ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

THE EFFECTS OF DIMENSIONS OF SERVICE QUALITY ON CUSTOMER SERVICE QUALITY WITH A PARTICULAR REFERENCE IN NILE INSURANCE COMPANY S.C

BY

BIZUNEH ALEMU

ID; SGS/0551/2010A

JULY, 2019

ADDIS ABABA

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DEPARTMENT OF GENERAL MANAGEMENT

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DECLARATION

I, the undersigned declare that this thesis is the result of my independent study work on the topic entitled: "The effects of dimensions of service quality on customer service quality with a Particular reference in Nile insurance company S.C" in partial fulfillment of the requirements for the Degree of Master of Business Administration in General Management at St. Mary's University School of graduate studies. It is my original work and all the references used in the study are acknowledged.

Bizuneh Alemu   _____

   Name   Signature & Date

DEDICATION

This thesis is dedicated to my family and friends for their encouragement and continuous support throughout MBA Program and especially during this study.

ENDORSMENT

This is to certify that Bizuneh Alemu has carried out his study work on the topic entitled "The effects of dimensions of service quality on customer service quality with a Particular reference in Nile insurance company S.C." under my guidance and supervision. Accordingly, I hereby assure that his work is appropriate and standard enough to be submitted for the award of Master of Degree in Business Administration.

Name of Advisor   Signature and Date

 Workneh Kassa (PHD)   _____

ACKNOWLEDGEMENTS

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ACRONYMS

ANOVA   an Output of Variance

EIC   Ethiopian Insurance cooperation

SPSS   Statistical Package for Social Sciences

TO   Tolerance

VIF   Variable Inflation factor

ABSTRACT

The main purpose of the study was to evaluate the effect of service quality dimensions on customer service quality in Nile insurance company with respect to: tangibility, reliability, responsiveness, assurance and empathy. Descriptive statistics was used to present the gap between customer expectation of service quality versus customer perception of service quality and the demographic characteristics of the respondents and Explanatory study design was used to examine the relationship between service quality dimensions and customer service quality of the case organization. Quantitative study approach was used in the study. Target population of the study was 4,973 customers of Nile insurance company found in four branches of Addis Ababa. Simple random sampling was used for the study. Primary data and secondary data were used as a source. Questionnaires were distributed to 370 customers of the Nile Insurance Company. The collected data were summarized and analyzed using descriptive and inferential statistics using SPSS version 20. The result is then presented in the form of tables and figures followed by discussion for further interpretation on the findings. All the independent variables of service quality dimensions were found to have a positive and significant correlation with the dependent variable which is customer service quality. The ANOVA test result showed that, the model fit significantly and the value of R and R^2 obtained under the model summary was statistically significant. The multiple linear regression analysis revealed that, all the independent variables (tangibility, reliability, responsiveness, assurance and empathy) have statistically significant relationship to predict customer service quality. Tangibility and reliability accounts the largest share to explain the variation of Customer service quality. This study was limited to the effect of service quality dimensions on customer service quality in one organization and four branches. The study is recommended for further study include branches and other financial institutions which do not considered in this study order to become more efficient in their customer service quality.

Key Words: Dimensions of service Quality, Customer Service quality and Nile insurance Company.

CHAPTER ONE

1. Introduction

1.1 Background of the Study

The concept of service quality has been the subject of many research studies in variety of service industries; even the research attention towards banking and insurance industry has been growing (Mittal & Singhvi, 2013). This concept has been the subject of many conceptual and empirical studies, and it is generally accepted that quality has positive implications for an organization's performance and competitive position. However, despite the vast amount of research done in the area of service quality, quality related issues have received little research attention in developing countries (Harrington & Akehurst, 1996). Further, authors of studies conducted on quality in the service industries have also expressed concern regarding the quality dimensions in insurances and, in particular, with methods used to measure customer perceptions of insurance service quality (Johnston & Eason, 1990).

The principal objective of organizations is to maximize profits and to minimize cost. Profit maximization can be achieved through increase in sales with lesser costs. One of the factors that can help to increase sales is delivery of quality service to customers, because satisfaction leads to customer loyalty recommendation and repeat purchase (Wilson et al., 2008).

Customers became very vital in business during the marketing era of the1950s when companies could produce what they can sell. What are the qualities of these services provided to customers? Are the customers satisfied with these services? Thus, this research originated from the fact that customer/consumer is the key to business. In fact, their satisfaction is the most important tool that helps to increase sales and generate profits in the business environment. Moreover, the importance of service quality has been proven relevant to help improve the overall performance of organizations (Magi and Julander, 1996).

Parasuraman, (1988) SERVQUAL approach has been the most popular method for service quality related studies because it is quite complete measure for all the service industry. It covers all five dimension of quality of the financial services.

A study conducted by Elias Kassa, (2004) on measurement of service quality in Commercial Bank of Ethiopia concluded that tangible dimension of the service quality is highly perceived by borrowers than by the depositors.

Frehiwet G/hiwet (2004) in her study of an assessment of service quality and customer satisfaction with broadband internet services of Ethio Telecom, her finding revealed that there is a positive significant relationship between the combinations of broadband internet services modified SERVQUAL dimensions and customer satisfaction.

A more related study conducted by Mesfin Kassahun, (2015) in Ethiopian Insurance Corporation revealed that the reliability and responsiveness dimensions raised the highest level of expectation, whereas, the results revealed that all of the five dimensions of service quality scored a negative customer gap. The study also investigated the dimensions and their levels of service quality that have significant effect on customer satisfaction in EIC. The findings showed that all dimensions of service quality are positively correlated to customer satisfaction.

1.2 Statement of the Problem

Customer Service quality can be defined as "the degree of discrepancy between customers' normative expectations for the service and their perceptions of the service performance" Parasuraman et al, (1994). It is very important that service rendered companies' measure and monitor service delivery practice and the quality of services they are rendering with the view of influencing the behavioral intention of their customers Saha and Theingi (2009). Accordingly, service quality has been a great concern for many companies including service rendering organizations.

Compared to developed countries either private or public owned insurance companies have much serious quality and customer handling strategy problems. This is seen when the employees are very much delayed and lack of providing quality service. The other major problems often observed were lack of service ethics which is required from the employees Wilson et al. (2008).

Service is difficult for customer to evaluate before the fact. Services are intangible and consumed simultaneously with production. This present challenge to the service manger, because quality inspection intervention between the customer and contact employee is not option as in manufacturing Mona (1997).

Service quality is different from goods quality because of three features unique to services: intangibility, heterogeneity and inseparability of production and consumption. In absence of ideal measurement method, an appropriate approach for assessing the service quality of a firm is to measure consumers' perceptions of quality. In insurance industry is an important factor of successful business. The existing trend of complete quality management in insurance industry ensures the achievement of competitive advantage of companies and is therefore the subject of contemporary research into service quality in insurance industry. It is essential to identify the service quality and whether the customers are given what they need and expect Mittal and Singhvi, (2013). So this research was purposed to evaluate the effect of dimensions of service quality on customer service quality in insurance industry in Ethiopia. Therefore, going through the very specific idea, the purpose of this study was to examine the factors that are influences service quality in Nile insurance.

As an employee of Nile Insurance the researcher has observed that there are a customer complains on service delivery of the company. Therefore, the study takes place at Nile insurance, to account and assess the dimensions of service quality from customer's point of view. Findings of some studies reveal that a number of problems are hindering the smooth delivery of the services.

However, coming to Ethiopia context studies carried out in this title are limited in number. Therefore, this study has tried to fill the study gap by investigating dimensions of service quality As the best knowledge of the researcher of this study customers' point of view regarding customer quality service delivery was limited in number studied in insurance companies of Ethiopia in general and in Nile insurance in particular. Therefore, this research was try to address significant outcome of service quality of Nile insurance from customer' point of view.

1.3 Hypothesis test

H1o: Tangibility does not significantly affect service quality in Nile insurance company

H1a: Tangibility does significantly affect service quality in Nile insurance company

H2o: Reliability does not significantly affect customer service quality in Nile insurance company

H2a: Reliability does significantly affect customer service quality in Nile insurance company

H3o: Responsiveness does not significantly affect customer service quality in Nile insurance company

H3a: Responsiveness does significantly affect customer service quality in Nile insurance company

H4o: Assurance does not significantly affect customer service quality in Nile insurance company

H4a: Assurance does significantly affect customer service quality in Nile insurance company

H5o: Empathy does not significantly affect customer service quality in Nile insurance company

H5a: Empathy does significantly affect customer service quality in Nile insurance company

1.4 Research Questions

The research questions for the study are:

1. How does tangibility affect service quality in Nile insurance company S.C?
2. How does reliability affect service quality in Nile insurance company S.C?
3. How does responsiveness affect service quality in Nile insurance company S.C?
4. How does assurance affect service quality in Nile insurance company S.C?
5. How does empathy affect service quality in Nile insurance company S.C?

1.5 Objectives of the Study

1.5.1 General Objective

The general objective of the study is to examine the effect of dimensions of service quality on customer service quality in Nile insurance company S.C. Based on the general objective the following specific objectives were derived to evaluate service quality dimensions on service quality of Nile insurance company.

1.5.2 Specific Objectives

Specific objectives of the study were:

1. To analyze the effect of tangibility in Nile insurance company service quality.
2. To evaluate the effect of reliability in Nile insurance company service quality.
3. To find out the effect of responsiveness in Nile insurance company service quality.
4. To determine the effect of assurance in Nile insurance company service quality.
5. To analyze the effect of empathy in Nile insurance company service quality.

1.6 Scope of the Study

The scope of the study was covered both geographical and conceptual boundaries. Geographically the study focuses particularly at Addis Ababa because of logistics simplicity and more than half customers of Nile insurance company are within Addis Ababa. Therefore, the study is limited to customers of Nile insurance. Conceptually, the paper was bound to service quality dimension of five independent variables on service quality of dependent variable in Nile insurance company S.C.

1.7. Significance of the study

Up on its completion, this study will benefit managers of insurance companies and employees how to provide quality service to the customer. Through providing clear information concerning factors influencing quality services and perception with regard to service quality dimension which has significant effect or service quality in insurance companies and the study may benefit other researchers' undertaking further study on a related topic.

