IMPACT OF SERVICE QUALITY DIMENSIONS ON CUSTOMER SATISFACTION
STUDY ON OROMIA INSURANCE COMPANY S.C, HAWASSA BRANCH

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ABSTRACT
The customer's perception of service delivery is referred to as customer satisfaction. That customer satisfaction is measured by how well a service performs in relation to the customer's expectations. As a consequence, it's crucial to comprehend how customer preferences are shaped in order to pinpoint the factors that affect service satisfaction in the insurance industry. This may mean that a customer will predict what service performance would be like or think about what service performance should be like. Customers will be happy whether the service output meets or exceeds their expectations. Tangibles, Reliability, Responsiveness, Empathy, Assurance, Technical Quality, and Price are the seven dimensions of service quality that are defined in this report.

KEYWORDS: Customer satisfaction, Impact, Service quality & Customer satisfaction

INTRODUCTION
Individuals, companies, and other organizations may use insurance to cover themselves from substantial future risks and financial burden at a low cost. Insurance coverage is a multi-faceted endeavour in today's economy. It's a complicated industry that affects many facets of our lives (The Geneva Papers, 2007).

In the insurance sector, competition plays an important role in improving quality and customer loyalty. Since service quality is not a commodity to measure, but rather a customer's evaluation and subjective view of something, it is a difficult task to quantify and evaluate. Takeuchi (1983) Quality is such an essential attribute or function of something that it allows you to differentiate your product and give you a competitive advantage. When a service customer compares his impression of the service to his real experience, the quality of the service is assessed. Gronroos (1984): Customer satisfaction is a broad phenomenon that is influenced by a variety of factors, with service quality being one of the most important determinants (Zeithaml and Bitner, 2003).

LITERATURE REVIEW
In order to obtain the products and services provided rather than to become competitive, successful business companies must obtain new and existing customers. Service quality is a critical success factor for insurance companies that distinguish them from their competitors. Today, increased competition has made quality service a popular field of academic studies and a competitive advantage with satisfied customers (Zeithaml V., 2000). In the service industry, service quality has also become an important tool. Service quality is a key service industry concept, and is more important for financial service providers, according to Saghier and Nathan (2013), who struggle to demonstrate differences in the products of their clients. In addition, several studies have been carried out.
on service quality and various theories and models have been developed with the aim of tackling this problem and of emphasizing the importance of its implementation. Moreover, there are numerous definitions and service quality measures, but a single definition is not agreed. Quality of service was defined as a customer service evaluation (Eshghi, 2008), whilst other researchers defined the customer service as being in line with the needs or expectations of customers. Furthermore, the level of difference between customer service normative expectations and their perceptions of the service performance shall be defined as the quality of service (Parasuraman A. B., 1994). “The overall assessment of a particular service firm that results from contrasting that firm's output with the customer's general expectations of how firms in that sector should perform,” the concept of service quality was further established (Parasuraman A. Z., 1988).

Specifically, services- marketers, especially insurance companies, need to understand the characteristics of services that customers use for selecting an insurance company in order to formulate their marketing strategies. If marketers understand the attributes of the service, the assessment and perception of customer presentations can better be managed and exerted (Toelle, 2006). In high-involvement industries like insurance services, quality of service is likely to play an important role. Customer relations with both commercial and retail customers have traditionally been a high value for insurance. For the service industry, SERVQUAL has five dimensions: tangibility, dependability, responsiveness, empathy, and security (Ananth, 2011).

A product’s quality is determined by two factors: (1) whether it meets the needs of the customer, and (2) to what extent it is free of flaws (Juran, 1988). Service is a type of performance provided by one party to another, and it must include corporeality (Kotler, 2006). Services are characterized by such qualities, such as the fact that they are intangible in nature and cannot be measured with any instrument. Services are said to be inseparable, meaning that they are produced and consumed at the same time. Moreover, services are variable in nature; they don’t follow a same or some kind of linear pattern. Very often polymorphism is also seen in services as services are simple as well as complex (Ograjenˇsek, 2008).

