



Service Quality GAP between Expectation and Perception of the Customers of Health Insurance Company (Special Reference to National Insurance Company Ltd., in Madurai City)

KEYWORDS

Service Quality, Perceptions, Expectations, National Insurance Company Ltd

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ABSTRACT

Health Insurance Services in India has become highly competitive after opening up of the sector to private insurance companies. Health insurance business in India comprises of government, private life, non-life insurance companies and stand alone health insurance companies. Hence for the success & survival of health insurance business each company needs to evaluate it business regularly. One of the important quality measuring tools is service quality dimension measurements. For the prime success and survival of the insurance companies they need to deliver quality service. Hence service quality has become a prime factor in differentiating every company from its competitors. The present study aims at measuring expectations & perceptions towards service quality of Health Insurance business of National Insurance Company Ltd., in Madurai City of Tamilnadu State.

INTRODUCTION

Quality is defined as "Fitness for use" (Juran, 1974), "Conformance to Requirements" (Crosby, 1979) and five approaches (Garvin, 1984) transcendent approach, product based approach, user based approach, manufacturing based, value based. Service Quality plays a vital role in service delivery improving the productivity, profitability & customer satisfaction of the organization. Customer satisfaction (Rust and Oliver 1994, p.2) defined as a summary of cognitive & affective reaction to a service incident". However customers always evaluate the services is total and see how well they meet their expectations (Gronroos, 2000). In today's competitive environment marketing is not just mere providing service (or) delivering a product it is moving towards developing & maintaining mutually long-term relationships with customers (Johnston, Connor & Zultowski, 1984). This is called as "Relationship marketing which has attracted considerable interest both from academicians & practitioners (Sethi, 2004). Now every health insurance company in order to improve its services is taking the help of information technology to have a competitive edge over its competitors. Since a very few research work is available on Health Insurance Service quality measurement researcher has undertaken this study on service quality gap analysis between customer expectations & perceptions of the quality of services provided by the National Insurance Company Ltd., Madurai city.

OBJECTIVES OF THE STUDY

1. To study & measure the customers expectations & perceptions of service quality in National Insurance company Ltd., in Madurai.
2. To determine the GAP between expectations & perceptions of service quality.
3. To find the relationship between perceived service of quality dimensions and customer satisfaction.

RESEARCH METHODOLOGY

The Researcher carried out the study on literature survey & through primary data collection. For the year 2013-14 the total individual claims made was 600 by National Insurance Company Ltd., in Madurai. Out of which 240 was taken as

sample size by using the below formula:

$$n = N / Ne^2 + 1$$

N = Total Population (Number of claims for the year)
e = error of acceptance 5% (0.05)
n = sample size to be determined

Hence by applying the formula the sample size is determined as 240.

However 10 customers did not agree to participate in the research. Out of 230 questionnaires 7 questions were unusable. Hence 223 questionnaire was collected and used as the sample size for the study. According to Hair et al. (1992) for multivariate analysis the sample size should be at least 5 times the number of parameters in the model. The proposed model of this study consists of 22 parameters (Tangibility 4 items, Reliability 5 items, Responsiveness 4 items, Assurance 4 items, Empathy 5 items). The minimum response necessary would be $22 \times 5 = 110$. Hence the sample size of this research studying is 223 which is much higher than suggested by Hair et al. (1992). Here statistical package SPSS 16 was used to perform the analyses. The questionnaire is close ended and consists of seven point Likert scale ranging from 1-Strongly disagree to 7 - Strongly agree.

RESULTS AND DISCUSSION

A seven point Likert scale with 1 = 'very strongly disagree' and 7 = 'very strongly agree' was used to measure each item relating to service quality perceptions and expectations. Perceptions and expectations on each of the five dimensions were calculated as a summated average of the items used under each dimension while overall perceived service quality was calculated as a summated average of all the 22 items.

