



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
COLLEGE OF BUSINESS AND ECONOMICS
MASTER OF BUSINESS ADMINISTRATION PROGRAM**

**THE EFFECT OF SERVICE QUALITY ON CUSTOMER SATISFACTION:
THE CASE OF ADDIS CREDIT AND SAVING INSTITUTION IN ARADA SUB CITY**

**BY
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ADDIS ABABA**

Letter of Certification

This is to certify that Lideta Demessie Alemu has done a study on the topic “Assessment of Service Quality And Customer Satisfaction: The Case of Addis Credit and saving microfinance at Arada Sub city”. This study is of her original work and all the sources of materials used for the thesis had been duly acknowledged.

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Statement of Declaration

I, undersigned declare that this thesis is my original work. Furthermore, all sources of materials used for the thesis had been duly acknowledged.

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Abstract

The primary objective of this study is to assess service quality and customer satisfaction on the delivery of service as evidenced from microfinance recipient perspective. Dimensions as adopted in SERVQUAL model (tangibility, assurance, responsiveness, empathy & reliability), have been utilized as measurement constructs to assess the level of service quality and customer satisfaction. A quantitative method has been applied to analyze the data collected from the service recipient in Addis credit and saving specifically at Arada Sub city. Descriptive statistics such as frequency mean and correlation analysis techniques are applied to analyze background information of respondents. The finding on the base of correlation analysis also implies that the relationship between service quality dimensions and customer satisfaction is analyzed and the result shows that service quality dimensions have significant relation with customer satisfaction. The findings also confirms 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. From this finding, it can be summarized that Addis credit and saving at Arada Sub city can improve its service by mostly focusing on service quality dimensions.

Keywords: *Services Quality, Micro Finance, Customer Satisfaction*

CHAPTER ONE INTRODUCTION

1.1 Background of the study

1.1.1 Definition and concept of microfinance

Microfinance has been variously defined in the literature. No single definition exists, but variations are mostly a matter of emphasis. Narrower definitions equate microfinance with micro credit, following early practice of NGO credit schemes. Micros credit the provision of small loans to poor households and small business operators with or without guarantee. Ledger wood (1999) defines microfinance in short as "the provision of financial services to low income clients, including the self-employed".

Microfinance refers to small-scale financial services primarily credit and savings provided to people who farm, fish or herd; who operate small enterprise or micro enterprise where goods are produced, recycled or sold; who provide service; who work for wages or commissions who gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; to other individuals and groups at the local level of developing countries, both rural and urban (Degefe, 2009).

Microfinance as making small loan available to the poor through schemes specially designed to meet the poor's particular needs and circumstances. Microfinance is increasingly being considered as one of the most effective tools of reducing poverty. Microfinance has a significant role in bridging the gap between the formal financial institution and the rural poor. The micro finance institutions access financial resources from the banks and other main stream financial institutions and provide financial and support service to the poor (Gibbons, 1992).

More broadly, it is a movement whose object is "a world in which as many poor and near-poor households as possible have permanent accesses to an appropriate range of high quality financial services, including not just credit but also saving, insurance, and fund transfers. Those who promote microfinance generally believed that such access will help poor out of poverty (Degefe, 2009). During the 1970's and 1980's the microenterprise movement led to the emergence of nongovernmental organizations (NGO's) that provide small loans for the poor. In the 1990's a number of these institutions in order to access and on-lend client savings, thus enhancing their outreach.

Specialized microfinance institutions have proven that the poor are "bankable". Today, formal institutions are rapidly absorbing the lessons learned about how to do small transaction banking. Many of the newer players in microfinance, such as commercial banks, have large existing branch networks, vast distribution outlets like automatic teller machines, and the ability to make significant investments in technology that could bring financial services closer to poor clients. Increasingly, links among different types of services providers are emerging to offer considerable scope for extending access.

Poverty is the main cause of concern in improving the economic status of developing countries. A micro finance institution is an organization that offers financial services to low income populations. Almost all give loans to their members, and many offer insurance, deposit and other services (Gibbons 1992). Microfinance institutions are organizations that provide microfinance services to low-income groups as their principal objective. Microfinance is provided by "formal institutions, such as rural banks and cooperatives; semiformal institutions, such as nongovernmental organizations; and informal sources such as money lenders and shopkeepers". Formal microfinance institutions are banks and non bank financial institutions that take into account special design and methodology for the delivery of financial services (ADB, 2000).

1.1.2 Characteristics of Microfinance Institutions

Formal providers are sometimes defined as those that are subject not only to general laws but also to specific banking regulation, and supervision (development banks, savings and postal banks, commercial banks, and non-bank financial intermediaries) (Gibbons 1992). The most distinguishing characteristics of MFIs from the conventional banks are:

- ✓ Procedures are designed to be helpful to the client and therefore are user friendly
- ✓ They are simple to understand, locally provided and easily and quickly accessible.
- ✓ Loan amounts especially at the first loan cycle are too small, much smaller than the traditional banks would find it viable to provide and service.
- ✓ Borrowers are usually also required to be savers.
- ✓ Together with their long term sustainability they have the objective of ending poverty and
- ✓ MFI's operating costs as well as administrative cost per loan are higher than the conventional banks.

1.1.3 Objectives of the microfinance institutions

The goal of MFIs as development organizations is to service the financial needs of unserved or underserved markets (the poor) as a means of meeting development objectives. The development objectives generally include one or more of the following:

- ✓ To reduce poverty
- ✓ To help existing businesses grow or diversify their activities and to encourage the development of new business.
- ✓ To create employment and income opportunities through the creation and expansion of microenterprise and,
- ✓ To increase the productivity and income of vulnerable group, especially women and the poor.

Customer satisfaction and service quality are interrelated. According to their study shows that service quality may help as predictor of customer satisfaction. The higher the service quality the higher will be customer satisfaction. The major customer expectations are customers expect solid information, customers expect options, customers expect superior communication, customers expect consulting, and customers expect a seamless relationship. Meeting these expectations would cement the relationships, increase their satisfaction, help to gain customer loyalty, and which in turn retains the business (Azman Ismail, 2016).

As service quality is becoming a major part of business practice, it is important to be able to measure and research its effectiveness. Lewis and Mitchell (1996), Dotchin and Oakland (1994), and Asubonteng et al. (1996) define service quality as the extent to which a service meets customers' need and expectation. The purpose of this research is to measure and evaluate the level of service quality and customer satisfaction in the Addis Micro Finance Institution targeting the Arada Sub city Branch and to determine which dimension of the service quality has a significant effect in the customer's level of satisfaction by applying a SERVQUAL model.

In today's competitive environment, delivering high quality service is the key for sustainable competitive effect on an organization's profitability since satisfied customers are the foundation of any successful business. Customer satisfaction leads to repeat purchase, brand loyalty and positive word of mouth. The principal objective of organizations is to maximize profits and to minimize cost. Profit maximization can be achieved through increase in sales with lesser costs. One

of the factors that can help to increase sales is customer satisfaction, because satisfaction leads to customer loyalty recommendation and repeat purchase (Wilson et al., (2008).

Quality Service is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed. Different experts define quality service differently but generally it is the difference between customer's expectation of services and their perceived service. If customers view that their expectations for services performance conform their perceptions of the service, this situation may lead to induce the notion of service quality (Dortyol, 2014).

Most of researchers agree that customer satisfaction is broadly defined as a difference between customers' expectations and experience performance after using a service and/or product at a certain period (Azman I., 2016). Which shows that customer to be satisfied the organization at least should bring a performance that could earn the expectation of the customer.

Excellent service quality is vital to business profitability and survival (Newman and Cowling, 1996). Thus, from the finding of Newman and Cowling, the researcher understands that if service quality is going down in the organization and doesn't meet the expectation of its customers, it will have negative effects on the organization's profitability. Thus, this study, therefore, will assess customers' satisfaction on the service quality of Addis credit and saving institution at Arada sub city.

1.2 Statement of the Problem

In a competitive market place understanding customer's needs become an important factors. As a result companies have moved from a product-centric to a customer centric. Satisfaction is also of a great interest to practitioners because of its important on customer retention. Considering the high costs of acquiring new customers, it is very important to study the determinants of customer satisfaction. Customer retention is directly influenced by customer satisfaction. Retention is a major challenge particularly in service giving institutions like Addis Microfinance institution at Arada sub city , as customers can easily switch from one service provider to another at low cost. Considering the high costs of acquiring new customers and the apparently high customer turnover of Microfinance institutions, it is very important to study the determinants of customer satisfaction.

Research shows that quality service has been increasingly recognized as a critical factor in the success of any business. According to Parasuraman (Parasurman, 1985) there is a multiple-attribute scale called SERVQUAL for measuring quality service in five dimensions as reliability, responsiveness, assurance, empathy and tangibility. Therefore, quality service measurement is considered as first step to understand the achievement of business performance together with the excellence of the delivery of quality service. Since in service industry there are increasing competitions and constant change, quality service importance become significant to business organization.

Maximizing the benefits provided through sound customer service policies ensures that the satisfied consumer will express his satisfaction to others and assist the company in continuing to grow their client base through acquisitions of customers who are dissatisfied with the level of service they obtain from the organization's competitors (Ali Ramezani Ghotbabadi, 2015). Tapping into the ability of customer service to maximize this continuous opportunity for revenue is the single most important objective for any company looking to gain a competitive advantage in the highly diverse business environment of today.

The other study was done by Yonatan (Gebre, 2010 EC) on service quality in Ethiopian banking sector, which has a near similar concept with this study. It uses SERVQUAL model to determine customers' perceptions of service quality at each of the banks that was used as source of data. And the finding reveals that the customers' expectations were not meet. The above studies were done with the same concept but it was done on different context since this study has been done on microfinance which actually had a different context.

