**THE EFFECTS OF SERVICE QUALITY ON CUSTOMER SATISFACTION IN SOCIAL SECURITY SCHEMES IN TANZANIA: A CASE OF PUBLIC SERVICE SOCIAL SECURITY FUND (PSSSF) IN DAR ES SALAAM REGION**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**OF THE OPEN UNIVERSITY OF TANZANIA**

**2023**

**CERTIFICATION**

The undersigned certifies that she has read and hereby recommends for acceptance by the Open University of Tanzania a dissertation titled**; “The Effects of Service Quality on Customer Satisfaction in Social Security Schemes. A Case of PSSSF in Dar es Salaam Region”** in partial fulfillment of the requirements for award of Master Degree in Business Administration of the Open University of Tanzania.

………………………..……………..

Dr. Lilian Macha

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…..…………………..………….

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# DECLARATION

I, **Serena Aloyce Mushy**, do hereby declare that this dissertation is my own original work and that it has not been presented, and will not be presented, to any other University for a similar or any other degree award in partial fulfillment of the requirements for award of Master Degree in Business Administration of the Open University of Tanzania.

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Signature

………..………………….

Date

**DEDICATION**

I dedicate this to my late parents Mr. and Mrs. Aloyce Michael Mushy, my beloved husband Mr. R. Kakozi and children for the number of hours they spent helping me to make life foundation and all of my other achievements in life. You have always been there to encourage me that I could do whatever I set my mind to accomplish. Thank you and I love you!

**ACKNOWLEDGEMENT**

First and foremost, I thank God for he has given me special opportunity of good health physically and mentally that made be able to write this dissertation. I would like to express my deepest appreciation to my supervisor; Dr. Lilian Macha, without her guidance and help this dissertation would not have been possible. Lastly, my sincere thanks to OUT staff, staff at Public Service Social Security Fund and my co-workers for their assistance during writing of the entire research work. Their knowledge of the field and guidance has been valuable to me.

**ABSTRACT**

The study sought to examine the effects of service quality on customer satisfaction for PSSSF in Tanzania. The study specifically sought to determine the effect of tangibility, reliability, empathy, responsiveness and assurance on customer satisfaction Public Service Social Security Fund contributing members and employees. Yamane formula was used to obtain the number of the respondents (255). Sampling techniques used was simple random sampling. Data was collected from correctly filled questionnaires and were coded, tabulated and analyzed using SPSS versions 16 using descriptive statistics inferential statistics. The study results indicated that service quality dimensions were statistically significant predictors of customer satisfaction. It was concluded that the scheme offered easy accessibility of its services, and the scheme had reliable services and acted promptly to any queries. The study led to conclusion that the social security scheme had effective ways to help its members and employees to know its good service strategy. It was recommended that in order to maintain a very high satisfied customer group the social security funds should focus more on customer service.

***Keywords:****Social security funds,ervice quality,customer satisfaction,Tanzania*.

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**LIST OF ABBREVIATIONS**

GEPF Government Employees Provident Fund

GOT Government of Tanzania

HRM Human Resource Management

LAPF Local Authority Pensions Fund

MBA Mater of Business Administration

NHIF National Health Insurance

NSSF National Social Security Fund

OUT Open University of Tanzania

PPF Parasternal Pension Fund

PSPF Public Service Pension Fund

PSRC Presidential Parastatals Sector Reform Commission

PSSSF Public Service Social Security Fund

SERVQUAL Service Quality

SPSS Statistical Package for Social Sciences

SSSRA Social Security Regulatory Authority

URT United Republic of Tanzania

ZSSF Zanzibar Social Security Fund social Security schemes

**CHAPTER ONE**

**INTRODUCTION**

* 1. **Overview**

This chapter presents a background of the study, statement of the problem, objective of the study and significance of the study, scope of the study and limitation of the study.

* 1. **Background to the Study**

According to Armstrong (2012), it is important for firms and organizations to implement the right marketing strategies in order to succeed. Traditionally, firms, institutions, organizations and companies focused their marketing strategies around attracting new customers and increasing their market share. However, due to globalization, most industries and markets are becoming more and more competitive forcing significant changes in the way firms do business (ibid). In order to retain customers in any organization/ sector characterized by high competition, there is a need to meet each individual customer’s needs and expectations (ibid). Brown (2020) argues that it is the value of the customers‟ experiences with the product/service that is important, therefore, customers‟ needs are important to consider when delivering products and services. Service Quality has been identified as the major factor that stimulates and retains customers in any business.

These in turn make customers to deeply hold commitment to re-buy a preferred product or service consistently in the future, thereby causing repetitive return of customers to purchase/ gate the same product or service, despite of situational influences and marketing efforts done by competitors that may results into having the potential switching behavior of customers (Aroki *et al.,*2014). Due to the growing anxiety of the rise in the competitive marketing environment among social security schemes, service providers in social security schemes make a move not only on the provision of quality services, but also to retain customers so as to be able to provide constant and long term donation into organizational profitability (Brown, 2020). On the other hand, service quality is defined as the consumers’ judgment about a firm’s overall excellence or superiority (Cai *et al.,* 2021). What happens and perceived by customers in the interaction process will obviously have critical impact on customers ‘evaluation of service quality. Thus, service quality, customer value and order to remain competitive in business and hence grow. Chang *et al*. (2017) argued that the institutions or companies that demonstrate excellent customer services, satisfy customer and value them record increase for about 72% profit per employee compared to similar organizations with poor customer service, Poor customer valuation and dissatisfied customers.

It is also an advantage for the scheme to attract new customers than to retain existing customers. So, achieving high levels of customer retention is the function of quality service. Hence, organizations that consistently provide good service to their customers enjoy higher retention levels and greater profitability due to increased customers (Cao *et al*., 2018). Murray *et al. (*2019) conceptualized that customer service qualities have a significant influence on success of an institution. Thus, a good quality of service gives a competitive advantage to any business. The social security schemes try to create conducive environments for easy access to their customers. In view of various literatures from different scholars, evaluation of service quality on customer retention in social security schemes is a worthwhile topic to study so that customer retention in social security schemes is enhanced for the future. Furthermore, Lambert (2010) suggests that, there is a significant positive relationship between customer satisfaction and customer loyalty/retention. Therefore, in most financial firms, customer satisfaction has proved as a mediator between service quality and customer loyalty.

The overall evaluation of a specific service firm that results from comparing that firm’s performance with the customer’s general expectations of how firms in that industry should perform (Parasuraman *et al*., 1998). Walsh,*et al*. (2017) in their studies found that factors that are responsible for influencing customer retention in the banking sector includes knowledge ability, communication, personalization, empowerment, technology, fees and ethical behavior.

Many studies in developed countries and developing countries focused on issues of quality services to customer loyalty (Parasuraman *et al.,* 1998). However, there are insufficient studies based on the contribution of service quality on customer satisfaction in social security schemes that have been done in Tanzania particularly in Dar es salaam region. Therefore, the study intended to assess the contribution of service quality towards customer satisfaction in social security schemes particularly in PSSSF Dar es salaam region.

* 1. **Statement of the Research Problem**

 The concepts of service quality have been highly measured and used in marketing texts and activities, during previous decades. Marketing researchers have praised the advantages of satisfaction and quality, and have mentioned them as indices of an organization competitive benefit (Dominic *et al*., 2010). In business, customer satisfaction is a tactic of increasing profit, and this profit can only be generated by having a satisfied and loyal customer base. The booming firms define their strategies in customer-oriented comportment (Kotler, 2000). According to Kotler (2000), the success of the product offering depends upon the value and satisfaction it delivers to the buyers, however its fulfillment of the expected needs of the customer after the consumption of the delivered product or service.

Customers become very vital in business during the marketing era of 1950s when companies could produce what they can sell and not just selling what they can produce as it was during the production era. During the consumption era the focus on customer/consumers has increased more as the consumption era also shifts to post consumption: where organization are obliged to render more service in addition to what they provide as to offer to their customers (Armano, 2009) Most scholars and practitioners in the field of customer satisfaction such as Brown *et al.* (1991); Cronin and Taylor (1992); Gronholdt *et al.* (2000) have strongly stressed on the need for management of utility companies to ensure that they formulate and implement appropriate policies which will lead to more customer satisfaction in terms of quantity and quality of services they buy and consume, then this will significantly reduce customers complaints, increase selling profit and performance of the organization, enable the organization to be in good position to expand its business. However, if large number of customers is increasingly dissatisfied with the quantity and quality of the organization, this will significantly reduce the selling and profit performance of the organization.

