

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

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**Abstract:** The liberalization of the economic system in Ethiopia enabled the emergence of private insurance companies and had created competitive environment in the insurance industries. The motives of this study was examining the effects of service quality on customer satisfaction in four selected insurance companies of Hosanna town, SNNPR. This research was carried out through cross-sectional survey design and mainly based on data collected through questionnaires. The correlation and multiple regressions were used to analyse collected data. The result of individual companies and total Gap analyses indicates that the mean score of customers' expectations exceeded perceptions in all five dimensions while, findings suggest that selected insurance companies need to improve all the dimensions of service quality. Therefore, regression analyses responsiveness had relatively strong significant and direct effect on customer satisfaction with beta value of .376 and followed by reliability with beta value of .327, tangibility with beta value of .187, empathy with beta value of .149, and assurance with beta value of .113 respectively. Based on the research results, it is recommended for the selected insurance companies to improve their Service.

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

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### I. Introduction

The service industry is among the highly dynamic industries as customers often demands change. These changes further drive the service provision and delivery forward with increasing demand for quality. Since, services are intangible in nature their success and failure is not easily measured or quantified. The success of any service providing organization can be measured in terms of its customers' attitude towards the service delivery practice; which means service quality will be the dominant element in customers' evaluations of a given service (Awoke, 2015). According to Clow and Kutz (2003) Customers' go to service providers expecting to get a quality service and the level of expectation among each individual is varies. In today's highly competitive global market, the importance of the service sector has sharply increased in both the developing and developed countries. Over the past decades, the share of GDP attributable to services has continued to grow in many countries and accounts for more than 60 percent of the world output today (Lovelock and Wirtz, 2011).

The Ethiopian economy is dominated by the agriculture and services sectors, with each accounting for about 45 percent of gross domestic product, from service sector insurance service is one of the dominant businesses which provide service to a large number of customers (NBE, 2016). Insurance is practically necessary to any business activity and enterprise. Although, it is the essential means by which the disaster to an individual is shared by many, the disaster to a community shared by other communities; great catastrophes are thereby lessened, and, it may be, repaired. Without insurance coverage, the private commercial sector would be unable to function efficiently. Insurance enables businesses to operate in a cost-effective manner by providing risk transfer mechanisms whereby risks associated with business activities are assumed by third parties (Akalu, 2015). Due to competition among insurances, improving service quality is unquestionable for insurance companies to win the market. Provision of high quality service will result in higher customer satisfaction and enhance customer loyalty. Insurance companies that excel in quality service can have a distinct marketing edge since improved levels of service quality are related to higher revenues, increased cross-sell ratios, and higher customer retention and expanded market shares (Rao *et al.*, 2011).

Hence, this research mainly focuses on determining the impacts of service quality dimensions on customer satisfaction in four selected insurance companies of Hossana town. The study was conducted based on

SERVQUAL model and it is significantly help the study area insurances to further improve their service quality by specifying most important service quality dimensions that needed by their customers. That helps them to reach higher degrees of client satisfaction and lead to greater customer loyalty and as well as more profitable of selected companies (Mihret and Tigist, 2016).

## **II. Statement of the problem**

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

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

In national perspective, a number of studies have been conducted in service quality dimensions and its impact on customer satisfaction. For instance, Akalu (2015), and Meron (2015) had done researches in this area in other industry and mainly in Addis Ababa. Even if, the numbers of researches had done in service quality at various industries, the studies on insurance companies were few. Also, most studies were conducted on individual companies independently. However, evaluating the service quality of each company may not give much input unless a comparison is made by their peers.

In Ethiopia customers usually complain about efficiency and lack of quality excellence in the insurance sector (Zelege, 2007). To overcome this problem few published studies which conducted in Ethiopia focused on the regional level and sub cities of Addis Ababa. But, on the zonal level, there is a scant study. According to researchers Ramezani *et al.* (2015), Davidow and Uttal (2009) and Rampersad (2001) the dimensions of service quality vary from one country to another, from one institution to another and even from culture to culture. So that, those studies that made at regional and federal level cannot exactly represent insurance companies' branches of Hosanna town. Under this circumstance, the sustainability of service quality and customer satisfaction in study area insurance companies became questionable. Therefore, researchers motivated this to put contribution by examining the effects of service quality on customer satisfaction; in selected Insurances companies of Hosanna town, SNNPR. Based on this, the study aims to answer the following questions:

1. What is the effect of tangibility on customer satisfaction in selected insurance companies of Hosanna town, SNNPR?
2. What is the effect of reliability on customer satisfaction in selected insurance companies of Hosanna town, SNNPR?
3. What is the effect of responsiveness on customer satisfaction in selected insurance companies of Hosanna town, SNNPR?
4. What is the effect of assurance on customer satisfaction in selected insurance companies of Hosanna town, SNNPR?
5. What is the effect of empathy on customer satisfaction in selected insurance companies of Hosanna town, SNNPR?

