	4	5
2.2	ንብ ኢንሹራንስ ኩባንያ ያለውጣውረድ ካሣ ይከፍላል	1	2	3	4	5	1	2	3	4	5
2.3	ንብ ኢንሹራንስ ኩባንያ መረጃዎችን በጥንቃቄ ይይዛል	1	2	3	4	5	1	2	3	4	5
2.4	ንብ ኢንሹራንስ ኩባንያ ትክክለኛውን አገልግሎት በመጀመሪያው ጊዜ ይሰጣል	1	2	3	4	5	1	2	3	4	5
<b>3. ምላሽ መስጠት</b>											
3.1	የንብ ኢንሹራንስ ኩባንያ ሰራተኞች ለደንበኞቻቸው ፈጣን አገልግሎት ይሰጣሉ	1	2	3	4	5	1	2	3	4	5
3.2	የንብ ኢንሹራንስ ኩባንያ ሰራተኞች አገልግሎት መቼ አንደሚሰጥ በትክክል መረጃ ይሰጣሉ	1	2	3	4	5	1	2	3	4	5
3.3	የንብ ኢንሹራንስ ኩባንያ ሰራተኞች ደንበኞቻቸውን ለማስተናገድ ፍቃደኞች እና ደስተኞች ናቸው	1	2	3	4	5	1	2	3	4	5

3.4	የንብ ኢንሹራንስ ኩባንያ ሰራተኞች የደንበኞቻቸውን ፍላጎት ለሟሟላት ሁልጊዜም ዝግጁ ናቸው	1	2	3	4	5		1	2	3	4	5
<b>4. በራስ መተማመን</b>												
4.1	የንብ ኢንሹራንስ ኩባንያ ሰራተኞች ታማኝ ናቸው	1	2	3	4	5		1	2	3	4	5
4.2	የንብ ኢንሹራንስ ኩባንያ ሰራተኞች ባህሪ በደንበኞቻቸው ላይ በራስ መተማመን ይፈጥራል	1	2	3	4	5		1	2	3	4	5
4.3	የንብ ኢንሹራንስ ኩባንያ ሰራተኞች ሁልጊዜም ትሁት ናቸው	1	2	3	4	5		1	2	3	4	5
4.4	የንብ ኢንሹራንስ ኩባንያ ሰራተኞች ለሚሰጡት አገልግሎት በቂ እውቀት አላቸው	1	2	3	4	5		1	2	3	4	5
<b>5 ተቆርቋሪነት</b>												
5.1	ንብ ኢንሹራንስ ኩባንያ ሁልጊዜም የደንበኞቹን ፍላጎት ለሟሟላት ይሰራል	1	2	3	4	5		1	2	3	4	5
5.2	የንብ ኢንሹራንስ ኩባንያ ሰራተኞች የደንበኞቻቸውን ልዩ ፍላጎት ለይተው ያውቃሉ	1	2	3	4	5		1	2	3	4	5
5.3	የንብ ኢንሹራንስ የስራ ሰዓት ለደንበኞች ምቹ ነው	1	2	3	4	5		1	2	3	4	5
5.4	ንብ ኢንሹራንስ ኩባንያ የደንበኞችን የግል ጉዳይ በትትክክል የሚፈፅሙ ሰራተኞች አሉት	1	2	3	4	5		1	2	3	4	5

**ክፍል 3 የደንበኛ እርካታ እና የአገልግሎት ጥራት ደረጃ መለኪያ**

ተቁ	የደንበኛ እርካታ	በጣም አልሰማምም	አልሰማምም	መካከለኛ	እሰማለሁ	በጣም እሰማለሁ
3.1	በአጠቃላይ በንብ ኢንሹራንስ ኩባንያ ጥሩ የአገልግሎት ጥራት አለ	1	2	3	4	5
3.2	በአጠቃላይ ንብ ኢንሹራንስ ኩባንያ በሚሰጠው አገልግሎቶች እረክቻለሁ	1	2	3	4	5

አመሰግናለሁ

