



**ST. MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**  
**DEPARTMENT OF MARKETING MANAGEMENT**

**EFFECT OF SERVICE QUALITY ON CUSTOMER**  
**SATISFACTION IN CASE OF ADDIS ABABA CITY**  
**ADMINISTRATION DRIVERS & VEHICLES LICENSING AND**  
**CONTROL AUTHORITY**

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**June 2021**  
**ADDIS ABABA, ETHIOPIA**

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**APPROVED BY BOARD EXAMINERS**

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# DECLARATION

I, The Undersigned, declare That This Thesis work entitled effect of service quality on customer satisfaction in case of Addis Ababa City Administration Drivers and Vehicles Licensing And Control Authority is my original work, prepared under the guidance of Asfaw Yilma (PhD). All sources of materials used for this thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or full to any other higher learning institution for the purpose of earning any degree.

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\_\_\_\_\_  
Signature

June 2021

# ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a University advisor.

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Advisor

St, Mary's University, Addis Ababa

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Signature

June 2021

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## **ABBREVIATIONS / ACRONYMS**

AADVLCA: Addis Ababa Driver & Vehicle Licensing and Control authority

CS: Customer satisfaction

SQ: Service quality

## **ABSTRACT**

*The purpose of this study is to examine the effect of service quality on customer satisfaction in case of Addis Ababa Driver & Vehicle Licensing and Control authority customers in Addis Ababa. The design of study was explanatory in nature. Primary data and secondary data were used in this study. Since the total populations of customers were not known, the researcher used convenience-sampling techniques for the study. Conveniently, the student researcher conducted the research by taking the sample determination method developed by Cochran (1983), according to the method Out of one hundred seventy-two (172) questionnaires distributed to customer respondents one hundred thirty-two (132) were returned (accepted). The findings of the study indicated that five service quality dimensions were positively related to overall service quality and are indeed drivers of service quality which in turn has an impact on customer satisfaction. The study findings also indicated that all the standardized coefficients relating the service quality dimensions to overall service quality and to customer satisfaction have the expected positive sign and are statistically significant. The impact of five service quality dimensions on customer satisfaction was significant in all factors of service quality. More specifically, customers indicated high satisfaction with the five dimensions of service quality examined in the study (Reliability, Responsiveness, Empathy, Assurance, and Tangibles). In this regard it was interesting to note that the dimension of responsiveness and empathy had the lowest mean ratings; however, the correlation between assurance and customer satisfaction was the highest, which implies that improvement in employee's assurance is an important issue that requires attention. The research also concluded that service quality can be used to predict customer satisfaction and service quality account for 83.1% of the variability in customer satisfaction.*

**Key words- Service quality, customer satisfaction**

# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the Study

In every developing and developed country, there are different organizations that produce different products or services. Those organizations aim at generating profit by satisfying customers who want their product. Customers have personal expectation for products and producers are expected to know the customers expectation before starting to satisfy them. Consumers are individuals who likes and dislikes, when the preponderance of people in a particular group feel one way or another about a product, service, entity, person place or thing It is said to be a generalized consumer attitude that could affect the person, product, entity in positive or negative ways (Assael, 1981).

In today's highly competitive, dynamic and challenging business environment, the level of customer service acceptance and preference are critical to survival of business. Each day consumers are becoming more rational and speculative in their spending, willing to spend their hard-earned money on product they believe will give them value and maximize their utility. Organization must handle its customers properly and give motivation for their customer in order to retain the current customers and attract new customers to purchase their products. The current globalization of the world created a huge choice for alternatives put all companies which produce products in competition to get the control of the market (Rust, 1993).

Service quality is recognized as potential for ensuring customer satisfaction and retention, operational efficiency and profitability of an organization (Cronin, 2003). File and Prince (1992) argue that satisfied customers are comfortable repeating business with the firm and even recommend it to others. The customers sell the company to others by word-of-mouth when they are satisfied with the services (Gee et al., 2008) and thus increase firm's customer-base. Parallel to this, is the study by Martins and Toledo (2000), which maintains that service quality increases market share by maintaining current customers and acquiring new ones. Krishnan et al (1999) establish that the cost of retaining existing customers by providing high quality products and services is significantly lower than the cost of winning new customers.

- **Background of the organization**

Addis Ababa City Administration Driver and Vehicle Licensing and Control authority is established in order to effectively manage driver and vehicles registration, licensing and controlling in the city. The Authority is accountable to the Bureau of City Government of Addis Ababa Roads and Transport, and have the following powers and functions based on delegation from concerned body - register vehicles, perform services of transfer ownership, collect fee related to these services, perform annual inspection of vehicles by itself or through legally delegated body.

The authority also have the mandate to take appropriate measure on drivers who violate transport regulation and law, issue and renew driving proficiency license, collect fee thereof, issue work license and control persons or organizations offer training on driving motor vehicles, take appropriate corrective measure in case inappropriate functions performed, issue competency license and make the necessary control on individuals or organizations involved in transport service, drivers training service institution, garage services and perform such other activities related of driver and vehicle.

#### Research Gap

The purpose of this study was to examine the effect of service quality on customer satisfaction in case of Addis Ababa Driver & Vehicle Licensing and Control authority.

## **1.2. Statement of the Problem**

The primary objective of the service provider is identical to that of the tangible goods producer, i.e. to develop and provide offerings that satisfy customer needs, thereby ensuring their own economic survival. To achieve this objective, service providers will need to understand how customers evaluate the quality of their service offerings, how they choose one organization in preference to another and on what basis they give their long-term support.

Service quality is “a form of attitude, related but not equivalent to satisfaction, and results from a comparison of expectations with perceptions of performance”. Service quality can be defined as

“the extent of discrepancy between the perceived expectations of the guests and their perceptions pertaining to actual delivery (Berry, 1988).

According to Zeithaml and Bitner (2003) “the main objective of service firms is to develop and provide offerings that would satisfy the needs and expectations of consumers”. Kotler (2000) asserts that “if the expectations of customers are exceeded, customers become highly satisfied “To achieve this objective, Kumar et al (1999) stress the importance of service firms developing a customer satisfaction program for measuring performance/satisfaction over time. Zeithaml and Bitner (2003) affirm that a sound measure of service quality is necessary for identifying aspects of service needing performance improvement and also assessing how much improvement is needed on each aspect of the service offerings”.

There are more documents about the service quality and customer satisfaction with regard to both domestic and foreign companies. The motivation behind this research is thus to explore the real impact of service quality on customer satisfaction based on Zeithaml et al. (2006), customer satisfaction is a broader concept than service quality which “focuses specifically on dimensions of service. More specifically the motivation of this study attempts to replicate the SERVQUAL measurement of Parasuraman, Zeithaml, and Berry (1991) in determining the existence of service-gaps in Addis Ababa Driver & Vehicle Licensing and Control authority.

There are several factors, which affect service quality and customer satisfaction of customers in regard Addis Ababa Driver & Vehicle Licensing and Control authority. It has been seen that customers compliant on the service of the authority such as employee responsiveness, Several influences are behind these factors. Whatever the influences may be, once these factors affect consumer satisfaction and the service delivery, it would be very difficult to gain back the customer trust and perception again. In this regard, this research carried out to assesses the root causes of those factors, its impact on service quality and customer satisfaction and get the problem rectified.

Therefore, the research addressed what are the effect of service quality and customer satisfaction in case of Addis Ababa Driver & Vehicle Licensing and Control authority.

### **1.3. Research Questions**

The following research questions were addressed in the research study

- What is the level of customer satisfaction within Addis Ababa Driver & Vehicle Licensing and Control authority?
- What is the effect of service quality dimensions on the satisfaction level of drivers?
- How is service quality evaluated by customers of Addis Ababa Driver & Vehicle Licensing and Control authority in terms of the customer service quality dimensions?

In addition to the research questions stated above, the following hypotheses are also stated:

- H1: There is a significant relationship between Tangibility and Customer satisfaction.
- H2: There is a significant relationship between Reliability and customer satisfaction.
- H3: There is a significant relationship between Responsiveness and customer satisfaction.
- H4: There is a significant relationship between Assurance and customer satisfaction.
- H5: There is a significant relationship between Empathy and customer satisfaction.

### **1.4. Objectives of the study**

#### **1.4.1. General Objectives**

The general objective of the study was to assess the effect of service quality on customer satisfaction of in case of Addis Ababa Driver & Vehicle Licensing and Control authority.