Based on the above studies this research had tried to assess the quality service and customer satisfaction in Addis Microfinance institutions, Arada Sub city branch. It helps to identify the level of customer satisfaction and gaps in providing quality service in the branch and to gives recommendation. It is important to the ADCSM to improve service quality as a result to survive in the highly competitive service industry business. There are numerous studies that identified the key quality service dimensions in service business but this study had investigates quality service attributes in the ADCSM in relation with customer satisfaction. On top of that, my personal observation on the service delivered at ADCSM at Arada sub city triggered me to conduct a research on the service quality that will impact the customer satisfaction of the institution.

Therefore, the purpose of this study is to assess whether the service delivery of Addis Credit and saving at Arada Sub city is up to the expectation of the customer and hence leading to customer satisfaction ensuring the long term business success of the company.

1.3 Research Question

This study was aimed to answer the following research questions

- a. What are the service qualities dimensions which impact on customer satisfaction ADCSM?
- b. What is the Service Quality dimensions ranks in customer Satisfaction at ADCSM?
- c. Which of the service quality dimensions has significant effect in customer satisfaction in ADCSM?

1.4 Objectives of the study

1.4.1 General objective

The general objective of this study is to assess the service quality dimensions and customer satisfaction in Addis Credit and Saving Institution in case of Arada Sub city branch.

1.4.2 Specific Objective

- a. To identify which service quality dimensions impact on customer satisfaction at ADCSM.
- b. To rank the effect of major service Quality dimensions
- c. To examine the gap between Service Quality dimensions and customer Satisfaction in ADCSM.

1.5 Significance of the study

A research is a tool to acquire knowledge. Thus, the study has immense contribution to gain knowledge on the study area. Therefore, the result of the study help to understand the outcome and the study would help the microfinance institutions to develop better quality service practice in order to meet customer needs and their satisfaction. It would play a great role for us in how to conduct a research & how to give an appropriate solution for the problems as well as for the customers also would help to identify the strong and weak side of the ADCSM at Arada sub city. In addition, as far as the research is ongoing process so this study will initiate other researcher to make further study about this issue.

1.6 Scope and Limitation of the study

The study had focus on service quality and customer satisfaction on ADCSM. However, in the many branches of the institution, but the study cover only one branch, which is Arada Sub city branch. And this could be one of the limitations of the study since it will generalize the satisfaction level and quality of services of ADCSM based on the above branch only. Due to considering constraints of time and finance, also to make the study manageable the participants in this study was consist of some number of customers and employees only.

1.7 Organization of the Study

This study organized in to five chapters. Accordingly, the first chapter discusses the introduction part; the second chapter looks the related literature of the study; the third chapter focus on research methodology and the fourth chapter discusses data presentation and analysis and finally chapter five stipulates conclusion based on analysis and possible recommendation by the researcher based on investigation.

1.8 Operational Definition of Terms

Customer- those who buy the goods or services provided by companies are customers. For this study customer is an individual who registered in the ADCSM institution at arada sub city to get service like money save, Loan/credit, and/or other services.

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

Customer Expectation; the extent to which a product or service fulfills a customer’s need and desire (Oliver, 1981)

Customer Satisfaction; can also be a person’s feelings of pleasure or disappointment that results from comparing a product’s perceived performance or outcome with their expectations (WTO, 1985)

Customer Perception; is an opinion about something viewed and assessed and it varies from customers to customers, as every customer has different beliefs towards certain services and products that play an important role in determining customer satisfaction (Reichhelid,1996)

1.9 Hypotheses of the Study

As it has been noted from literature satisfied customers are key to long-term business success (Kristensen et al. as cited in Munusamy, Chelliah and Mun, 2010)). Companies that have a more satisfied customer base also experience higher economic returns (Aker and Jacobsson et al. as cited in Munusamy, Chelliah and Mun, 2010).

But delivering service of quality that matches to the expectation of the customers and ultimately satisfying them is not coming without challenge. So, ADCSMI in Arada Sub city has to make sure that it is meeting customers' requirements (quality) and satisfy them without which it is difficult to keep on the momentum of its current business success.

To remain competitive and fulfill the owner's aspiration for high return in the form of cash flow, ADCSMI in Arada Sub city has to make sure that it is delivering service with quality which eventually secures customer satisfaction.

Therefore, to assess the service quality and hence customer satisfaction, the following research hypothesis is proposed:-

H1: *Service quality dimensions contribute significantly to customers' satisfaction.*

And the study will categorize customer's satisfaction as a dependent variable whereas the service quality dimensions such as reliability, tangibility, assurance, responsiveness and empathy as an independent variables.

H0: Service quality has less significance effect to customers satisfaction

CHAPTER TWO LITERATURE REVIEW

2.1 Historical Literature Review

2.2.1 Conceptualizing Service Quality and Customer Satisfaction

A service is any activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything. Different authors give different definitions for service. Kotler (Kotler, 2006) defines service as follows: "Service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product". Zeithaml (Zeithaml, 2009) defines service as. "Service is an activity, performance and process provided or coproduced by one entity or person for and with another entity or person".

2.2.2 Service

Service as a terminology is taken most often as one category of economic activity (Silvestro and Johnston as cited in Johns, 1998) which categorizes service industries into financial, transport, retail and personal services (Office for National Statistics as cited in Johns, 1998). Service also denotes health service, Civil Service etc. which traditionally developed along bureaucratic lines and are quite distinct from the industrial service sector (Johns, 1998). Customer service also defined as a series of activities designed to enhance the level of customers' satisfaction which is the feeling a product or service has met customer's expectations (Zeithaml and Bitner as cited in Oladepo & Abimbola 2014). It involves a series of comprehensive activities targeted at the satisfaction of customers and customers' perception of a service or product (Egena as cited Oladepo & Abimbola 2014).

The other issue in relation to service is the contention by Johns (1998) that service as an output has a substantial tangible component in as much as many products have intangible attributes. Customers buy an offering and the value that consists of many components, some of them being activities (service) and some being things (goods). As a consequence, the above scholars argue that traditional division between goods and services is long outdated (Gummesson as cited in Johns, 1998) The other dimension of service worth looking at is core products versus supplementary services. Many service products consist of a "bundle" that includes a variety of service elements and even some physical goods. A cluster of supplementary services are intended to add value to the

core accompanies and most services are secondary to core service. For instance, the core product of the lodging industry is a bed for the night while for airline is flight to destination. In lodging case luxury hotel could offer many additional services to enhance its guests' visit which is either free or carry a charge while airline flight offer meals and baggage which are supplementary services (Lovelok & Wright, 2001).

The other important point in service is Customization versus Standardization Services can be classified according to the degree of customization or standardization involved in service delivery. An important marketing decision is whether all customers should receive the same service or whether service features (and the underlying processes) should be adapted to meet individual requirements. Eye exam will follow standardized procedures; the optometrist's analysis of the results will result in a customized prescription for new contact lenses to correct her vision. Therefore, in customization service will be tailor to meet each customer's specific needs and preferences while standardization reduces variation in service operations and delivery. (Lovelok & Wright, 2001). The service could also be seen from the following angle when compared to goods.

2.2. 3. Service Characteristics

Table 1 service characteristics

No	Characteristics	Resulting implications
1	Intangibility	<ul style="list-style-type: none"> • Service cannot be inventoried • Service cannot patented • service can not readily displayed or recommended • Pricing is difficult
2	Heterogeneous	<ul style="list-style-type: none"> • Service delivery and CS depend on employee action • Service quality depends on many uncontrollable factors • There is no sure knowledge that the service delivered matches what was planned and
3	Inseparability	<ul style="list-style-type: none"> • Simultaneous production and consumption • Customers participate in and affect the transaction • Customers affect each other • Employees affect the service out come • Decentralization may be essential mass
4	Perishable	<ul style="list-style-type: none"> • It is difficult to synchronize supply and demand with service • Service cannot be returned or resold

Source: (Ennew C., 1996)

2.2.4. Customer Satisfaction

Customer satisfaction is dependent on the price. Besides costs, the quality of goods and services also create the satisfaction (Naser, 2002). The phrase “customer satisfaction” does not only express a happy customer, but rather complex than that. Customer satisfaction is defined as a customer’s overall evaluation of the performance of an offering to date. Customer satisfaction is considered as the emotional response to the experiences associated with the quality of products, services, timeliness, efficiency, ease of access, environment, other facilities including the behavior and attitude of the service providers in comparison to the customer’s expectations.

It is well established that satisfied customers are key to long-term business success and key element in business strategy (Kristensenetal.1992; Zeithamietal.1996; McColl-Kennedy and Scheider, 2000 as cited in Munsamy, Chelliah and Mun2010). It concerns all organizations, regardless of the size, whether profit or non-profit, local or multi-national. Higher customer satisfaction leads to greater customer loyalty (Yi,1991;AndersonandSulivan,1993;Bouldingetal.,1993 as cited in Munusamy, Chelliah and Mun2010)which in turn leads to higher future revenue (Fornell,1992;Bolton,1998 as cited in Munusamy, Chelliah and Mun2010).According to Kotler, Armstrong, Saunders, and Wong (1999) customer satisfaction is one of the major determinants of a firm’s market share and profitability.

Therefore, in a competitive market place where businesses compete for customers, customer satisfaction is seen as a key differentiator which is evident that many market leaders are found to be highly superior-customer-service orientated. To deal with the topic of customer satisfaction in the case of ADCSMI, it is imperative to understand fully the definition of the term „Customer Satisfaction`.

As Giese and Cote, (2000,) argue that there is no generic definition of customer satisfaction. Having carried a study on various definitions on satisfaction, they put forward customer satisfaction as a response (cognitive or affective) that pertains to a particular focus (i.e. a purchase experience and/or the associated product) and occurs at a certain time.