### **Research Hypotheses**

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

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

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

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

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

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

### III. Literature Review

The empirical literature survey helps the development of the theoretical framework and hypothesis for testing. There have been a lot of studies conducted in the field of service quality and customer satisfaction in various service industries in both at the national and international level. Let summarizes some of them chronologically:

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

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

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

Kailash (2012) analysed the performance among two categories of banks – public and private sector banks (only domestic) in Vijayawada city using the list of service attributes based on different service dimensions such as tangibles, reliability, responsiveness, assurance and empathy during December 2011. The simple random sampling technique is adopted and 175 respondents, 111 customers of Public Sector Banks and 64 customers of Private Sector Banks constitute the sample for the survey. The findings show that Private sector banks performed significantly by satisfying its customers with good services and they have been successful in retaining its customers by providing better facilities than Public sector banks. The research points that new financial products and services have to be continuously introduced in order to stay competent and that Public sector banks have to build long term strategic relationships with its customers.

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

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

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

**Mesay (2012);** aimed at assessing the service quality of private banks and its impact on customer satisfaction. The study also tried to test the relationship that exists between customer satisfaction and their loyalty. The mean score values for service quality dimensions was between 2.6 and 3.4. This indicates that improvements in

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

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

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

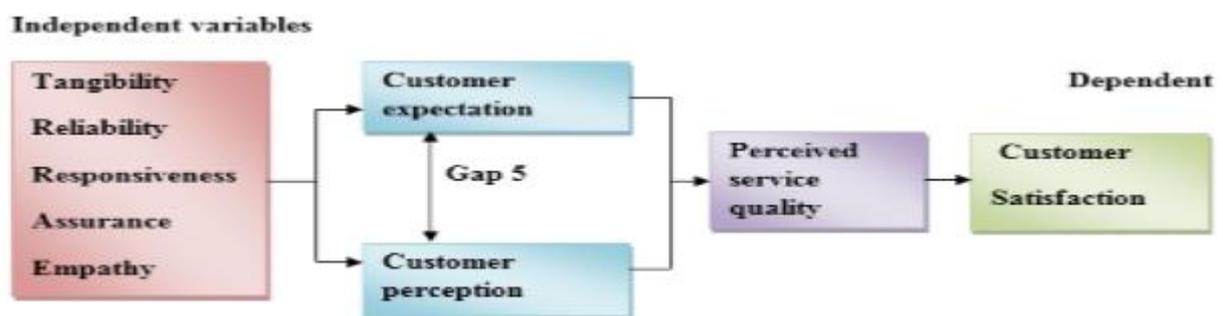
**Dawit (2015);** used gap model for analysing customer's perception of Service quality in two selected Insurance companies. His finding reveals that the customers' expectations are not met in EIC has higher average negative gap scores for all dimensions. Reliability, Responsiveness and Empathy have higher negative gap score than NIC while tangibility and Assurance have a higher negative score in NIC than EIC Both companies should take key strategic measures such as strategic human resource management, application of latest technology and advanced management system so that positive dimensions in all attributes can be obtained.

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

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

### Conceptual framework

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



**Figure 1:** Conceptual frameworkSource: adopted with modification from yarimoglu (2014)

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

#### IV. Research design

The study was designed to employ cross-sectional studies which had been taking a study within a particular timeframe. According to Soureliet.al., (2006) the cross sectional design, also known as one- shot and it is best suited to studies aimed at finding out the prevalence of a phenomenon, situation, problem, attitude or issue, by taking a cross- section of the respondents. Therefore, this design helps researcher to obtain an overall picture of research objective as it stands at the time of the study. The investigation conducted by both descriptive and inferential research methods. The researcher was used both primary and secondary data sources to achieve objectives of this research. Secondary sources of data were collected from different books, journals, Insurance companies' websites, articles and previous researches that related to service quality and customer satisfaction. Primary data were collected from four selected insurance companies' customers of Hosanna town. The researcher was adopted SERVQUAL questionnaire from Akalu (2015) with modification. The questionnaires contain two groups of 22 questions to measure service quality dimensions. Also, four questionnaires were derived from Kotler (2006), to measure satisfaction level of customer.