Demographic profile of the respondents

The analysis revealed that out of 223 respondents 80 (35.9%) were female and 143 (64.1%) were male customers. On comparing the age group, 94 (42.2%) respondents are in the age group of 51-60 followed by 50 (22.4%) in

the age group of 41-50, 37(16.6%) between the age of 31-40.19(8.5%) below 30 years and 23(10.3%) above 60years. Educational status of the respondents revealed that 75 (33.6%) of total 223 respondents are graduates, 45(20.2%) are educated up to hsc, 37(16.6%) are post graduates, 43(19.3%) are professionals and only 23(10.3%) respondents are educated below 10th standard. Occupational status of the respondent's revealed majority (54.7%) of the respondents are salaried. Around 73% of the respondents are married. In terms of income 28.3% of the respondents are in the income range of rs 20001 – 30000 and 23.3% are in the income range of 10001 – 20000.

Insurance Related Details of the respondents

For measuring the profile of the respondents with regard to various health insurance related variables respondents are asked to state their opinion about Expenses Incurred, Source of Money etc. The analysis from table 1 revealed that out of 223 respondents 33.2 % spend between rs 25001 – 50000 and 27.4 % spend rs 50001 – 75000 per annum for treatment. Majority (57.8%) of the respondents rely on reimbursement as source of money for meeting their medical expenses. 24.7 % of the sample respondents have four of their family members covered for health insurance and 19.3 % of the respondents cover three family members. On the duration of holding health insurance policy 54(24.2%) respondents hold it for a period of three years and another 54(24.2%) respondents hold it for a period of one year. On the yearly premium paid for health insurance 58(26%) respondents pay up to rs 10000 and 53(23.8%) pay up to rs 15000. In terms of insurance amount claimed 35% have claimed up to rs 25000 and 24.7 % have claimed between rs 250001 – 50000. On spending for health expense from own money 32.3% have incurred once and 18.8% have incurred twice. With regard to continuing the existing health insurance policy majority (81.2%) are of the opinion that they will continue with existing policy.

Table 1: Customer opinion on Insurance variables

Insurance Variables	Category	Frequency	%
Expenses Incurred Annually for trtmt	below 25000	42	18.8
	25001 – 50000	74	33.2
	50001 – 75000	61	27.4
	75001 – 100000	36	16.1
	More than 1lakh	10	4.5
Source of Money for Medical Expenses	Own Money	22	9.9
	Reimbursement	129	57.8
	Both	59	26.5
	Other Source	13	5.8
Family Members Covered	Two	32	14.3
	Three	43	19.3
	Four	55	24.7
	Five	31	13.9
	Six	31	13.9
	Seven	31	13.9
Period of holding Policy	1Year	54	24.2
	2 Year	48	21.5
	3 Year	54	24.2
	4 Year	18	8.1
	5 Year	22	9.9
	6 Year	27	12.1
Yearly Premium Paid	Upto 5000	23	10.3
	Upto 10000	58	26.0
	Upto 15000	53	23.8
	Upto 20000	35	15.7
	More than 20000	54	24.2

Amount of Insurance Claimed	Upto 25000	78	35.0
	25001 – 50000	55	24.7
	50001 – 100000	52	23.3
	More than 100000	38	17.0
Frequency of meeting Health Expenses by Own Money	Once	72	32.3
	Twice	42	18.8
	Thrice	34	15.2
	Four	26	11.7
	More than Four	49	22.0
Opinion of Continuing the Policy	Yes	181	81.2
	No	42	18.8

Reliability test

In order to determine the reliability of the instrument used Cronbach's alpha reliability analysis was conducted on the study variables. Nunnally (1978) has suggested 0.70 as the acceptable level for reliability measure. The Cronbach Alpha for all the study items was greater than .70 thus indicating an acceptable level of reliability (see Table 2).