On the other hand, service loyalty is one of the most important structures in service marketing, due to its effect on customers’ repeated purchases (customer retention), and in fact, those loyal customers who purchase repeatedly are considered as the base of any business (Caruana,2002). In order to meet customers demand and expectation from this consumption era, Social security schemes in Tanzania have to formulate and implement appropriate policies which will lead more to customer satisfaction in terms of service quality offered to customers, they have to analyze from the customers ‘perspective in order to understand their needs so as to meet their expectation and demand from the service offered. Service quality has become an important tool for service provider, who establishes a high level of service quality will satisfy her customers eventually putting an organization on edge of competitive advantages which leads to, profitability, reduced cost.

Customer satisfaction is very important concepts that companies must understand which in turn lads to customer loyalty and retention. Therefore, Service quality is the major concern for customer retention in social security schemes and is the focus in this study because it plays an important role to most service firms including social security schemes in Tanzania. Hence it is a basis of marketing strategies for companies and a key strategic issue for the business success (Spathis *et al.,* 2004).

Social security schemes as part of Service industry have becomes the victims of customer loyalty; as we are aware that loyalty is an integral part of doing a business. Limitation of customer loyalty and satisfaction, without proper implementation of appropriate policies which will lead more to customer satisfaction in terms of service quality and others factors in social security industry in general tends to disturb customers a lot, which leads them to shift from one social security scheme to other for the sake of looking quality service and satisfaction. To combat the existing problem the Government decided to introduce the Social Security Regulatory Authority (SSRA) which its main functions includes regulating and supervising all social security schemes in Tanzania for the safeguard and interest of its members (Customers) but still the problem. So the aim of this study is to examine the contribution of service quality on customer satisfaction at PSSSF in Tanzania.

* 1. **Research Objectives**

 The Objective of this study is in two folds: General objective and specific objectives.

* + 1. **General Objective**

The general objective of this study is to examine the effects of Service Quality on Customer satisfaction in Social security schemes, a study of PSSSF in Dar es salaam region.

* + 1. **Specific Objectives**

This study was guided by the following specific objectives;

1. To examine the effects of reliability on customer satisfaction at PSSSF.
2. To analyze the effects of assurance on customer satisfaction at PSSSF
3. To examine the effects of tangibility on customer satisfaction at PSSSF
4. To analyze the effects of empathy on customer satisfaction at PSSSF
5. To examine the effects of responsiveness on customer satisfaction at PSSSF
	1. **Significance of the Study**

The finding of this study adds contributions to the existing literature on social security schemes in Tanzania. Since this is an area that has great potential of further growth and will attract further academic research, the findings assisted in providing reference materials for future researchers. Policy makers who work for social security schemes in Tanzania got a clear understanding on the perception beneficiaries, services provided and customer’s retention. This contributed a form of benchmark for best practice which enabled them to come up with policies that can enhance reformation in the social security schemes and their operations. The finding as well is expected to assist the government of Tanzania to know the factors that affecting the satisfaction of customers of PSSSF. This enables the government to put in place any appropriate regulations to enhance the sustainable performance of social security schemes. The study is expected to provide PSSSF, Government and other Social security schemes with the valuable information regarding customer satisfaction.

* 1. **Scope of the Study**

The study covered only one social security scheme that is PSSSF in Dar es salaam

region.

* 1. **Organization of the Study**

Chapter one of this study introduced the background of the study, statement of problem, the objectives of the study, research hypothesis, and significance of the study and the scope of the study. Chapter two comprises three sections. The first section looks at conceptual definitions followed by theoretical literature review. The second section deals with empirical studies. In this section review of studies done outside and in Tanzania by various scholars concerning service quality is done. Last section is conceptual framework. Chapter three deals with research methodology. This chapter looks at research design and strategies, survey population and area of study. It also looks at sampling procedures, sample size and methods of data collection. It ends up by looking at data analysis. Chapter four is about research findings, analysis and interpretations, and lastly chapter five provides recommendations and areas for future studies.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Overview

 This chapter presents different literatures that show meaning of different concepts/variables that ware used in the study, the description of the variables, the measurement of the research variables, relationship among research variables and similar studies from different areas. The presentation of literature review enables the researcher to come up with theoretical conceptual framework of the study.

## 2.2 Definition of Key Concepts

### 2.2.1 Service Quality

Service quality can be measured in terms of customer perception, customer expectation, customer satisfaction, and customer attitude (Murray et al., 2019). Ekinci, (2013) indicates that the evaluation of service quality leads to customer satisfaction. Han et al. (2021) clarify that customers perceive services in terms of the quality of the service and how satisfied they are overall with their experiences. Service quality focuses on dimensions of service which are reliability; responsiveness, assurance, empathy and tangibles.

Perceived service quality is a component of customer satisfaction. Zeithaml, Bitner and Gremler, (2016) define customer satisfaction as the customer’s evaluation of a product or service in terms of whether that product or service has met the customer’s needs and expectations. Failure to meet needs and expectations is assumed to result in dissatisfaction with the product or service.

### 2.2.2 Customer Satisfaction

Customer satisfaction refers to the level of fulfillment expressed by the customer after the service delivery process. This is a subjective assessment of the service based on the five dimensions of service quality. Customer satisfaction is important due to its direct impact on customer retention (Cao *et al.,* 2018; Zhou et al., 2019), level of spending (Fornell et al., 2010), and long-term competitiveness of the organization (Suchánek and Králová, 2019). Susskind *et al.* (2003) describes that service quality has a direct impact on customer satisfaction. For this reason, this research considers that five dimensions of service quality are the important antecedents of customer satisfaction.

According to Deng *et al.,* (2019) the capacity of a service provider to make satisfaction fulfillment of high degree and it is vital for product separation and building up solid association with customers. Literature accepts that customer satisfaction is an essential element for business success for the long-term (Zeithaml *et al.,* 1996). It is entirely a correct thing that to convey satisfactory (SQ) to consumers, provides organizations an opportunity to isolate themselves in centered markets (Karatepe *et al.,* 2015). Studies also show that service quality has direct impact on behavioral attitudes through satisfaction (Cronin et al., 2017). Other sectors also focus on customer satisfaction likewise in banks. Banks also need to recognize customer’s service demands and how it will affect service delivery and customer’s point of view (Gerrard and Cunningham, 2011), for an insignificant addition of consumer loyalty that can prompt devotion and retention of customer (Bowen and Chen, 2011). Consumer’s satisfaction and service quality are interconnected and this creates worth for customer. If consumers are provided with the services that they assume, exceeds their expectations, results in customer having a constructive view about the organization. Furthermore, if customers feel they received undervalued services their attitude regarding a given firm will be negative and they may mover their loyalty to potential consumers (Chau & Kao, 2015). If satisfaction exists, then customers will become loyal towards firm but if customers are unsatisfied their loyalty is not guaranteed. Hence special focus should be given by the management on the satisfaction and this starts with delivering quality service (Mohsan et al., 2011).

## 2.3 Overview of Social Security Schemes

 During primitive era, man was protecting himself against wild animals, hunger and shelter, before the development of societies, primitive man wandered from place to place hunting for food. Security lay in his ability to overcome his prey and protect himself against any adversary. When he became too old and/or weak from ill health, ability to protect himself and overcome his prey becomes low. With the development of societies, came different community structures, namely village, clan, extended family and nuclear family. All these structures provided security for their members, but the one structure which covered an appreciable number of people, maintained intimate relations and provided most visible protection based on principles of solidarity, was the extended family. In the extended family sick people, old people and orphanage were not given first priority on protection (Hauli 1994). The extended family system provided all kinds of protection including those which are provided by modern schemes. The benefits include old age, Invalidity, Sickness, Survivors, Maternity and family assistance. These societal structures were not limited to Africa as they were only varying in degree when compared to those existed in Europe, Asia, America and other places wherever there was a human existence (Mkullo, 1994). After the Industrial Revolution which came as a result of introduction of machines, the competition between factory produced goods and family producers became very stiff whereby the factory goods were less expensive compared to those produced by the family; therefore, people were forced to abandoned their family business and forced to move to the city to search for Jobs, the situation weakened the economic base of the rural society and ultimately to the complete loss of contact between the urban migrant and their extended family.