In 1988, Parasuraman et al. conducted a quantitative study in which an instrument was built for evaluating consumers’ perceptions of service quality; as a result of that study, SERVQUAL was founded. The dimensions of SERVQUAL model were:

- **Tangibles** – Observable traits.
- **Reliability** – To provide the promised service.
- **Responsiveness** – demonstrating a desire to assist consumers and provide timely service
- **Assurance** – Employees of the company use their expertise to ensure integrity, courtesy, reputation, and security to customers.
- **Empathy** – the capacity to comprehend and express customers' emotions. (Parasuraman et al., 1988).
- **Technical quality** - is the consistency of what a customer receives as a result of his or her contact with a service provider, and it is significant to him or her and to his or her assessment of service quality.
- **Price** - Customer satisfaction is influenced by the perceived value of a product. Though value is a relative term with several dimensions, Zeithaml (1988) defines consumer value as an overall evaluation of a product's utility based on perceptions of what is obtained and what is offered.
The two most critical constructs that positively and explicitly affect overall customer satisfaction are perceived qualities and customer preferences (Yu, 2005). Customer satisfaction is proportional to the level of service provided. As a result, businesses should place a greater emphasis on service quality. For this, businesses should accept customer feedback and develop systems to track service quality and customer satisfaction (Ojo, 2010). Customers' impressions of the Insurance's operation are on the whole higher than their expectations and the quality of the services provided is poor. Customer satisfaction, in the sense of relationship marketing, is the path that leads to long-term customer retention because dissatisfied consumers have a high rate of switching (Raja Irfan Sabir, 2013).

In general, the impact of satisfaction on loyalty is studied. Many studies have shown that consumers are loyal when they are pleased, but loyalty is not assured when they are disappointed. It's a term that's used to describe loyalty in terms of behavioral intentions (Heskett, 1994). As a result, management should place a particular emphasis on customer satisfaction, and service quality plays a critical role in this regard (Akbar, 2009).

In terms of service quality modeling, Grönroos' (1982) model divides consumer expectations of a service into two dimensions: technological and functional quality. The gap model of service quality was introduced by Parasuraman et al, and it operationalized service quality as the gap between customer expectations and performance perceptions. In order to make the best use of the bank branch's capital, Soteriou and Stavrinides created a service quality model.

Olgun Kitapcia, (2014) for a number of industries, the SERVQUAL system was suggested as a way to measure perceived service quality. SERVQUAL has been validated and used to assess service quality in a variety of contexts, and several implementations have been published, like banking sector (Karatepe, OM., 2011) (Poolthong, Y. and Mandhachitara, R., 2009), (Jabnoun, N. and Al-Tamimi HAH, 2003), hospitality industry (Nadiri, H. and Hussain, K., 2005), (Butler, D. Oswald, SL. And Turner, DE., 1996), (Mei, AWO. Dean, AM and White CJ. 1999), (O’Neill, M. Watson, H. and McKenna, M., 1994), and restaurant (Qin, H. Prybutok, VR. and Zhao, Q., 2010).

Olgun Kitapcia, (2014)In the light of the previous studies, the definition of customer satisfaction can be made as follows: 'As a construct, customer satisfaction has been identified as a special form of consumer attitude; it is a post-purchase phenomenon reflecting how much the consumer likes or dislikes the service after experiencing it.' The level of customer satisfaction is determined by the brand characteristics provided by the company (Raja Irfan Sabir, 2013). Full satisfaction is usually considered to be a general affecting result from the use of certain products or services (Oliver, 1981). Satisfaction is a broad concept and is affected by numerous factors, and quality of service is a major contributor to customer satisfaction (Zeithaml V. &., 2003).

The following four concepts were described by Zeithaml (1988) as consumer perceptions of value. First and foremost, value is a low price; second, value is whatever I want in a product; third, value is the quality I get for the price I pay and finally value is what I get in exchange for what I offer. Zeithaml combined the four meanings into a single definition: "perceived value is the consumer's overall evaluation of product usefulness based on expectations of what is obtained and what is offered." to the prediction of the dependent variable.

RESEARCH METHODOLOGY
The study mainly makes use of descriptive and explanatory research types. Also, to achieve the objective of the study, a cross-sectional survey research survey was used by the researcher. Primary and secondary sources of data are adopted for collecting facts relating to the topic under research. To get an appropriate sample size the researcher uses the following
formula, which uses when the population is known.

Study Area

The study was conducted in Hawassa City, Capital of Sidama Regional State, with a population of 315,000.