1.8 Limitations of the Study

There were different bottlenecks that hamper the smooth flow of the research such as negative perception of the respondents. So the researcher try to show extraordinary patience and commitment that put it down negative impact to accomplish the research as needed.

The outcome of the study was mainly dependent on the individual responses of the respondents who participate in the study. The insurance company policy of not disclosing some sensitive data and information for obvious reason posed an obstacle to the practical orientation that can be very much useful. To overcome the above limitation the researcher should be clearly explain the

aim of the research to concerning body. The researcher provided the recommendation letter that having from official government office that issued to all concerning body. Finally the researcher should follow up was doing using telephone to fix appointments

1.9 Organization of the Study

The study divided into five chapters. Chapter one deals with general introductory issues such as background, statement of the problem, objectives, research questions, significance, and scope. Chapter two focused on literature review regarding service quality. Chapter three deals with methodology used in conduct the study. The fourth chapter discussed result of the study. Finally, chapter five concluded and forwarded recommendations based on the questions set.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter reviews the existing literature and theory relating to concept of quality service to establish the gap in available literature. It also draws some experiences learnt from other countries in provision of insurance to the public, also provides the situation of the same in Ethiopia. The chapter is mainly divided in two parts which are theoretical literature review as well as empirical literature review. The section gives ideas of what other authors/writers says concerning the proposed subject under theoretical literature, while empirical literature review presents a survey of experiential studies by other researcher for matters related to the studies and recommendations.

2.2 Theoretical Literature Review

2.2.1 Defining of services

Services were defined as: "Those economic activities that typically produce an intangible product such as education, entertainment, food and lodging, transportation, insurance, trade, government, financial, real estate, medical repair and maintenance like occupations" Heizer and Render (1999). Unlike manufacturing and merchandizing businesses that supply tangible products, service organizations deliver intangibles

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, (2003). Different authors give different definitions for service.

Gronroos (1983) defines service as: "An activity or series of activities of more or less intangibles nature that normally, but not necessarily, take place in interactions between the

customer and service employees and/or physical resources or goods and / or systems of service provider, which are provided as solutions to customer problems".

Kotler (1997) defines service as follows: "Service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product".

2.2.2 Service Characteristics

A company must consider five main service characteristics when designing marketing programs: intangibility, inseparability, variability, perishability and lack of ownership kotler (1999, pp-647).

A. Intangibility; Service intangibility means that senders cannot be readily displayed, so they cannot be seen, tasted, felt, heard or lied before they are bought. Because service offerings lack tangible characteristics that the buyer can evaluate before purchase, uncertainty is increased. To reduce uncertainty, buyers look for 'signals' of service quality. They draw conclusions about quality from the place, people, equipment, communication, material and price that they can see. Therefore, the service provider's task is to make the service tangible in one or more ways. Whereas product marketers try to add intangibles (e.g. fast delivery, extended warranty, after-sales service) to their tangible offers, service marketers try to add tangible cues suggesting high quality to their intangible offers.

B. Inseparability; Service inseparability means that services cannot be separated from their providers, whether the providers are people or machines. If a person provides the service, then the person is a part of the service. The other feature of the inseparability of services is that other customers are also present or involved. The implication for management would be to ensure at all times that customers involved in the service do not interfere with each other's satisfaction.

C. Variability; As services involve people in production and consumption, there is considerable potential for variability. Service variability means that the quality of services depends on who provides them, as well as when, where and how they are provided. As such, service quality is difficult to control. Even the quality of a single employee's service varies according to his or her

energy and frame of mind at the time of each customer contact. For example, two services offered by the same solicitor may not be identical in performance.

D. Perishability; Service perishability means that services cannot be stored for later sale or use. The perishability of services is not a problem when demand is steady. However, when demand fluctuates, service firms often have difficult problems. Service firms can use several strategies for producing a better match between demand and supply. On the demand side, differential pricing; that is, charging different prices at different times - will shift some demand from peak periods to off- peak periods. On the supply side, firms can hire part-time employees to serve peak demand. Peak-time demand can be handled more efficiently by rescheduling work so that employees do only essential tasks during peak periods.

E. Lack of Ownership; Service products lack that quality of ownership. The service consumer often has access to the service for a limited time. Because of the lack of ownership, service providers must make a special effort to reinforce their brand identity and affinity with the consumer by offering incentives to consumers to use their service again.

2.2.3 Service Quality

Despite some definitional nuances, researchers generally agree that service quality is concerned with whether service perceptions meet, exceed or fall short of customer expectations Cronin & Taylor, (1992) ; Gronroos, (1983), Oliver, (1993); Parasuraman et al., (1985); Zeithaml et al., (1993). Understanding the service quality expectations of customers would give marketers the opportunity to close the gap between expectations and perceptions of service quality levels.

Services quality is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed Gronroos, (1984), Parasuraman et al., (1985, 1988)

Key characteristics of service quality can be difficult to define due to the highly subjective nature of service quality. This is underlined by Deming (1986) when he stated that; quality can be defined only in terms of the agent. In essence, ultimately this means that it is the consumer that will form a judgment about the quality of any given service that they receive. A further

complexity in trying to understand the service quality is its dynamic nature. Firstly, the speed of a consumer's reaction to service quality is immediate, compared, for example, with the speed of reaction to manufactured goods. Additionally, because of the immediacy of the consumer's service quality evaluation, attempting to understand a consumer's reaction to a future service cannot be ascertained today as consumer needs and expectations continually change. Therefore, the relevant characteristics are those which are important to each individual consumer at a specific point of time.

2.2.4 Measurements of Service Quality

Service quality measurement is the significant managerial tool to understand consumers' needs and wants by analyzing the experience of consumers in the service provided. It can help firms to find their weaknesses and advantages to make a better service for consumers. Moreover, the most important role of service quality is by affecting the customers' satisfaction. High service quality strongly and positively influences customers' satisfaction and consumers' loyalty. Furthermore, it can influence customers' intention to repurchase. Therefore, firms need to measure the consumers' perception of the service quality to offer a better service and improve their firm in today's competitive market.

Some of the main and most used service quality models which are more accepted in field of service quality measurement evaluated in this section. Strengths and weaknesses of each model discussed in order to represent the best fit model in the service quality measurement.

2.2.4.1 Gronroos Model

The early conceptualization of service quality model is formed by Gronroos (1982, 1984). He believed that if a firm wants to be successful, it is vital for the business operator to understand the customers' perception on the service provided. Service quality management means matching the perceived quality with expected quality and keeping this distance as small as possible in order to reach customers' satisfaction. He suggested three dimensions of service quality. The first dimension, Technical (outcome) means what customers received as a result of interaction with a service firm. The other component is Functional (process) which means how a technical service received by customer. The way of service process is very important in customers' evaluation on the service quality. However, the service outcome received by the customers is

upon their desire and the process of receiving service has influence onto the customers' evaluation and view of the service. By comparing these two factors of service the quality expected and received by the customers, we can get the perceived service quality. The third dimension of service quality in this model is Corporate Image which is the customers' view of corporate or brand.

2.2.4.2 Service Quality GAP model

Gronroos model was based on disconfirmation model that puts perceived service against expected service. Disconfirmation model is based on product quality literature which is the base of service quality. Based on disconfirmation model, Parasuraman, Zeithaml, and Berry (1985) suggested a new model for service quality measurement by measuring the gap between perceived service and expected service.

Based on the gap between expectations and perceptions of the consumers, Parasuraman et al., (1985) suggested 10 dimensions for measuring the gaps in their service quality model; reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding, and tangibles. In 1988 they refined their finding and model but the construction of the model and theory remains the same with the dimensions reduced into five, reliability, responsiveness, assurance (which contains communication, competence, credibility, courtesy, and security), tangibles, and empathy (which contains access and understanding). They named the refined model as SERVQUAL. This model was revised in 1991 and 1994, but its construction and dimensions remain the same with the five suggested dimensions.

Parasuraman et al., (1985; 1988) attempted to take the advantage of comparing with Gronroos model by suggesting the measurement for service quality. SERVQUAL model is a useful tool for managers to identify the gaps in their service (Seth, Deshmukh, & Vrat, 2005). This model is the most used by scholars and practitioners. Although SERVQUAL is the most famous model in service quality after years of researching in this model, scientists noted that the method offered in this model for measuring gaps in different levels is not clear (Brady & Cronin, 2001a; Seth et al., 2005). Some researchers believe that measuring the gap between expectation and perception is not psychometrically able to obtain superior assessment of service quality (Brady & Cronin, 2001a).

2.2.4.3 SERVPERF Model

Although SERVQUAL model is a good measurement for many industries, researchers reported that this model is not suitable for some areas like retail store environment Dabholkar, Thorp, & Rentz, (1996). By years of study on this model and more debates among scientists, some stated that this model is not comprehensive in different applications (Brady & Cronin, 2001a; Dabholkar et al., 1996; Shahin & Samea, 2010). In (1992), Cronin and Taylor suggested the refined model by considering performance as the only factor needs to be measured for service quality. They argued that service quality is a consumers' attitude and the performance (perceived service) of the service is the only measurement for service quality. Investigating service quality relationship with consumers' satisfaction and purchase intention was their study; they believe service quality is an antecedent of consumers' satisfaction. They suggested a new model for service quality based on SERVQUAL with respect to the conceptualization and measurement of service quality which used performance as the only measurement for service quality model called SERVPERF. In this new model, Cronin and Taylor (1992) proceeded to measuring performance (perceived service) with the same dimensions as reliability, responsiveness, assurance, tangibles, and empathy for service quality measurement instead of "expectation-perception" difference. The research finding showed SERVQUAL factors are inconsistent, and SERVPERF is a more accurate measurement for service quality in comparison with SERVQUAL Cronin & Taylor, 1994; Seth et al., (2005).

