Customers Perception And Expectation on Services of Life Insurance Corporation of India

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ABSTRACT Life insurance happens to be a big opportunity in India because of its huge population and untapped market. After liberalization, privatization and globalization, it has been duly realised by all the insurance players that customer satisfaction is the pivotal element for enhancing business performance. Life Insurance Corporation of India (LIC) still continues to be dominant life insurer in the liberalized scenario of Indian insurance. With a greater choice and awareness, there is continuous increase in the customers' expectations and they demand better quality service. The study attempts to measure the policyholders perception and expectation on service quality dimensions of LIC. The primary research was conducted through a market survey consisting of 600 respondents from urban and rural areas of Coimbatore district in Tamilnadu. A well structured questionnaire and Interview method were used for primary data collection. Simple statistical tools like percentage, mean ranking scores and Pearson's correlation co-efficient were employed for data analysis.

Introduction

In the post liberalisation era, there has been a complete transformation in the insurance market. Entry of private players into the industry and its stringent entry norms, regulations of intermediaries and widening of the distribution channel, etc lead to an impressive growth of the insurance industry. Life Insurance Corporation of India (LIC) is a public sector giant in the life insurance industry in India. LIC enjoyed monopoly in life insurance sector during the pre-nationalized period. Huge untapped Indian market and unlimited future opportunity lure many foreign players towards investment in life insurance business (Rastogi 2006, Anshuja 2012 and Sonal Nena, 2013). After Liberalization in insurance sector, service quality has become an important tool for proving difference among the insurance industries in India. Quality is an attribute of product or service that fulfills the need of a customer and satisfy customers expectations (Kurt Matzler and Hans H. Hinterhuber, 1998). Service quality improvements will lead to customer satisfaction and cost management that result in improved profits (Stevenson, 2002). Service quality helps to create the necessary competitive advantage by being an effective differentiating factor. (Brady and Robertson,2001).

Review of Literature

Customers were the main pillars of any business and customer service is the critical success factor in a company and providing outstanding customer service differentiates great customer service from indifferent customer service. (Babita Yadav, 2011). Customers today are more demanding and expecting high standards of service and value satisfaction. If all the players in the life insurance industry focus on the effective delivery of services they could win the hearts of customers and anticipate their increased market share (Keerthi and Vijayalakshmi, 2009). The SERVQUAL has a variety of potential applications. It can help a wide range of service and retailing organizations in assessing consumer expectations about and perceptions of service quality. It can also help in pinpointing areas requiring managerial attention and action to improve service quality (Parasuraman A. Valarie et al., 1988). Quality improvement

and adherence to accepted forms of quality were central to the modern concept of marketing of services. Customer service assumes vital importance in the marketing programmes of all modern organisations including service organisations. LIC need to improve its service quality to meet changing demands and expectations of customers.

Statement of the problem

The perception of service marketing focuses on selling the services in the best interest of customers. Companies should find out what service elements are important to customers and where performance needs to be improved. Life insurance is a customer based business where retention of existing customers is the biggest challenge in present day viable market competition. This requires a fair blending of performance orientation and employee orientation. This requires an in-depth knowledge of quality and its changing perception. This necessitates complete view of customers, and their perceptions, expectations and values. Based on the above discussion the study attempts to present and cross verify the service quality dimension of public sector insurance company operating in India on the bases of customers' opinion point view i.e., their present level of perceptions and future expected service features.

Objectives of the Study

The objectives of the study are

• To understand the life insurance holdings of the sample respondents

• To determine the policyholders perception and expectation on service quality dimensions of LIC.

• To suggest suitable measures improve service quality.

Research Methodology

Coimbatore district is selected as the locale of the study owing to the reason that it is one among the industrially developed and commercially vibrant districts of Tamilnadu. The multi-stage sampling method was followed for selec-

tion of the sample respondents being the policyholders of LIC of India. In order to select the respondents from urban area, Out of seven branch offices located in city limits, the Peelamedu branch was selected and in order to select the respondents from rural area, the Sulur branch of LIC of India serving rural area was selected. As on 31.3.2013, 45,721 policyholders residing within urban limits of Coimbatore Municipal Corporation and 50,587 policyholders constituting population for rural sample who have policies in force for more than three years. Using stratified random sampling method, of the proposed sample size of 300 is arrived at in proportion to the total policyholders in each stratum using Tippett's table of random numbers. Primary data were collected through a well structured questionnaire and personal interview with the insurance policy holders. The secondary data were collected from reports and publications of Insurance Regulatory Development Authority of India, and also from various journals, magazines, websites, etc. The data reliability was tested through Cronbach alpha test. The data collected were analyzed statistically. Frequency, percentages, mean ranking scores and correlation co-efficient test were used.

SERVQUAL is a methodology designed to identify the gaps between what customers expected from an excellent product or service to be from their current suppliers of that product or service. The gap scores are the differences between the perception and expectation scores [P – E] which measures service quality and hence customer satisfaction. It has been measured from the responses of urban and rural areas regarding service quality of LIC. The measurement of service quality was carried out through identifying factors influencing the customer expectation and determinants of customer perception and gap in service quality. The generic questionnaire as used by Parasuraman et al (1988) has been used here with 34 statements explaining five dimensions namely Tangibles, Reliability, Responsiveness, Assurance and Empathy and the responses have been captured in seven point Likert scale.