Eventually, the urban jobless had nowhere to turn to (Hauli, 1994). The growth of population on urban jobless in a country like England led to the enactment of the poor laws in the sixteenth century. These laws which were prosecuted by Parish Overseas, sought to provide relief for the aged, sick, and the infant poor. It also provided work for able bodied at the workhouse. However, the laws did not bring any significant relief as they were dehumanizing and humiliating people (Hauli, 1994). The poor laws were followed by the formation of Worker’s associations and trade guilds which were aimed at providing protection and security through the principle of solidarity. In all these movement, society made one fundamental error; there was an illusion that rational man would, of his own desire, save enough to take care of any contingencies that may befall him during or after his working life. This was not possible. To date salaries/wages have never been enough to enable workers put aside something on their own for the purpose of paying hospital bills or to cover substantial loss of income. The most important outcome of the series of events to date was the realization of the need for community action in the provision of protection against the consequences of illness, old age, death of the bread winner and other misfortunes.

This resulted in pressure being put on Governments, through those who could catch the ears of the authorities, to enact various laws catering for the social security protection of workers and citizens in general. The late eighteenth century saw a rapid growth in voluntary and charitable help, example there were the charity organization society for the relief of mendacity and prevention of crime (Hauli, 1994). The development of social security in Britain has been influenced by the findings of social research since the late nineteenth century. At this time, pioneering social researchers began to investigate the extent and causes of poverty. In 1886, Charles Booth estimated that about one third of those in East of London were living in poverty (Booth, 1889). He found that unemployment was the major cause of poverty, but the low-paid work was also an important factor.

In countries like the United Republic of Tanzania one could typically find the following provisions which date from the colonial or immediate post- independence period together with their major weaknesses:

i.A non-contributory defined benefit pension scheme f o r p e r m a n e n t public servants and members of the armed forces. Weakness: The absence of a contributory fund combined with economic difficulties has resulted in a failure in most countries to maintain the real value of pensions. (ii) A provident fund for private sector employees and non-pensionable public servants including employees of state-owned enterprises which was effectively a compulsory savings scheme based on earnings related to contributions paid by members and their employers. Weakness: Lump sum payments do not provide adequate long-term income security and contributions invested have often failed to produce a positive return. (iii) A range of other benefits such as workers compensation, sick pay, maternity leave, severance payments were provided directly by employers under a legal obligation. Weakness: This has tended to result in friction between employers and workers and in some instances of evasion or discrimination. (iv) A public health care system providing generally free access to health care requirements.

Weakness: Economic difficulties and structural adjustment programmes have resulted in an inability for public health care systems to deliver adequate health care. In addition, the percentage of the labor force covered by such provisions has remained low (often less than 10 percent of the population) with the majority of the labor force who work on their own account or in the informal sector excluded from coverage (Bailey, 1999). Many countries have in recent years undertaken reforms to address these weaknesses. In Tanzania, the Government has recognized the need for reform to take place within a national strategy to ensure coordination and consistency of social protection is correctly done.

There are several strands to the reform process, during colonial period the following schemes were formed: i. The Government Employees Provident Fund of 1942. ii. The Local Authority Provident Fund (LAPF) of 1944. iii. The Workman’s compensation of 1949 iv. The Government Pension of 1954. Hauli (1994) explains that after independence there were substantial reviews for those laws because they seemed to cover only certain categories of persons. The post– independence protection laws include: - i. Severance Allowance Act of 1962; ii. National Provident Fund Act of 1964, as amended in 1975 and extended in the National Social Security Fund (NSSF) in 1998 iii. Parastatal Pension Fund (PPF) Act No.14 of 1978; iv. Political Leaders Pension Act of 1981; v. Public Service Retirement Act of 1999; and vi. National Health Insurance Fund Act No.8 of 1999. By 2003, National social security policy provided five social security schemes, but later on there were seven mandatory social security institutions providing social security services in Tanzania and one provident fund as indicated below: i) National Social Security Fund (NSSF) - covers employees of private sector and non-pensionable parastatal and Government employees.

ii) Public Service Pension Fund (PSPF) - provides protection to employees of central Government and other executive agencies of the Government. iii) Parastatal Pension Fund (PPF) - offers social protection to employees from the private and parastatal organizations iv) Local Authority Pensions Fund (LAPF) - covers employees of local Government. iv) Government Employees Provident Fund (GEPF) - which offers provident fund benefits to non-pensionable Police and Prison officers. v) National Health Insurance (NHIF) - provides health insurance coverage to pensionable employees of the central and local Government. vii) The Zanzibar Social Security Fund (ZSSF) - covers employees in both public and private sectors in Zanzibar. All these movements are the concern of the Government to make sure that the Social Security schemes provides the best services and products to meet the purpose of social protection in the society (URT, 2003). Provision of social protection to mankind began because societies are part and parcel of human existence.

Since time immemorial social security has been provided in different forms depending on the environment of a given society, coverage was directed to the same category of people regardless of their environment. The groups covered were the elderly people, children, orphans, widows and sick people. The people were provided with the basic needs such as food, shelter, and medical care although the provision given was not sufficient (Hauli, 1994). Customers in social security firms expected to receive quality and timely services when they visit Social security Fund. Customer service is the provision of service to customers before, during and after a purchase. Everyone in the organization is providing one or all of these- perhaps they recognize which ones perhaps not. Kurtenbach (2000) explains that those who are successful in customer service rank their customers experience as the top priority. Ettore (2001) is of the view that, concentrating on current customer’s information can and should be obtained to better understand their view of the service provided. The quality of service provided determines the level of satisfaction of the customer even though what is seen as quality by one customer may not necessarily be quality to another customer satisfaction is a measure of how products and services are supplied by a company meet or surpass customer expectation. In a competitive marketplace where a business competes for customers, customer’s satisfaction plays as a key differentiator and increasingly has become a key element of business strategy. (Herbert, 2004)

 Customer satisfaction is an asset that should be monitored and managed just like any physical asset as it leads to customer’s retention, retaining customer has an influence on purchasing behavior which has positive influence on company’s turnover, retained customer brought evidence that ‘the value of a customer’ increases with time hence decrease the cost of laison and support while 19 increase the turnover, a retained customer has a positive word of-mouth recommendation, as well reduces the migration rate of customer, cost of acquiring a new customer is 5 to 10 times cost of maintaining existing customer.

In a competitive market place, understanding customer needs become crucial; therefore, companies in this case, have moved from product-centric to customer centric positions. Customer satisfaction is influenced by the type of service provided. (Olsen, 2002) Satisfaction is a challenge particularly in the security funds-based service as customers can easily switch from one security funds to another of a better service. In today’s fast-paced and increasingly competitive market, the bottom line of a firm’s marketing strategies and tactics is to make profits and contribute to the growth of the company. Service quality, customer satisfaction, customer loyalty and customer retention are global issues that affect all organizations, be it large or small, profit or non-profit, global or local. (Kang, 2002).

Many companies are interested in studying, evaluating and implementing marketing strategies that aim at improving services quality and maximizing share of customers in view of the beneficial effects on the financial performance for the firm Service quality, customer satisfaction and loyalty have long been recognized as playing a crucial role for success and survival in today’s competitive market. Not surprisingly, considerable research has been conducted on these concepts. Notably, the service quality and customer satisfaction concepts have been linked to customer behavioral intentions like purchase and loyalty intention willingness to spread positive word of mouth, referral, and complaint intention by many researchers (Olsen, 2002; Kang, Nobuyuki & Herbert, 2004; Söderlund & Öhman, 2005).

The most commonly found studies were related to the antecedents, moderating, mediating and behavioral consequences’ relationships among these variables – customer satisfaction, service quality, customer loyalty hence customer’s retention, however, there have been mixed results produced. As many industry sectors mature, competitive advantage through high quality service is an increasingly important weapon in business survival. The PSSSF has certainly not been exempted from increased competition or rising consumer expectations of quality. PSSSF is undergoing a dramatic transformation and experiencing heightened competition. PSSSF have been working harder to provide quality services purposely to satisfy its members, such efforts among others PSSSF in its corporate plan objective has committed to improve members’ benefits and improve customer services as stipulated to its vision and Mission. The PSSSF always tries to improve benefits offered to its members. The following strategies have been deployed: i. Adjusting/indexing the existing benefit ii. Introducing supplementary benefits. PSSSF always planned and improving services offered to its customers by reducing registration period, payment processing period and time taken to update members’ records. The following strategies have been used:

 i. Improve process efficiency; ii. Implement business continuity management; and iii. Improvement of Management Information System (MIS) The fact is that PSSSF is regarded as a low credence service and the quality of the services are difficult to prove until customers patronize the PSSSF. Moreover, the quality of the service that customers encounter may be different each time they re-visit that particular security fund, thus influencing the level of satisfaction and eventually affecting their customer loyalty as well as retention. Given these important issues that need to be addressed, the main purpose of this study was to examine the influence of service quality to customer retention in the PSSSF context. Specifically, this study aims at examining the nature and strength of effects between service quality, customer satisfaction and customer satisfaction. The predictive influence of service quality towards customer satisfaction was analyzed.