2.2.4.4 Hierarchical model

Though SERVQUAL has the validity by testing in different service sectors (e.g., banking, telephone service, credit card service) there is no adapted and valid for some sectors like retail store environment Dabholkar et al., (1996). This measurement has developed during the years and is the base for many other suggested service quality models, e.g. Cronin & Taylor, (1992); Parasuraman, Zeithaml, & Malhotra, (2005). Researchers found that it needs to be more clear and specific in dimensions of SERVQUAL and some development in the structure of this method (Brady & Cronin, 2001a; Cronin & Taylor, 1992, 1994; Dabholkar, 1996; Dabholkar et al., 1996). Dabholkar found that the construction of SERVQUAL is not adopted for retail store environment. Therefore, Dabholkar, Thorpe, and Rentz (1996) suggested and tested a new model for service quality to develop dimensions and construction based on SERVQUAL and

SERVPERF. In this new model they suggested a hierarchical structural model for service quality based on previous literature with dimension and sub-dimension level. In their suggested model they introduced three stages; service quality (retail service quality), primary dimensions (physical aspects, reliability, personal interaction, problem solving, and policy), and the sub dimensions for three dimensions are appearance and convenience for physical aspect dimension, promises and doing it right for reliability dimension, inspiring confidence and courteous/helpful for personal interaction dimension. For testing the model and construct validity of the model, they just measured and analyzed the perception of customers to avoid psychometric problems with different scores.

2.2.5 Service Quality Dimensions

Parasuraman et al. (1985) provided a list of ten determinants of service quality as a result of their focus group studies with service providers and customers: access, communication, competence, courtesy, credibility, reliability, responsiveness, security, understanding and tangibles.

Berry et al. (1985) found a high degree of correlation between, on the one hand, communication, competence, courtesy, credibility and security, and, on the other, between access and understanding; and so they created the two broad dimensions of assurance and empathy, that is, five consolidated dimensions. They then used the five dimensions – tangibles, reliability, responsiveness, assurance and empathy – as the basis for their service quality measurement instrument, SERVQUAL (Parasuraman et al., 1988; Zeithaml et al., 1990). They reported further that, regardless of the service being studied, reliability was the most important dimension, followed by responsiveness, assurance and empathy. The intangibles were of least concern to service customers.

1. Reliability

It is concerned with the extent to which customers can depend on the organization to perform the promised service, to do it accurately and to get it right first time. Performing the service dependably and accurately is paramount to service customers, has been strongly supported by research (Zeithaml *et al*., 1990). According to Zeithaml *et al*. (1990), service providers' apologies start to wear thin when a company is careless in performing the service, when it makes frequent mistakes and when it is casual about keeping its service promises. Under these

circumstances, customers lose confidence in the firm and little can be done to regain it. The study by Zeithaml and Bitner (2003) further revealed that it is very important to do the service right the first time; in case a service problem does crop up, by resolving the problem to the customer's satisfaction, the company can significantly improve customer retention. However, companies fare best when they prevent service problems altogether and fare worst when service problems occur and the company either ignores them or does not resolve them to the customer's satisfaction.

Berry and Parasuraman (1991) reported that reliable service is the outcome of the continuous improvement. Similarly in another study, it is found that service reliability is the service "core" to most customers. So managers should use every opportunity to build a "do-it-right-first" attitude Berry (1990).

2. Tangibility

It includes the appearance of physical facilities such as the interior of the branch, the appearance of staff and the appearance and quality of communication materials Zeithaml et al., (2006). The service quality factor tangibles are defined by whether the physical facilities and materials associated with the service are visually appealing at the insurance. These are all factors that customers notice before or upon entering the insurance. Such visual factors help consumers form their initial impressions. A crucial challenge in service marketing is that customers cannot see a service but can see the various tangibles associated with it - all these tangibles, the service facilities, equipment and communication materials are clues about the intangible service. If unmanaged, these clues can send to the customer's wrong messages about the service and render ineffective the marketing strategy of the company. On the other hand, improving quality through tangibles means attention to the smallest details that competitors might consider unimportant. Yet, these visible details can add up for customers and signal a message of caring and competence

. **3. Responsiveness**

It is concerned with how the organization, through its staff, responds to customers. Important issues include the extent to which staffs are helpful, prompt and able to solve problems. It was reported that customers are very sensitive to employees' working environment in service organizations Brown and Mitchell, (1993). The correct match between staff skills and customers' expectation result in better service quality towards customers Nelson and Chan, (2005).

4. Assurances

This dimension indicates the employees' knowledge, courtesy and their ability to convey trust and confidence. Service quality is also linked to the customer satisfaction as how employees use their knowledge & courtesy and their ability to incorporate trust and confidence. Parasuraman *et al.* (1988) reported assurance as an essential dimension of service quality after reliability and respnhonsiveness towards satisfaction. It is found that finance can create customer satisfaction by ensuring trustworthy behavior and reflection of genuine commitments to service provision Nelson and Chan, (2005). The trust and commitment are important factors for customer satisfaction regarding relationship quality Nelson, (2006).

5. Empathy

This dimension shows the magnitude of caring and individual attention given to customers. The employees' commitment to deliver quality services, skillfully handling of conflicts and efficient delivery of services resulted in satisfied customers for long term benefits Nelson and Chan, (2005). Malhotra, (2005) examined the difference in perceptions of service quality dimensions between developing and developed countries. They found that in developing countries like India

2.2.6 Customer Expectation of Service

How do buyers form their expectations? Kotler (2006) suggested that buyers form expectations from past buying experience, friends and associates advice, and marketers and competitors information and promises. If marketers raise expectations too high, the buyer is likely to be disappointed. However, if the company sets expectations too low, it won't attract enough buyers (although it will satisfy those who do buy). Some of today's most successful companies are raising expectations and delivering performances to match. When General Motors launched the Saturn car division, it changed the whole buyer-seller relationship with a New Deal for car buyers: There would be a fixed price (none of the traditional haggling); a 30-day guarantee or money back; and salespeople on salary, not on commission (none of the traditional hard sell)

It is evident that quality, value and satisfaction are all influenced by the customer's expectations and perceptions in some form or another Kotler, (2006). While perceptions are effectively a product of the service encounter and should be managed by careful management of service

delivery expectations (whether ideal or predicted) are formed in advance of experiencing the service.

2.2.7 Customer Perceived Value

Consumers are more educated and informed than ever, and they have the tools to verify companies' claims and seek out superior alternatives. How then do they ultimately make choices? Customers tend to be value-maximizes, within the bounds of search costs and limited knowledge, mobility, and income. Customers estimate which offer will deliver the most perceived value and act on it. Whether or not the offer lives up to expectation affects customer satisfaction and the probability that he or she will purchase the product again Kotler, (2006, pp-141). Customer perceived value (CPV) is the difference between the prospective customer's evaluation of all the benefits and all the costs of an offering and the perceived alternatives. Total customer value is the perceived monetary value of the bundle of economic, functional, and psychological benefits customers expect from a given market offering. Total customer cost is the bundle of costs customers expect to incur in evaluating, obtaining, using, and disposing of the given market offering, including monetary, time, energy, and psychic costs (Ibid). Customer perceived value is thus based on the difference between what the customer gets and what he or she gives for different possible choices. The customer gets benefits and assumes costs.

2.3 The Conceptual Definition

2.3.1 Service Quality in Insurance

The definition of service quality for insurance is much harder than its definition for physical and consumables goods, because quality of consumer goods will be based on the measurement some of physical parameters Serra (2007). Determine standard indicators for service quality of insurance combined with great complexity, because different services based on customer needs has a large variety and depends largely to supplier Cronin & Taylor (2006). Therefore, service quality is that the service should correspond to the customers' expectations and satisfy their needs and requirements Edvardsson (1998). The insurance services is a quality that will satisfy the customers' needs and desires and provided service, comply with customer expectations or exceed it Gilaninia (2012). It has several advantages which include:

i. Lead to customer satisfaction and also increase loyalty and market share.

ii. It is an essential element in customer relationship marketing.

Thus, to obtain competitive advantage through service quality, it requires an understanding of quality requirements in terms of customer. Grace & Ocass (2009)

2.3.2 Insurance Business

This means the business of assuming the obligation of a reliability insurer in any class of insurance whether defined or not, which is not declared to be exempts from the provisions of insurance act and includes assurance and reinsurance and reassurance. It also means any kind of arrangement with insurer in which you pay them regular amount against something you do protect for something bad to happen in future. The protection measures which insurer provides for its customers through a series of public measures, against economic and social distress that would otherwise be caused by catastrophes like accidents, fire, deaths and thefts at unknown time in future.

2.3.3 Insurer

Is a person carrying on an insurance business otherwise than as a broker or agent, and includes an association of underwriters who is not exempt from the provision of insurance act.

2.3.4 Underwriter

It means any person named in a policy or other contract of insurance as liable to pay or contribute towards the payment of the sum secured by the policy or contract.

2.3.5 The Insured

This means any a person affecting a contract of insurance with an insurer

2.4 Empirical Literature Review

Many researchers internationally and locally have done studies in relation to insurance provision whereby they have studied on performance and service quality. Researchers on service quality performed their studies with the major focus on relative existence of gaps between customer expectations and managerial perceptions on the quality of service, as well as managerial

implications on how they can close the gaps and attract and maintain customers. Others focused their study on investigating service quality factors that are of great concern to customers on service quality evaluation and customer satisfaction. More studies were majored on looking whether service quality or other factors were used to attract and retain customers, and others aimed at identify the major determinants of service quality, their relative importance as perceived by customers and the relative performance on Ethiopian firms, while other researchers conducted study on the movements implemented on improving insurance industry.

In these various significant studies, the service quality has been presented in different dimensions. The term of service quality has become a controversial discussion in terms of definition as well as measurement since there is not a crystal clear definition for this phrase.

Study by Mesfin Kassahun et al (2015) was conducted to determine the relationship between service quality and customer satisfaction, and also investigate the strategies utilized by the Ethiopian Insurance Corporation to deliver exceptional service quality and customer satisfaction through customer service. In this research, the SERVQUAL instrument developed by Parasuraman (1985), has been applied in designing the questionnaire by using five dimensions of service quality: tangibility, reliability, responsiveness, assurance, and empathy. The results of where, the results revealed that all of the five dimensions of service quality scored a negative customer gap. The same study also investigates the dimensions and their levels of service quality that have significant effect on customer satisfaction in EIC. The finding shows that all dimensions of service quality (tangibility, reliability, responsiveness, assurance, and empathy) are positively correlated to customer satisfaction. The researcher measure service quality and try to identify those areas that need improvement in order to gain a competitive advantage. In addition, the researcher has examined the relationship between five service quality dimensions and customers' satisfaction in EIC and tried to identify which dimension has the highest impact on customers' satisfaction and which need improvement. Tangibility has the highest impact on customer satisfaction. EIC need to improve the tangibility dimension of service quality, employees of the corporation need to dress up professionally and the physical setting of the corporation needs improvement.