All questionnaires were 5 point Likert Scale and completed by selected insurance companies' customers. The respondents were asked to rate each statement for their expectation and perception of service quality dimensions and overall satisfaction level respectively with Likert-scales of (1= Not important, 2 = Less important, 3 = Neutral, 4 = Important and 5 = Very important) for customers' expectation; (1 = Very dissatisfied, 2 = Dissatisfied, 3 = Neutral, 4 = Satisfied and 5 = Very satisfied) for customer's perception and (1= Extremely low, 2 = Very low, 3 = Neutral, 4 = Very high and 5 = Extremely high) for customer satisfaction

The researcher was tried to avoid the error that likely happen due to shortage of instrument or inability of the instrument to measure what is intended to measure and crosses validate the response of the questionnaire with the document analyzed. Then, the improved language clarity of the questionnaire was used through refining the instruments and avoiding personal bias of the researcher. A performance of reliability test was used to check the consistency and accuracy of the measurement scales. To ensure validity, the instruments was developed and a pilot study was carried out on 35(that is; 10 percent of the sample size) non-life insurance customers of study area insurance companies, to pre-test the instrument.

#### Model specification

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

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + u_i$$

Where; Y is dependent variable (customer satisfaction)

$\beta_0$  = constant

$\beta_{1-5}$  = the coefficient of independent variables,

$X_{1-5}$  =Independent variables (tangibility, reliability, responsiveness, assurance and empathy)

$u_i$  =error term.

#### Description of study variables

##### Dependent variable:

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

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

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

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

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

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

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

V. Result and Discussion

Total Gap analysis

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

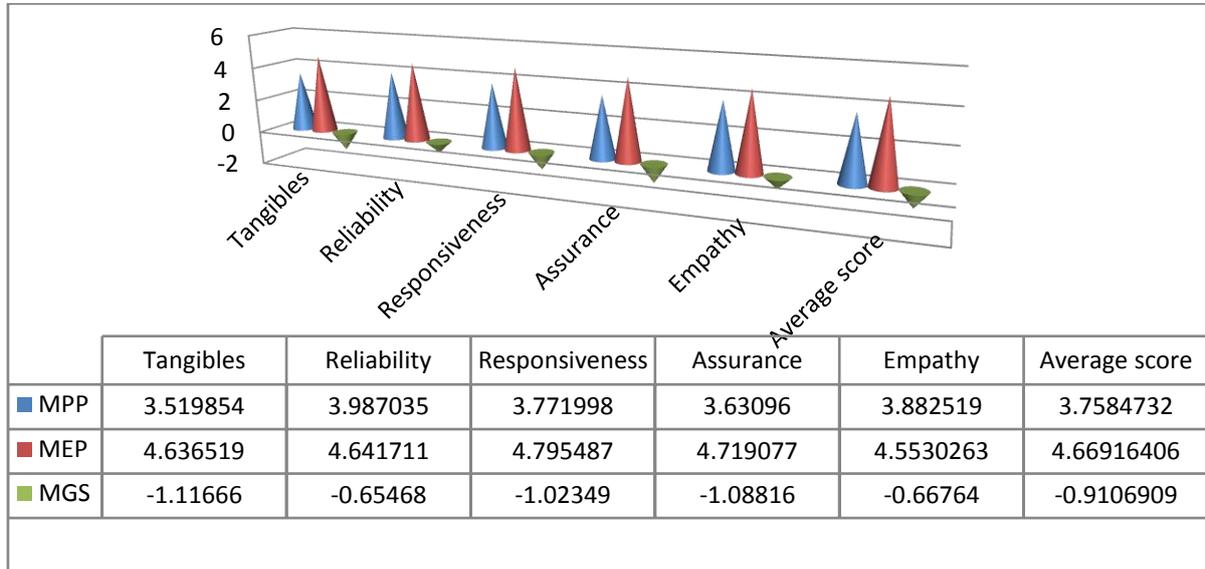


Figure 2: Gap Score (GS) of selected insurance companies. Source: Survey result, 2017

Figure 2 indicates that customers’ expectations had the higher mean scores than customer perception for the five service quality dimension as well as the individual items in selected insurance companies of Hossana town; as a result negative gap score recorded in all dimensions. The average score of the overall perception score were 3.7584732, expectations were 4.66916406 and the Gap score shows a -0.9106909. That indicates, the perceived service quality is lower than customer expectations.