## 2.4 Theoretical Literature on Service Quality

### 2.4.1 Assimilation Theory

Assimilation theory is based on Festinger (1957) dissonance theory. This Dissonance theory states that consumers are willing to make some kind of cognitive comparison between expectations about the product or services and the perceived product performance. This view of the consumer post-usage evaluation was introduced into the satisfaction. According to Anderson (1973), consumers seek to avoid dissonance by adjusting perceptions about a given product or services to bring it more in line with expectations. Consumers can also reduce the tension resulting from a discrepancy between expectations and product performance either by distorting expectations so that they coincide with perceived product performance or by raising the level of satisfaction by minimizing the relative importance of the disconfirmation experienced.

**Criticism**

Payton et al (2003) argues that Assimilation theory has a number of shortcomings. First, the approach assumes that there is a relationship between expectation and satisfaction but does not specify how disconfirmation of an expectation leads to either satisfaction or dissatisfaction. Second, the theory also assumes that consumers are motivated enough to adjust either their expectations or their perceptions about the performance of the product.

### 2.4.2 Contrast Theory

Contrast theory was first introduced by Hovland, Harvey and Sherif (1987).Dawes et al (1972) define contrast theory as the tendency to magnify the discrepancy between one’s own attitudes and the attitudes represented by opinion statements. Contrast theory presents an alternative view of the consumer post-usage evaluation Process than was presented in assimilation theory in that post-usage evaluations lead to results in opposite predictions for the effects of expectations on satisfaction While assimilation theory posits that consumers will seek to minimize the discrepancy between expectation and performance, contrast theory holds that a surprise effect occurs leading to the discrepancy being magnified or exaggerated. According to the contrast theory, any discrepancy of experience from expectations will be exaggerated in the direction of discrepancy. If the firm raises expectations in his advertising, and then a customer’s experience is only slightly less than that promised, the product/service would be rejected as totally un-satisfactory. Conversely, under promising in advertising and over-delivering will cause positive disconfirmation also to be exaggerated.

**Criticism**

 Several studies in the marketing literature have offered some support for this theory. The contrast theory of customer satisfaction predicts customer reaction instead of reducing dissonance; the consumer will magnify the difference between expectation and the performance of the product/service

### 2.4.3 Negativity Theory

This theory developed by Carlsmith and Aronson (1963) suggests that any discrepancy of performance from expectations will disrupt the individual, producing negative energy; Negative theory has its foundations in the disconfirmation process. Negative theory states that when expectations are strongly held, consumers will respond negatively to any disconfirmation. Accordingly, dissatisfaction will occur if perceived performance is less than expectations or if perceived performance exceeds expectations.

## 2.5 Dimensions of Service Quality

The following are dimensions of service quality:

### 2.5.1 Empathy

It is defined as the caring, it is ability emotionally understanding what other person is going through, it puts you on someone’s shoe and share his/her feelings. Its individualized attention the firm provides to its customers. The essence of empathy is conveying, through personalized or customized service, the way customers are communicated, the approach towards them and the care that customers are feel unique and special. Customers want to feel understood by and important to firms that provide services to them. Personnel at small services firms often know customers by name and build relationships that reflect their personal knowledge of customer’s requirement and preferences.

### 2.5.2 Tangibility

It is defined as the appearance of the physical facilities, equipment, personnel and communication material. All of these provide physical representations or images of the services that customers’ particularly new customers will use to evaluate service quality. Services industries that emphasize tangibles in their strategic include: hospitality services where the customer visits the establishment to receive the service. Although tangibles are often used by service companies to enhance their image, provide continuity and signal quality to customers, most companies combine tangibles with another dimension to create service quality strategy for the firm, It means things which are physically observed by the customers it include: personnel, Sitting facilities, ventilation, visibility of the office, physical facilities, materials and appearance able and skilled personnel, as well as security for customers belongings as parking etc. Tangible provide customers to evaluate the capability of the service provider (Zeithmal, 2003)

### 2.5.3 Responsiveness

 Is the willingness to help customers, accompanied by courtesy, quick response, and a speedy resolution of the customers concern and provide prompt service. This dimension emphasizes attentiveness and promptness in dealing with customers request, questions, complaints, and problems, responsiveness is communicated to customers by length of time they have to wait for assistance. It involves answering questions, or attention to problems, responsiveness also captures the notion of flexibility and ability to customize the services to customer needs to make the dimension of responsiveness a company must certain view the process of services delivery and handling request from the customer’s point of view rather than from company’s point of view. Standard for speed and promptness that reflects the company’s view of internal process requirements may be very different from the customer’s services requirement for speed and promptness. Therefore, the companies need well-staffed customer’s services department as well as responsive front-line people in all contact position.

### 2.5.4 Reliability

It is the ability to perform the promised services dependably and accurately such as acting according to the promises and declaration. The enterprises can be able to execute the agreed services provided correctly and reliably i.e. the company delivers on its promises, service provision, problem resolution, and pricing. Customers want to do business with companies that keep their promises, particularly their promises about the core service attribute. Organization with reliability delivers on its promises.

### 2.5.5 Assurance

It is defined as the employee’s knowledge and courtesy and ability of the firm and its employees to inspire trust and confidence. It is particularly important for service organizations to ensure assurance as the customers perceive as involving in high risk and about which they feel uncertain about their ability to evaluate outcomes. Trust and confidence are embodied in the person who links the customers to the company such as securities brokers, insurance agent, lawyer, or counselors in such a services context the company seeks to build trust and loyalty between key contact people and individual customers.

|  |
| --- |
| Murray *et al.* (2019) explains that empathy requires visualizing the needs of the customer by assuming their position. Murray *et al.* (2019) lists the qualities that foster empathy as including courtesy and friendliness of staff, understanding the specific needs of the client, giving the client special attention, and taking time to explain the practices and procedure to be undertaken in the service delivery process. Therefore, we proposed the following hypothesis:2.6 Service Quality and Customer Satisfaction |
| Customer satisfaction refers to the level of fulfillment expressed by the customer after the service delivery process. This is a subjective assessment of the service based on the five dimensions of service quality. Customer satisfaction is important due to its direct impact on customer retention (Hansemark and Albinsson, 2004; Cao et al., 2018; Zhou *et al.,* 2019), level of spending (Fornell *et al*., 2010), and long-term competitiveness of the organization (Suchánek and Králová, 2019). Susskind *et al*. (2003) describes that service quality has a direct impact on customer satisfaction. For this reason, this research considers that five dimensions of service quality are the important antecedents of customer satisfaction.Service quality refers to the ability of the service to address the needs of the customers (Atef, 2011). Customers have their own perception of quality before interacting with the organization. The expectancy-confirmation paradigm holds that |
| customers compare their perception with the actual experience to determine their level of satisfaction from the interaction (Teas, 1993). These assessments are based on the five independent factors that influence quality. Consequently, this research considers service quality as an independent variable.This study attempts to quantify perceived service quality though SERVQUAL dimensions. We proposed that customers place a high premium on service quality as a critical determinant of satisfaction. Moreover, it is argued that satisfaction prompts joy and reliability among customers in Saudi Arabia. These discoveries infer that the perception of service quality is significantly related to satisfaction, and quality insight can be applied across different cultures with negligible contrasts in the result. Social security funds in Tanzania has grave quality problems. To rectify this situation, it is essential to apply quality systems as tools for development. The SERVQUAL is one of these system options. It is used to gauge the service quality using five dimensions that have been time-tested since 1982. Thus, the significance of SERVQUAL in social security fund in Tanzania cannot be overemphasized. The study further suggests that the SERVRQUAL dimension increases the perceived service quality, which in turn increases customer satisfaction. 2.7 Empirical Literature Review Walsh, Gilmore and Carson (2014), in their study over the banks found that banks perform activities related to relationship marketing for attracting, retaining and interacting with their more profitable clients. Thus, according to them, customer retention can be defined as 'zero defection' or 'no-switching' of the profitable customers of the organizations to their competitors (Sigala, 2008).  |

Whenever a company retains a customer, it is retaining their lifetime value, that is, the value of their future relationship with its business. Therefore, satisfying customers means retaining lifetime value of the customers in terms of their spending power as well as their power to influence another customer who can prove to be potential customers for the business. However, the main question is how companies can satisfy their customers? The answer is, by understanding the customer journey, that is, the lifecycle of a customer. Through this way, a company can identify its weaknesses and strengths to deliver better services to the customers. So, before satisfying customers, it is essential for the companies to understand why their customers are exiting to their industry peers (Hau and Ngo, 2012) The customer today dictates the market. The primary focus of service quality is the customer. It is aimed at satisfying customer needs.