Results and Discussions:
Profile of the Sample Respondents
The distribution of sample respondents based on their demographic and socio-economic profile is discussed below. Of the total respondents 67 percent were male and 33 percent were female. Out of the total sample respondents from urban area 36.33 percent were male and 13.67 percent were female in urban area, 30.67 percent of male and 19.33 percent of female respondents were from rural area who were all invested in the life insurance policies of LIC of India.

With regard to the age of the respondents, in all, about 50 percent of the respondents were in the age group of 26 – 35 years. Need for life insurance was higher among married respondents (71.33 percent) and 28.67 percent of them were unmarried. With respect to educational qualification, it was observed that 25 percent of the respondents had higher secondary level of education and 24.67 percent of the respondents were graduates. About 26 percent of the respondents were post graduates and professionals where as in rural sample 14.50 percent of the respondents had higher secondary education, 13.5 percent were graduates and 12 percent with diploma qualification.

Occupation wise classification of the respondents showed that about two-thirds of the total respondents were employed in government and in private sector. The remaining one-third was in business, agriculture and other category. Occupation of the spouse brings great support in finan-

cial position of the family. The occupation breakup of the spouse showed that 21.67 percent respondents were employed in private sector and 17.67 percent were government sector employed.

Distribution of respondents based on monthly household income revealed that, of all the respondents, 53.67 percent have monthly income between Rs.10, 001 – Rs.20,000 and 31 percent respondents have monthly income less than Rs. 10,000. The monthly household saving other than in life insurance revealed that 30.17 percent of the respondents saved up to Rs.30, 000 per annum and 29.17 percent respondents saved up to Rs.20, 000 per annum. 18.33 percent of them have saved above Rs.50, 000.

Policy Holders' Perception towards Service Quality Dimension of LIC

Tangibility
Tangibility means physical facilities, appearance of personnel and equipment. Among the respondents from urban area, the mean value computed reveals that the physical appearance of staff members(5.59) was felt more important followed by physical appearance and surrounding of the branch office (5.49), availability of information through brochures, leaflets, and letters (5.41). Further, it is inferred that among the rural respondents, memorable advertisement of the LIC (5.73) was ranked highest and the next availability of information through brochures, leaflets, and letters (5.72).

Reliability
Reliability means ability to perform the promised service dependably and accurately. It has been understood that majority of the urban respondents have given first rank for guarantee and warranty of the performance provided by LIC with a mean value of 5.63. Further the mean value (5.57) computed reveals that accurate records provided to customers by LIC. Majority of the rural respondents, the mean value computed revealed that providing accurate records to customers 5.87, providing guarantee or warrantee of the performance was ranked in the second place, followed by it staff provides error free service 5.75.

Responsiveness
Responsiveness means willingness to help customers and provide prompt service. Majority of urban respondents have given first place towards the responsiveness dimension is that employees were in a position to inform the customer about the time taken for completing the service demanded with the mean value of 5.57 and prompt service to their customers were ranked in the second place by the sample urban respondents with the mean value of 5.52. Whereas majority of the rural respondents have ranked first place to employees willingness to help their customer with the mean value of 5.85, Further second rank was given to fast service performance by the employees of LIC with the mean value of 5.80, followed by it, employees prompt service to their customer was given third rank with the mean value of 5.76.

Assurance
Assurance means ability of the organization's employees to inspire trust and confidence in the organization through their knowledge and courtesy. Majority of the urban respondents have given first rank to trustworthiness and honesty of the employees of LIC with a mean value of 5.77, followed by it the second position was given to assured about the agent / advisor who deliver the service with a

mean value of 5.70 and third rank was assigned to employees knowledge and competence to solve customers' problem and officials helpfulness in making prompt decisions with a mean value of 5.64 each respectively. Whereas among rural respondents trustworthiness and honesty of the employees was considered as the most important factor and it has given first rank. Second position was given to knowledge and competence of the employees to solve customers' problems, employees experience in solving or diagnosing the customers problems have given third rank by the rural respondents.

Empathy

Empathy means personalized attention given to customer. It has been clearly understood that the majority of the urban respondents have given importance to agents/advisors have concern about them and they understand their problems; it is ranked in first place with a mean value of 5.79. The sample populations have said that they trust the staff of the insurance company and it is ranked in second place by urban policy holders with a mean value of 5.73. Majority of the rural respondents have rated that Agents/Advisors have concern and understanding of customers' problem and it was ranked in the first place with a mean value of 5.99 and the second place was assigned to extended hours of service with a mean value of 5.93.

Policy Holders' expectation towards Service Quality Dimension of LIC

Tangibility

Among the respondents from urban area, the physical appearance of staff members were ranked in the first place with the mean value of 6.47, the second rank was assigned to use of technology with a mean value of 6.33, memorable advertisement was given third position with a mean value of 6.18, Physical appearance and surrounding of the branch office influence customer and availability of information through product and service brochures, leaflets, letters were given fourth and fifth rank respectively. Majority of the rural respondents have given first rank with a mean value of 6.47 to physical appearance of the staff is professional and second rank was assigned to physical appearance and surrounding of the branch office influence customer with a mean value of 6.37.