Sample Design

A convenient sampling technique, which is a non-probabilistic sampling technique, is used to select the respondents. This study was conducted in two companies with a total population (N) of about 11,500, and out of it Oromia Insurance Company S.C, Hawassa branch constitute 43% which is 4,945 customer. To get an appropriate sample size the researcher uses the following formula, which uses when the population is known.

\[
n = \frac{NZ^2 \alpha^2 p(1-p)}{e^2(N-1) + Z^2 \alpha^2 p(1-p)}
\]

- \(n\) = sample size
- \(N\) = Population Universe
- \(Z\) = 1.96 (table value)
- \(e\) = sampling error (5\%) = 0.05
- \(p\) = 0.5

\[
n = \frac{11,500 \times 1.96 \times 1.96 \times 0.5(1-0.5)}{0.05 \times 0.05(11,500-1) + 1.96 \times 1.96 \times 0.5(1-0.5)}
\]

\[
= 11044.60
\]

\[
= 29.71
\]

\[
n = 372
\]

Out of 372 only 358 which account 96.24%, customers returned and feel the questioner appropriately. To get the sample of Oromia Insurance Company S. C., we need to take the proportion of the total population (43% of 358 customers, which is about 154).
For analysis, the researcher entered data into the computer using the statistical package for social sciences (SPSS V.26). To test the reliability of an instrument statistically, Cronbach alpha was used. Reliability values of 0.7 and above are considered by many researchers as acceptable (Cooper & Schinder, 2006; Malhorta and Birks, 2006).

### Table 1: Cronbach’s Alpha Test for the Pilot Test

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Number of items</th>
<th>Cronbach’s Alpha based on Standardized Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibles</td>
<td>5</td>
<td>0.848</td>
</tr>
<tr>
<td>Reliability</td>
<td>5</td>
<td>0.803</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>5</td>
<td>0.761</td>
</tr>
<tr>
<td>Empathy</td>
<td>7</td>
<td>0.750</td>
</tr>
<tr>
<td>Assurance</td>
<td>4</td>
<td>0.722</td>
</tr>
<tr>
<td>Technical Quality</td>
<td>5</td>
<td>0.875</td>
</tr>
<tr>
<td>Price</td>
<td>2</td>
<td>0.963</td>
</tr>
</tbody>
</table>

**Source:** Own Survey (2020)

It indicates that each of the service quality dimensions has reliability co-efficient 7.0 and above. The composite reliability alpha for all items excluding the respondents’ background data is 0.933 which is very good for statistical analysis.

### Regression Analysis

When a researcher wants to investigate the predictive capacity of a group of independent variables on a single continuous dependent variable, multiple regressions are used. It demonstrates how well the independent variables describe the variation in the dependent variable, as well as the relative contributions of each of these independent variables, and it aids in determining whether the results are statistically important. Multiple regressions were used to evaluate hypotheses as an inferential statistics method (Pallant, 2007).

In this study, multiple regressions were employed to examine the effect of insurance service quality dimensions (independent variables) such as tangibles, reliability, responsiveness, empathy, assurance, technical quality, & price on customer satisfaction (dependent variable).

The independent variables should not be heavily correlated with each other in order to achieve good results. Multicollinearity in multiple regression analysis refers to the correlation between the independent variables (Pallant, 2007). As a result, the values of Tolerance and VIF (Variance Inflation Factor) should be tested to ensure low multicollinearity. According to Pallant (2007), tolerance shows how well the independent variables describe the variability of a given independent variable, and the value should not be too low (less than 0.10) to suggest the absence of multicollinearity.

### Table 2: Multicollinearity Test

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>(Constant)</td>
<td>.913</td>
<td></td>
</tr>
<tr>
<td>Tangibles</td>
<td>.223</td>
<td>.134</td>
</tr>
<tr>
<td>Reliability</td>
<td>.044</td>
<td>.713</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>.140</td>
<td>.279</td>
</tr>
<tr>
<td>Empathy</td>
<td>.011</td>
<td>.231</td>
</tr>
<tr>
<td>Assurance</td>
<td>-.061</td>
<td>.151</td>
</tr>
<tr>
<td>Technical</td>
<td>.003</td>
<td>.983</td>
</tr>
<tr>
<td>Price</td>
<td>.068</td>
<td>.801</td>
</tr>
</tbody>
</table>

**Source:** Own survey (2020)
In addition, VIF should have less than 10 to avoid multicollinearity concerns, which is the reverse of tolerance value (Pallant, 2007). The values shown in Table 4.1 are low multicollinearity, with all tolerance values higher than 0.1 and all VIFs below 10. As a result, these measurements indicate that the variables in the analysis are not multicollinear.