Specifically, the study had the following objectives;

- To measure the satisfaction level among customers within Addis Ababa Driver & Vehicle Licensing and Control authority.
- To identify effect of service quality dimensions on the satisfaction level of drivers.
- To investigate how the service quality evaluated by customers of Addis Ababa Driver & Vehicle Licensing and Control authority in terms of the customer service quality dimensions.

#### **1.5. Scope of the study**

The study focused only on assessing the effect of service quality on customer satisfaction of in case of Addis Ababa Driver & Vehicle Licensing and Control authority head office in light of the measuring dimensions; Tangibles, empathy, responsiveness, assurance and reliability, and it was



delimited to customers service manager of the city office. The study is methodologically delimited to explanatory research with qualitative and quantitative data analysis. Similarly, the researcher reviewed the past 2 year's customer's service data of the case office from July2019 to March2021 in order to gather the recent information.

## **1.6. Significance of the Study**

The study intended to help the company management to redirect their attention to this highly essential function. Studying effect of service quality and customer satisfaction in this complex and dynamic business world is believed to have the following importance to the academicians, researchers, corporate managers, policy makers and generally for business practitioners, and specifically for the case city office. Specifically, this study has the following main significances:

- ✓ Help to better understand the service quality and customer satisfaction in related with the company under consideration.
- ✓ Help to identify problems and improvement opportunities in the service quality and service delivery of the company.
- ✓ Help to identify which factors of service quality is more contributing for success of the company.
- ✓ Shows internal and external factors that influence service quality and customer satisfaction in the company.
- ✓ Help future researchers who are willing to conduct study on this topic.

## **1.7. Definition of Terms**

Service Quality: is a form of attitude, related but not equivalent to satisfaction, which results from customers comparing expectations with their perceptions of performance.

Customer Satisfaction: is the degree to which the customer believes that the experience achieves positive feelings.

Tangibles: are physical aspects of the service such as physical facilities, appearance of personnel, tools or equipment that is used to provide the service, physical representations or other customers in the service facility.

Reliability: is connected to the consistency of performance and dependability. Here it is determined if the company give the service in the right way the first time and keeps to its promises.

Empathy: is defined as the “caring, individualized attention the firm provides its customer.

Assurance: “the employees’ knowledge and courtesy and the service provider’s ability to inspire trust and confidence.

Responsiveness: is related to what extent the employees are prepared to provide service. This involves factors such as mailing a transaction slip immediately, calling a customer back in short time and giving prompt service.

## **1.8. Organization of the Study**

This paper is organized into five chapters: chapter one contains the introduction part dealing with background of the study, the research problem, and objectives of the study, scope of the study, significance of the study and limitation of the study. The second chapter discussed the literature review about the subject matter. In chapter three the research methodologies were presented. In chapter four analysis and results of the study were presented and finally, chapter five presented the summary of major findings, conclusion and forwarded suggestions.

## **CHAPTER TWO**

### **REVIEW OF LITERATURE**

#### **2.1. Theoretical Reviews**

This chapter reviews works done on Quality Management theoretically. The review focuses on the overview of concept of quality, concept of service, service quality, service quality measurements and models, customer satisfaction, the role of service quality in ensuring customer satisfaction and retention. This chapter will further present service quality concept adopted in this study and explain in detail the constructs of the study.

The word ‘quality’ is frequently used to describe products and/or services. It connotes different meaning to different people and organizations, and therefore lacks universal definition. As a result, there have been numerous definitions of quality from literature in an attempt to establish a common understanding. Until recently, the concept of quality was heavily associated with product. Thus, quality issues became prominence in the manufacturing era and that majority of the quality definitions possess product characteristics. Quality was initially seen as a defensive mechanism, but it is seen as a competitive weapon for developing new markets as well as increasing market share (Davis et al, 2003).

##### **2.1.1. Concept of Service Quality**

The basic concept of service quality originates from consumer behavior and confirmation/disconfirmation paradigm (Gronroos, 1992). The paradigm postulates that customers compare the quality of the product after usage to that of their expectations before usage (Swan and Comb, 1976), and indicate their satisfaction/dissatisfaction with the products or services purchased (Woodruff 1983). Literature maintains that customers evaluate service quality by comparing the service provider’s actual performance perception with what they think service performance would be expectations in their service experience (Gronroos, 1982; Lehtinen and Lehtinen, 1982).

Service quality is defined as customer perception of how well a service meets or exceeds their expectations (Czepiel, 1990) or the degree of discrepancy between customers’ normative expectation for service and their perceptions of service performance (Parasuraman et al., 1985). Many practitioners define service quality as the difference between customer’s expectations for

the service encounter and the perceptions of the service received (Munusamy et al., 2010). Customer expectation and perception are the two key ingredients in service quality. Oliver (1980) posits that customers judge quality as “low” if performance (perception) does not meet their expectation and quality as „high“ when performance exceeds expectations.

### **2.1.2. Customers’ Expectation of Service Quality**

Customer expectations are beliefs about a service that serve as standards against which service performance is judged (Zeithaml et al., 1993); which customer thinks a service provider should offer, rather than on what might be on offer (Parasuraman et al., 1988). This is influenced by their personal needs, past experience, word-of-mouth and service provider’s communications. Literature explains expectation as predictions made by consumer about what is likely to happen from a transaction.

### **2.1.3. Customers’ Perception of Service Quality**

Customers’ perception of performance is what they experienced (Parasuraman et al., 1988). Literature maintains that customers’ total perception of a service is based on their perception of the outcome and the process; where the outcome is either value added or quality and the process is the role undertaken by the customer (Edvardsson, 1998). The customer’s perception of quality of service is based on the degree of agreement between expectations and experience (Kandampully, 1998).

The result of this comparison is perceived service quality (Gronroos, 1982, 1984; Takeuchi and Quelch, 1983; Parasuraman et al., 1985, 1988). Parasuraman et al, (1988) define perceived quality as a form of attitude, related but not equal to satisfaction, and results from a consumption of expectations with perceptions of performance. Therefore, having a better understanding of consumers attitudes will help know how they perceive service quality in banking operations.

The pivot to the concept of service quality is gap model, which stipulates that service quality is a function of the difference scores or gap between expectations and perceptions ( $P - E$ ). The gap between expectation and performance can be positive (satisfactory), when performance exceeds expectations or negative (dissatisfaction), when performance falls short of expectations (Anderson, 1973). Service quality is low, if what is perceived is below expectation, and is high, if what is perceived meets or exceeds expectation. The result of this comparison is perceived

service quality (Gronroos, 1982, 1984; Takeuchi and Quelch, 1983; Parasuraman et al., 1985, 1988).

#### **2.1.4. Service Quality Models**

Several models have been identified in the literature for measuring service quality. Among the approaches or models are: expectancy-disconfirmation approach, performance-only approach, technical and functional dichotomy approach, service quality versus service satisfaction approach and attribute importance approach.

The expectancy-disconfirmation model focuses on identifying customer expectation versus what they actually experienced. It compares the service performance with the expectations of the customers, which is assessed after the service encounter (Oliver, 1980).

The performance-only approach assesses service quality by enquiring from the customers about their level of satisfaction with the various features following a service encounter (Babakus and Boller, 1992; Cronin & Taylor, 1994).

The technical and functional dichotomy approach identifies two service components that lead to customer satisfaction: technical quality of the product which is based on product characteristics such as durability, security, physical features; and functional quality which is concerned with the relationships between service provider and the customer such as courtesy, speed of delivery and helpfulness (Gronroos, 1984). Customers usually lack information on the technical aspects of a service, therefore rely on functional quality to form perceptions of service quality (Donabedian, 1980).

Service quality versus service satisfaction model mainly focuses on two service components that are interrelated; the transition-specific assessment which evaluates specific features of quality and the overall assessment which evaluates overall quality. This approach links perceived quality at the time of the service encounter or immediately after it and overall satisfaction with the service. The attribute importance model focuses on the relative weight on the importance the consumer places on attributes found to be linked with service satisfaction (Gilbert et al., 2004).

Cronin and Taylor (1992) developed SERVPERF (service performance) which disregards the expectation and measured service quality perceptions by evaluating the customer's overall feeling towards the service.