The other definition of customer satisfaction is an individual’s feeling of pleasure (or disappointment) resulting from comparing the perceived performance or outcome in relation to the

expectation (Oliver, 1981; Brandy and Robertson, 2001; Lovelock, Patterson and Walker, 2001 as cited in Munusamy, Chelliah and Mun 2010).

Generally, the concept satisfaction can be seen as a transaction-specific satisfaction and the cumulative satisfaction (Bouldingetal, 1993; Jones and Suh, 2000; Yi and La, 2004 as cited in Munusamy, Chelliah and Mun 2010).

Transaction-specific satisfaction is a reaction of the customer who experiences a product or service for the first time in which the customer's very own evaluation of his or her experience and reaction towards a particular service encounter (Crony and Taylor, 1992; Boshoff and Gray, 2004 as cited in Munusamy, Chelliah and Mun2010).

Cumulative satisfaction refers to the customer's overall evaluation of the consumption experience to particular service (Johnson, AndersonandFornell,1995 as cited in Munusamy, Chelliah and Mun. 2010) and is accumulation of a day to day encounter with services provided where the accumulated information helps customers establish a personal standard which is used to gauge service quality (Munusamy, Chelliah and Mun2010). In this context, it is agreed that customer satisfaction measurement is a post-consumption assessment by the user, about the products or services gained (Churchill and Surprenant, 1982; Yuksel and Rimmington, 1988 as cited in as cited in Munusamy, Chelliah and Mun2010).

On the other hand, Lonial and Zaim, (2000as cited in Oladepo & Abimbola, 2014) put customer satisfaction as the customer's positive or negative feeling about the value that was received after the consumption of ideas, goods and services. According to the authors, if using a product or service yields the desired consequences, then the consumer perceives high customer value which in turn leads to customer satisfaction (Lonial and Zaim, 2000 as cited in Oladepo, &Abimbola, 2014).The other important t point worth mentioning is that customer satisfaction affects customer loyalty (Heskett, 1997). There is a strong and positive relationship between customer satisfaction and loyalty. A satisfied customer is six times more likely to repurchase a product and share his experience with five or six other people (Grönroos, 2000; Zairi, 2000); further unsatisfied customer can banish more business from the organization than ten highly satisfied customers do (Mohsan, 2011).

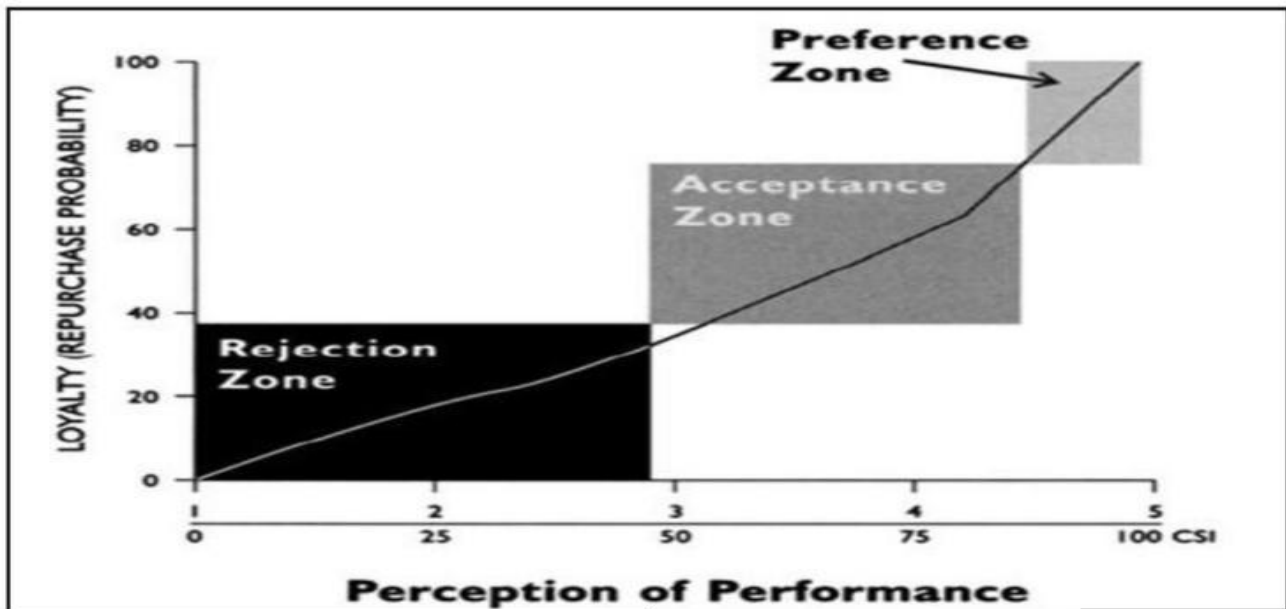


Figure 1: The relationship between loyalty, satisfaction and perception

Source: Anton (1997)

According to Anton (1997), perception of service quality (performance) can be classified into three zones. Rejection, acceptance and preference by the customer Satisfaction index (CSI). According to him, the score above 85, the score between 50-84 and the score below 50 is under preference zone, tolerance zone and rejection zone respectively. Therefore, higher perception of the service performance in preference zone, indicates satisfied customer with higher degree of loyalty.

2.2.5. Factors that Influence Customer Satisfaction

There are many factors that affect customer satisfaction in the service giving institutions especially for finance institutions. Such factors include friendly employees, courteous employees, knowledgeable employees, helpful employees, accuracy, timeliness, competitive loan and interest rate, service quality, good value and quick service. Studies also point out that customer satisfaction results ultimately in trust, price tolerance, and customer loyalty. Therefore, building customer relationship is a backbone for all organizations in general, and companies in service industries in particular. Issues like: customer satisfaction, service quality, customer perception, customer loyalty, are the main concerns of the nowadays service companies, which improves organization's performance and translates into more profits.

2.2.6 Customer Expectations

Expectations play an important role in the satisfaction formation. The extent to which a product or service fulfills a customer's need and desire may play an important role in forming feelings of satisfaction because of the impacts of confirmation or disconfirmation that have on satisfaction. Consumers expect to be delivered quality products and services; therefore companies try to offer quality products and services. The term expectations really matters to companies because they want to know what customers' expectations are. The term "expectations" has different uses, in the satisfaction literature, it is viewed as a prediction made by a consumer about what is likely to happen during an exchange or transaction. According to Bitner (Bitner, 2012) "Customer expectations are viewpoint about service delivery that work as standards or reference points against which performance is judged."

Customers form their expectations from their past experience, friends' advice, and marketers' and competitors' information and promises. Therefore, perceived service quality is viewed as the difference between consumers' perceptions and expectations for the service provided. Organizations in order to keep expectations rising, they have to perform services properly from the first time. Thus, customer expectations for the service are likely to rise when the service is not performed as promised. Expectations serve as reference points in customer's assessment of performance. Thus, retailers can increase customer satisfaction by decreasing customer expectations.

2.2.7 Customer Perception

Perception is a psychological term related with an opinion about something viewed and assessed and it varies from customers to customers, as every customer has different beliefs towards certain services and products that play an important role in determining customer satisfaction. Actual experience of the customers are always examined relative to their expectations about service quality because expectations of the customers are dynamic, assessment may also shift over a period of time from individual to individual and from one culture to another. In many cases, customer perception is subjective, but it provides some useful insights for organizations to develop their marketing strategies. Providing high level of quality service has become the selling point to attract customer's attention and is the most important driver that leads to satisfaction. Therefore, customer perception

and customer satisfaction are very closely linked together, because if the perceived service is close to customer's expectations it leads to satisfaction.

2.2.8 Measuring Service Quality

Measuring service quality is a better way to dictate whether the services are good or bad and whether the customers will or are satisfied with it. One of the most useful measurements of service quality is the dimensions from the SERVQUAL model. In the creation of this model for the very first time, “ (Parasurman, 1985) identified 97 attributes which were condensed into ten dimensions; they were found to have an impact on service quality and were regarded as the criteria that were important to access customer's expectations and perceptions on delivered service.

The SERVQUAL scale which is also known as the gap model has been proven to be one of the best ways to measure the quality of services provided to customers. This service evaluation method has been proven consistent and reliable by many researchers. They held that, when perceived or experienced service is less than the expected service; it implies less than satisfactory service quality; and when perceived service is more than expected service, the obvious inference is that service quality is more than satisfactory.

From the way this theory is presented, it seems the idea of SERVQUAL best fits the evaluation of service quality from the customer perspective. This is because when it is stated “perceived” and “expected” service, it is very clear that this goes to the person, who is going to or is consuming the service; who definitely is the consumer/customer.

Five generic dimensions of service quality, namely tangibility, reliability, responsiveness, assurance and empathy which in detail are shown as below (Azman Ismail, 2016):

A. Reliability: Delivering on promise

Reliability is defined as the ability to perform the promised service dependably and accurately. In its broadest sense, reliability means that the company delivers on its promises-promises about delivery, service provision, problem resolution, and pricing. Customers want to do business with companies that keep their promises particularly their promises about the service outcomes and core service attributes.

B. Responsiveness: being willing to help

Responsiveness is the willingness to help customers and to provide prompt service. This dimension emphasizes attentiveness and promptness in dealing with customer requests, questions, complaints, and problems. Responsiveness is communicated to customers by the length of time they have to wait for assistance, answer to questions, or attention to problems. Responsiveness also captures the notion of flexibility and ability to customize the service to customer needs.

To excel on the dimension of responsiveness, a company must be certain to view the process of service delivery and the handling of requests from the customer's point of view rather than from the company's point of view. To truly distinguish themselves on responsiveness, companies need well-staffed customer service departments as well as responsive front-line people in all contact positions.