Study by Elias Kassa et al (2004) was conducted focused on measurement of service quality in commercial bank of Ethiopia, he came into conclusion on that tangible dimension of the service quality is highly perceived by borrowers than by the depositors. While, the conclusion for the other four dimensions will be a borrower does give the same weigh for the services quality of reliable, responsiveness, assurance and empathy service quality dimensions than depositors

Study by Frehiwet G/hiwet et al (2004) was carried out a study on an assessment of service quality and customer satisfaction with broadband internet services of Ethio Telecom, her finding demonstrated that there is a positive significant relationship between the combinations of broadband internet services modified SERVQUAL dimensions and customer satisfaction. This means that the overall service quality dimensions have significant impact on customer satisfaction. Moreover, her study indicated that there is a positive and significant relationship between three dimensions (network quality, reliability and convenience) and customer satisfaction. The network quality is most predictor of service quality followed by reliability and convenience.

Study by Benjamin B.V.K Myola et al (2015) conducted was aiming to assess the factors that affect quality insurance services in Tanzania with case study of Metropolitan Insurance Company Limited in Dar es Salaam. The finding of the study demonstrate that factors like customers' delivery, quality insurance service (service quality) and customer satisfaction have significant impact on the overall service quality of Metropolitan Insurance Company of Tanzania. And these factors have been classified into various indicators that include employee competence; employee courtesy; prompt claim settlement; premium charges; technology; clear communication channels and advertisement. The results showed that factors affect the quality insurance service on the attitude of customers willing to buy the service.

The researcher also investigated on the service quality dimensions (SERVQUAL) which include reliability, tangibility, responsiveness, assurance, empathy and customers' satisfaction on overall evaluation of quality insurance service. It reveals that each attributes has significant impact on the overall service quality of Metropolitan Insurance Company (T) Limited.

2.5 Conceptual Framework

A conceptual framework is a set of broad ideas and principles taken from relevant fields of enquires and used to structure a subsequent presentation Bogdan and Biklen (2003).

Based on the literature review, a conceptual frame work for this study was developed as shown in Figure 1 below. The major objective of the study is to evaluate dimensions of service quality on customer service quality in Nile insurance company S.C. The conceptual framework below illustrates the relationship between the independent variables on one hand and the dependent variable on the other. In this study these variables are independent variables which influence the dependent variables which is customer service quality.

Figure 1: Independent and Dependent variables

The diagram below shows the independent variable and their dependent variable:
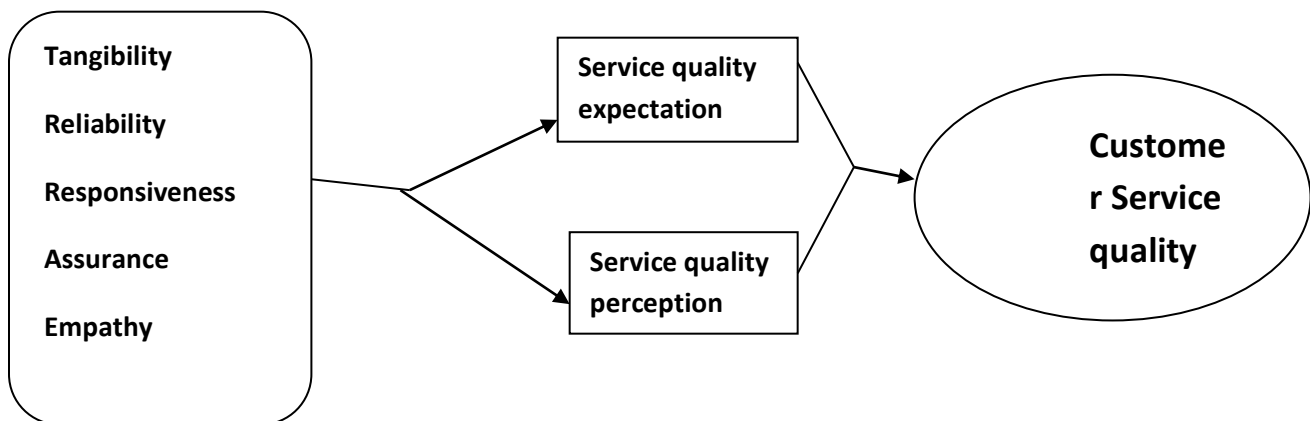
Source: Source; adopted from Parasuraman et al. 's (1988)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Approach

The research approach of this paper was quantitative. The quantitative study involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid manner and its is a systematic and scientific investigation of quantitative properties phenomena and relationships. This research was quantitative to describe the effect of dimensions of service quality on customer service quality under Nile insurance company by collecting quantitative data from the customer. Therefore, employing the quantitative approach was used to achieve the objectives of this study.

3.2 Research Design

As stated in Kothari (2004), designing a research is making a road map to a study which leads all functions and steps undertaken. Research Design implies the overall strategy that we design to integrate the different components of the study in a coherent way.

Therefore, this study was adapted descriptive and explanatory (Cause and effect) study design for analysis.

Adams et.al. (2007), states that explanatory study describes the phenomena as well as explains why behavior is the way it is. This study used to apply explanatory type of study since it attempts to describe the effect of independent variables (dimensions of service quality which is tangibility, reliability, responsiveness, assurance & empathy) on dependent variable (customer service quality).

3.3 Target Population

According to Mugenda and Mugenda (1999) and Sapsford (1999), population is the entire set of individuals' events or objects having observable characteristic about which organization of research findings can be made.

The target population for this study was customer of all branches of Nile insurance company S.C found in Addis Ababa city.

3.4. Sample Size Determination

It will impossible to collect data on the whole population, considering the size, as well as the time, available to the researcher. According to Field (2005), whenever it is impossible to access the entire population, it is possible to collect data from sample and use the behavior within the sample to infer things about the behavior of the population. Accordingly, in this study to make the sample more representatives, the sample size of the study is determined using the formula developed by Yemane Tero (1967).

$$n = \frac{N}{1+N(e)2}$$

$$n = \frac{4,973}{1+4,973(0.05)2}$$
$$= 370 (Customers)$$

Where

N= Population

n= Sample size

E= level of precision (error term which is 5% i.e. at 95% confidence interval)

From the total Population of 4,973, the sample size of customers selected for analysis was 370 at a confidence level of 95%.

3.5 Sampling Technique

Based on number of customer and income generated for the company, all branches of Nile insurance categorized in to four grades. In this research one representative branch were selected from each grade. The first stratum contains customers in represented by Legehar branch, the second stratum contains in represented by Abakoran branch, the third stratum represented by Addisu Gebeya branch and the fourth stratum represented by Kolfe branch by implementing simple random sampling technique. Stratified proportionate random sampling technique was used to select the sample, According to Cooper and Shindle(2008), stratified proportionate random sampling technique produce estimates of overall population parameter with greater

precisions and ensures a more representative sample is derived from a relatively homogenous population. Stratification aims to reduce standard error by providing some control over variable. From each stratum the study used simple random sampling to select 370 respondents. According to Cooper and Shinder (2008), random sampling frequently minimizes the sampling error in the population. This is turn increase the precision of any estimation methods used.

The researcher used simple random whereby every item of the universe has an equal chance of inclusion in the sample (Kothari, 2004) to collect sufficient and relevant data. The choice of sampling techniques has been considered due to time and resource constraints facing the researcher. Simple random was used to customers at the counter who are lodging claims, underwriting of new or renewal of business and those waiting for their claims settlements cheques

Table 1; **customers of The Four Branches of Nile insurance company**

Grades of the branch	Name of the branch	Number of customers	No of samples that was selected from each branch
First grade	Legehar	2253	2253*370/4973=167
Second grade	Abakoran	1416	1416*370/4973=105
Third grade	Addis gebeya	901	901*370/4973=68
Fourth grade	Kolfe	403	403*370/4973=30
Total		4,973	370

Source Nile insurance company marketing department, (2019)

3.6 Sources of Data

The source of data was both primary and secondary. Primary data was used to collect through questionnaire from customers of Nile insurance company of selected branches. In addition to this secondary data was collected through document review from Nile insurance company customers feed back of the organization and related publications

3.7 Data Collection Instruments

To collect primary data, the study used structured questionnaires. Where structured questionnaire was to administered customers of Nile insurance company S.C. The questionnaire was measured by five point likert scale anchored by 1=Strongly Disagree, 2= Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree. A likert scale is an ordered scale from which respondents chose one option that best aligns with their view. It is often used to measure respondents' attitudes by asking the extent to which they agree or disagree with a particular question or statement. The likert scale has scales that assist in converting the qualitative response in to quantitative values (Mugenda & Mugenda, 2003).The study was required to use these instruments because it easier to analyze since they are in an immediate usable form. This is also economical to use in terms of cost and time.

3.8 Methods of Data Analysis

The data collected from questionnaire were analyzed using data analysis tools. Verification is conducted and completed questionnaires were identified. Then the data were coded in to SPSS (Statistical package for social science). According to the variables selected and the questions asked. The data analyses were performed using descriptive and inferential statistics for independent and dependent variables. SPSS Version 20 was used by the study to analyze the data.

3.8.1 Descriptive Statistical Analysis

The final reports of the relevant characteristics as well as the gap between customer perception and expectation of the respondents were produced through central tendency measurements (frequency and percentage). In addition, tabular explanations were used to present the results.