Demirbag *et al*. (2016) have indicated that customer satisfaction is increased by the participation of all employees in Total Quality Management (TQM). A successful organization recognizes the need to put the customer first in every decision made. In service design and during the development process, the customer should be closely involved and should provide inputs at every stage of the process, so as to avoid waste, defects and quality problems (Flynn et al., 1994). It has also been concluded by Ugboro and Obeng (2000) that TQM is an approach used in directing organizational efforts toward the goal of customer satisfaction. Consumers demand high quality levels of services at

According to Kurniawan (2010) Service Quality is the results of an evolution process in which customer compare their expectation of the service delivery and its outcome against what they expect. The success of any organization is measured to its flexibility to adopt and quickly respond to market changes with more efficient satisfaction and customer retention. According to Allred and Adams (2000) Service quality are the results of human interaction between service provider and the client/customer. Its realized that successfully leverage service quality as a competitive edge, they initial have to identify correctly the antecedents needs of what the customer perceives as service quality. Booms and Mohr (1994) define service quality as ‘the consumer’s overall impression of the relative inferiority or superiority of the organization and its services, Parasuraman, Zeithaml and Berry (1985) defined service quality as ‘a function of the differences between expectation and performance along the quality dimensions’. Roest and Pieters’ (1997) define that service quality is a relativistic and cognitive discrepancy between experience-based norms and performances concerning service benefits. (Caruana, 2002) Service quality is defined as the degree of discrepancy between customers’ normative expectation for service and their perceptions of service performance. (Parasuraman et al., 1985). The definition of service quality was further developed as “the overall evaluation of a specific service firm that results from comparing that firm’s performance with the customer’s general expectations of how firms in that industry should perform. While other researchers (e.g. Cronin and Taylor, 1994; Taylor & Cronin, 1994) view service quality as a form of attitude representing a long-run overall evaluation.

Moreover, assurance is basically courtesy, competence, credibility; security of the firm employees gives to its customer. Parasuraman *et al.* (1985) interpreted (AS) as information to have cordiality of workers and their capability to motivate confidence and trust. If company’s representatives provide genuine and caring service, customers would want to do business (Zekiri and Angelova, 2011).

## 2.8 Conceptual Framework

Conceptual framework is a network association among variable relevant to the problem. This is an important step as it helps to translate concepts into actions and thereby provide a better differentiation between different organizations. Most of the academic researcher uses conceptual framework to clarify its research question and aims. Conceptual framework tends to connect all aspects of the research from the statement of the problem, purpose, literature review, methodology used, data collection and analysis.

Researcher aims adopting a modified conceptual framework that is the SERVQUAL model with five dimensions consisting: Tangibles, Reliability, Responsiveness, Assurance, and Empathy to be *independent variables* and customer satisfaction as *dependent variable*. SERVQUAL Model is a suitable for measuring service quality and customer satisfaction in social security funds.

The researcher used the same dimensions to measure both service quality and customer satisfaction because both are related (Parasuraman, 1988). The SERVQUAL approach integrates the two constructs and suggests that perceived service quality leads to customer satisfaction. The model is to find out the overall services quality perceived by customer if it meets the customer needs and satisfies. The conceptual frame work for this study is a diagrammatic presentation of variables to be studied as depicted in the figure 2.1



**Source:** Researcher (2023)

**Figure 2.1** Conceptual Framework

## 2.9 Hypothesis Development

|  |
| --- |
|  |
| Service quality has been described with the help of five quality dimensions, namely, tangibles, reliability, responsiveness, assurance, and empathy. Definitions relating to these variables have been modified by different authors. The relationship between various dimensions of service quality differs based on particular services. |
| 2.9.1 Tangibility |
| The tangible aspects of a service have a significant influence on perception of service quality. These comprise the external aspects of a service that influence external customer satisfaction. The key aspects of tangibility include price, ranking relative to competitors, marketing communication and actualization, and word-of-mouth effects (Ismagilova *et al.,* 2019), which enhance the perception of service quality of customers (Santos, 2002). These aspects extend beyond SERVQUAL’s definition of quality within the car care industry settings. Thus, we proposed the following hypothesis:**H1:** *Tangibility affects positively the customer satisfaction.*2.9.2 ReliabilityReliability is attributed to accountability and quality. There are a bunch of precursors that likewise aid basic methodology for shaping clients’ perspectives toward administration quality and reliability in the car care industry in Saudi (Korda and Snoj, 2010; Omar *et al.,* 2015). A portion of these predecessors is identified with car repair benefits and includes the convenient accessibility of assets, specialist’s expertise level and productive issue determination, correspondence quality, client care quality, an exhibition of information, client esteem, proficiency of staff, representatives’ capacity to tune in to client inquiries and respond emphatically to their necessities and protests, security, workers’ dependability, more limited holding up time and quickness, actual prompts, cost of administration, accessibility of issue recuperation frameworks, responsibility, guarantees, for example, mistake-free administrations, generally association’s picture and workers’ politeness, and responsiveness. Despite the innovative changes happening in the social security scheme and the instructive degree of administrations in Tanzania, suppliers in the territory are taught about the need to continually refresh their insight into the advancements in the area of pension administration. Thus, we argued that reliability is important to enhance the perception of service quality of customers.**H2:** *Reliability affects positively the customer satisfaction.* 2.9.3 ResponsivenessResponsiveness refers to the institution’s ability to provide fast and good quality service in the period. It requires minimizing the waiting duration for all interactions between the customer and the service provider (Nambisan *et al.,* 2016). Nambisan *et al*. (2016) explained that responsiveness is crucial for enhancing the customers’ perception of service quality. Rather, the institution should provide a fast and professional response as to the failure and recommend alternative actions to address the customer’s needs (Lee et al., 2000). In this light, Nambisan *et al.(*2016) summarizes responsiveness to mean four key actions, i.e., giving individual attention to customers, providing prompt service, active willingness to help guests, and employee availability when required. These aspects help companies to enhance the customers’ perception of service quality. Therefore, we proposed the following hypothesis: |
| **H3:** *Responsiveness affects positively the customer satisfaction.* |
| 2.9.4 Assurance |
| Assurance refers to the skills and competencies used in delivering services to the customers. Wu *et al*. (2015) explains that employee skills and competencies help to inspire trust and confidence in the customer, which in turn stirs feelings of safety and comfort in the process of service delivery. Customers are more likely to make return visits if they feel confident of the employees’ ability to discharge their tasks. Elmadağ *et al.* (2008) lists the factors that inspire empathy as competence, politeness, positive attitude, and effective communication as the most important factors in assuring customers. Besides, other factors include operational security of the premises as well as the proven quality of the service provided to the customers. Thus, the assurance has significant contribution in the perception of service quality.2.9.5 Empathy Empathy refers to the quality of individualized attention given to the customers. The service providers go an extra mile to make the customer feel special and valued during the interaction (Bahadur *et al.,* 2018). Therefore, we proposed the following hypothesis:**H5:** *Empathy affects positively the customer satisfaction.* |
|  |

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Overview

The chapter deals with the research methodology of the study. This includes the research design, area of study, population of the study, sample size and sampling design, source of data and methods of data collection, data collection tools, reliability and validity, data analysis and research ethics.

## 3.2 Research Design

The research design helps the researcher to obtain relevant data to fulfill the objectives of the study, (Kothari, 2004). In this study the researcher used explanatory research design. Explanatory research is a method of collecting information by administering a questionnaire to a sample of individuals. The methods used quantitative methods. Quantitative methods are based on the measurement of quantity or amount.

## 3.3 The Area of the Study

This study was conducted at PSSSF in Dar es salaam region. PSSSF was selected as the study area because it is giant social scheme with highest membership size, granted an opportunity of getting more information’s from different category of members within the fund, as it comprises large number of members from government organs and institutions. It allowed easily interaction and getting reliable information concerning the study and other factors that influencing in selection of this topic.