The results of regression analysis presented in Table 3, indicate positive and significant relationships between the Insurance service quality dimensions and customer satisfaction. This means the predictive variables (independent variables) such as tangibles, reliability, responsiveness, empathy; assurance, technical quality, & price jointly determine the criterion variable that is customer satisfaction. The adjusted R-Square ($R^2 = .866$) shows that tangibles, reliability, responsiveness, empathy, assurance, technical quality, & price jointly determine (explain) 86.6% of the variance in customer satisfaction.

Table 3: Results of Regression Analysis

<table>
<thead>
<tr>
<th>$R$</th>
<th>$R^2$</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>.931a</td>
<td>.866</td>
<td>.859</td>
<td>1.47612</td>
</tr>
</tbody>
</table>

**Note:** a Predictors: (Constant), Price, Reliability, Technical, Tangibles, Empathy, Responsiveness, Assurance

**Source:** Own survey (2020)

Table 4: ANOVA of Predictor Variables in the Test

<table>
<thead>
<tr>
<th>ANOVA*</th>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>2053.875</td>
<td>7</td>
<td>293.411</td>
<td>134.658</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>318.125</td>
<td>146</td>
<td>2.179</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2372.000</td>
<td>153</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Satisfaction
b. Predictors: (Constant), Price, Reliability, Technical, Tangibles, Empathy, Responsiveness, Assurance

**Source:** Own survey (2020)

Moreover, to assess the statistical significance of the result (i.e., the regression result obtained above is significant in predicting the variance in customer satisfaction), the analysis of variance (ANOVA) test was performed as shown in Table 4.3. Hence, the regression result was statistically significant at $F(7, 153) = 134.658, p<.005$.

Table 5: Beta Weights of Predictor Variables in the Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Nonstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>-2.973</td>
<td>1.253</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangibles</td>
<td>.166</td>
<td>.050</td>
<td>.119</td>
<td>3.316</td>
</tr>
<tr>
<td>Reliability</td>
<td>.034</td>
<td>.062</td>
<td>.032</td>
<td>.549</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>.216</td>
<td>.064</td>
<td>.213</td>
<td>3.381</td>
</tr>
<tr>
<td>Empathy</td>
<td>-.391</td>
<td>.098</td>
<td>-.313</td>
<td>-4.010</td>
</tr>
<tr>
<td>Assurance</td>
<td>.025</td>
<td>.025</td>
<td>.032</td>
<td>1.033</td>
</tr>
<tr>
<td>Technical</td>
<td>.376</td>
<td>.129</td>
<td>.098</td>
<td>2.906</td>
</tr>
<tr>
<td>Price</td>
<td>1.082</td>
<td>.100</td>
<td>.898</td>
<td>10.850</td>
</tr>
</tbody>
</table>

**Note.** a. Dependent Variable: Satisfaction

**Source:** Own survey (2020)

Standardized Beta ($\beta$) values indicate the effects on the dependent variable of each independent variable. In the Beta column, the values of the Standard Beta Coefficients in Table 5 indicate that the independent variable (service quality...
dimensions) makes the most important contribution to the explanation of dependent variable (customer satisfaction). Price has strong effect on satisfaction as the value of Beta coefficient ($\beta$) = .898 is greater than the other independent variables. Beta coefficient value and in opposite Reliability and Assurance has the least effect on satisfaction as Beta coefficient ($\beta$) = .032 is less than the other independent variable. The $t$ value and the sig ($p$) value indicate whether the independent variable is significantly contributing.

**CONCLUSIONS AND RECOMMENDATIONS**

Furthermore, the study's regression analysis revealed that tangibles, reliability, responsiveness, empathy, assurance, technical quality, and price all influenced consumer satisfaction with insurance service quality in a positive and significant way. The beta coefficient shows that each dimension contributed significantly to the variance in customer satisfaction with price contributing the most, followed by responsiveness, empathy, tangibles, technical quality and reliability and assurance.

Furthermore, each dimension significantly contributed to the variance in customer satisfaction, with the price dimension being the most significant contributor, followed by technical quality, empathy, responsiveness, tangibles, reliability, and assurance dimensions respectively.

As a result, in order to keep consumers loyal to the insurance provider, the branch manager should concentrate on the dimensions that have the greatest impact on customer loyalty rather than the least important dimensions of insurance service quality.

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