3.8.2 Inferential Statistical Analysis

In inferential statistical analysis, correlation and multiple linear regression tools were utilized. The use of these statistical tools and methods are described below:

a) Correlation

Correlation (r) is used to describe the strength and direction of relationship between two variables. All variables will be measured as an interval level, Pearson correlation were be used. Correlation "r" output always lies between -1.0 and +1.0 and if r is positive, there exists a positive relationship between the variables. If it is negative, the relationship between the variables is negative. While computing a correlation, the significance level shall be set at 95% confidence level with error term 'ε' value of 0.05.

b) Multiple Linear Regression Analysis

Multiple regression analysis is a major statistical tool for predicting the unknown value of a variable from the known value of variables. And it is about finding a relationship between variables and forming a model. The model for this study was developed using independent variables of dimensions (tangibility, reliability, assurance, responsiveness and empathy) and dependent variable of customer service quality.

The multiple linear regression equation is in the form of:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where Y= service quality

β_i are coefficients to be estimated,

$\quad (x_1)$ = Tangibility.

$\quad (x_2)$ = Reliability.

$\quad (x_3)$ = Responsiveness.

$\quad (x_4)$ = Assurance.

$\quad (x_5)$ = Empathy

$\quad \varepsilon$ = error term normally distributed with zero mean and variance.

Y is the dependent variable and X_i are the independent variables and 'ε' is the error term.

To enhance understandability of the results, tables, and graphs were used in presentation each accompanied by descriptive narrative. The regression model in this study used to analyze the difference of the dimensions of service quality in terms of customer actual service performance versus customer service quality expectations Saravanana and Rao,(2007)

3.9 Data Reliability, Validity and Ethical Consideration

Reliability, validity and ethical consideration address issues about the quality of the data, appropriation of the methods used and ethical considerations in carrying out the study.

3.9.1 Validity

Validity refers to the extent to which an instrument measures what is supposed to measure. Data need not only to be reliable but also true and accurate. If a measurement is valid, it is also reliable Joppe (2000). The content of validity of the data collection instrument was determined through discussing the study instrument with the experts in the field of study especially the researcher supervisor. The valuable comments, corrections, suggestions, given by the study experts assisted the validation of the instrument.

3.9.2 Reliability

Reliability refers to the consistence, stability, or dependability of the data. A reliable measurement is one that is repeated a second time gives the same results as it did the first time. If the results are different, then the measurement is unreliable (Mugenda and Mugenda 2008). To measure the reliability of the data collection instruments, internal consistency techniques using Cronbach's alpha was used. Cronbach's alpha is a coefficient of reliability that gives an unbiased estimate of data generalization. An alpha coefficient of 0.75 or higher indicated that the gathered data are reliable as they have relatively high internal consistency and can be generalized to reflect opinions of all respondents in the target population Zinbarg (2005). As shown in table 2 the overall Cronbach's alphas coefficients for expected scale item. Therefore, the expected scales used in this study demonstrate high reliability. The following table shows the result of the Cronbach's alpha of the five dimensions of service quality.

Table 2: Reliability statistics of the instrument

Dimensions	Cronbach's alpha	No. of Items
Tangibility	.787	4
Reliability	.801	5
Responsiveness	.765	4
Assurance	.778	5
Empathy	.795	5

Source-Own Survey (2019).

3.9.3 Ethical Issues

Most ethical issues in researches fall in to one or more of the following four categories: protection from harm, informed consent, right to privacy, and honesty with professional. Therefore, given the understanding of the research;

- ☐ Participants were told about the nature of the study to be conducted and they were given the choice of either participating or not because any participation should be strictly voluntary;

- ☐ Information collected from each branch was kept confidential and would not have used for any other purpose than this study;

- ☐ Anonymity of the individuals who responded to the questionnaires kept confidential and not disclosed to any third party;

- ☐ Literatures cited for the purpose of the research would be duly acknowledged

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Response Rate

The administered questionnaires were collected from the respondent of various departments. Out of 370 respondents, 355 were filled and collected from the selected customer of the organization. This accounted to response rate of 96%. This means that the study suffered a non-response bias of 4%. The data collected using questioner was analyzed and presented based on the objectives of the study set above. The data was found to be important to evaluate factors affecting customer service quality in Nile insurance company S.C. Descriptive statistics was used to analyze demographic characteristics of the respondents and inferential statistical analysis: correlation and multiple linear regression tools were utilized to analyze the result of the study.

4.2 General Information of Respondents.
Table 3: Demographic Characteristics of the Respondents.

Item Description	Category	Frequency	Percent
Sex of Respondents	Male	212	59.71
	Female	143	40.29
	Total	355	100.0
Age of respondents	18-24	35	9.88
	25-34	68	19.15
	35-44	83	23.38
	45-55	101	28.45
	56-64	45	12.67
	Above 65	23	6.47
	Total	355	100
Educational level of	School leaving	51	14.36

Respondents	qualification		
	Bachelor's degree	183	51.54
	Post-graduate degree	89	25.07
	Other	32	9.03
	Total	355	100.0
Income (per year) Of Respondents	0-7200	4	1.12
	7201-19800	3	.84
	19801-38400	5	1.14
	38401-63000	7	1.97
	63001-93600	18	5.36
	93601-130800	68	19.15
	Above 130801	250	70.42
	Total		100

Source: Own Survey (2019).

4.2.1 Sex of Respondents

As depicted in table 3 above, out of 212 respondents, 59.71% of them were male and the remaining 40.29 % were female respondents. This shows majority of the respondents were male.

4.2.2 Age of the Respondents.

Table 3 above shows that, (9.88%) of the respondent are age between 18-24, (19.15%) of respondents respondent are age between 25-34, (23.38%) of respondents respondent are age between 35-44, (28.45%) of respondents respondent are age between 45-54, (12.67%) of respondents respondent are age between 55-64, and 6.47% of the respondents are above age of 65.

4.2.3 Educational Level of the Respondents.

Table 3 above shows that, (14.36%) of the respondent have educational level School leaving qualification, while the majority of the respondents (51.54%) have acquired their first degree, (25.07%) of the respondents has second degree (Masters) from the total and 9.03% of the respondents acquired other educational qualification. Based on their education status, it can be said that the respondents have the ability to understand and respond the questionnaire.

4.2.4 Respondents income level.

The study determined the income held by the respondents in order to determine the extent to which their response could be relied up on to make conclusions on the study problem using their level of income. It was divided in to seven categories. From the findings in table 3 above, (1.12%) of the respondents have income levels of less birr 7,200.00, (.84%) of the respondents have income levels of between 7,201.00-19,800.00, (1.14%) of the respondents have an income levels of between 19,801-38,400.00, (1.97%) of the respondent have an income level of between 38,401-63,000.00, (5.36%) of the respondent have income levels of between 63,001-93,600.00, (19.15%) of the respondent have income level of between 93,601-130,800.00, (70.42%) of the respondent have income level of more than 130,801.00. Based on the respondents reaction customers of Nile insurance company has high income level.

4.3 Analysis of Collected Data

4.3.1 Descriptive Analysis

In order to examine the gap between customer expectation of customer service quality and actual performance of the company service provided in terms of dimensions of service quality (tangibility, reliability, responsiveness, assurance and empathy) which enhances the customer service quality on the below table 4 were measured.

Table 4: Descriptive Statistical Analysis

	Service Quality Dimensions	Mean		Gap	Rank
		Perception	Expectation		
1	Assurance	2.8550	4.2175	-1.36	1st
2	Tangibility	2.8516	4.1578	-1.31	2nd
3	Reliability	2.8523	4.1313	-1.28	3nd
4	Responsiveness	2.8336	3.8891	-1.06	4th
5	Empathy	3.1208	4.1550	-1.03	5th
Overall mean score		2.9026	4.1101	-1.20754	

Source: Own Survey (2019).

According to Zaidatol and Bagheri (2009) the mean score below 3.39 was considered as low, the mean score from 3.4 up to 3.79 was considered as moderate and mean score above 3.8 was considered as high.

Table 4; shows the results of the overall importance (expectation) on the five dimensions is high level (4.11) which is significant. The result of customers expectation shows that assurance dimension is at the highest level (4.2175) followed by tangibility (4.1578), reliability (4.1150), responsiveness (4.1313), and empathy (3.88891) in descending orders. Also indicates that overall service quality of perception on the five dimensions is at a lowest level (2.9026). Most customers perceived empathy dimension at the highest level (3.1208), followed by assurance (2.8550), reliability (2.8523), tangibility (2.8516), and responsiveness (2.8336) in their descending order. In this study, assurance dimension was the most vital factor in which the customers' expectation was very high but the perceived service quality was low as compared with the other dimensions. The SERVQUAL gap is calculated between the mean score of expectation and perception. The findings of the study show the difference between expectation and perception. Table 4; also demonstrates the gap between customers' expectation and perception. The study shows that the overall level of perception of tangibility, reliability, responsiveness, assurance, and empathy are lower than level of expectation. The study reveals that Nile insurance company customers are not get quality service.

4.3.2 Correlation Analysis

Pearson correlation (r) was used to describe the strength and direction of relationship between the dependent variable which is service quality and the five independent variables tangibility, reliability, responsiveness, assurance and empathy. Multiple regression analysis is used to predict the value of service quality from the value of independent variables.

The correlation of the variable is measured by Pearson correlation of coefficient. The result of Pearson correlation is presented in the following table and interpreted by the guide line suggested by Field (2006); mentioned that the Pearson correlation coefficient shows the relationship and direction between the predictor and outcome variable. Accordingly, if the relationship is measured in the range of 0.1 to 0.29 it is a weak relationship, 0.3 to 0.49 is moderate, above 0.50 shows strong relationship; while the positive and negative sign tell us the direction of their relationship.

Table 5: Correlation between Service Quality Dimensions and Customer service quality

Pearson Correlation	CSQ.	Tang	Rel	Respo	Assur	Emp
Customer service quality	1					
Tangibility	$.557^{**}$	1				
Reliability	$.502^{**}$	$.360^{**}$	1			
Responsiveness	$.247^{**}$	$.147^{**}$	$.123^{**}$	1		
Assurance	$.495^{**}$	$.472^{**}$	$.360^{**}$	$.259^{**}$	1	
Empathy	$.463^{**}$	$.389^{**}$	$.451^{**}$	$.153^{**}$	$.404^{**}$	1

Source: Own Survey (2019).