Among the models for measuring service quality, the most acknowledged and applied model in variety of industries is the SERVQUAL (service quality) model developed by Parasuraman et al. The model originally provided a list of ten determinants of service quality: access, communication, competence, courtesy, credibility, reliability, responsiveness, security, understanding and tangibles. Further studies merged correlated variables and reduced the determinants into five consolidated dimensions: tangibles, reliability, responsiveness, assurance and empathy as the instruments for measuring service quality (Parasuraman et al., 1988; Zeithaml et al., 1990). The SERVQUAL model assesses customer expectation and perceptions of service quality by capturing the gap between expectation and experience.

### **2.1.5. Measuring Service Quality using SERVQUAL Model**

An array of factors or determinants has been identified in the literature for measuring service quality. For instance, Sachev and Verma (2004) measure service quality in terms of customer perception, customer expectation, customer satisfaction, and customer attitude. Despite the numerous models for measuring service quality, Nyeck et al. (2002) admit that the SERVQUAL model remains as the most complete attempt to conceptualize and measure service quality. The model is extensive and widely used to measure service quality in the literature. Therefore, this study adopts the SERVQUAL dimensions to measure service quality in Merchant Bank Ghana Limited.

The SERVQUAL dimensions: tangibles, reliability, responsiveness, assurance and empathy are the basis for service quality measurement (Parasuraman et al., 1988; Zeithaml et al., 1990).

#### **2.1.5.1 Tangibles**

The tangibles encompass the appearance of the company representatives, facilities, materials, and equipment as well as communication materials. The condition of the physical surroundings is seen as tangible evidence of care and attention to detail exhibited by the service provider

(Fitzsimmons & Fitzsimmons, 2001). Davis et al. (2003) summarize tangibles as the physical evidence of the service.

#### **2.1.5.2. Reliability**

The reliability and consistency of performance of service facilities, goods and staff is seen as important (Johnston, 1997). This includes punctual service delivery and ability to keep to agreements made with the customer. According to Fitzsimmons and Fitzsimmons (2001), reliability is the ability to perform the promised service both dependably and accurately with error free.

#### **2.1.5.3 Responsiveness**

Johnston (1997) describes responsiveness as the speed and timeliness of service delivery. This includes the speed of throughput and the ability of the service to respond promptly to customer service requests, with minimal waiting and queuing time. Fitzsimmons and Fitzsimmons (2001) argue that when the customer is kept waiting for no apparent reason creates unnecessary negative perceptions of quality. Conversely, the ability for the bank to recover quickly when service fails, and exhibit professionalism will also create very positive perceptions of quality.

#### **2.1.5.4 Assurance**

This considers the knowledge and courtesy of employees as well as their ability to convey trust and confidence. The assurance dimension includes the following features: competence to perform the service, politeness and respect for the customer, effective communication with the customer and the general attitude that the server has the customer's best interest at heart (Fitzsimmons & Fitzsimmons, 2001).

#### **2.1.5.5 Empathy**

According to Chase et al. (2001), empathy is the provision of caring, individualized attention to customers. Fitzsimmons and Fitzsimmons (2001) posit that empathy includes approachability, sensitivity, and effort to understand the customer's needs. Johnston (1997) describes empathy as the ability to make the customer feel welcome, particularly by the contact staff.

The SERVQUAL model identifies a gap which maintains that satisfaction is related to the size and direction of disconfirmation of a person's experience vis-à-vis his/her initial expectations (Churchill & Surprenant, 1982; Parasuraman, Zeithaml & Berry, 1985; Smith & Houston, 1982).

### **2.1.6. Assessing Service Quality**

Implementing and evaluating service quality is a very complex process, because of the intangible nature of service and the difficulty in measuring customers' expectations and perception. Zeithaml and Bitner (1996) believe that content and delivery of a service are essential factors for evaluating service quality. While customers evaluate the quality of delivery, service providers determine the content of the service.

Edvardsson (1998) contends that the concept of service should be approached from the customer's perspective. Because the customer's total perception of the outcome is the „service“ and the customer outcome is created in a process where service is generated through that process. Customers' involvement in the service process is necessary, since they are co-producer of service. The service process can be a delivery of service, interpersonal interaction, performance or customer's experience of service.

### **2.1.7. Ensuring Customer Satisfaction**

#### **2.1.7.1. Customer Satisfaction**

Customer satisfaction is a widely used term in business to measure the kind of products and services provided by a company to meet its customer's expectation. Customer satisfaction is believed to be the company's key performance indicator (KPI), particularly when organizations compete for customers.

Literature establishes that customer satisfaction is a key to long-term business success (Zeithami et al., 1996). To protect/gain market shares, organizations need to outperform competitors by offering high quality product or service to ensure satisfaction of customers (Reichheld, 1996; Gronroos, 2000; Tsoukatos, 2008). With banks, customer longevity is achieved through the delivery of high-quality services (Berry et al., 1985; Anderson et al., 1994; Lassar et al., 2000) especially under unregulated and volatile financial market conditions (Colgate & Lang, 2001). Banks need to understand customers' service requirements and how it impacts on service delivery



and customers' attitudes (Gerrard & Cunningham, 2001; Beckett), for a small increase of customer satisfaction can to customer loyalty and retention (Bowen & Chen, 2001).

The ability of a bank to meet the expectations of customers determines the extent of satisfaction derived by customers. Beerli et al. (2004) describes customer satisfaction as the measure of the extent a bank fulfills the general expectations of a customer and how far and/or close does the existing bank come to the customer's ideal bank in his mind. Customer satisfaction can be viewed as the future intentions of customers towards the service provider, which is more or less related to the attitude (Levesque et al, 1996). According to Hansemark and Albinsson (2004), satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfillment of some need, goal or desire". In order to maintain and increase purchases, the bank needs to provide value (high quality) to customers (Anderson & Jacobsen, 2000).

### **2.1.8. Impact of Service Quality on Customer Satisfaction**

With the ever increasing competition in the marketplace resulting from trade liberalization and free economy model, it is imperative for banks to achieve customer longevity, through excellence service delivery (Lassar et al., 2000). Service quality is recognized as potential for ensuring customer satisfaction and retention, operational efficiency and profitability of an organization (Cronin, 2003). File and Prince (1992) argue that satisfied customers are comfortable repeating business with the firm and even recommend it to others. The customers sell the company to others by word-of-mouth when they are satisfied with the services (Gee et al., 2008) and thus increase firm's customer-base. Parallel to this, is the study by Martins and Toledo (2000), which maintains that service quality increases market share by maintaining current customers and acquiring new ones. Krishnan et al (1999) establish that the cost of retaining existing customers by providing high quality products and services is significantly lower than the cost of winning new customers.

Literature establishes that customer satisfaction has a strong positive correlation with customer retention in the retail banking (Siddiqi, 2010; Kandampully and Suhartanto, 2000). The strong positive correlation means the customers will recommend the bank to other people. As a consequence, the bank can be assured of repeat and stable customer base. Cohen et al. (2007)

found that a loyal customer takes less of the company's time during transactions and are less sensitive to price changes. Reichheld (2006) states that companies with higher customer loyalty experience growth in revenue twice as much as their competitor.

### **2.1.9. Satisfaction**

Satisfaction enable a company to keep existing customers which costs substantially less to the company than acquiring new ones. Most customers leave a company because they feel they are not satisfied with the service or product offering (Rust and Zahorik, 1993).Hoyer and MacInnis (2001) said that satisfaction can be associated with feelings of acceptance, happiness, relief, excitement, and delight of a service. To achieve satisfaction and retention, customer needs and wants must be fulfilled (La Barbera and Mazursky, 1983).

Bowen and Chen (2001) opine that extremely customer satisfaction leads to customer retention/loyalty. Thus, extremely satisfied customers are less prone to overtures from competition (Fornell, 1992). Similarly, Anton (1996) asserts that "satisfaction is positively associated with repurchase intentions and the likelihood to recommend a product or service offering.

The above discussions indicate that satisfaction is a determinant of customer retention to service organizations like bank. An organization needs to ensure that customers are satisfied in order to enhance their repurchase decision. Rust and Zahorik (1993) conclude that numerous publications treat satisfaction as the necessary premise for customer retention.

## 2.2. Empirical Reviews

The relationships, effect, impact of service quality and customer satisfaction have been critically assessed in a variety of studies. Results of these studies have been explained below in table.