## 3.4 Target Population

Kothari (2004) define population or universe as all items in any field of inquiry.The total number of target respondents was seven hundred (700). This involved employees and customers of PSSSF at Dar es salaam.

## 3.5 Sampling Procedures and Sample Size

Sampling is done when the population is large dispersed, hence impossible to collect data on the whole population. Therefore, sampling involved choosing a sub-group of the population which is called sample. Accordingly, simple random sampling technique and stratified sampling were employed to select the respondents. While purposive sampling was used to select key informants, stratified random sampling was used to select the customers in the study area. Therefore, this research involved a total of 255 respondents who were obtained from purposive sampling and simple random sampling methods using the Yamane’s Formula for sample size as explained in the sub-heading below.

### 3.5.1 Simple Random Sampling

This study used probability sampling techniques whereby, simple random sampling was used to select PSSSF contributing members. The sample size for the key informants is determined through the Yamane’s formula in computing sample size.

### 3.5.2 Sample Size

The determination of the sample sizes for the different categories of the study/research population and their respective localities (sampling units) for the study depended on the category and characteristics of the target population in the present study as recommended (Kothari, 2009). Yamane (1967) provided a simplified formula for computing sample size when the targeted population is formed by less than ten thousand individuals/variables. This formula was employed by Saunders, *et al.* (2012) in their study while computing the sample sizes for different categories of the targeted populations for study, at a 5% precision level.

 $n=N÷(1+$Ne2)

In this context therefore, the same formula was used to calculate the sample size for employees and contributors of the PSSSF scheme under this study.

N= 700

Where by: n - sample size

N –Targeted population

e - Level of precession

From the above formula, the minimum sample size is derived as follow:

N = 700/ (1 +700×0.05×0.05)

n = 255 (PSSSF employees and member contributors)

The sample size of 255 for PSSSF employees and member contributors) was adjusted by 10% to account for possible non-response rate which might result into a smaller sample.

Kothari (2004) states that sample must be of an optimum size, that is, it should neither be excessively large nor too small. Size of the sample should be determined by a researcher keeping in view of the following factors.

## 3.6 Data collection Methods

Secondary data was obtained from various sources such as PSSSF annual reports. These data provided an initial overview of the extent of the problem in the study area. Primary data included respondents’ bio-data, information on the effect of sympathy, effect of tangibility and the effect of responsiveness factors in influencing customer retention in the social security schemes.

##  3.7 Data Collection Tools

Creswell (2008) contends that there is no single technique that can be claimed to be better than the other in data collection. They all depend on what is being studied and/or what is to be found out. No single instrument considered to be adequate in collecting valid and reliable data. In this study therefore, both primary and secondary data were used. During the fieldwork, only one instrument was used to facilitate data collection. This was structured questionnaire. The structured questionnaires were administered to the PSSSF contributing members.

### 3.7.1 Questionnaires

The questionnaires that were used in this study had 5 point likert scale questions designed to gather information on the effects of service quality on customer satisfaction in the social security schemes. The questions however, covered the demographic and socio-economic profile of the respondents, the effect of sympathy, the effects of tangibility and the effect of responsiveness and the effects of assurance on customer satisfaction. The questionnaires were administered to the sampled customers in the study area. The technique was suitable because most of respondents were free to put forward their views on different aspects in this study without an interaction with the researcher. Moreover, the technique gathered most of the information required for the purpose of this study.

## 3.8 Methods of Data Analysis and Data Presentation

Data were analyzed using quantitative techniques. The results were presented in Tables.

### 3.8.1 Quantitative Data Analysis

Quantitative data analysis involves coding, classification, cleaning and entering data into the computer software program me. Raw data were cleaned, coded, verified and analyzed by using Statistical Package for Social Sciences (SPSS) version 16.0. The SPSS was employed to manipulate and analyze data on the effect of sympathy, tangibility, reliability, assurance and responsiveness factors in affecting the customer satisfaction in the social security scheme in the study area. Descriptive statistical analysis was used to produce, frequencies and percentages alongside charts of different types. The results were presented in tables.

## 3.9 Ethical Considerations

Cohen *et al.* (2000) and Morrison, (1993) stipulates that ethical principles in the conduct of research included acquiring research clearance and the informed consent of the participants as well as maintaining confidentiality. Before interviews the researcher had to fully give explanations on the objectives of this study to all the respondents. Research clearance provided by the authority before commencing the study, consultations made with the Dar es salaam Regional Administrative Secretary (RAS) and the PSSSF manager, the study was introduced and permission granted for carrying out the exercise in the selected PSSSF branches in Dar es salaam region. In addition, their consent was sought and their rights to confidentiality were assured before interviewing them.

# CHAPTER FOUR

# FINDINGS AND DISCUSSION

**4.1 Overview**

This chapter presented and discussed results with regard to study objectives. It covers results and descriptions of the demographic characteristics of the respondents, reliability analysis and justification, the effects of reliability, the effects of tangibility, the effects of assurance, the effects of empathy, the effects of responsiveness and the level of customer satisfaction, as well as results and descriptions of effects of service quality variables on customer satisfaction. It is in this chapter where the hypotheses have been tested so as to confirm or reject the statements.

**4.2 Demographic characteristics of respondents**

The demographic characteristics of the respondents assessed by the study include gender, age, marital status, educational level and service experience. The descriptions of respondents’ demographic characteristics appear in the following sections 4.2.1, 4.2.2, 4.2.3 and 4.2.4.

**4.2.1 Gender of the Respondents**

The distribution of respondents based on gender show that majority of the respondents were males (52.9%). Only 47.1% of the respondents were females.

**4.2.2 Marital Status of the Respondents**

On the other hand, married respondents constituted the majority (70.5%) of survey participants, followed by respondents who are still single by the means that they had not yet married (25.5%) as shown in Table 4.1. Other marital statuses composing widows and divorce constituted only 3.0% of the survey participants.

**4.2.3 Age**

The study found that most (39.2%) of the respondents were belonging in the age group of 31-40 years, followed by those (23.5%) who are in the age group of 41-50 years (Table 4.1). A few of the respondents (15.8%) belongs to the age group of above 50 years. The minimum and maximum age of respondents was 30 years and 58 years. Participants had the average age of 40 years.

**4.2.4 Level of education**

There was a variation of level of education among the respondents as shown in Table 4.1. The study revealed that most of the respondents had bachelor degree (47.1%). Other respondents had level of education below (46%) and above (5.8%) bachelor degree. However, none of the respondents identified to be possessing non formal education since all of the survey participants had attended school.

**4.2.5 Service use Experience**

The survey of service use experience revealed that majority (47.1%) of the respondents contributed to the scheme fund for above 16 years (Table 4.1). On the other hand, 23.5% of customers spent at most 11-15 years with PSSSF while (21.2%) of members had 6- 10 years’ service using experience. The minimum years’ member contribution and employees’ experience was 3 years and the maximum years’ member contribution experience was 32 years. The average years of service provider and member contribution experience of members who participated in the survey was 14 years.

**Table 4.1: Distribution of respondents according to demographic characteristis**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Variable** |  | **Frequency** |  | **Percent** |
| **Gender** |  |  |  |  |
| Male |  | 135 |  |  52.9% |
| Female |  | 120 |  |  47.1% |
| **Marital status** |  |  |  |  |
| Single |  | 65 |  |  25.5% |
| Married |  | 180 |  |  70.5% |
| Other |  | 10 |  |  3.0% |
| **Age** |  |  |  |  |
| Below 20 years |  | 15 |  | 5.8% |
| 21-30 |  | 30 |  | 11.7% |
| 31-40 |  | 50 |  | 19.6% |
| 41-50 |  | 60 |  | 23.5% |
| Above 50 years |  | 100 |  | 39.2% |
| **Education** |  |  |  |  |
| Secondary education |  | 20 |  | 7.8% |
| Certificate |  | 40 |  | 15.7% |
| Diploma |  | 60 |  | 23.5% |
| Bachelor degree |  | 120 |  | 47.1% |
|  Postgraduate |  | 15 |  | 5.8% |
| **User experience** |  |  |  |  |
| 1-5 years |  | 21 |  | 8.2% |
| 6-10 years |  | 54 |  | 21.2% |
| 11-15 years |  | 60 |  | 23.5% |
| 16 and above |  | 120 |  | 47.1% |
| **Source:** Field data (2023) |  |  |

**4.3 Reliability analysis**

The reliability analysis was conducted to examine if the study has internal consistence. The reliability test revealed that Cronbach’s Alpha values for reliability which has involved 5 item scales was 0.873 while that of assurance involved 5 item scales was 0.763, tangibility which has involved 5 item scales was 0.720,empathy which has involved 5 item scales was 0.919, responsiveness which has involved 5 item scales was 0.913 as shown in Table 4.2. The customer satisfaction measured by 9 item scales found to have Cronbach’s Alpha of 0.873. In all Cronbach’s Alpha values obtained, none of them has a value of less than a recommended value of 0.7. Therefore, the findings justify that the study has internal consistence.