C. Assurance: inspiring trust and confidence

Assurance is defined as employees' knowledge and courtesy and the ability of the firm and its employees to inspire trust and confidence. This dimension is likely to be particularly important for services that the customer perceives involving high risk and/or about which they feel uncertain about their ability to evaluate outcomes. Trust and confidence may be embodied in the person who links the customer to the company. In such service contexts the company seeks to build trust and loyalty between key contact people and individual customers.

D. Empathy: treating customers as individual

Empathy is defined as the caring individualized attention the firm provides its customers. The essence of empathy is conveying, through personalized or customized service that customers are unique and special. Customers want to feel understood by and important to firms that provide service to them.

E. Tangibles: representing the service physically

Tangibles are defined as the appearance of physical facilities, personnel, and communication materials. All of these provide physical representations or images of the service that customers, particularly new customers, will use to evaluate quality.

The aggregated sum of difference between perceptions and expectations from the five dimensions forms the global perceived quality. Following this view, customers' expectations were met through the outcome dimension (reliability) and exceeded it by means of the process dimension (tangibility, assurance, responsiveness, and empathy).

2.2 Empirical Literature Review

2.2.1 Measuring Service Quality Gaps

As it is known that what can be measured are the differences between the abstractions. So if we can measure the difference between expectations and perceptions, which was defined as perceived quality, we can therefore determine the level of satisfaction. This concept was quite similar to the conceptual model of service quality suggested by Parasurman (Parasurman, 1985), which applied the expectancy disconfirmation theory. These authors had identified that there were five key discrepancies that can influence customer evaluations of service quality:

- Gap 1 was the gap between customer expectations and management's perceptions of those expectations.
- Gap 2 was the gap between management's perception of what the customer wants and specifications of service quality.
- Gap 3 was the gap between service quality specifications and delivery of the service.
- Gap 4 was the gap between service delivery and what the company promises to the customer through external communication.
- Gap 5 was *the gap between customers' service expectations and their perceptions of service performance.*

Zeithaml (Zeithaml, 2009) stated that in order to manage service quality, it was important to manage the gaps between expectations and perceptions on the part of management, employees and customers. The most important gap (Gap 5) was that between customers' expectations of service and their perceptions of the service actually delivered. So by referring to the gap model, it was noted that a service marketer must lessen the customer gap (Gap 5). In order to do so, the service provider must first try to lessen the other four gaps (Gap 1, 2, 3, and 4) within the organization that inhibit delivery of quality service, as each of these elements contribute towards the expectations and perceptions of customers. Subsequent to the gap model, Parasurman (Parasurman, 1985) designed

the SERVQUAL instrument to identify and measure the gaps between customers' expectations and perceptions of service quality.

The instrument suggested service quality as the gap between customer's expectations (E) and their perception of the service provider's performance (P). Hence the service quality scores (Q) can be measured by subtracting the customer's perception score from the customer's expectations score.

The SERVQUAL is popularly used by many studies of service quality. It is a multiple-item scale developed to measure service quality by computing the differences between consumers' desired expectations and their perceptions of a firm's performance. The instrument has been designed to be applicable across a broad spectrum of services.

2.2.2 SERVQUAL

In 1985, Parasuraman et al. developed the SERVQUAL instrument for the measurement of service quality. They have made a serious improvement to the model in 1988, 1991 and again in 1994. SERVQUAL has become one of the most renowned in the service quality domain.

This model conceptualizes the gap between what the customer expects by way of service quality from the service providers and their evaluations of the performance of a particular service provider. Service quality is presented as a multidimensional construct. In their original formulation Parasuraman et al. (1985) identified ten dimension of service quality which are reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/knowing the customer and tangibles. In their 1988 work these components were condensed into five dimensions (Buttle, 1996).

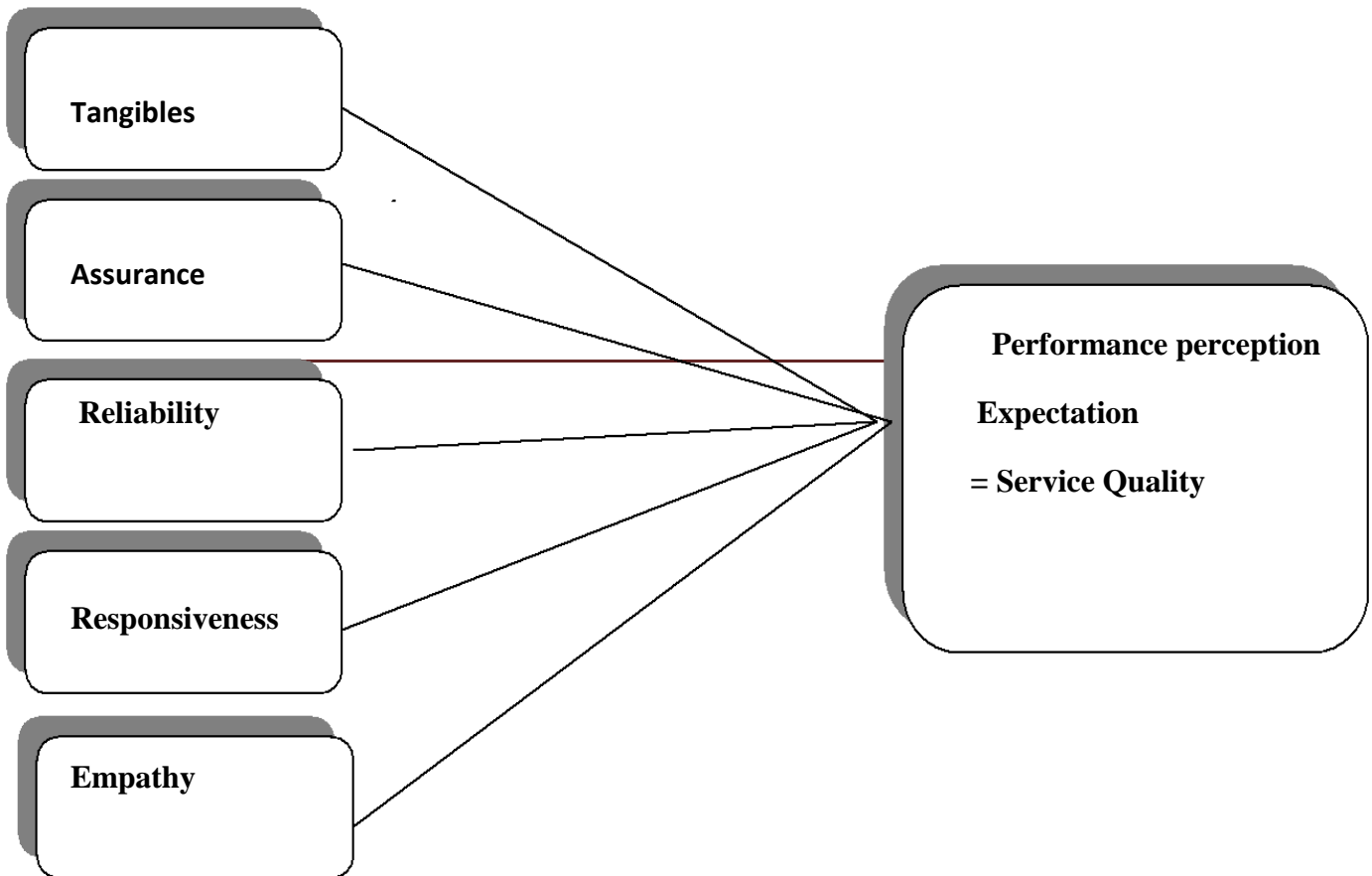


Figure2: Dimensions, Expectations and Perception, Adapted from Parasuraman (1988)

According to Parasuraman et al. the five SERVQUAL dimensions are a concise representation of the core criteria that customers employ in evaluating service quality. They argue that consumers would consider all five criteria to be quite important.

It was developed to measure perceived service quality as the key output variable and in its finalized form it has 22 pairs of Likert type scales. Service quality is then measured by calculating the difference in scores between the corresponding perception items and expectations items (Philip and Hazlett, 1997). The five dimensions of service quality are reliability, responsiveness, tangibles, assurance (communication, competence, credibility, courtesy, and security) and empathy which capture access and understanding/knowing the customers. These five dimensions explained in brief as of the following: (Zeithaml as cited in Seth and Deshmukh, 2005).

2.2.3 Relationship of Service Quality and Customer Satisfaction

Oliver (1993) first suggested that service quality would be antecedent to customer satisfaction whether these constructs were cumulative or transaction-specific. Some researchers have found empirical justification for this view where customer satisfaction came as a result of service quality (Anderson & Sullivan, 1993; Fornell 1996; Spreng & Macky 1996).

Despite the fact that factors such as price, product quality, delivery etc. can affect customer satisfaction, perceived service quality is a component of customer satisfaction (Zeithaml, 2006). Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service (Wilson, 2008). This theory conforms to the idea of Wilson (2008) and has been confirmed by the definition of customer satisfaction presented by other researchers.

More evidence has been proved that the service quality acted as one of the factors that influence satisfaction. Parasuraman (1985) in their study confirmed that when perceived service quality is high, then it will lead to increase in customer satisfaction. Some other authors also acknowledged that customer satisfaction is based on the level of service quality being provided by the service entities (Saravana & Rao, 2007).

Cronin & Taylor (1992) has view of customer satisfaction to be base itself on the customer's experience on a particular service encounter implying that service quality is a determinant of customer satisfaction. Another author stated that definitions of consumer satisfaction relate to a specific transaction (the difference between predicted service and perceived service) in contrast with „attitudes“, which are more enduring and less situational-oriented, (Lewis, 1983). This is in line with the idea of Zeithaml (2006).

2.2.4 Conceptual Frame Work

The conceptual framework is the blue print of the research work that guides the researcher to conceptually understand the research and outline and operationalize the dependent and the independent variables so that the measurement, processing, analysis of the data and interpretation of the result been easy and meaningful.