**Table: 1 Empirical review**

| Author                               | Year | Title   | Summary   |
|--------------------------------------|------|---|---|
| Mary Osei-poku                       | 2012 | Assessing Service Quality In Commercial Banks A Case Study Of Merchant Bank Ghana Limited                                       | The study investigates Service Quality In Commercial Banks a case study of Merchant Bank Ghana Limited the and found that all the five dimensions contributed to quality of service delivery in Merchant Bank.  |
| Susana Amankwah<br>William Ohene-Adu | 2011 | Assessment and Analysis of Service Quality and Customer Satisfaction a Case Study of National Investment Bank, Kumasi           | The study tried to assess and analyzed service quality and customer satisfaction with banking services at National Investment Bank, Kumasi and concluded that the quality performance of all tested quality dimensions proved to have a strong impact on customer satisfaction. However, tangibles, empathy and assurance were found to be of much significance to customers of NIB Kumasi. |
| Alamirew Gedif Gella                 | 2014 | Measuring Service Quality Of The Ethiopian Defense University, College Of Engineering Library Using Servqual Gap Analysis Model | This study explores the relationship between SERVQUAL dimensions and service quality. SERVQUAL model has been adopted to encompass various aspects of service quality and it revealed that respondents were unsatisfied with the service provision and service quality of the library; users' expectations were more than their perceptions.  |
| Gashaw Girma                         | 2011 | Assessment of Service Quality   | The study was conducted using descriptive and explanatory research design to measure the service quality and its  |

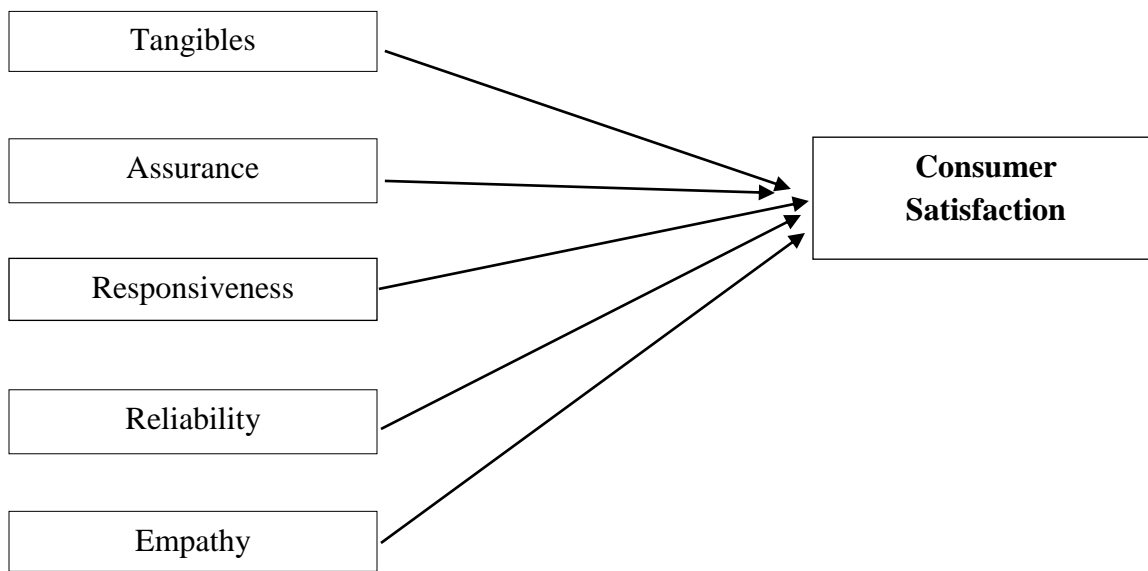
|                 |      |  |  |
|-----------------|------|--|--|
|                 |      | and Customer Satisfaction: A case study of Ethiopian Air Lines corporation                   | subsequent effect on customer satisfaction at Ethiopian airlines using a model that describes various dimensions of service quality. To this purpose the researcher has studied the service quality of the airline using SERVQUAL model and conclude that out of the five Servqual dimension, responsiveness, assurance and empty have relatively moderate effect on customer satisfaction.  |
| Seyoum Akele    | 2012 | Customer Service Quality in Ethiopian Electric Power Corporation (EEPCO)                     | The study tried to assess and analyze the existing practice (quality) of prepayment customer service both from the employee and the Corporation's perspectives, and thereby propose possible marketing strategies that are capable of improving the customer service quality for the subsequent adoption of prepayment service. SERVQUAL, as a methodological approach to service quality measures, was employed to measure the prepayment service quality by comparing customers' perception of the received service against their expectations and found that despite its limitations, that there has been a substantial gap between customers' expectations and perception of the service rendered, |
| YeshitilaTefera | 2018 | Assessment of Service Quality and Customer Satisfaction: The Case of Commercial Nominees PLC | The study used quantitative and qualitative analysis to assess service quality and customer satisfaction on the delivery of outsourced service as evidenced from outsourced service recipient perspective. Dimensions as adopted in SERVPERF model (tangibility, assurance, responsiveness, empathy & reliability), have been utilized as measurement constructs to assess the level of service quality and customer satisfaction and concluded that the service quality dimensions have an impact on customers' satisfaction implying that the higher the quality of service, the higher is the level of customers' satisfaction  |

### 2.3. Conceptual Frameworks

The study investigates how service quality affects customer retention. Customer satisfaction is a dependent variable which occurs when the services provided by case service provider were rated by customers as high quality and satisfactory. The study postulates that the quality of the services provided by the case service providers determines the satisfaction rate of customers with the case authority office. Addis Ababa Driver & Vehicle Licensing and Control authority can ensure

customer satisfaction when service performance of the authority office exceeds customers' expectation. To measure service performance and customer expectation of a service, SERVQUAL model will be used. The SERVQUAL model is made up of five variables: tangibility, responsiveness, reliability, assurance and empathy.

The independent variables were the SERVQUAL dimensions: Tangibles, Responsiveness, Reliability, Assurance and Empathy developed by Parasuraman et al. (1988). These dimensions measure customer satisfaction by considering the performance of the service and the expectations of customers on the service provided. Several varying numbers of items were developed to measure each dimension. Customer satisfaction is the dependent variable that the study measure with the independent variables. The customer satisfaction is an indicator of customers being satisfied with the services rendered by the case government office. Customer satisfaction indicators include repeat business of the customers, referrals by the customers as well as the customers' preference of the office to others.



Independent variable

Dependent variable

**Fig 1 Conceptual frame of the study**

Source: Researcher constructs (2021)

## **CHAPTER THREE**

### **RESEARCH METHEDODOLOGY**

This part describes the methodology that were used in this study: the choice of particular research designs, data type and sources, sample size determination, sampling methods and data collection tools, and data analysis method along with an appropriate justification associated with each approach.

#### **3.1. Research Area**

The research area was Addis Ababa City Administration Driver & Vehicle Licensing and Control authority located in Addis Ababa, Ethiopia.

#### **3.2. Research Design**

This study tried to investigate service quality and customer satisfaction in case of Addis Ababa City Administration Driver & Vehicle Licensing and Control authority based on fundamental theories, principles and management philosophies that were supposed to be effective parameters just to evaluate the influence of service quality constraints on customer satisfaction.. That means the purpose of this research was to find out the underlying facts and /or actual service circumstances existing within the case city office and on final customers regarding customer satisfaction and describing the facts. Therefore, the study preferred to use explanatory research type which helped to use both qualitative and quantitative data analysis and investigate the relationship between service quality and customer satisfaction.

#### **3.3. Data Type and Source**

##### **3.3.1. Data Type**

The study used both qualitative and quantitative data types.

##### **3.3.2. Data Source**

There are two types of data sources, Primary data sources and secondary data source. The study used both type of data sources.

### 3.4. Sample Size Determination

The sample size of the study was final customers of the Addis Ababa Driver & Vehicle Licensing and Control authority (A.A.DVLCA). Since the exact numbers of customers of the case government office were known, the researcher used the model provided by Yamane taro formula, suggestion of respondent customers was calculated using the following formula:

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

*Based on proportion, (Cochran, 1983)*

- *n = the sample size =*
- *N = population size = Customers registered by the city office database = 20000*
- *E = level of precision = 0.075*

$$n = \frac{400167}{1 + 400167(0.075)^2} = \frac{400167}{1 + 2250.9} = \frac{400167}{2250.9} = \underline{177}$$

The researcher used 177 respondents to conduct the study and the reason that the student researcher used the author as the sampling is very easy to apply and the sampling extends to all the population.