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

Correlations

Table 1: Pearson’s correlation coefficient matrix

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

\*\* Correlation is significant at the 0.01 level (2-tailed). Source: Survey result, 2017

From the above table 1 result, it can be observed that, responsiveness is the most correlated variable with customer satisfaction (with the r value of 0.687) and it was followed by assurance (with the r value of 0.611),

reliability (with the r value of 0.596), empathy (with the r value of 0.47) and tangibility (with the r value of 0.355) respectively. According to Evans (1996) correlation is an effect size and can be described with absolute value of r as 0.00 up to .19 is “very weak”, .20 up to .39 is “weak”, .40 up to .59 is “moderate”, .60 up to .79 is “strong”, and .80 up to 1.0 is “very strong.” Based on this in Hossana town selected insurance companies; customer satisfaction is strongly correlated with the responsiveness and assurance; moderately correlated with the reliability and empathy and weakly correlated with tangibility.

**Regression analyzes result**

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

**Table 1: Model summary**

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

a. *Dependent Variable: Customer satisfaction*

b. *Predictors: (Constant), Empathy, Reliability, Tangibility, Responsiveness, Assurance*

Source: Survey result, 2017

From table 2, it can be seen that R value is 0.812. Therefore, R value indicates that there is a strong positive relationship between customer satisfaction and service quality dimensions namely; tangibility, reliability, responsiveness, assurance and empathy. The r-square value in the model summary tells the goodness of fit of the model. R-square value for this model is 0.659, which means five service quality dimensions are able to measure customer satisfaction at 65.9 percent. However; the remaining 34.1 percent could be some other variables which had not been considered in this study.

**Table 2: ANOVA**

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

Source: Survey result, 2017

As seen in above table 3, total sum of squares (63.361) is equal to the sum of explained sum of squares (35.155) and residual sum of squares (18.206). A study of these components total sum of squares of is known as the analysis of variance (ANOVA) from the regression viewpoint. From the above table 13, it is identified that the value of F-stat is 108.517(mean square of regression divided by mean square of residual) and it is significant at p value of 0.00 (p < 0.05). This indicates that the overall model was reasonably fit and there was a statistically significant association between service quality dimension and customer satisfaction. Hence, it can be concluded that service quality dimensions (service dimensions collectively) have significant impact on customer satisfaction of Hossana town selected insurance companies.

**Table 3: Regression Coefficient**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error				Beta	Lower Bound
	(Constant)	4.300	.042		102.351.000	4.217	4.383
	Tangibility	.107	.021	.187	5.092 .000	.066	.148
	Reliability	.190	.024	.327	7.981 .000	.143	.237
1	Responsiveness	.362	.045	.376	8.144 .000	.275	.450
	Assurance	.080	.034	.113	2.353 .019	.013	.148
	Empathy	.169	.047	.149	3.608 .000	.077	.262

a. Dependent Variable: Customer satisfaction

Source: Survey result, 2017

The relationship of dependent variable Y to the independent variables can be expressed as:  $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + u_i$ . The researcher used unstandardized coefficients to constructing a

regression equation (Satendraet.1, 2011) and (Pallant and Julie,2005).From the coefficient table 4, the substitution of the equation becomes: Customer satisfaction = 4.3 + 0.107 tangibility + 0.19 reliability + 0.362 responsiveness + 0.08 assurances + 0.169 empathy

Tangibility has a positive and significant effect on customer satisfaction in selected insurance companies of Hossana town; at p value of  $\leq 0.05$  and  $\beta$  value.107. This implies that an increase in the effectiveness of tangibility by one unit leads to an increase in customer satisfaction by 0.107 units. This finding is consistent with the previous study by Hawaryet al. (2011), Mohammad and Alhamadani (2011), Tizazu (2012), Akalu (2015), Beliyu (2012), Meron (2015) and Hirut (2015); who reported tangibility positively and significantly influenced the level of customer satisfaction. But, it is contrary to the research study by Yeni (2016), Malik et al. (2011) and Endalkachew (2012) who found that no significant influence of tangibility on customer satisfaction.