Customer satisfaction is believed to affect post-purchase perception and future decisions of customers. According to Cronin and Taylor (1992) service to customers and quality service are a

vital antecedent of customer's satisfaction. From the above discussion of literature review, it is clear that there is a relationship between service quality and customer's satisfaction where the former eventually leads to customer's satisfaction. Literature availed a number of models to measuring service quality. The empirical studies also shows that service quality dimensions have relations with service quality. It is evident that service quality dimensions have impact on customer satisfaction as various articles and journals show though with varying degree. Having reviewed both theories and empirical studies on service quality on the one hand and the Addis credit and saving Arada sub city delivery scenario on the other hand, the following conceptual frame work is drawn for this study.

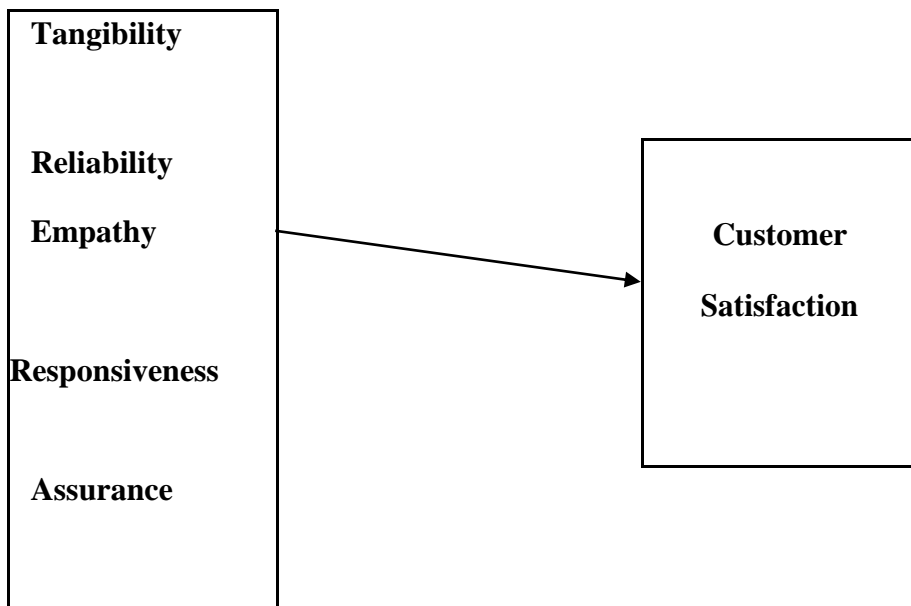


Figure 3: Conceptual Framework

Source: Own Survey (2019)

CHAPTER THREE RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

The researcher approaches is to clearly show the quality and the customer satisfaction ADCSMI in Arada sub city services like crediting, saving, loan, and training services etc. services of ADCSMI that it delivers to various customers. To this effect, both descriptive and explanatory research had been applied for the study using quantitative research approach to analyze data collected as a sample. Descriptive study design is appropriate for it enables the researcher to describe the existing situation of ADCSMI service quality and customer satisfaction in line to the service quality dimensions. The study also uses explanatory study design to explaining and understanding the relationship between variables. The study is also cross-sectional which implies that relevant data of the paper would be collected at one point in time.

3.2 Data Sources and Instruments

In order to address the objective of this study and to provide wide-range of information on the study area data were collected from different sources. The primary sources were the customers, local community and key staffs working in the area. Primary data were collected from customer through selected sample list by using questionnaires. In addition, discussion with key informant had been carried out to understand the service quality and level of satisfaction and to get information about the overall condition service provision by using close -ended questionnaire. To understand the overall situation of the area observation with guided by checklist was also applied.

To get concrete information and in order to support the data obtained from primary sources, secondary data were also collected. Secondary data sources used for this study was reports and documentation of the branch regarding customer satisfaction, and other organization. In addition, the researcher had been reviewed written documents to collect secondary data such as newspaper, journals, books etc.

3.3 Target Population

Arada sub-city credit and saving office is one of the branches of Addis credit and saving institute. Addis credit and saving institute s.c is established by the national bank of Ethiopia according to proclamation No. 40/88 in Jan, 2000 by six shareholders namely:- Addis Ababa City Administration, Addis Ababa City Women, Youth & Teachers Association, Karaalo Akababi

Hulegeb Peasants Cooperative and One Physical Person. Currently the institution has 10 branch offices at sub city level, 116 service delivery posts at kebeles, 7 micro bank branches and opening other branches in areas where there is high demand for its services. Since its establishment the company has been giving mainly credit, saving and counseling services. Its experience in the area has given the chance to develop different services like third party fund management. Addis credit and saving institution has been improving its policies from time to time that make it adjustable the external environment and make its services convenient to clients and for those working with the institution. Hence, the total target population for this study was all customers and employees in the ADCS institution at Arada Sub City branch.

3.4 Sampling (Size and Technique)

In order to determine the sample, systematic random sampling technique was used. Thus, in the first stage the number of customers in the branch was identified and then lottery method was used. The sample size had been determined based on the formula derived by Yamane (Yamane, 1967). Thus the minimum sample size, 'n' for a given confidence level and precision can be calculated as;

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

Where, 'n' is the minimum sample size; N is the population size; 'e' is the acceptable sampling error. At 95% confidence level the value of 'e' is 0.05. On the base of this table the sample size of this research population i.e, 357 is 145. Simple random sampling technique is applied to define the samples.

3.5 Data Analysis Method

Statistical package for social sciences (SPSS) version 23 applied to analyze the data collected. The answers to the questions and the corresponding output of the analysis are presented in tabular form the implications of which explained well in the paper.

Descriptive statistics (like percentage, frequencies, mean and correlation coefficient) and inferential statistics like multiple regressions and ANOVA table are applied.

Percentage and frequency apart from helping to discuss the general information of the respondents, it has been also applied to assess the perception of customers on ADCSM in Arada Sub city branch. Service quality and the customer's satisfaction on service delivery.

Comparison of mean scores of each service quality dimension is conducted to see on which service quality dimensions ADCSM in Arada Sub city performs well based on the perception of respondents. Besides, this data is applied to evaluate the perception of the customers" on over all service quality and their satisfaction level on ADCSM in Arada Sub city service delivery.

Correlation analysis is performed to analyze weather there is relation between each item of the five service quality dimension and service quality. Moreover, it is performed to see the relation between the five service quality dimension and customer satisfaction on service delivery. I also use correlation analysis technique to check whether or not service quality dimensions and customer's satisfaction has relation.

ANOVA is conducted to analyze customer's satisfaction level and its level of significance as shown in the annexed table. Multiple regression analysis is also undertaken to evaluate the impact of service quality dimensions on customer's satisfaction.

3.6 Reliability and Validity

3.6.1 Reliability

This quality criterion of the research refers to the consistency of a measure of a concept. This quality criteria deals with the question whether the results of a study are repeatable (Bryman and Bell, 2007). Cronbach's alpha is used in this study to assess the internal consistency (reliability of the instrument (questionnaire). Cronbach's alpha is a coefficient of reliability used to measure internal consistency of a test. The coefficient has to be between 0 and 1 to label as reliable. The internal consistency of the item is better, as the result approaches to 1, which means all the items measures the same variable i.e. over all service quality and customers" satisfaction.

3.6.2 Validity

The validity assures that the constructs measure what they claim to measure. In other words, construct validity assures whether service dimensions could measure the predefined dependent variables or not. In this regard, different theories and empirical studies have been assessed to assure

their validity in the literature survey portion of this paper. According to plausibility, integrity and completeness of the collected questionnaires is collected and interpreted are included in the data analysis part.

3.7 Ethical considerations

All the information was treated and kept secretly with high confidentiality without disclosure of the respondent identity. No information is changed or modified, hence the information is presented as collected and the same with the literatures collected for the purpose of this study. The questionnaire was anonymous and high level of confidentiality is considered. The information gathered through questionnaire is used solely for this research whose objective is one of fulfilling requirement of my MBA study.

CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATION

The purpose of this research is to evaluate service quality and customer satisfaction in Addis Microfinance Institutions specifically in Arada saub city. Data Analysis of the findings is generated from the results of survey which conducted in person through questionnaires. This chapter will present a discussion of the final results and the process through which the results were obtained. In addition to this, background information of respondents will be presented. The analysis is targets to accomplish the objectives of the study and address the research questions with proper solutions to the research problem.

4.1 Response Rate and Validity

The researcher prepared and distributed a total of 145 questioners to collect necessary data and information in the study area. 135 (93%) questioners returned which exhibits an acceptable respondent's rate to conduct the study. The completed questioners were checked for plausibility, integrity and completeness resulting 133 from 135 respondents that is 98% which is valid.

4.2 Demographic Characteristics of Respondents

Table 2: Respondents General Information

Description	Category	No of respondents (n=135)	%
Sex	Male	48	35.6%
	Female	87	64.4%
	Total	135	100%
Age	18-25 years	3	2.2 %
	26-35 years	31	23%
	36-45 years	42	31.1%
	46-55 years	38	28.1%
	Above 55	21	15.6%
	Total	135	100%
Marital status	Single	4	3%
	Married	131	97%
	divorced	0	0%
	Total	135	100%
Education Level	Primary Education	84	62.2%
	High School Completed	6	4.4%

	Diploma	2	1.5%
	Degree	3	2.2%
	MSc and Above	0	0%
	Others	40	29.6%
	Total	135	100%
Occupation	Student	0	0
	Employed	1	0.7%
	Business Owner	75	55.6%
	Retired	58	43.0%
	Others	1	0.7%
	Total	135	100%
Relationship With ADCSMI in years	Less than one Year	2	1.5%
	1-5 year	41	30.4%
	6-10 Year	68	50.4%
	More than 10 year	24	17.8%
	Total	135	100%

Source: Own Survey (2019)

As the above table depicts, the male and female respondents varies in number. The male respondents accounts 48 (35.6%) and females account 87(64.4%) of the total respondents who returned the questionnaires.