Reliability

It has been understood that majority of the urban respondents have given first rank for error free services of the staffs provided by LIC with a mean value of 6.41. The second rank was assigned to company provides guarantee/warranty of the performance by LIC with the mean value of 6.37. Majority of the rural respondents have given first rank for error free services of the staffs provided by LIC with a mean value of 6.35, Staff commitment to fulfill promises in timely manner was assigned second rank by the rural samples with a mean value of 6.32, company is having competitive pricing compared to others was given third rank with a mean value of 6.31.

Responsiveness

The respondents' have expected that the employees of Life Insurance Corporation of India must provide prompt service to their customers and also they expected that the employees must offer fast service to the customers were ranked in first place with a mean value of 6.31. The sample respondents have expected that the employees of the company be keen to help their customer in near future and it is ranked in third place with a mean value of 6.24 whereas rural respondent's expectation towards employees

in LIC was willingness to help their customers with a mean value of 6.35.

Assurance

It is clearly understood that, urban respondents expect that employees should have knowledge and competence to solve customers' problem and it was assigned first rank with a mean value of 6.32. Employees to be trustworthy and honest were given second rank with a mean value of 6.31. Assured about the agent/advisor who deliver the service was given third rank with a mean value of 6.26.
The rural respondents expect employee's knowledge and competence to solve customers' problem was given first rank with a mean value of 6.41. Employees are trustworthy and honest and Employees are very experienced in solving or diagnosing the customer's problem was given second rank by the rural respondents with a mean value of 6.36.

Empathy

It has been understood that the majority of the urban respondents have expected that the Company will have a convenient business hours and it is ranked in first place with a mean value of 6.30. The respondents' have expected that the company will inform their services to the customers and it is ranked in second place with a mean value of 6.29. The urban sample populations have expected that the employees will give individual attention to the customers and it is ranked in third place. Majority of the rural respondents expect that the customer gets individual attention and it was ranked in first place with 6.40 as mean value, second place was assigned to company understand their customer specific needs and company keep customers informed about service that have been performed and price charged with a mean value of 6.36 each.

TABLE 1
CORRELATION CO-EFFICIENT OF CUSTOMER EXPECTATIONS AND
PERCEPTIONS OF SERVICE QUALITY - URBAN

Variables	P (Mean)	E (Mean)	Difference	R	Percent	Sig
Overall View	5.73	6.58	0.85	.184	18.40	0.000
Tangibility	5.43	6.24	0.81	.375	37.50	0.000
Reliability	5.49	6.27	0.78	.250	25.00	0.000
Responsiveness	5.43	6.27	0.84	.300	30.00	0.000
Assurance	5.57	6.23	0.66	.386	38.60	0.000
Empathy	5.56	6.22	0.66	.195	19.50	0.000

Level of significance: 5 per cent
Note: P-Perception & E-Expectation

It has inferred that majority of the respondents' surveyed expect immediate changes in the overall service enhancement in LIC branches. The customers of LIC expect immediate changes in the external ambiences, staff appearance and approach towards customers' needs in the surveyed LIC branches i.e., enhancement of Tangibility and Responsiveness qualities of LIC and its staffs. Urban customers' of LIC also expect LIC to more reasonable in sharing customers' related issues i.e., being reliable in services. LIC's assurance as insurer and service with empathy towards customers' emotions is also expected to enhance in the near future by its valuable customers'. The measure of correlation between the perception and expectation are found to positive.

TABLE 2
CORRELATION CO-EFFICIENT OF CUSTOMER EXPECTA-
TIONS AND
PERCEPTIONS OF SERVICE QUALITY – RURAL

Variables	P (Mean)	E (Mean)	Difference	R	Percent	Sig
Overall View	5.72	5.68	-0.04	.167	16.70	0.000
Tangibility	5.70	6.34	0.64	.224	22.40	0.000
Reliability	5.69	6.30	0.61	.276	27.60	0.000
Respon-siveness	5.78	6.31	0.53	.299	29.90	0.000
Assurance	5.70	6.35	0.65	.270	27.00	0.000
Empathy	5.77	6.31	0.54	.164	16.40	0.000

Level of significance: 5 per cent

Note: P-Perception & E-Expectation

In contrary to the urban customers' views the rural consumers' perception and expectation towards the service quality dimension of LIC is differed widely. The rural consumers' expect the LIC to enhance its service, responsiveness, assurance i.e., Guarantee of loyalty and stability in making returns. The rural customers' also expect the LIC to enhance its service qualities in term of tangibility, reliability, acting with empathy and be responsive towards their valuable customers'. The measure of correlation between the perception and expectation are found to be positive. Based on the above discussion it revealed that the customers' current level of perception towards LIC's services / products gauges customers' loyalty and retentions in the future. Thus, it could be concluded that the perception of LIC customers' influences their future expectation of service quality dimension enhancement.

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