Where: CSQ=Customer Service Quality, Tang. =Tangibility, Rel. =Reliability,

Respo=Responsiveness, Assur= Assurance, Emp=Empathy.

The above table 5 of Pearson correlation analysis of the study variable shows that the correlation between predictor variables (i.e. tangibility, reliability, responsiveness, assurance & empathy) and dependent variables (customer service quality).

Accordingly, service quality has strong and positive correlation with tangibility and reliability at Pearson correlation (r) value (0.557) and (0.502), assurance and empathy has moderate and positive correlation at Pearson correlation (r) value (0.495) and (.463), responsiveness has positive correlation and weak Pearson correlation with a correlation (r) value(0.247) with all significance value of P<0.01.

4.3.3 Multiple Linear Regression Analysis Results

Regression Analysis is a statistical tool to deal with the formulation of mathematical model depicting relationship along with variables which can be used for the purpose of prediction of the value of dependent variable, given the value of the independent variable(s) Kothari, (2004). Multiple regression analysis is an analysis of association in which the effects of two or more independent variables on a single, interval-scaled dependent variable are investigated simultaneously William and Barry (2010).

Before running multiple linear regression analysis, the researcher conducted basic assumption tests for the model. These are statistical assumption tests of normality distribution, linearity of the relationship between the independent and dependent variables, multicolinearity, and, auto-correlation/DurbinWatson/. Each test is explained below:

4.3.3.1 Normality Distribution Test

Multiple regressions require the independent variables to be normally distributed. Normality test helps to determine whether the data used is normal or not, and this assumption is met for statistical tests.

Frequency distribution comes in many different shapes and sizes. Therefore, it is quite important, to have some general description for common types of distributions. In an ideal world our data would be distributed symmetrically around the center of all scores. As such, if we draw a vertical line through the center of the distribution then it should look the same on both sides. This is known as a normal distribution and is characterized by bell-shaped curve. This shape basically implies that the majority of scores lie around the center of the distribution. So, the largest bars in the histogram are all around the central value (Field, 2006). The normal distribution graph was shown on figure 2 below.

Figure 2: Normal Distribution

Histogram

Dependent Variable: SQTotal

Mean = -6.07E-18
Std. Dev. = 0.993
N = 354
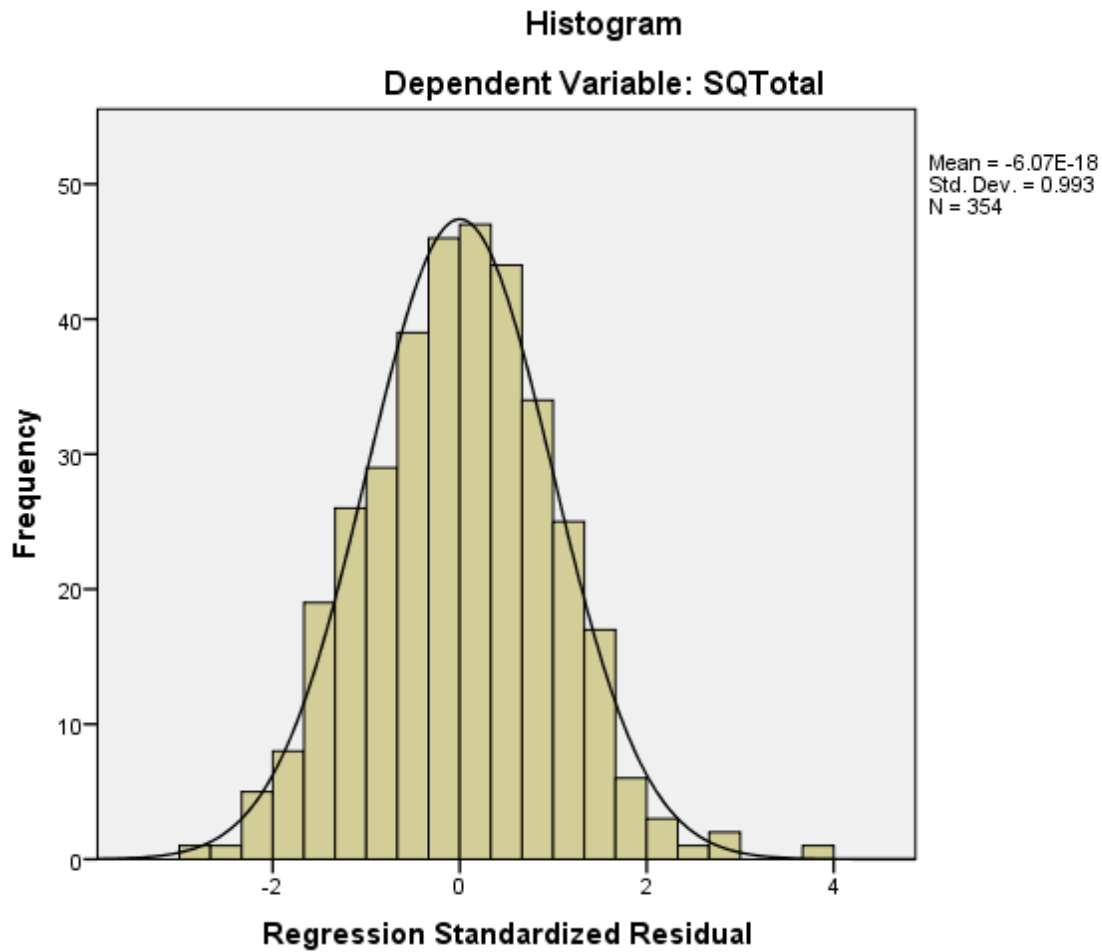
Source: Own Survey (2019).

4.3.3.2 Linearity Test

The second assumption for computing multiple linear regressions is test of the linearity of the relationships between dependent and the independent variables. As depicted in the below graph of the visual inspections of the p-p plot there exist the linear relationship between the dimensions of service quality and customer service quality.

Figure 3: Linearity of the relationship
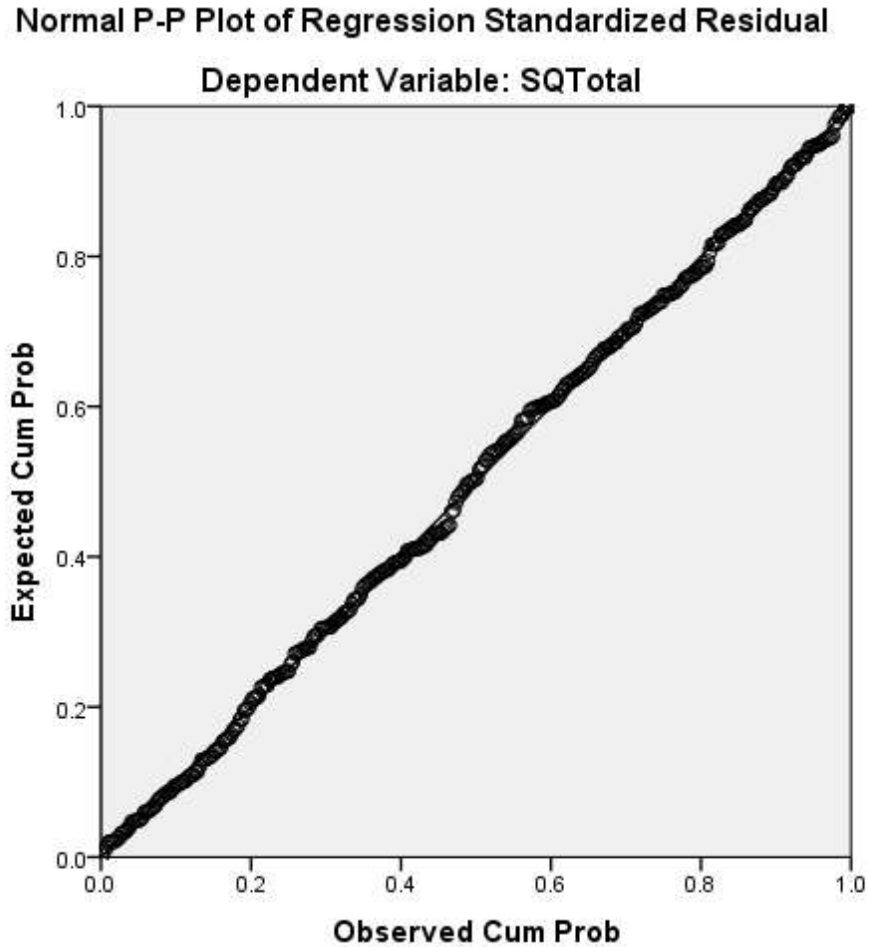
Source: Own Survey (2019).

4.3.3.3 Multicollinearity Test

Multicollinearity exists when there is strong correlation between two or more predictors in a regression model Saunders et.al (2007). There should be no perfect linear relationship between two or more of the predictors. So, the predictor's variables should not correlate to highly Field, (2006). If there is perfect collinearity between predictors, it becomes impossible to obtain unique estimates of the regression coefficients because there are an infinite number of combinations of coefficients that would work equally well. If there is a high degree of correlation between independent variables, we have a problem of what is commonly described as the "problem of multicollinearity" Kothari, (2004); Field, (2006).

This study data multicollinearity assumption is checked by the Pearson correlation coefficient and collinearity statistics.

Checking the multicollinearity assumption is that by looking SPSS analysis output regression table of colinearity statistics value of Tolerance and Variance Inflation Factor /VIF (Field, 2006). The tolerance column value below 0.2 and VIF value above 10 create a multicolliniearity problem. Having this, the Tolerance and VIF value is shown in the regression standardized coefficients table 6 below and the analysis indicates that there is a minimum tolerance value of 0.679 which is above 0.2 and the maximum VIF value is 1.472 which is below 10. Therefore, the predictors don't significantly correlate each other; hence, there is no multicollinearity problem.

Table 6: Collinearity Statistics value

Model	Collinearity statistics	
	Tolerance	VIF
Tangibility	.710	1.408
Reliability	.742	1.347
Responsiveness	.925	1.081
Assurance	.649	1.472
Empathy	.708	1.412

Source: Own Survey (2019).