In addition to the gender demographic distribution of the respondents, it is possible to see their proportion in terms of as their age. From this table it is clear that the majority of the respondents are of the age ranging between 36 and 45 which account 42 (31.1%) of the total respondents. Respondents with the age between 46-55 are 38 (28.1 %). The above table also shows that 31 respondents are within the age range of 26 and 35 constituting (23%) of the total population. Those who are above 55 are 21(15.6 %) while the rest 2.2 % or 3 respondents is between the ages of 18-25. From this analysis one can say the majority of the respondents are between 36 and 45.

When we see the number of service years the customers have been using ADCSMI service in Arada sub city, one can see 2 (1.5 %), 24(17.8%), 24(17.8%),41(30.4%) and 68(50.4%) of the respondents companies have less than one years, 1-5 years, 6-10 years and more than 10 years relationship with the ADCSMI in Arada sub city respectively. A big portion of the respondents have relatively 6-10 years relationship duration in accepting a service and they are expected to have a good knowledge about the services

The table also shows the marital status of customers who are using ADCSMI services. Out of 135 total respondents 131 (97%) were married and the rest 4(3%) were single customers. From this analysis one can say the majority of the respondents were married customers.

The table also shows the education level of customers who are using ADCSMI services. Out of 135 total respondents 2 (1.5%), 3(2.2%),6 (4.4%) 40(29.6%)and 84 (62.2%) of the respondents" diploma, degree, high school completed and others respectively. From this analysis one can say the majority of the respondents are high school completed.

On the other hand, the same table portrays the occupation of the customers who were getting services. As it can be seen from the table, from the total of 135 respondents, 75(55.6%) were business owner while 58(43%) of respondents were retired customers and 1 (.7%) are employed and 1(0.7%) others. From this analysis one can say the majority of the respondents are business owners.

4.3 Analysis of Data Collected for the Study

4.3.1 Reliability Test

In addition to respondents" rate, reliability test has to be undertaken to measure repeatability (Bryman and Bell, 2007) and accuracy. Reliability test is essential to measure internal consistency of scale i.e, the extent to which respondents rate the items in a similar pattern. Cronbach"s alpha coefficient is important measurement of reliability which is discussed below in relation to this study.

Table 3: Cronbach's Alpha (Reliability analysis)

Dimensions	Cronbach's Alpha Value	Number of Items
Tangibility	.841	5
Reliability	.855	5
Responsiveness	.796	4
Assurance	.832	4
Empathy	.800	4
Overall scale reliability	.825	22

Source: survey result (2019)

Cronbach Alpha coefficient can be between 0 and 1. As a number approach to 1 the internal consistency of the items get stronger implying that all items measure the same variable (quality and satisfaction). Further supporting this statement, Bass and Avolio (1993) confirm that the instruments can be accepted as a reliable when reliability coefficient is greater than 0.5.

Accordingly, the overall reliability of the scale is acceptable as its coefficient (0.825) is greater than 0.5. Moreover, the scale consistency of each dimensions are also acceptable for the reliability coefficient of tangibility, reliability, responsiveness, assurance and empathy are of value 0.841, 0.855, 0.796, 0.832 and 0.800 respectively which are more than 0.5 and closer to 1. Therefore, it is logical to conclude that reliability of the scales are acceptable as indicated in the table 2

4.3.2 Descriptive Analysis

As it has been noted in the previous portion of this paper, SERVQUAL model is used in this paper to measuring respondents' perception towards the service delivery quality by using five service quality dimensions having 22 items. The paper also uses mean score to measuring respondents' perception of ADCSMI at Arada Sub city over all service quality and their satisfaction level.

Table 4: Customers' Perception on SQ Dimensions, Over All Service Quality and Level of Satisfaction on ADCSMI at Arada Sub City Services Delivery

Variables	N	Mean	Std. Deviation
Tangibility	135	3.104	.5571
Reliability	135	3.873	.7950
Responsiveness	135	3.831	.7392
Assurance	135	3.765	.8578
Empathy	135	3.793	.8356
Overall Service Quality	135	3.94	1.314
Customer Satisfaction	135	3.39	.802

Source: Own Survey (2019)

The above table shows respondents' perception towards service quality dimensions, over all service quality and customer satisfaction. As clearly seen in the table 4, the perception of respondents on Reliability is 3.873 in terms of mean score which is better than other service quality dimensions. On the other hand, Responsiveness and Empathy have moderate perception with mean score of 3.831, and 3.793 respectively. However, customers' perception on tangibility and assurance are relatively the least perceived value from the services quality dimensions with mean score of 3.104 and 3.765 respectively.

The mean perception of the customers on the reliability is good (3.873) which means doing the promised thing on time.

Similarly, the service quality perception of respondents on responsiveness rated as good (3.831) and is the second better dimension which means willing and quick in their response to customer's queries and performed better as compared to the other dimension. Besides, respondents' perception towards empathy (3.793) is also rated as good which is good in treating customers as individual. However, the perception of respondents' to service quality dimension on tangibility (3.104) is the least one which tangibility reflects the attractiveness of the service provider's physical facilities and deployment of modern equipment.

In summary of the above table the mean perception of respondents with over all service quality and customer satisfaction are moderate with a mean value of 3.94 and 3.39 respectively. When we see these mean figures in light of Anton (1997) three zones of perception of service performance, customer satisfaction index is between 50 and 84 which is under tolerance (acceptance) zone.

4.3.3 Correlation Analysis of Service Quality Dimensions and customer Satisfaction

Correlation analysis is used to check the strength of the relationship among various variables. In this paper, the correlation of service quality dimensions, over all service quality and level of customers' satisfaction will be analyzed. The value of correlation coefficient could take values between -1 and 1 which means the coefficient is ranging from being negatively correlated (-1) to uncorrelated (0) and to positively correlated (1). The Pearson correlation result $r(\rho)$ indicates the magnitude of relationships in the following categorization (DANCEY & REIDY, 2004): the relationship is weak if the coefficient is between 0.10 and 0.3, moderate when it is between 0.40

and 0.6 and strong when it is between 0.70 and 1.00. When correlation analysis coefficient is equal to 1, Pearson result consider it as perfect correlation.

Table 5: Correlation (Relationship among Service Quality Dimension and Customer’s Satisfaction)

	Level of Customer Satisfaction	Overall Service Quality	Tangibility	Reliability	Responsiveness	Assurance	Empathy
Customer Satisfaction	1						
Overall Services Quality	.397**	1					
Tangibility	.773	.540	1				
Reliability	.911	.573	.870	1			
Responsiveness	.871	.654	.918	.961	1		
Assurance	.899	.623	.924	.945	.991	1	
Empathy	.896	.632	.809	.973	.939	.932	1

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

Source: Own Survey (2019)

As it can be seen from the above table, all service quality dimensions, tangibility, responsiveness, reliability, assurance and empathy have positive relationship with over all service quality and customer satisfaction though the magnitude of the relationship differ among service quality dimensions.

Responsiveness, empathy, and assurance have a high coefficient value of 0.654, 0.632 and 0.623 respectively showing the existence of significant and strong relationship with over all service quality. However, tangibility and reliability with the correlation coefficient value of 0.573 and 0.540 exhibit moderate relationship with the overall services quality of the institution.

On the other hand, all service quality dimensions have positive relationship with the level of customer satisfaction with varying degree. In light of this reliability, assurance and empathy have a correlation coefficient value of 0.911, 0.899 and 0.896 respectively showing the existence of significant and strong relationship with customer satisfaction. Whereas tangibility and responsiveness have correlation coefficient with value of 0.773 and 0.871 respectively confirming

that their relation with customer satisfaction is lower than the other dimensions though they have strong relations. The implication the analysis result is that the better the quality of service with service quality dimensions items of responsiveness, empathy, and assurance, the higher the level of ADCSMI at Arada Sub city customer satisfaction.

4.3.4 Impact of Service Quality Dimensions on the Level of Satisfaction

One of the objectives of the study was to investigate the impact of service quality dimensions on over all service quality provided in which case multiple regressions will be conducted to see the impact of independent variable (empathy, reliability, tangibility, responsiveness and assurance) on dependent variable (customer satisfaction).

Table 6: Multiple Regression Analysis and Impact of Each Service Quality Dimensions on the Level of Satisfaction

Model		Un standardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.964	.568		-1.696	.092
	Tangibility	.418	.387	.290	1.080	.282
	Reliability	2.672	.778	-2.648	-3.433	.001
	Responsiveness	4.184	1.311	3.857	3.193	.002
	Assurance	2.510	1.222	-2.684	-2.054	.042
	Empathy	1.858	.380	1.935	4.884	.000

Source: Own Survey (2019)

The table shows that responsiveness, empathy, tangibility (the independent variables) impact on dependent variable (customers' satisfaction) are positive as values of coefficient β confirms though assurance and reliability does not positively impact on the research as per our findings. This means, the above mentioned service quality dimensions contribute positively and significantly to overall service quality which in effect confirms the acceptability of the research hypothesis (Test of Hypothesis-1) of this paper.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	df1
1	.820a	.673	.658	.469	.673	43.930	6

Source: Own Survey (2019)

The other parameter worth discussion is R square which is computed shown in the above table. It enables to understand the degree to which the model explains the variance in the dependent variable (customer satisfaction) in terms of independent variables (tangibility, reliability, responsiveness, assurance and empathy).