**Table 4.2: Results of Cronbach’s Alpha showing reliability of the study**

|  |  |  |
| --- | --- | --- |
| **Variable**  | **Number of items** | **Cronbach’s Alpha** |
| Customer satisfaction | 9 | 0.873 |
| Reliability | 5 | 0.763 |
| Assurance | 5 | 0.72 |
| Tangibility | 5 | 0.799 |
| Empathy | 5 | 0.919 |
| Responsiveness | 5 | 0.913 |

**Source:** Field data (2023)

* 1. **Test for Multiple Regression Assumptions**

**4.4.1Test for Heteroscedasticity**

To check for heteroscedasticity, Levene's test was used. At P > 0.05, Levene's test assumes homoscedasticity, which means that the dependent variable's variances of error (Var(Ut) = s2) are equal. The Levene statistical results were P = 0.301 > 0.05, as shown in Table 4.3. As a result, all independent variables have the same variance.

**Table 4.3: Levine’s test**

|  |
| --- |
| **Dependent Variable: Project success**  |
| Levene Statistic | df1 | df2 | Sig. |
| 1.083 | 1 | 254 | 0.302 |

1. Design: Intercept + Reliability + Assurance + Tangibility + Empathy + Responsiveness

**Source:** Field data (2023)

* + 1. **Test for Multicollinearity**

The common assumption in a regression model is that the study's predictor variables should be independent of one another. In the regression model, the variance inflation factor (VIF) was employed to examine multicollinearity, with VIFs = 1 indicating little or little correlation, VIFs > 1 indicating moderate correlation, and VIFs > 5 indicating significant correlation (Alkalis, 2013). Table 4.4 shows that the VIFs for all independent variables are equal to 1 (VIFs = 1), indicating that the independent variables have little or no association.

**Table 4.4: Test for multicollinearity**

|  |  |  |
| --- | --- | --- |
| **Variable** | **Tolerance** | **VIF** |
| Reliability | 0.897 | 1.132 |
| Assurance | 0.887 | 1.049 |
| Tangibility | 0.792 | 1.109 |
| EmpathyResponsiveness | 0.9750.889 | 1.1801.178 |
| **Mean VIF** | **0.885** | **1.117** |

**Source:**Field data (2023)

|  |
| --- |
|  |

**4.5 Multiple Regression Analysis**

Multiple regression analysis was applied to test the association among service quality dimensions and customer satisfaction. The model summary discloses the following results as shown in table 4.5.

**Table 4.5: Model Summary**

|  |  |  |
| --- | --- | --- |
| **R Square** | **Adjusted R Square** | **Std. Error of the Estimate** |
| 0.279 | 0.264 | 0.72437 |

Predictors: (Constant), Responsiveness, Tangibility, Reliability, Assurance, Empathy

Here R² = 0.279 shows that the five service quality dimensions explained approximately 27.9% of variance in overall customer satisfaction. And 0.724 is standard error of the estimate which shows square-root of the Mean Square for the Residuals in the ANOVA and standard deviation of the error term.

The ANOVA results depict that overall result is statistically significant because p-value is less than 0.05.

**Table 4.6: ANOVA**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Model** | **Sum of Squares** | **df** | **Mean Square** | **F** | **Sig.** |
|  | Regression | 50.448 | 5 | 10.090 | 19.229 | 0.000 |
| 1 | Residual | 130.654 | 249 | 0.525 |  |  |
|  | Total | 181.103 | 254 |  |  |  |

Dependent Variable: Customer Satisfaction

Predictors: (Constant), Responsiveness, Tangibility, Reliability, Assurance, Empathy

Service quality dimension responsiveness (β=0.257, p<0.05), has the positive and noteworthy influence on customer satisfaction. Furthermore, Assurance has (β=0.209, p<0.05) and reliability has (β=0.192, p<0.05). Both the independent variables have positive influence on customer satisfaction. While tangibility and empathy have values (β=0.005, p>0.05) and (β= -0.42, p>0.05) respectively. These dimensions have insignificant influence on customer satisfaction as shown in table 4.7.

**Table 4.7: Coefficients**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Model**  | **Unstandardized Coefficients**  | **Standardized Coefficients**  | **t**  | **Sig.**  |
| **B**  | **Std. Error**  | **Beta**  |
| 1 | (Constant)  | 1.4 | 0.25 | 5.603 | 0 |
| Reliability  | 0.188 | 0.075 | 0.192 | 2.512 | 0.013 |
| Assurance  | 0.199 | 0.075 | 0.209 | 2.647 | 0.009 |
| Tangibility  | 0.004 | 0.047 | 0.005 | 0.09 | 0.928 |
| Empathy  | -0.034 | 0.092 | -0.042 | -0.37 | 0.712 |
| Responsiveness  | 0.225 | 0.092 | 0.257 | 2.439 | 0.015 |

Dependent Variable: Customer Satisfaction

**4.6 Discussion of Findings**

Customer satisfaction has importance in organization success. To make the customers satisfy it is important to provide them best services. The prime reason to conduct this research was to examine the effects of service quality on customer satisfaction in social service provision schemes in Tanzania. To examine the importance of perceived service quality researchers applied statistical tests on collected data. The outcomes showed that three out of five dimensions of service quality (reliability, assurance and responsiveness) have influence on customer satisfaction. While the other two dimensions (empathy and tangibility) haven’t much influence on customer satisfaction in social service schemes in Tanzania.

The results of hypotheses 1 and 2, reliability against customer satisfaction and assurance against customer satisfaction respectively are supporting the outcomes of Arokiasamy & Abdullah (2018) when they checked the relationship between service quality and customer satisfaction in Malaysians’ social security funds; It also supports the findings of Wang *et al*., 2014 whose study was carried out on Chinese telecommunication industry and *Loke et al*., (2011) when they conducted a study on service quality and customer satisfaction in telecom service providers. In this research, hypotheses 3, tangibility against customer satisfaction shows that physical appearance of office their material and equipment do not affect the customer satisfaction which opposes the finding of Wang *et al*. (2004); Arokiasamy & Abdullah, (2013) because they found that tangibility does influence on customer satisfaction but support the findings of Loke et al., (2011) that tangibility does not effect on customer satisfaction. Empathy against customer satisfaction, hypothesis 4 shows no significant influence between them it supports the research results of Wang et al. (2004). Responsiveness does effect on customer satisfaction. It shows customers need rapid and reasonable response on their queries. It supports the outcomes of previous researcher i.e. Loke *et al,* (2011); Arokiasamy & Abdullah (2013)

The results showed that service quality has importance in customer satisfaction of social service schemes in Tanzania. It can’t be ignored when develop future strategies. Furthermore, the results of this research will be helpful for management of Tanzania PSSSF to improve their service quality because satisfied customer not only adds loyalty but also improves the reputation of the company.

# CHAPTER FIVE

# SUMMARY OF THE MAIN FINDINGS, CONCLUSION AND

# RECOMMENDATIONS

## 5.1 Overview

This chapter presents the summary of findings, implications of the results, conclusion an recommendations made with regard to the study findings and objectives, as well as areas for further research.

## 5.2 Summary of the Main Findings

Dimensions of service quality included in the research were reliability, assurance, tangibles, empathy and responsiveness while customer satisfaction was taken as dependent variable. A collection of 255 fully filled questionnaires were retrieved through convenience sampling. Cronbach’s alpha value for all the variables was greater than 0.7 and above which shows the reliability of collected data. Multiple regression analysis confirmed that three independent variables i.e. assurance, reliability and responsiveness had positive influence on customer satisfaction while empathy and tangibility had not positive and significant effect on customer satisfaction. The results of this research will help the social security schemes to improve their service quality which will enhance the customers’ satisfaction and loyalty. Hence, it will increase the stake and credibility of the scheme.