Target population of the study is final customers of the Addis Ababa Driver & Vehicle Licensing and Control authority (A.A. DVLCA) which included vehicle drivers, vehicle owners, and agent and service users.

### 3.5. Sampling Methods

Alreck & Settle (2005) noted that the choice of sample size is made after considering statistical precision, practical issues and availability of resources. Samples that are selected on a random basis are considered as a representative of the population. The researcher used non-probability sampling approach, specifically convenient sampling technique by using those customers available in a certain specific time and place as this sampling technique saves time and energy.

### 3.6. Data Collection Methods and Instruments

On the other hand, the collection of relevant data, to validate the investigation demands appropriate and convenient techniques of data collection. Accordingly, in this study questionnaire was used.

For the purpose of this study close-ended questionnaire was used as the measuring instrument. The close-ended questionnaires were administered to groups of people simultaneously, since they are less costly and less time consuming than other measuring instruments. The Likert-type scale method was used a range of responses: ‘strongly disagree’, ‘disagree’, ‘neutral’, ‘agree’, and ‘strongly agree’, with a numeric value of 1-5, respectively. The usage of this scaling method ensured that the research study illustrated the ability to assess the responses and measure the responses quantifiably so that a pattern or trend may be produced in order to assess.

### **3.7. Methods of Data Analysis**

The collected data were analyzed and interpreted by using both qualitative and quantitative techniques. The data which were collected by open ended questions were analyzed qualitatively. Closed ended questionnaires were analyzed quantitatively by using mean, standard deviation frequency, Anova, Pearson correlation and regression analysis technique to show the effect of independent variables on the dependent variable by using SPSS (v 25) tool.

The descriptive statistics were used included mean and frequency to analyze the general information to investigate the service quality and customer satisfaction and Pearson correlation and regression model were used to assess the relationship of service quality on the case company’s customer satisfaction. This was then presented using tables which was easier interpretation and for qualitative part paragraph and narration were used.

### **3.9. Validity and Reliability Report**

#### **3.9.1. Validity**

Immediately after getting approval from the advisor, the researcher conducted validity test on the instruments. Wallace et.1 (2003) wrote that collecting data by instruments with established validity and good psychometric qualities enables one to obtain valid and reliable data, so in the current study, the content validity of the data collection instrument (Questionnaire scales) were established. Pilot tests were then conducted with customers who were seen as similar to the population for the study. The purpose of the pre-testing was to refine the questionnaire and to assess the validity of measures in Ethiopian context.



### 3.9.2 Reliability

To assure the reliability of the scales and a smooth course of the actual tool administration, as Neuman (1997) suggestion a small set of samples ( $n \geq 20$ ) are normal in a pilot study, hence, a pre-test was conducted among a total of 23 participants.

Reliability is calculated in such a way that it represents the reliability of the mean of the items, not the reliability of any single item. Therefore, the alpha reliability of 5 items is higher than that of 4 similar items. This coefficient can hold a value of 0 to 1. The result of 0.7 and above implies an acceptable level of internal reliability. The result of reliability test for the questionnaire is shown in the following table. As it is indicated in the table, the test result is between 0.86 and 0.94. Therefore, based on the test, the results for the items are reliable and acceptable.

**Table 3.1 Reliability test result for the questionnaire**

| Item                  | Number of Item | Cronbach's Alpha |
|-----------------------|----------------|------------------|
| Tangibility           | 5              | .926             |
| Reliability           | 5              | .882             |
| Responsiveness        | 4              | .865             |
| Assurance             | 4              | .918             |
| Empathy               | 5              | .947             |
| Customer satisfaction | 4              | .901             |

Source: Researcher construct (2021)

### 3.10. Ethical Consideration

Ethical issues are very important in research these days. Ethical emerged from value conflicts. In research, these conflicts are expressed in many ways: individual's rights to privacy versus the undesirability of manipulation, openness and replication versus confidentiality, future welfare versus immediate relief, and others. Each decision made in research involves a potential compromise of one value for another. Researchers must try to minimize risks to participants, colleagues and society while attempting to maximize the quality of information they produce (David F. Gillespie, 1989).

In favor of this study the researcher was familiar with the ethical issues of research. Thus, the researcher observed the principles of ethical issues like confidentiality and dignity of the participants, integrity, on no account plagiarism, and never fabricating and destroying data.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

#### **4.1. Introduction**

This chapter deals with presentations, discussion and interpretation of the data collected through questionnaire and interview. The discussion particularly focuses on respondents' profile, customers' satisfaction, and service quality and challenges in customers satisfaction. Out of one hundred seventy-two (172) contacted respondents only one hundred thirty-one (131) respondents have filled properly and accepted. From the received and accepted responses all responses were found valid and used for the analysis. Thus, based on the responses obtained from the respondent's data presentation and analysis were made as follows.

#### **4.2. Background of the Respondents**

The demographic profile of the sample respondents is presented and analyzed below. The purpose of assessing respondents' sex is that, to determine whether the researcher considered heterogeneity of sample units. On the other hand, assessing the work experience and education level of the respondents' is that, when the respondents are more experienced and educated, they have better opportunity to understand the case and give better response than else.

**Table 4.2. General characteristics of respondents**

|                              |                         | <b>Frequency</b> | <b>Percentage</b> |
|------------------------------|-------------------------|------------------|-------------------|
| <b>Gender</b>                | Male                    | 108              | <b>85.5</b>       |
|                              | Female                  | 23               | <b>17.5</b>       |
|                              | <b>Total</b>            | <b>131</b>       | <b>100</b>        |
| <b>Age</b>                   | 18-27                   | 29               | <b>22</b>         |
|                              | 28-37                   | 35               | <b>27</b>         |
|                              | 38-47                   | 49               | <b>37</b>         |
|                              | 48-57                   | 15               | <b>11</b>         |
|                              | Above 58                | 7                | <b>5</b>          |
|                              | <b>Total</b>            | <b>131</b>       | <b>100</b>        |
| <b>Distribution of Grade</b> | Grade 10 completed      | -                | -                 |
|                              | Grade 12 completed      | 35               | <b>27</b>         |
|                              | College diploma         | 72               | <b>55</b>         |
|                              | First Degree            | 14               | <b>13</b>         |
|                              | Second degree and above | 10               | <b>8</b>          |
|                              |                         | <b>Total</b>     | <b>131</b>        |

*Source: Own Survey (2021)*

Gender frequency of the respondents shows that the numbers of male respondents were almost four times as female respondents. This is 85.5% of the respondents were male, while 15.5 % were female respondents.

The age of respondents shown above indicated 22% are 18-27 years, 27% of them are between 28-37 years, 37% are from 38-47, 11% of them are between 48-57 and the rest 5% are above 58 years.

The education qualification of respondents is shown in table 4.4. As it is indicated in the below table, 27% hold a first degree. In the other way, 55% were diploma holder, while 13% of the respondents completed grade 12 education. 8% hold second degree and above.

### 4.3. Respondents opinion on service quality dimensions & Customer satisfaction

As it was briefly mentioned in the literature and conceptual framework part of this study, the most common dimensions on service quality are tangibility, reliability, assurance, responsiveness and empathy.

This study focused on the case government office service quality and customer satisfaction practices from these five perspectives. For each dimension different items were developed and measured based on their mean and group mean values.

#### 4.3.1. Respondents opinion regarding tangibility

According to Fitzsimmons & Fitzsimmons, 2001 tangibles encompass the appearance of the company representatives, facilities, materials, and equipment as well as communication materials. The condition of the physical surroundings is seen as tangible evidence of care and attention to detail exhibited by the service provider.

**Table 4.3.1: Tangibility**

| No | Tangibility  | N   | Min | Max | Mean | Std. Dev. |
|----|--|-----|-----|-----|------|-----------|
| 1. | I find the materials provided by the authority office are appropriate              | 131 | 3   | 5   | 3.13 | .655      |
| 2. | It is safe to enter the premises of the authority office and to use the equipment  | 131 | 3   | 5   | 2.55 | .486      |
| 3. | The authority provides all the facilities I expect to get from a government office | 131 | 2   | 5   | 2.98 | .495      |
| 4. | The authority provides sufficient parking area                                     | 131 | 3   | 5   | 2.95 | .491      |
| 5. | The authority's building is conveniently located                                   | 131 | 3   | 5   | 3.26 | .675      |

*Source: Own Survey (2021)*

From the table above respondents opinion on tangibility have been adapted to moderate extent (mean lies between 2.55 and 5) I find the materials provided by the authority office are appropriate (mean 3.13), It is safe to enter the premises of the authority office and to use the equipment (mean, 2.55), The authority provides all the facilities I expect to get from a government office (mean 2.98), The authority provides sufficient parking area (mean 2.95), The authority's building is conveniently

located(mean 3.26). On the other hand, the manager supports that importance of making service areas are on a better place for customers and the authority is working more to make its offices, and services areas suitable for its customers.