R square as shown in the above table 6, in aggregate the dependent variable (customer satisfaction) is explained (impacted) by all independent variables (tangibility, reliability, responsiveness, assurance and empathy) by 67.3 percent which shows the model’s fitness to explaining the variability in dependent variable. In small sample size, there is a possibility of over estimation of the model by R square value. To avoid over estimation of the model, it merits to check the normal R- square vis-a-vise to adjusted R square. In the case under consideration, the R square is not over estimated while evaluating the model’s fitness for its gap from adjusted R square (65.8%) is not big.

Table 7:ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	58.018	6	9.670	43.930	.000b
	Residual	28.175	128	.220		
	Total	86.193	134			

Source: Own Survey (2019)

As depicted in the ANOVA table shown above, the significance value of statistics is 0.000 which is less than 0.05 showing that there is relatively significant relationship between the dependent and independent variables.

4.3.5 Summary of Hypotheses Testing

The conceptual frame work developed under the literature review of this paper is tested by using tools in both descriptive and inferential analysis like mean, standard deviation, Pearson correlation and multiple regressions. The test result is summarized as follow

Table 8: Summary of Hypothesis Testing

Hypothesis	Statistical Test	Result
Service quality dimensions contribute significantly to the level of customer satisfaction	Multiple Regression	Supported

Source: Own Survey (2019)

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter is the final chapter which contains summary of the findings, conclusion, recommendations, limitations and future implication of the study.

5.1. Summary of Findings

Assessing the overall service quality and the customers level of satisfaction of the ADCSMI in Arada sub city is the main objective of the study by investigating the impact of service quality dimensions on customers level of satisfaction. To this effect hypothesis were developed to investigate how service quality dimensions can affect and impact on the level of customer satisfaction.

The paper adopted quantitative research strategy and used self-administered questionnaire to collect data from the customers. Descriptive statistics like frequency, mean and Pearson correlation analysis techniques were applied to analyze background information of respondents, respondents' perception on service quality and satisfaction as well as relationship between service quality dimensions and customers' satisfaction. In addition, regression analysis technique was applied to investigate impacts of service quality dimensions on customers' satisfaction and also to test the research hypothesis.

Descriptive statistics like frequency, mean, correlation and multiple regression were employed to analyze background information of respondents, respondents' perception on service delivery quality and satisfaction, to determine the relationship and its impact between service quality dimensions and level of customers satisfaction.

- a. The male respondents accounts 48 (35.6%) and females account 87(64.4%) of the total respondents who returned the questionnaires which shows that the major customers were females..
- b. The majority of the respondents are within the age range of 36-45 which accounts 31.1% (42) of the total respondents. Next big proportion goes to respondents with the age between 46-55 accounting 28.1 % (38). This indicates that majority of the respondents are in active workable age.
- c. Out of 135 total respondents, the customers have been using ADCSMI service in Arada sub city , one can see 2 (1.5 %), 24(17.8%), 24(17.8%),41(30.4%) and 68(50.4%) of the

respondents companies have less than one years, 1-5 years, 6-10 years and more than 10 years relationship with the ADCSMI in Arada sub city respectively

- d. Out of 135 total respondents, 131 (97%) are married customers and the remaining are 4(3%) are single.
- e. From the total of 135 total respondents, majority 75 (55.6%) of respondents were business owners.

The descriptive analysis conducted with the aim of investigating customers' perception on service quality dimensions, overall service quality and customer satisfaction. On the base of the finding of mean value of all the dimensions of service quality indicated in table-3, reliability is better followed by responsiveness and then empathy with a mean score value of 3.873, 3.831 and 3.793 respectively. Assurance and tangibility are moderate with mean value of 3.765 and 3.104 respectively. The mean value of perceived service quality and customer satisfaction is 3.94 and 3.39 respectively showing that the rating is in a tolerance (acceptance) zone of services delivery (Anton, 1997). To get the customer delighted, there is still a room for improvement which ADCSMI in Arada sub city has to work on.

Correlation coefficient statistics shows that responsiveness, empathy and assurance service quality dimensions have a positive and significant relationship with over all service quality with coefficient value of 0.654, 0.632 and 0.623 respectively. But, reliability and tangibility have moderate and least correlation to overall service quality with coefficient value of 0.573 and 0.540 respectively.

On the other hand, positive and strong relationship was also revealed between service quality dimensions and customer satisfaction. In this regard, assurance and empathy have higher relationship with customer satisfaction having coefficient value of 0.911, 0.899 and 0.896 respectively. Moreover, the finding also indicated that there is a significant relationship among independent variables (service quality dimensions) wherein a relatively stronger correlation observed between responsiveness and assurance and empathy and reliability with coefficient value of 0.991 and 0.973 respectively. The correlation analysis also found that there is significant and positive relationship between overall service quality (independent variable) and customer satisfaction (dependent variable) with correlation coefficient value of 0.397.

Multiple regression analysis were undertaken to investigate the impacts of each independent variables on dependent variable. The result confirmed that major service quality dimensions (tangibility, responsiveness, and empathy) have a positive impact on the customer satisfaction with $p < 0.05$ though their degree of impact varies amongst the services quality dimensions.

Besides, as the R square value shows the degree to which overall service quality (dependent variable) is explained by the model (services quality dimensions) which includes tangibility, reliability, responsiveness, assurance and empathy, the aggregate impact of which is (R square value) 0.673. This implies that customer satisfaction is impacted or explained by all service quality dimensions to the extent of 67.3%.

Generally, the research hypotheses of this study has been tested and confirmed that major service quality dimensions have significant and positive impact on customer satisfaction.

5.2. Conclusion

Service delivery of Addis credit and saving micro institution at Arada sub city has been investigated in the previous portion of this paper. Service quality dimensions used as construct to measure customer satisfaction of the same entity by applying various statistical tools. It merits wrap up the finding in the forthcoming statements so that their implication will be pin pointed clearly.

In the descriptive analysis portion of the paper, customers perceptions measured in terms of mean values. Accordingly, customers are satisfied in all service quality dimensions with mean value ranging between 3.1 and 3.8. On reliability, responsiveness and empathy, the customers are relatively better satisfied while on assurance and tangibility services quality dimensions the mean value shows that the customers are relatively less satisfied compared to the other service quality dimensions. With regards to the overall services quality and customer satisfaction, the customers are satisfied on the services delivery of ADCSMI at Arada sub city. However, the mean scores reveal that ADCSMI at Arada sub city still has a room to improve the overall service quality and its customer satisfaction to higher level i.e., to very satisfied with high degree of loyalty (Anton, 1997).

The correlation analysis of service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy) show, they all are positively correlated to the overall services quality.

Besides, all service quality dimensions have positive and significant relation with the level of customer satisfaction.

Regarding the impact analysis, it is found out that independent variables (service quality dimensions) have significant impact on customers' satisfaction (dependent variables) but with varying degrees. From this it is clear that ADCSMI at arada sub city can improve customers' satisfaction by working on quality

5.3. Recommendations

Based on the findings of the study, the following recommendations are made:

- a. In the service delivery process, ADCSMI at Arada sub city is as responsive as the customers require. The institution has to revisit its service delivery to be prompt to customers query. It is also necessary in the part of ADCSMI at Arada sub city to establish mechanism to make information easily availability to its customers,
- b. The service delivery of ADCSMI at arada sub city has to be equipped with necessary modern equipment and amenities which directly helps to improve service quality as statistical value of tangibility is modest.
- c. In ADCSMI at Arada sub city to strengthen its service industry, it has to satisfy its customers as it is well established fact that satisfied customers are key to higher economic returns & long-term business success (Kristensen et al. as cited in

Munusamy, Chelliah and Mun, 2010)). As this paper confirms, in ADCSMI at arada sub city service quality is the biggest component that impacts on customer satisfaction. The management of ADCSMI at arada sub city has to give major attention to quality to bring about a better satisfaction level.

- d. It is necessary to give attention to individual customer interest and requirement rather than apply „one fits all“ approach. As clearly indicated in quality dimension of empathy, ADCSMI at Arada sub city has to know the best interest of its customer and attempt to address it.

5.4. Limitations and Direction for Future Research

This study focused on ADCSMI at Arada sub city service delivery in Addis Ababa. The generalization of this paper to some extent cannot be applied to out laying service delivery (out of Addis Ababa). It is also worthwhile to note that price (service charges), delivery terms and condition etc have potential to influence customer satisfaction which this paper does not consider but is one interesting title for the future research. It is my firm belief that, the finding is very useful:

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Annex 1: QUESTIONNAIRE

Dear Customers,

I am students at St. Mariam University School of business and economics Master of Business Administration. Currently, I am conducting a research study on “Service Quality and Customer Satisfaction In Addis Microfinance, Arada Sub city branch fulfillment for Master of Business Administration.

Your genuine response is highly valuable for the study and there are no identified risks from participation in the survey. The survey is anonymous. Participation is completely voluntarily. Dear Addis Microfinance, Arada Sub city branch Customer, this questionnaire is intended to gather information about Service Quality and Customer Satisfaction and other related issues in Arada sub city branch. The information that you provide in this questionnaire will be kept confidential and be used only for academic purpose. Please fill free to contact the researcher for further information at any time through;

Name: Ledeta Demessie Alemu

Phone: +2519 30481646

E-mail:contactlidet@gmail.com

PART I

General Information

Please tick (✓) in the boxes applicable to you.

1. Gender

(1) Male (2) Female

2. Age group

1) 18-25 (2) 26-35 (3) 36-45 (4) 46-55 (5) above 55

3. Marital Status

(1) Single (2) Married (3) Divorced

4. Highest education level

1) Primary education 2) High School complete 3) Diploma 4) Degree
5) Masters & above 6) others

5. Occupation

1) Student 2) Employed 3) Business owner (4) Retired 5) Others

6. Length of your relationship with Addis Microfinance

1) Less than 1 year 2) 1-5 years 3) 6 -10years 4) more than 10years

PART II

The following statement relates to your thoughts about the ADCSMI in Arada sub city branch. Please show the institutions extent to which you believe in that has the feature described by the statement. Indicating ticking (√) to '1' means strongly disagree, '2' disagree, '3' neutral, '4' agree and '5' strongly agree. There is no right or wrong answers; all we interested in is a number that best shows your thoughts about the institutions.