## 5.3 Conclusion

In this section of recommendation the author states some issues which arised from PSSSF customers and contributing members and responsiveness of the services toward customers.

## 5.4 Implications of Findings

The results imply that the management of PSSSF should make sure services are delivered on time and on a style that each customer is satisfied. Satisfaction may come from quality of service delivered. Moreover, the findings of this research indicate a strong association between SERVQUAL dimensions and perceived service quality. Perception of higher service quality leads to higher level of customer satisfaction among social security contributors. In particular, the results indicate high scores for reliability, empathy, tangibles, and responsiveness. These are clear indications that the immense budgetary allocation has enabled these institutions to develop capacity. Nevertheless, the lack of a strong human resource base remains a key challenge in the social scheme industry. The effective use of social media plays a critical role in the responsiveness dimension of service quality. Institutions need to develop their digital and social media marketing strategies in the post pandemic world to better satisfy their customers.

##  5.5 Recommendations

The recommendations are made by researcher as follows:

Firstly,it is necessary to know the demands of the customers about the services they are being provided, what is the expectation of the customer and what type of services are provided to him or her. The PSSSF should focus on the reliability issues that may overcome by the training of the employees. Some customers are dissatisfied with the issue of waiting time for service in social security funds. Some are not happy with the information they get. The pension scheme should focus on the communication with their customer to increase the satisfaction and expectation of their customers. Also the fund can connect their customers to the database system to contact from time to time to know about the assessments of the services been provived to them if they are satisfying and what to do for improvements.

Secondly,the PSSSF manager should make sure that what are applicable of all components in a service quality progam are being strictly followed and implemented effectively. Assurances, Reliability, Empathy, Tangibles, responsiveness and customer satisfaction are all equally important. Managers should not only focus on the objectives of profits and gains, but must also look into the needs of the customers as well. As a matter of fact, the management should recommend extensive customer care and service training program for all the frontlines and customer care desk. In this way it would fortify the scheme’s core competency in customer satisfaction. The results of this study has shown that SERVQUAL Model is still the effective model of measuring customer satisfaction in banking industry. Managers from various social security schemes also should continuously measure and improve the level of customer satisfaction using the SERVQUAL Model in order to maintain competitiveness in the market place.

Thirdly, the management of PSSSF should look into the customer claims in a positive way of success and improving their services toward their customer by implementing and working on all needs and wants of customers. What the customers claim is in order to maintain, win and retain of their customer’s loyality. This is because market perception and customer expectation can change rapidly from time to time.

The researcher found the impact of service quality over the customer satisfaction through the analysis. The survey findings indicate about the overall satisfaction of the company. From the data collected the study found that the positive service quality can increase a satisfaction of customer group which effects the overall satisfaction of the organization. The customers of PSSSF are satisfied with the service they are provided. This study has shown that the service quality can affect the overall customer satisfaction. So the service quality can differentiate a firm form the others. Services quality can influence customer satisfaction. From the overall findings the author found that the better service attracts the customer, and can decrease if the service does not satisfy the expectations. To maintain a very high satisfied customer group the business firm should focus more on customer service.

## 5.6 Limitation of Study

The time allocated for the study is too short to conduct it in a wide geographical area (i.e., covering other PSSSF branches in different regions of Tanzania) and so only PSSSF Dar es salaam with its branches are selected. The process of data collection had some limitations to the extent that some of respondents were reluctant to cooperate in provision some of information, few of them wanted to be paid before they can be interviewed, while others refrained with no specified reasons.

## 5.7 Areas for the future researches

The future research can be focused on specifying single service or by taking the any specific department which is involved in providing services or by taking specific company because their might be a possibility that customer is satisfied with the services of one company but not from other.

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**APPENDICES**

**APPENDIX I: Research Activities**

**TIMESCALE**

|  |  |
| --- | --- |
| **Activity** | **Time (Week)** |
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **12** | **13** | **14** | **15** |
| 1 | Problem specification |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2 | Reviewing literature |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 3 | Developing methodology |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 4 | Field work |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 5 | Data analysis |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 6 | Draft final report |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 7 | Reference & Appendices |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 8 | Submission & defense |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9 | Submission & final draft |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

**Appendix II**: **Research Questionnaire**

**Questionnaire to the customer of PSSSF**

My name is **Serena Mushy.** I am a third year student at the Open University of Tanzania (OUT).I am conducting this research in order to examine the effects of service quality on customer satisfaction in pension schemes in Tanzania. A case of PSSSF in Dar es salaam. This research study is done in partial fulfillment for the award of a Master of Business Administration (MBA).

Please lend me few minutes of your time to fill out this questionnaire. It is strictly for academic purpose and therefore all information provided shall be treated with maximum caution and confidentiality. All personal data provided shall be treated collectively and not on personal levels.

**Section A: Biographical Data**

**Please mark the appropriate box with an (V)**

**1: Gender**

|  |  |
| --- | --- |
| Male  |  |
| Female  |  |

**2: Age**

|  |  |
| --- | --- |
| 20 years and below |  |
| 21-30 |  |
| 31-40 years |  |
| 41-50 years |  |
| Above 50 years |  |

**3: Educational Background**

|  |  |
| --- | --- |
| Secondary |  |
| Certificate |  |
| Diploma |  |
| Bachelor degree |  |
| Postgraduate  |  |

**4: Marital Status**

|  |  |
| --- | --- |
| Single |  |
| Married |  |
| Others |  |

**5: Service Experience:** How long have you been using PSSSF services? Please state in number of years.

|  |  |
| --- | --- |
| 1-5 Years |  |
| 6-10 Years |  |
| 11-15 Years |  |
| 16-20 Years |  |
| Above 20 Years |  |

 **Appendix III: Dimensions of Service Quality**

Please indicate with an X the degree to which you agree/disagree with each of the following statements.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Dimension** | **Statement** | **Strongly Agree(4)** | **Agree (4)** | **Neutral (3)** | **Disagree (2)** | **Strongly Disagree(1)** |
| Tangibility  | PSSSF have modern looking equipment |   |   |   |   |   |
| This Pension Scheme physical facilities are visually appearing |   |   |   |   |   |
| The scheme employee is neat appearing? |   |   |   |   |   |
| Service I receive from pension scheme is with speed |   |   |   |   |   |
| Reliability | PSSSF is always able to answer my queries. |   |   |   |   |   |
| I am comfortable with services delivered with PSSSF Pension Scheme |   |   |   |   |   |
| PSSSF Pension Scheme employees are sincere in solving my problems. |   |   |   |   |   |
| My PSSSF Pension Scheme delivers on promises time |   |   |   |   |   |
| PSSSF Pension Scheme performance service at first time |   |   |   |   |   |
| PSSSF Pension Scheme services are reliable always |   |   |   |   |   |
| Responsiveness  | The employees of PSSSF Pension Scheme tell you exactly when the service will be performed? |   |   |   |   |   |
| Employee of PSSSF Pension Scheme gives prompt service to pensioneers? |   |   |   |   |   |
| Employees of PSSSF Pension Scheme are always willing to help you? |   |   |   |   |   |
| Employees of PSSSF Pension Scheme are never too busy to respond to your request? |   |   |   |   |   |
| Assurance  | The behaviors of PSSSF Pension Scheme employees inspire confidence in customers/pensioners? |   |   |   |   |   |
| You feel safe in transaction with PSSSF Pension Scheme |   |   |   |   |   |
| The employees are consistently courteous with me |   |   |   |   |   |
| Employees of PSSSF Pension Scheme have knowledge to answer to my querries |   |   |   |   |   |
| Empathy  | The PSSSF Pension Scheme gives me individual attention? |   |   |   |   |   |
|   | PSSSF Pension Scheme has my best interest in my heart |   |   |   |   |   |
|   | PSSSF Pension Scheme employee understand my needs |   |   |   |   |   |
|   | Working hours of the PSSSF Pension Scheme is convenient to me |   |   |   |   |   |
|   | The PSSSF Pension Scheme knows how I feel |   |   |   |   |   |
| Customer Satisfaction | Generally, I am satisfied with the services of this scheme |   |   |   |   |   |
| I will recommend PSSSF to friends and family members |   |   |   |   |   |
| The personnel of the PSSSF scheme are courteous and friendly |   |   |   |   |   |
| The scheme quickly solve my problems |   |   |   |   |   |
| I will always choose PSSSF scheme over any other pension schemes |   |   |   |   |   |

**THANK YOU FOR YOUR PARTICIPATION**