4.3.3.4 Auto-correlation /Durbin-Watson Test/

It is the assumption of independent error acceptable or reasonable test. Durbin-Watson used to test for serial correlation between errors. The Durbin-Watson statistic test can vary between 0 and 4. Although, values of d less than approximately 1.5 (or greater than approximately 2.5) lead one to suspect positive (or negative) serial correlation. If serial correlation is suspected, then the proposed multiple linear regression models are inappropriate.

Referring this and the model summary table 8 below; the Durbin-Watson value of this study is 1.980. Therefore, the auto-correlation test has certainly met, since it falls between 1.5 and 2.5, and we can conclude that our model is free of serial correlation.

The four assumptions test of multiple regressions are met and the next step was processing the regression analysis to determine the values of the model fit (ANOVA), model summary (R and R^2), and the Beta coefficients. Accordingly, the relative effect of service quality dimensions on customer service quality was identified.

4.4 ANOVA Model Fit
Table 7: ANOVA Model Fit

ANOVA[a]						
	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1568.004	5	313.601	62.934	.000[b]
	Residual	1734.086	349	4.983		
	Total	3302.090	354			
a. Dependent Variable: customer service quality.						
b. Predictor: (constant), tangibility, reliability responsiveness, assurance and empathy.						

Source: Own Survey (2019).

The regression model overall fit can be examined with the help of ANOVA. Accordingly, the overall significance of the model presented in ANOVA table 7 above, the total variance (3302.090) was the difference in to the variance which can be explained by the independent Variables (Model) and the variance which was not explained by the independent variables (error). The study established that there existed a significant goodness of fit between variables as F-test $F(5,349) = 313.601$, at P=0.000<0.01). This indicated that the model formed between effect service quality of dimensions and customer service quality was a good fit for the data.

4.5 Model Summary

Table 8: Model Summary

<table>
<tr><th colspan="6">Model Summary[b]</th></tr>
<tr><th>Model</th><th>R</th><th>R^2</th><th>Adjusted R Square</th><th>Std. Error of the Estimate</th><th>Durbin-Watson</th></tr>
<tr><td>1</td><td>.689[a]</td><td>.475</td><td>.467</td><td>2.23226</td><td>1.980</td></tr>
<tr><td colspan="6">a. Predictors: (Constant), tangibility, reliability, responsiveness, assurance, empathy.</td></tr>
<tr><td colspan="6">b. Dependent Variable: customer service quality.</td></tr>
</table>

Source: Own Survey (2019).

In the model summary above table 8, the multiple regression coefficients R, indicates a strong correlation of 0.689 between customer service quality and the five independent variables. The R^2 =0.475 reveals that the model accounts for 47.50% of the variation in the customer service quality and is explained by the linear combination of all the five independent variables of service quality dimensions (i.e. tangibility, reliability, responsiveness, assurance, empathy). The remaining 52.50% is explained by other factors giving room for further study to investigate other factors which affect customer service quality.

4.6 Beta Coefficient

Table 9: Multiple Regression Beta Coefficient Result

<table>
<tr><th colspan="7">Coefficients ^a</th></tr>
<tr><td colspan="2">Model</td><td colspan="2">Unstandardized Coefficients</td><td>Standardized Coefficients</td><td></td><td></td></tr>
<tr><td colspan="2"></td><td>Beta</td><td>Std.Error</td><td>Beta</td><td>T</td><td>Sig.</td></tr>
<tr><td>1</td><td>(Constant)</td><td>-.310</td><td>0 .134</td><td></td><td>-2.318</td><td>.432</td></tr>
<tr><td></td><td>Tangibility</td><td>.291</td><td>.042</td><td>.319</td><td>6.919</td><td>.000</td></tr>
<tr><td></td><td>Reliability</td><td>.237</td><td>.043</td><td>.249</td><td>5.522</td><td>.000</td></tr>
<tr><td></td><td>Responsiveness</td><td>.116</td><td>.043</td><td>.167</td><td>2.666</td><td>.008</td></tr>
<tr><td></td><td>Assurance</td><td>.152</td><td>.043</td><td>.108</td><td>3.534</td><td>.000</td></tr>
<tr><td></td><td>Empathy</td><td>.113</td><td>.038</td><td>.139</td><td>2.021</td><td>.003</td></tr>
<tr><td colspan="7">R^2 (AdjR$^{2)=}$ 0.475 (.467) F (5, 349)= 62.934= 0.000</td></tr>
<tr><td colspan="7">a. Dependent Variable: customer service quality.</td></tr>
</table>

Source: Own Survey (2019).

As it is defined in chapter three, the unstandardized coefficients ($\beta 1$ to $\beta 5$) are the coefficients of the estimated regression model. Hence, by including the error term (ε), the model for customer service quality can be written as;

$$Y= \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_{5 +} \varepsilon$$

$$Y= - .310 + .291 X_1 + .237 X_2 + .116 X_3 + .152 X_4 + .113 X_5$$

The intercept (β_0 is the point on the vertical axis where the regression line crosses the Y axis. The value of β_0 is -.310 which means the expected value of customer service quality is -310 when all the five independent variables assume zero value.

As it can be seen from table 9 above, the unstandardized coefficients of tangibility taking is the largest value followed by reliability, assurance, responsiveness and empathy ranks from one to

five respectively. The larger the standardized coefficient, the higher is the relative effect of the factors to the customer service quality.

The significance test of the five explanatory variables indicate that all of the explanatory variables are significant with p-value (p<0.01) for predicting customer service quality.

All the five independent variables tangibility, reliability, responsiveness, assurance and empathy are found to be statistically significant. The beta coefficients of these factors indicate that a one unit increase in the dimensions of service quality will result increase in customer service quality.

4.7 Hypothesis Test Result

According to Weiers (2008), if P value is less than the specified level of significance (α), reject the null hypothesis; otherwise, do not reject the null hypothesis. The hypothesis result of dimensions of service quality which are shown above in table 6 ANOVA and table 8 regression unstanderdaized beta coefficients, for all alternative hypothesis P value is less than 0.01, and this means reject the null hypothesis. Therefore, the regression analysis agreed to accept alternative hypothesis, as a result all alternative hypothesis are accepted. Hence, dimensions of service quality (tangibility, reliability, responsiveness, assurance, empathy affect customer service quality.

The researcher used Pearson's correlation coefficient to test the hypothesis. The result of the Pearson's correlation presented in table 5, interpreted by using the Pearson's correlation coefficient relationship between the predictor and outcome variable. Correlation is an effect size we can verbally describe the strength of the correlation using the following guide for the absolute value from 0 to 0.19 is very weak relationship, from 0.20 to 0.39 is weak, 0.4 to 0.49 is moderate, 0.5 to 0.79 is strong and 0.80 to 1.0 shows very strong relationship while the positive and negative sign tells us the direction of their relationship (Stastutor.ac.uk, 2015).

Table 10: Hypothesis Test Result

Hypothesis No.	Hypothesis	P-value	Relationship Direction	Result
H1a	Tangibility does significantly affect customer service quality in Nile insurance company.	0.000	Positive	Reject $H1_0$
H2a	Reliability does significantly affect customer service quality in Nile insurance company	0.000	positive	Reject $H2_0$
H3a	Responsiveness does significantly affect customer service quality in Nile insurance company	0.008	Positive	Reject $H3_0$
H4a	Assurance does significantly affect customer service quality in Nile insurance company	0.000	Positive	Reject $H4_0$
H5a	Empathy does significantly affect customer service quality in Nile insurance company	0.003	Positive	Reject $H5_0$

The above Pearson correlation coefficient table 5, shows that the correlation relationship between predictor variables (i.e. tangibility, reliability, responsiveness, assurance, empathy) and dependent variable (customer service quality). Accordingly, customer service quality has strong, moderate, weak and positive correlation with all dimensions of service quality at Pearson correlation (r) value of .557, .502, .247, .495, .463 respectively as tangibility, reliability, responsiveness, assurance, empathy with significant value of $P < 0.01$.

In general, the entire null hypothesis is automatically rejected and all alternative hypotheses are accepted. This shows the company has to work in these factors to increase the customer service quality.

4.8 Discussion of the study

4.8.1 Tangibility

From Pearson's correlation coefficient, there is found to be a positive correlation and significantly related between customer service quality and tangibility with a correlation coefficient of 0.557, at $P<0.01$.

From regression model, a unit increase in tangibility by keeping other independent variables constant will lead to a 0.291 increases in customer service quality. This implies that tangibility indicate for 29.10% of variation in customer service quality.

The study conducted by Parasuraman (1985) confirmed, on tangibility reveals that lack of Physical facilities, equipment and appearance of personnel could result in decreasing the customers' service quality. Therefore, the findings indicated that tangibility affect positively customer service quality Nile insurance company.

4.8.2 Reliability

From Pearson's correlation coefficient, there is found to be a positive correlation and significantly related between customer service quality and reliability with a correlation coefficient of 0.502, at $P<0.01$.

From regression model, a unit increase in reliability by keeping other independent variables constant will lead to a 0.237 increases in customer service quality. This implies that reliability indicate for 23.70% of variation in customer service quality.

The study conducted by Parasuraman (1985) confirmed, on reliability reveals that lack of Ability to perform the promised service dependably and accurately could result in decreasing the customers' service quality. Therefore, the findings indicated that reliability affect positively customer service quality Nile insurance company.

4.8.3. Responsiveness

From Pearson's correlation coefficient, there is found to be a positive correlation and significantly related between customer service quality and responsiveness with a correlation coefficient of 0.247, at $P<0.01$.

From the regression model, unit increase responsiveness by keeping other independent variables constant will lead to 0.116 increases in customer service quality in Nile insurance company. This implies that responsiveness accounts for 11.6% of variations in customer service quality. The findings indicated that the service delivered by the employees of the organization shall maintain considering the customer of the company. The finding was supported by study conducted by Mesfin Kassahun et al (2015) revealed that the responsiveness dimension affect service quality positively, Therefore, the findings indicated that, responsiveness in insurance company affect positively customer service quality in Nile insurance company.