Service Quality Dimensions	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1.Tangibility					
1.1 The service deliverer (ADCSMI in Arada sub city) has modern equipment.	1	2	3	4	5
1.2. The service deliverer (ADCSMI in Arada sub city)) has attractive physical facilities	1	2	3	4	5
1.3 The employees delivering the services are neat, disciplined, professional in their appearance,	1	2	3	4	5
1.4. Materials associated with the service (pamphlets, sign posts etc) are visually appealing.	1	2	3	4	5
2.Reliability					
2.1. When ADCSMI in Arada sub city) promises to supply service within a specific time to you, it does so	1	2	3	4	5
2.2. The service provider has sincere interest to solve the problem of the customer.	1	2	3	4	5
2.3. The service provider gives accurate information to the Customer.	1	2	3	4	5
2.4. The service is provided on time as promised.	1	2	3	4	5
2.5. Sufficient man power and material is kept to avoid the interruption of service provision.	1	2	3	4	5
3.Responsiveness					
3.1. The service provider makes the information easily obtainable,	1	2	3	4	5
3.2. The service provider gives prompt service ,	1	2	3	4	5
3.3. The service provider are happy and willing to serve the customer,	1	2	3	4	5
3.4. The service provider are not too busy to respond to the customers requests.	1	2	3	4	5
4.Assurance					
4.1. The service provider have the required skill in providing services.	1	2	3	4	5
4.2. The customers feel safe on the service provided by the employees,	1	2	3	4	5
4.3. The service provider trust worthy,	1	2	3	4	5
4.4. The service provider inspire confidence ,	1	2	3	4	5
4.5. The employees of the service provider polite to the customer,	1	2	3	4	5
5. Empathy					
5.1. The service provider employees usually give individual attention.	1	2	3	4	5
5.2. The service provider do know promptly what your needs are.	1	2	3	4	5
5.3. The service provider and its employees have the customers best interest at heart ,	1	2	3	4	5
5.4.The service provider have operating hours convenient to the customers.	1	2	3	4	5

Part Three:

In this part of the questionnaire, your valuable information on the overall level of service quality and your overall level of satisfaction on the delivery of Addis Microfinance, Arada Sub city service will be sought. Please circle a number that shows your overall service quality perception and your level of satisfaction with respect to the following statements.

Over all service quality of Addis Microfinance, Arada Sub City

	Worst	Poor	Neutral	Good	Excellent
Over all service quality of Addis Microfinance, Arada Sub city					
1. the overall service quality of Addis Microfinance, Arada Sub city	1	2	3	4	5

Level of Customers Satisfaction

	Strongly dissatisfied	Dissatisfied	Neutral	Satisfied	Strongly Satisfied
Your overall satisfaction on outsourced service of Addis Microfinance, Arada Sub city					
1. Your satisfaction level on the outsourced service Addis Microfinance, Arada Sub city delivers.	1	2	3	4	5

Thank you!!!

Annex 2: Correlations

		OSQ	OCS	T	R	RP	A
OSQ	Pearson Correlation	1	.397**	.773**	.911**	.871**	.899**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	135	135	135	135	135	135
OCS	Pearson Correlation	.397**	1	.540**	.573**	.654**	.623**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	135	135	135	135	135	135
T	Pearson Correlation	.773**	.540**	1	.870**	.918**	.924**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	135	135	135	135	135	135
R	Pearson Correlation	.911**	.573**	.870**	1	.961**	.945**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	135	135	135	135	135	135
RP	Pearson Correlation	.871**	.654**	.918**	.961**	1	.991**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	135	135	135	135	135	135
A	Pearson Correlation	.899**	.623**	.924**	.945**	.991**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	135	135	135	135	135	135
E	Pearson Correlation	.896**	.632**	.809**	.973**	.939**	.932**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000
	N	135	135	135	135	135	135

Correlations

		E
OSQ	Pearson Correlation	.896**
	Sig. (2-tailed)	.000
	N	135
OCS	Pearson Correlation	.632**
	Sig. (2-tailed)	.000
	N	135
T	Pearson Correlation	.809**
	Sig. (2-tailed)	.000
	N	135
R	Pearson Correlation	.973**
	Sig. (2-tailed)	.000
	N	135
RP	Pearson Correlation	.939**
	Sig. (2-tailed)	.000
	N	135
A	Pearson Correlation	.932**
	Sig. (2-tailed)	.000
	N	135
E	Pearson Correlation	1
	Sig. (2-tailed)	
	N	135

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

Annex 3: Regression

```

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Notes

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Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	E, T, OSQ, RP, R, A ^b	.	Enter

- a. Dependent Variable: OCS
 b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1		
1	.820 ^a	.673	.658	.469	.673	43.930	6		

Model Summary

Model	Change Statistics	
	df2	Sig. F Change
1	128	.000

a. Predictors: (Constant), E, T, OSQ, RP, R, A

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	58.018	6	9.670	43.930	.000 ^b
	Residual	28.175	128	.220		
	Total	86.193	134			

a. Dependent Variable: OCS

b. Predictors: (Constant), E, T, OSQ, RP, R, A

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics
		B	Std. Error	Beta			Tolerance
1	(Constant)	-.964	.568		-1.696	.092	
	OSQ	-.057	.219	-.093	-.259	.796	.020
	T	.418	.387	.290	1.080	.282	.035
	R	-2.672	.778	-2.648	-3.433	.001	.004
	RP	4.184	1.311	3.857	3.193	.002	.002
	A	-2.510	1.222	-2.684	-2.054	.042	.001
	E	1.858	.380	1.935	4.884	.000	.016

Annex 3: Descriptive Statistics

```
VARIABLES=T R RP A E OSQ OCS
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  /ORDER=ANALYSIS.
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Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on all cases with valid data.
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Statistics

		T	R	RP	A	E	OSQ	OCS
N	Valid	135	135	135	135	135	135	135
	Missing	0	0	0	0	0	0	0
	Mean	3.104	3.873	3.831	3.765	3.793	3.94	3.39
	Median	3.200	4.200	4.000	4.000	4.000	4.00	3.00
	Std. Deviation	.5571	.7950	.7392	.8578	.8356	1.314	.802

Frequency Table

		T			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.8	8	5.9	5.9	5.9
	2.0	5	3.7	3.7	9.6
	2.4	9	6.7	6.7	16.3
	2.6	6	4.4	4.4	20.7
	2.8	10	7.4	7.4	28.1
	3.0	14	10.4	10.4	38.5
	3.2	22	16.3	16.3	54.8
	3.4	29	21.5	21.5	76.3
	3.6	21	15.6	15.6	91.9
	3.8	6	4.4	4.4	96.3
	4.0	5	3.7	3.7	100.0
	Total	135	100.0	100.0	

R

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2.2	7	5.2	5.2	5.2
	2.6	14	10.4	10.4	15.6
	2.8	6	4.4	4.4	20.0
	3.0	8	5.9	5.9	25.9
	3.6	2	1.5	1.5	27.4
	3.8	11	8.1	8.1	35.6
	4.0	17	12.6	12.6	48.1
	4.2	17	12.6	12.6	60.7
	4.4	25	18.5	18.5	79.3
	4.6	18	13.3	13.3	92.6
	4.8	5	3.7	3.7	96.3
	5.0	5	3.7	3.7	100.0
	Total	135	100.0	100.0	

RP

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2.5	20	14.8	14.8	14.8
	3.0	15	11.1	11.1	25.9
	3.5	3	2.2	2.2	28.1
	3.8	14	10.4	10.4	38.5
	4.0	22	16.3	16.3	54.8
	4.3	29	21.5	21.5	76.3
	4.5	21	15.6	15.6	91.9
	4.8	6	4.4	4.4	96.3
	5.0	5	3.7	3.7	100.0
	Total	135	100.0	100.0	

A

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2.0	14	10.4	10.4	10.4
	2.5	6	4.4	4.4	14.8
	2.8	8	5.9	5.9	20.7
	3.0	7	5.2	5.2	25.9
	3.5	3	2.2	2.2	28.1
	3.8	14	10.4	10.4	38.5
	4.0	22	16.3	16.3	54.8
	4.3	29	21.5	21.5	76.3
	4.5	21	15.6	15.6	91.9
	4.8	6	4.4	4.4	96.3
	5.0	5	3.7	3.7	100.0
	Total	135	100.0	100.0	

E

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2.0	16	11.9	11.9	11.9
	2.8	5	3.7	3.7	15.6
	3.0	6	4.4	4.4	20.0
	3.3	8	5.9	5.9	25.9
	3.5	3	2.2	2.2	28.1
	3.8	14	10.4	10.4	38.5
	4.0	22	16.3	16.3	54.8
	4.3	29	21.5	21.5	76.3
	4.5	21	15.6	15.6	91.9
	4.8	6	4.4	4.4	96.3
	5.0	5	3.7	3.7	100.0
	Total	135	100.0	100.0	

OSQ

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	14	10.4	10.4	10.4
	2	7	5.2	5.2	15.6
	3	15	11.1	11.1	26.7
	4	36	26.7	26.7	53.3
	5	63	46.7	46.7	100.0
	Total	135	100.0	100.0	

OCS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2	16	11.9	11.9	11.9
	3	61	45.2	45.2	57.0
	4	47	34.8	34.8	91.9
	5	11	8.1	8.1	100.0
	Total	135	100.0	100.0	