Based on the above result the authority tangibles for respondents are moderate with a group mean value 2.974. This also implies that the authority has certain gaps on tangibles of the authority, and this make difficult to customers to get quality service and also employees to accomplish their task for better organizational effectiveness and satisfied customer. As a result, the authority service couldn't be successful if the authority couldn't make suitable tangibles to its customers appropriately.

#### 4.3.2. Respondents Opinion Regarding Reliability

The reliability and consistency of performance of service facilities, goods and staff is seen as important (Johnston, 1997). This includes punctual service delivery and ability to keep to agreements made with the customer. According to Fitzsimmons and Fitzsimmons (2001), reliability is the ability to perform the promised service both dependably and accurately with error free.

**Table 4.3.2.: Reliability**

| No | Reliability   | N   | Min | Max | Mean | Std. Dev. |
|----|---|-----|-----|-----|------|-----------|
| 1. | When the authority office promises to do something by a certain time, it does it  | 131 | 3   | 5   | 3.44 | .502      |
| 2. | When a customer has a problem, the authority shows sincere interest in solving it | 131 | 3   | 5   | 2.30 | .408      |
| 3. | The authority performs its service right the first time                           | 131 | 3   | 5   | 3.16 | .688      |
| 4. | The authority provides its services at the time it promises to do so              | 131 | 2   | 5   | 2.28 | .401      |
| 5. | The authority keeps its record accurately and free from error                     | 131 | 2   | 5   | 2.78 | .440      |

*Source: Own Survey (2021)*

When the authority office promises to do something by a certain time, it does it (mean 3.44), When a customer has a problem, the authority shows sincere interest in solving it (mean 2.30), The authority

performs its service right the first time (mean 3.16), The authority provides its services at the time it promises to do so (mean 2.28), The authority keeps its record accurately and free from error (mean 2.78).

According to the finding of the research it has been clearly seen that the authority service in terms of reliability to its customers is not satisfactory with a group mean value of 2.792. From this it is possible to deduce that the authority doesn't provide reliable services to its customers. This means there are certain problems regarding the authority service consistency.

#### 4.3.3. Respondents Opinion Regarding Responsiveness

Johnston (1997) describes responsiveness as the speed and timeliness of service delivery. This includes the speed of throughput and the ability of the service to respond promptly to customer service requests, with minimal waiting and queuing time. Fitzsimmons and Fitzsimmons (2001) argue that when the customer is kept waiting for no apparent reason creates unnecessary negative perceptions of quality.

**Table 4.3.3: Responsiveness**

| No | Responsiveness  | N   | Min | Max | Mean | Std. Dev. |
|----|---|-----|-----|-----|------|-----------|
| 1. | Employees give prompt service                         | 131 | 2   | 5   | 2.30 | .416      |
| 2. | Employee should make information easily obtainable    | 131 | 3   | 5   | 3.01 | .732      |
| 3. | Employees are always willing to help me               | 131 | 1   | 6   | 2.69 | .250      |
| 4. | Employees aren't be too busy to respond to my request | 131 | 2   | 6   | 2.91 | .321      |

*Source: Own Survey (2021)*

Employees give prompt service is poor (mean 2.3), Employee should make information easily obtainable is moderate (mean 3.01) ,Employees are always willing to help me is poor with mean value (mean 2.69), Employees aren't be too busy to respond to my request is poor (mean 2.91).

This implies that the authority employees are poor in providing fast response to customers request and inquiry. The overall respondent's opinion regarding responsiveness has a mean value of 2.8.

#### 4.3.4. Respondents Opinion Regarding Assurance

Assurance considers the knowledge and courtesy of employees as well as their ability to convey trust and confidence. The assurance dimension includes the following features: competence to perform the service, politeness and respect for the customer, effective communication with the customer and the general attitude that the server has the customer's best interest at heart Fitzsimmons & Fitzsimmons, (2001).

**Table 4.3.4: Assurance**

| No | Assurance   | N   | Min | Max | Mean | Std. Dev. |
|----|---|-----|-----|-----|------|-----------|
| 1. | The behavior of employees instill confidence in customers | 131 | 2   | 5   | 2.70 | .989      |
| 2. | I feel safe while I go to the authority to get service    | 131 | 2   | 5   | 3.02 | .854      |
| 3. | Employees are polite while serving                        | 131 | 2   | 5   | 3.24 | .832      |
| 4. | Employees are knowledgeable to answer customer questions  | 131 | 2   | 5   | 2.94 | .265      |

*Source: Own Survey (2021)*

Respondents opinion to the statement The behavior of employees instill confidence in customers indicated as poor (mean 2.70), I I feel safe while I go to the authority to get service is moderate (mean 3.02), Employees are polite while serving is moderate (mean 3.24), Employees are knowledgeable to answer customer questions is poor (mean 2.94), On the other hand the authority manager state that the authority employees provide good service relative to other institution even if the clients complain a lot.

From the above presented data, the researcher can conclude that respondent's satisfaction and opinion regarding to assurance is moderate. This is based on the mean value obtained with respect to assurance which scored 3.01.

#### 4.3.5. Respondents Opinion Regarding Empathy

According to Chase et al. (2001), empathy is the provision of caring, individualized attention to customers. Fitzsimmons and Fitzsimmons (2001) posit that empathy includes approachability,



sensitivity, and effort to understand the customer’s needs. Johnston (1997) describes empathy as the ability to make the customer feel welcome, particularly by the contact staff.

**Table 4.3.5: Empathy**

| No | Empathy   | N   | Min | Max | Mean | Std. Dev. |
|----|---|-----|-----|-----|------|-----------|
| 1. | The authority gives individuals customers attention               | 131 | 3   | 5   | 4.51 | .592      |
| 2. | The employees offer customers personal attention                  | 131 | 2   | 5   | 3.19 | .541      |
| 3  | The government office hours are convenient to all customers       | 131 | 3   | 6   | 3.75 | .688      |
| 4  | Employees understand the specific needs of customers              | 131 | 2   | 7   | 2.7  | .209      |
| 5. | It is very easy to get in and out of the authority office quickly | 131 | 2   | 6   | 3.18 | .324      |

*Source: Own Survey (2021)*

Respondents perception in regard to the statement saying the authority give individuals customers attention (mean 4.51), The employees offer customers personal attention (mean 3.19), The government office hours are convenient to all customers (mean 3.75), Employees understand the specific needs of customers (mean 2.7) and to the statement It is very easy to get in and out of the authority office quickly (mean 3.18). This implies respondents think the authority service in regard to being empathy is satisfactory and is good even if there are a lot to do on customer complaints and feedback communication which customers can easily address their issue to the authority and get quick service recovery.

## **4.4. Correlation Analysis**

### **4.4.1. Correlation Analysis between Factors of Service Quality and Customer Satisfaction**

This section presents correlation analysis in relation to the objectives of the study and the relationship between service quality and customers’ satisfaction was investigated.

Correlation is one of the most common forms of data analysis both because it can provide an analysis that stands on its own, and also because it underlies many other analyses, and can be a good way to support conclusions after primary analyses have been completed. Correlations are a measure of the linear relationship between two variables. A correlation coefficient has a value

ranging from -1 to 1. Values that are closer to the absolute value of 1 indicate that there is a strong relationship between the variables being correlated whereas values closer to 0 indicate that there is little or no linear relationship. The sign of a correlation coefficient describes the type of relationship between the variables being correlated. A positive correlation coefficient indicates that there is a positive linear relationship between the variables: as one variable increases in value, so does the other.

According to (Andy, 2006) the value and sign of the coefficient shows the strength of the association.