4.8.4. Assurance

From Pearson's correlation coefficient, there is a positive correlation and significantly related between customer service quality and assurance with Pearson correlation coefficient of 0.495, at $P<0.01$. From the regression model, a unit increase in assurance by keeping other independent variables remain constant will lead to a .152 increase in customer service quality at Nile insurance company. This implies that assurance accounts for 15.2% of variations in customer service quality. The study conducted by Parasuraman (1985) confirmed reveals that lack assurance, Knowledge and courtesy of employees and their ability to inspire trust and confidence highly decreases customer service quality. Therefore, the findings indicated that assurance affects customer service quality positively in Nile insurance company.

4.8.5 Empathy

From Pearson's correlation coefficient, there is found to be a positive correlation and significantly related between customer service quality and empathy with a correlation coefficient of 0.463, at $P<0.01$.

From regression model, a unit increase in empathy by keeping other independent variables constant will lead to a 0.113 increases in customer service quality. This implies that empathy indicate for 11.3% of variation in customer service quality.

The study conducted by Parasuraman(1985) confirmed empathy, lack of Caring and individualized attention that the firm provides to its customers could result in decreasing the customers' service quality. Therefore, the findings indicated that empathy affects customer service quality in Nile insurance company.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary of Findings

Out of the 370 Questionnaire distributed to the respondents, 355 questionnaires were filled and returned with a response rate of 96%.The sum of the independent variables and dependent variable and the reliability test of the study is reliable.

The study was aimed to evaluate the effect of service quality dimensions on customer service quality on Nile insurance Company. Customer service quality is how well the service meets or exceeds expectations. The specific objectives of the study included, analyzing the effect of tangibility, reliability, responsiveness, assurance and empathy on customer service quality. The researcher had adopted questionnaire from the relevant literature to collect and analyze the data gathered from respondents. Descriptive and Inferential statistical analysis correlation and multiple linear regressions were used to identify the effect of service quality dimensions on customer service quality.

The first study question of the study was how tangibility affects the customer service quality in Nile insurance Company. The Pearson's correlation analysis revealed that, there is found to be a positive correlation and significantly related between customer service quality and tangibility with a correlation coefficient of 0.557, at P<0.01.

The regression model result revealed that, a unit increase in tangibility by keeping other independent variables constant will lead to a 0.291 increases in customer service quality at Nile insurance Company. This implies that tangibility indicate for 29.1 % of variation in customer service quality. Therefore, the findings indicated that tangibility affects positively Customer service quality.

The second study question was how the reliability affects the customer service quality in Nile insurance company. The Pearson's correlation analysis revealed that, there is found to be a positive correlation and significantly related between customer service quality and reliability with a correlation coefficient of 0.502, at P<0.01.

The regression model result revealed that, a unit increase in reliability by keeping other independent variables constant will lead to a 0.237 increases in customer service quality at Nile insurance company. This implies that reliability indicate for 23.7 % of variation in customer service quality. Therefore, the findings, indicated reliability affect positively customer service quality.

The third study question was what the effect of responsiveness in the customer service quality was in Nile insurance company. The Pearson's correlation analysis revealed that, there is found to be a positive correlation and significantly related between customer service quality and responsiveness with a correlation coefficient of 0.247, at P<0.01.

The regression model result revealed that, a unit increase in responsiveness by keeping other independent variables constant will lead to a 0.116 increases in customer service quality at Nile insurance company. This implies that responsiveness indicate for 11.6 % of variation in customer service quality. Therefore, the findings indicated that responsiveness affect positively customer service quality.

The fourth study question was how assurance contributes to customer service quality in Nile insurance company. The Pearson's correlation analysis revealed that, there is found to be a positive correlation and significantly related between customer service quality and assurance with a correlation coefficient of 0.495, at P<0.01.

The regression model result revealed that, a unit increase in assurance by keeping other independent variables constant will lead to a 0.152 increases in customer service quality at Nile insurance Company. This implies that assurance indicate for 15.2 % of variation in customer service quality. Therefore, the findings, indicated that assurance affect positively customer service quality.

The last study question was what the effect of empathy in the customer service quality was in Nile insurance company. The Pearson's correlation analysis revealed that, there is found to be a positive correlation and significantly related between customer service quality and empathy with a correlation coefficient of 0.463, at P<0.01.

The regression model result revealed that, a unit increase in empathy by keeping other independent variables constant will lead to a 0.113 increases in customer service quality at Nile

insurance company. This implies that empathy indicate for 11.3 % of variation in customer service quality. Therefore, the findings indicated that empathy affect positively customer service quality.

5.2. Conclusions

The main objective of this study was to evaluate the effect of service quality dimensions on customer service quality in Nile insurance company. The study has provided empirical justification for the framework that identifies five constructs of service quality dimensions and describes the relationship among the constructs and customer service quality within the context of Nile insurance company. Based on the findings, the study concludes that there is a relationship between the service quality dimensions (independent variables) and customer service quality (dependent variables); the correlation relation shows that they have a positive correlation with all service quality dimensions.

The independent variables studied significantly and positively affect the customer service quality of Nile insurance company. In general, the study concludes that tangibility, reliability, responsiveness, assurance and empathy positively affect customer service quality at Nile insurance Company. The service quality dimensions are ranked in terms of their importance in this study are as follows; tangibility, reliability, assurance, responsiveness and empathy

5.3. Recommendations

Based on the finding of the study, Conclusions drown in line with the study objectives; the following points are recommended in order to improve customer service quality in Nile insurance company.

❖ The company is expected to improve the interior design of the branch offices making attractive and comfortable for customers.

❖ Nile insurance company employees should shows a genuine interest in solving a claim/or other problem takes place to the customer.

❖ The staff of the company should have required skill to perform service.

❖ Managers should ensure that the benefits offered to customers in promotional activities are delivered as promised.

❖ Employees must realize how their performance affects the rest of the team. Therefore, the company needs to give due attention to the "Tangibility, reliability,

responsiveness, assurance, empathy" factors so that customers may have higher expectations helping the Nile insurance to improve.

In the present competitive insurance industry, most of the insurance companies offer the same or similar products around the world and service quality is a vital means to differentiate themselves in the market place. Therefore, to be successful, the company must provide a quality service that meets or exceeds the expectations of its customers.

5.4. Implication for Further Study

The study was limited to one insurance company which is Nile insurance company in its four branches found in Addis Ababa due to geographic proximity and logistic simplicity. The researcher recommends that other researchers may include other financial institution part of the study and also it is better to incorporate government financial institution. The study also limited to five variables of service quality dimension on customer service quality. Further study is recommended to include branches and other financial institutions which do not considered in this study.

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Appendix

St. Mary University School of Graduates department of MBA (General Mgt)

Questionnaire to be filled by Customers of Nile Insurance Company.

This questionnaire is a part of a study for a Masters Degree at St. Mary University School of Graduates. The objective of the research is to evaluate factors affecting service quality of Nile Insurance Company. This questionnaire is to be filled by customers and its objective is to get accurate information about the factors that affect customer service quality. Therefore, your genuine answer to the questions in the questionnaire has an immense value to the completion of this study.

Instruction

• No need of writing your name

• Your confidentiality maintained sincerely.

• Use (√) up on given choices alternatives.

Part I: Demographic data

1. Gender

1) Male ☐   2) Female ☐

2. Age

1) 18 -24 ☐   2) 25-34 ☐   3) 35-44 ☐

4) 45-54 ☐   5) 55-64 ☐   6) 65 and over ☐

3. Level of education

1) School leaving qualification ☐   2) Bachelor's degree ☐

3) Post-graduate degree ☐   3) other ☐

4. Income (per year)

1) 0-7,200 ☐   2) 7,201-19,800 ☐   3) 19,801-38,400 ☐

4) 38,401-63,000 ☐   5) 63,001-93,600 ☐   6) 93,601-130,800 ☐

7) Over 130,800 ☐

Part II: Survey of your expectations and perceptions towards service quality of Nile Insurance Company. This survey deals with your opinion about Nile insurance service Delivery System. Please show the extent to which you expect and perceive the organization's offering services should possess features described by each statement. There is no right or wrong answers all I am interested in is a number that best show your expectations and perceptions about the Service Delivery System of Nile Insurance Company. Based on this please put a tick (√) in the boxes which mostly explain your attitudes.

a) Level of EXPECTATION towards service quality of Nile Insurance Company

b) Level of PERCEPTION towards service quality of Nile Insurance Company. The score levels are described as:

1- Strongly Disagree   2- Disagree   3- Neutral   4- Agree   5- Strongly Agree

	Dimensions	Level of expectation					Level of perception				
	Tangibility	1	2	3	4	5	1	2	3	4	5
1	The interior design of the Company is attractive and comfortable for customers										
2	The staff has a professional look										
3	The staff provides the services with smile										
4	The staff have attractive appearance i.e. elegant, smart, etc										
	Reliability	1	2	3	4	5	1	2	3	4	5
5	when a customer has a claim/or other problem, Nile employees shows a sincere interest in solving it										
6	The staff can provide you the services as promised										
7	The staff provide you accurate information										
8	The staff perform the service right at the first time										
9	Nile insurance company keeps its records accurately										
	Responsiveness	1	2	3	4	5	1	2	3	4	5
10	Nile staff give you quick service										
11	The staff tells you exactly when services will be performed										
12	The staffs are willing to help you										
13	The staffs are never too busy to respond to your requests										
	Assurance	1	2	3	4	5	1	2	3	4	5
14	The staff has product knowledge of Insurance information										
15	The staffs have required skill to perform service										
16	The staffs are trustworthy.										
17	The staff makes you feel safe										
18	The staffs are consistently polite										
	Empathy	1	2	3	4	5	1	2	3	4	5
19	The staffs are able to communicate effectively with you.										
20	The staff shows personal attention to you										
21	The staff knows your specific needs										

22	Convenient time management										
23	The staff has knowledge/spoken/ about your language										
Customer Service Quality		1	2	3	4	5	1	2	3	4	5
24	How do you rate the overall success of Nile insurance company in terms of customer quality insurance service										
25	Staff of Nile insurance company solves manifest conflicts before the customer creates problems										
26	Staff of Nile insurance company clearly communicates about each insurance policy, customers right & other related issues to its customers										
27	My relationship with Nile insurance company is one that I am very committed to continue because of its customer quality service delivery										

Thank you for taking your time to fill in this survey!!!!