In the above coefficient table 4, the  $p \leq 0.05$  with contribution of  $\beta = 0.190$  showed that reliability has a significant and has positive effect on customers' satisfaction of study area selected insurance companies. Moreover, the beta value implies that an increase in the effectiveness of reliability by one unit leads to an increase in customer satisfaction level by 0.190 units. This finding is consistent with the previous study by Dijale (2011), Mesay (2012), Dawit (2015), Akalu (2015) and Asma (2012) who reported that reliability positively and significantly influenced the level of customer satisfaction. But, it is contrary to the study by Gupta (2012) who found insignificant influence of reliability in customer satisfaction.

Based on above coefficient Table 4;  $p \leq 0.05$  with contribution of  $\beta = 0.362$  revealed that responsiveness has significant and positive effect on customers' satisfaction of study area insurance companies. This finding is similar to the previous research work conducted by Akalu (2015), Dijale (2011), Mesay (2012) and Dawit (2015), who reported that responsiveness positively and significantly influence the level of customer satisfaction. But, it is contrary to the study by Babatunde (2012) and Endalkachew (2012) who found there is no significant influence of reliability on customer satisfaction.

Based on above coefficient table 4; p value of  $\leq 0.05$  with contribution of  $\beta = 0.080$  revealed that assurance has a significant and direct effect on customers' satisfaction of study area insurance companies. Moreover, the beta value of 0.080 implies that an increase in the effectiveness of assurance by one unit leads to an increase in customer satisfaction by 0.080 units. This finding is consistent with the previous study by Akalu (2015), Endalkachew (2012), Meron (2015), and Dawit (2015) who reported that assurance has positive and significant effect on customer satisfaction.

Based on coefficient table 4,  $p \leq 0.05$  with contribution of  $\beta = 0.169$  revealed that empathy has a significant and positive effect on customers' satisfaction of study area insurance companies. This implies that an increase in the effectiveness of empathy by one unit leads to an increase in customer satisfaction by 0.169 units. This finding is consistent with the previous study by Dijale (2011); Dawit (2015) and Akalu (2015) who reported that customer satisfaction was directly and significantly affected by empathy; but, it is contrary to the study by Al-Hawaryet al. (2011) who found insignificant influence of empathy in customer satisfaction

Moreover, based on the findings of regression analysis, the researcher found that all of the service quality dimensions (tangibility, reliability, responsiveness, assurance, and empathy) had positive and significant effects on customer satisfaction of Hosanna town selected insurance companies'. The Standardized Beta values for each of the different variables have been converted to the same scale; so that, it is better to compare or prioritize the effects of independent variables (tangibility, reliability, responsiveness, assurance, and empathy) on dependent variable (customer satisfaction) in selected insurance companies of Hosanna town. So that, based on table 14 above, responsiveness had a relatively strong and direct effect on customer satisfaction at  $\beta$  value of .376 and followed by reliability at  $\beta$  value of .327, tangibles at  $\beta$  value of .187, empathy at  $\beta$  value of .149, and assurance at  $\beta$  value of .113 respectively.

## VI. Conclusion

The Multiple linear regression model analysis result shows that insurance company's facilities, Convenience of location, uses modern equipment and technology and the appearance of personnel have a positive and significant effect on customer satisfaction. But, based on analysis result, selected companies have scored negative Gap on those attributes of tangibility; that means tangibility dimension service performance in selected companies was not as expected by customers. Regression results further shows that promise keeping, provides indemnity without hassle, financial stability, show sincere interest in solving customers' concern, transact products and services of the highest quality; are positive and significant effect on customer satisfaction. However, based on Gap analysis result selected companies fail to fulfil customer expectation in attributes of reliability dimension.

When the insurances' responsiveness became high; the level of customer satisfaction also increases. Therefore, willingness and readiness of employees of insurances in providing the service has a positive effect on

customer satisfaction. Thus customers' of Hossana town selected insurance companies prefer the insurers which is willing and ready to give prompt service and to tell the exact time when they provide service. Also, they expect help and answer for their problems and question from front line employees. Nevertheless, the insurance Gap analysis result show that there is problem responsiveness dimension attributes of; employees' willingness to serve customers, intelling exactly when services will be performed, in willing to help customers and honest responses to customer inquiries.

Knowledge and competence of service providers and the ability to convey trust and confidence has positive effect on customer satisfaction. But employees in selected insurance have a problem in instilling confidence in customers and the company's employees are not courteous as expected by customers and they lack the knowledge to answer customers' question. Although, if the selected companies understand customer needs and provide individualized attention to their customers or increase the empathy they can also improve the level of customer's satisfaction. However, the insurance have a problem in giving individualized attention. Furthermore, the employees have a problem in understanding the specific need and the interest of the customers as customers' expectation.

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