**Table 4.4.1: Correlation Coefficient**

| Strength of association | Coefficient, r |              |
|-------------------------|----------------|--------------|
|                         | Positive       | Negative     |
| Small                   | 0.1 to 0.3     | -0.1 to -0.3 |
| Medium                  | 0.3 to 0.5     | -0.3 to -0.5 |
| Large                   | 0.5 to 1.0     | -0.5 to -1.0 |

The correlation between factors of employee satisfaction with operational performance was run as seen in the table below.

**Table 4.4.1.1: Correlations between Constructs of SQ and CS**

|  |                     | Tangibility | Reliability | Responsiveness | Assurance | Empathy | Reward | Customer satisfaction |
|--|---------------------|-------------|-------------|----------------|-----------|---------|--------|-----------------------|
| Tangibility  | Pearson correlation | 1           | .685**      | .555**         | .776**    | .699**  | .532** | .237                  |
|  | Sig. (2 tailed)     |             | .000        | .000           | .000      | .000    | .000   | .126                  |
| Reliability  | Pearson correlation | .685**      | 1           | .565**         | .790**    | .503**  | .853** | .344*                 |
|  | Sig. (2 tailed)     | .000        |             | .000           | .000      | .000    | .001   | .024                  |
| Responsiveness   | Pearson correlation | .555**      | .565**      | 1              | .665**    | .680**  | .562** | .482**                |
|  | Sig. (2 tailed)     | .000        | .000        |                | .000      | .000    | .000   | .001                  |
| Assurance  | Pearson correlation | .776**      | .790**      | .665**         | 1         | .705**  | .762** | .474**                |
|  | Sig. (2 tailed)     | .000        | .000        | .000           |           | .000    | .000   | .001                  |
| Empathy  | Pearson correlation | .699**      | .503**      | .680**         | .705**    | 1       | .521** | .303*                 |
|  | Sig. (2 tailed)     | .000        | .001        | .000           | .000      |         | .000   | .049                  |
| Customer satisfaction  | Pearson correlation | .237        | .344*       | .482**         | .474**    | .303*   | .421   | 1                     |
|  | Sig. (2 tailed)     | .126        | .024        | .001           | .001      | .049    | .038   | .038                  |
| **. Correlation is significant at the 0.01 level (2-tailed). |                     |             |             |                |           |         |        |                       |
| *. Correlation is significant at the 0.05 level (2-tailed).  |                     |             |             |                |           |         |        |                       |

The result of the correlation matrix between each constructs and customer satisfaction is analyzed as follow

As shown in the table there is positive correlation between tangibility and customer satisfaction with correlation coefficient of 0.237 and the significance level of 0.126 which is greater than 0.05. It shows us tangibility and customer satisfaction are positively correlated but tangibility is not statistically significant at the 5% significance level.

The table above shows that there is medium positive relationship between reliability and customer satisfaction with correlation coefficient of 0.344 and significance level of 0.024 less than 0.05 which shows us reliability and customer satisfaction have medium positive correlation and it is statistically significant at the 5% significance level.

As the table above shows there is medium positive correlation between responsiveness and customer satisfaction with correlation coefficient of 0.482 and significance level of 0.001 which is equal to 0.001. Which shows that responsiveness has medium positive correlation with customer satisfaction which is statistically significant at the 0.001 significance level?

The above table also shows that assurance has medium positive correlation with customer satisfaction with correlation coefficient of 0.474 and significance level of 0.001 which is equal to 0.001 which shows us assurance and customer satisfaction has positive relation which is statistically significant at the 0.001 significance level.

As shown in the table above there is medium positive correlation between empathy and customer satisfaction with correlation coefficient of 0.303 and significance level of 0.049 which less than 0.05 which shows us empathy and customer satisfaction has positive relation which is statistically significant at the 0.05 significance level.

## 4.5. Regression Analysis

### 4.5.1 Coefficient

| Model          | Unstandardized Coefficients |            | Standardized Coefficients | T      | Sig. |
|----------------|-----------------------------|------------|---------------------------|--------|------|
|                | B                           | Std. Error | Beta                      |        |      |
| (Constant)     | 28.1                        | 9.609      |                           | 2.933  | .017 |
| Tangibility    | -2.68                       | .202       | -.243                     | -1.325 | .218 |
| Reliability    | .196                        | .232       | .265                      | -.843  | .067 |
| Responsiveness | .353                        | .173       | .657                      | 2.038  | .072 |
| Assurance      | .564                        | .264       | .862                      | 2.140  | .014 |
| Empathy        | .483                        | .305       | .692                      | 1.582  | .061 |

#### **Dependent Variable: Customer satisfaction**

A Percentage decrease in the tangibility will increase customer Satisfaction by 26.8% and also show that there is a negative relationship between tangibility and customer satisfaction.

A percentage increase in reliability will increase customer satisfaction by 19.6%; there is a negative relationship between reliability and customer satisfaction.

An increase in 1% of responsiveness will cause a 35.3% increase in customer Satisfaction; there is a positive relationship between responsiveness and customer satisfaction.

If assurance increases by 1% customer satisfaction will increase by 56.4%; a positive relationship between assurance and customer satisfaction is established. An increase in 1% of

Empathy will cause a 48.3% increase in customer Satisfaction; a positive relationship between empathy and customer satisfaction is established.

**Table 4.5.1: Model Summary**

| Model | P                 | R Square | Adjusted R Square | Std. Error of the estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .911 <sup>a</sup> | .831     | .505              | .317                       |

Predictor: SERVICE QUALITY

From the table above, the coefficient of determination was found to be 0.831 indicating that service quality account for 83.1% of the variability in customer satisfaction. This suggests that 16.9% of the variation is not explained by service quality.

| aNOVA |            |               |    |             |       |                   |
|-------|------------|---------------|----|-------------|-------|-------------------|
| Model |            | Sum of square | Df | Mean Square | F     | Sig               |
|       | Regression | 3.354         | 5  | .671        | 3.694 | .008 <sup>b</sup> |
|       | Residual   | 6.720         | 37 | .182        |       |                   |
|       | Total      | 10.074        | 42 |             |       |                   |

a. Dependent Variable: CUSTOMER SATISFACTION

The significance level is 0.008 which is less than 0.01. This indicates that the model was statistically significant at the 1% level of significance.

#### 4.6. Interpretation of the Results

From the finding above all the dimensions of service quality have positive relation with customer satisfaction of the case authority with a correlation coefficient tangibility (0.237), reliability (0.344), responsiveness (0.482), assurance (0.474), and empathy (0.303) which shows service quality have positive relation with customer satisfaction. And, the service quality (cumulative summery of all the factors tangibility, reliability, responsiveness, assurance and empathy) have positive relation with customer satisfaction with correlation coefficient of (0.44).

The quantitative analysis supported by the qualitative data gathered led to the following conclusions:

That Tangibility is not significantly related to customer satisfaction.

That Reliability is significantly related to customer satisfaction.

That Responsiveness is significantly related to customer satisfaction.

That Assurance is significantly related to customer satisfaction.

That Empathy is significantly related to customer satisfaction. Thus, the data and analysis do not support the first hypothesis, but they do support the second, third, fourth and fifth hypotheses.

## CHAPTER FIVE

### MAJOR FINDINGS, CONCLUSION AND RECOMMENDATION

#### 5.1. Summary of Major Findings

Major finding of the study on the level of customer satisfaction within Addis Ababa Driver & Vehicle Licensing and Control authority is poor as the finding indicate that the authority tangibles is poor and not satisfactory namely finding the materials provided by the authority office aren't appropriate, It isn't safe to enter the premises of the authority office and to use the equipment, the authority provides all the facilities below customer expectation to get from a government office, the authority doesn't provide sufficient parking area. In contrast customers think that the authority's building is conveniently located. With respect to reliability the finding from the target respondents indicates customers weren't satisfied with the reliability of the service provided by the authority mentioning the authority office promises to do something by a certain time , it does it moderately, when a customer has a problem, the authority doesn't shows sincere interest in solving it, the authority performs its service right the first time is not much good, the authority don't provides its services at the time it promises to do so and the authority 'don't keeps its record accurately and free from error.

The major finding on the effect of service quality dimensions on the satisfaction level of drivers indicates that that customers think the responsiveness of the authority employees as poor with that employees don't give prompt service is poor, employees aren't always willing to help me is poor, employees are too busy to respond to my request. On contrary the finding shows customer's satisfaction is at moderate level on employee make information easily obtainable. In regard to assurance customers are unsatisfied with the authority service such as the behavior of employees don't instill confidence in customers, customers aren't sure whether they feel safe while they go to the authority to get service, employees are moderately polite while serving them, employees aren't much knowledgeable to answer customer questions. On the other hand, the authority manager state that the authority employees provide good service relative to other institution even if the clients complain a lot and indicates customer satisfaction in regard to empathy is good and satisfactory ;the authority give individuals customers attention, the employees offer customers personal attention, the government office hours are convenient to all

customers, employees understand the specific needs of customers and it is very easy to get in and out of the authority office quickly.

The major finding indicates that the authority customers evaluated the service quality of the authority as moderate. The results of the descriptive statistical analysis also indicated that, customers were not satisfied with service qualities, about the ability of authority to provide service at the designed and promised time, customers were expressing their dissatisfaction over poor service. There is lot of complaints from customer about the poor network and frequent power interruption. Customers are not happy with the current authority performance expressing their disagreement towards poor quality service.

## **5.2. Conclusions**

The purpose of this study was to assess the authority customer orientation towards managing its service quality and how this affects customer satisfaction. Service quality towards customer satisfaction were examined through variables such as tangibles, reliability, responsiveness, assurance and empathy which are the ultimate goal of an effectively managed service quality and to identify factors that need to be considered to achieve customer satisfaction in relation to service quality and the following were the findings obtained from the data analysis regarding the service quality and customer satisfaction. Based on the results of the study obtained and summary of findings the following conclusions were given.

The finding indicates that the level of customer satisfaction within Addis Ababa Driver & Vehicle Licensing and Control authority has been affected by different factors and customers aren't satisfied due to the gaps found in conducting the study thus are customers didn't feel safe while they went to get the authority service, the authority doesn't shows sincere interest in solving it, the authority don't provides its services at the time it promises to do so and the authority 'don't keeps its record accurately and free from error, the authority don't give prompt service, employees aren't much knowledgeable to answer customer questions, and customers didn't get the support since employees are too busy to respond requests.

The research finding also indicated that the effect of service quality dimensions on the satisfaction level of drivers is positive and direct on as service quality increase the result on



customer satisfaction also increase. The study also indicates that the effect of service quality on customer satisfaction namely tangibles, reliability, responsiveness, assurance and empathy have positive effect and are statistically significant relationship with customer satisfaction and customer satisfaction have positive relationship with service quality (which is the cumulative summery of the constrictors). And we can conclude that the service quality can affect customer satisfaction improve overall customer experience on service providers.

The finding of the research and evidence from the empirical findings of this study suggested that an improved service quality will significantly make customers happy and satisfied. The service quality improvement suggested in this study will foster a better situation for the authority customers and for authority itself. The authority customers evaluated the service quality of the authority as moderate.

### **5.3. Recommendation**

Based on the findings and conclusions reached, the following recommendations were forwarded in order to improve service quality and customer satisfaction of the case authority office.

The major finding of the study indicated that there are some problems in customer satisfaction and order to improve the customer's satisfaction regarding responsiveness practice the authority make sure employees give prompt service and employees are always ready to support customers and have the necessary information to handle customers' request. The authority should focus on assuring it service effects to yield highly satisfied customers, by continuously examining the consistency of the service among its employees, branches and time to time. And also, the authority should have to improve its reliability of its service and ensure that the consistency of its service among branches, time to time and across employees. More importantly, the authority is suggested to improve the behavior and knowledge of employees instill confidence in customers since it affects the interaction and customers trust on the service. In order to achieve the authority should provide the necessary training on service excellence.

In order to improve the level of customer satisfaction the authority should conduct a measurement or survey on the existing level of satisfaction and service practice by external or internal professionals and effectively implement the areas of improvement pointed by its

customers. This will enhance the service experience and maximize customer satisfaction. The authority also must create a better tangible that encourages and motivates customers to get the better service. Apart from this the authority must give attention to the appropriateness of the service location, the availability of parking lots, materials and office materials.

In order to improve the service quality the case authority should work on satisfaction strategy which will help to compare its performances against customer standards against internal processes, industry benchmarks and identify opportunities for improvement. Moreover, the case government authority should provide more trainings about service quality to customer serving staffs for more understanding of the offering as this has direct impact to customers' expectations

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# **APPEDICES**



# RESEARCH QUESTIONNAIRES

## St. Mary's University

### Faculty of Business

#### Department of Marketing Management

#### Questionnaire to be filled by Customers of Addis Ababa City Administration Driver & Vehicle Licensing & Control Authority

##### Dear Respondents: -

This questionnaire is designed to gather data on “Assessing the effect of service quality on customer satisfaction in the case Addis Ababa City Administration Driver & Vehicle Licensing & Control Authority”. The purpose of the study is to fulfill a requirement for the master's degree in Marketing Management at St. Mary's University. Your highly esteemed responses for the questions are extremely important for successful completion of this research. The information that you provide will be used only for the purpose of the study and will be kept strictly confidential. Finally, I would like to thank you very much for your cooperation and sparing your valuable time for my request.

##### Instruction

No need of writing your name

N.B: Please indicate your response by putting a tick (✓) in the provided box.

##### Part one:

1. Gender: Male  Female
2. Age: Under 25  26 – 40  41 - 60  Over 60
3. Educational level  
Secondary  Diploma   
Bachelor's degree  master's degree and above

**Part Two:**

**Instruction:**

Indicate your answer by ticking the number of your choice corresponding to the choices provided below.

**5= Strongly Agree    4= Agree    3= Neutral    2= Disagree    1= Strongly Disagree**

| No. | Description  | 1 | 2 | 3 | 4 | 5 |
|-----|--|---|---|---|---|---|
|     | <b>Tangibility dimension</b>   |   |   |   |   |   |
| 1   | I find the materials provided by the authority office are appropriate              |   |   |   |   |   |
| 2   | It is safe to enter the premises of the authority office and to use the equipment  |   |   |   |   |   |
| 3   | The authority provides all the facilities I expect to get from a government office |   |   |   |   |   |
| 4   | The authority provides enough parking area   |   |   |   |   |   |
| 5   | The authority's building is conveniently located                                   |   |   |   |   |   |
|     | <b>Reliability dimension</b>   |   |   |   |   |   |
| 6   | When the authority office promises to do something by a certain time, it does it   |   |   |   |   |   |
| 7   | When a customer has a problem, the authority shows sincere interest in solving it  |   |   |   |   |   |
| 8   | The authority performs its service right the first time                            |   |   |   |   |   |
| 9   | The authority provides its services at the time it promises to do so               |   |   |   |   |   |
| 10  | The authority keeps its record accurately and free from error                      |   |   |   |   |   |
|     | <b>Responsiveness dimension</b>  |   |   |   |   |   |
| 11  | Employees give prompt service  |   |   |   |   |   |
| 12  | Employee should make information easily obtainable                                 |   |   |   |   |   |
| 13  | Employees are always willing to help me  |   |   |   |   |   |
| 14  | Employees aren't be too busy to respond to your request                            |   |   |   |   |   |
|     | <b>Assurance dimension</b>   |   |   |   |   |   |
| 15  | The behavior of employees instill confidence in customers                          |   |   |   |   |   |
| 16  | I feel safe while I go to the authority to get service                             |   |   |   |   |   |
| 17  | Employees are polite while serving   |   |   |   |   |   |
| 18  | Employees are knowledgeable to answer customer questions                           |   |   |   |   |   |
|     | <b>Empathy dimension</b>   |   |   |   |   |   |

|    |   |  |  |  |  |  |
|----|---|--|--|--|--|--|
| 19 | The authority gives individuals customers attention   |  |  |  |  |  |
| 20 | The employees offer customers personal attention  |  |  |  |  |  |
| 21 | The government office hours are convenient to all customers   |  |  |  |  |  |
| 22 | Employees understand the specific needs of customers  |  |  |  |  |  |
| 23 | It is very easy to get in and out of the authority office quickly                                   |  |  |  |  |  |
|    | <b>Customer Satisfaction</b>  |  |  |  |  |  |
| 24 | I am satisfied with overall satisfaction on service experience                                      |  |  |  |  |  |
| 25 | Based on my overall experience in the service, I will recommend other to use the authority service. |  |  |  |  |  |
| 26 | Based on my overall experience in the service, I would use again the service the authority          |  |  |  |  |  |
| 27 | I found the authority service as I expected   |  |  |  |  |  |

28. Finally if you would like to give additional suggestions, please

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***Thank you very much!!!***