Table 2: Reliability Test

Dimensions	Cronbach Alpha		Number of Items
	Expectations	Perceptions	
Reliability	.948	.955	5
Responsiveness	.947	.937	4
Assurance	.920	.895	4
Empathy	.954	.939	5
Tangibility	.894	.942	4

Gap analysis on service quality dimensions

The five dimensions of service quality Tangibility, Reliability, Responsiveness, Assurance and Empathy were taken to measure the service quality gap. The gap was measured by measuring the difference between perceived service quality and expected service quality for each dimension. The gap for overall service quality score is measured as the difference between average perception score and average expectation score derived from the 22 scale items. In order to measure the significant mean difference between the perceived and expected service quality of all the dimensions, the paired't' test was applied. The results of service quality gap analysis are illustrated in table 3.

Table 3: Service Quality Gap Analysis

Service Quality Dimensions	Mean Score		Service Quality GAP (P - E)	T- Value
	Expectations (E)	Perceptions (P)		
Reliability	5.8215	4.4691	-1.35	-181.922*
Responsiveness	5.8935	3.7836	-2.10	-216.924*
Assurance	6.1614	4.4899	-1.67	-86.758*
Empathy	5.7363	4.0278	-1.70	-168.433*
Tangibility	6.1872	3.4327	-2.75	-158.266*
Overall Service Quality	5.9600	4.0406	-1.91	-252.115*

* Significance at 5 per cent level

From Table 2, it is evident that for all the dimensions of service quality the mean score of perceived service quality are larger than the expected service quality. Also the overall service quality for the Expectation is 5.96 whereas the overall Perception score is 4.04. This implies that there is a service quality gap of -1.91. The gap for the

overall service quality and for all the five dimensions were statistically significant at five percent level. Higher service quality gaps were found for the dimensions tangibility and responsiveness as their respective service quality gaps are - 0.2.75 and - 2.10. Therefore it is implied from the analysis that the insurance service quality of the company is not up to the expectation of the customers.

Relationship between Perceived Service Quality Dimensions and Customer Satisfaction

To analyse the influence of the five perceived service quality dimensions on the customer satisfaction towards the service rendered by the insurance company a multiple regression analysis was executed. The five perceived service quality dimensions were taken as the independent variables and the customer satisfaction dimension was taken as the dependent variable. The results are discussed in table 4.

Table 4: Regression analysis between Perceived Service Quality Dimensions and Customer Satisfaction

Independent Variables	Dependent Variable (Customer Satisfaction)	
	B	P value
Reliability	0.922	.000*
Responsiveness	0.329	.004*
Assurance	0.770	.000*
Empathy	0.341	.071
Tangibility	0.121	.541
Constant	-5.226	
R2	0.785	
F	158.311	0.000*

* Significance at 5 per cent level

As shown in Table 4, 78.5% of the variance in customer satisfaction is explained by the five service quality independent variables. The F-statistics of 158.311 is significant at the 5% level indicating that this is a highly significant relationship. As shown in Table 4, among the five service

quality dimensions the dimension "Reliability" ($\beta = 0.922$, $p < .05$), "Responsiveness" ($\beta = 0.329$, $p < .05$) and "Assurance" ($\beta = 0.770$, $p < .05$) significantly influences the customer satisfaction. The dimensions "Empathy" and "Tangibility" do not significantly influences customer satisfaction. Among the three dimensions significantly influencing customer satisfaction the most significantly influencing dimension is reliability as it has the highest beta value (.922) followed by assurance(.770) and responsiveness (.329).

Nunnally, C.J. (1978). *Psychometric Theory*. McGraw-Hill, New York, NY.

Conclusions

This Research was basically undertaken in order to study & measure the customers expectations & perceptions of service quality and to determine the GAP. The GAP for the overall service quality is higher and it is still higher especially for the dimensions tangibility & responsiveness. Hence it is implied from the analysis that the insurance quality of the company is not up to the customers expectations. Regression analysis between perceived service quality dimensions and customer satisfaction showed that (F- statistics) Reliability, Responsiveness and Assurance significantly influenced the customer satisfaction than Empathy and Tangibility. Based on the above decisions National Insurance Company need to improve its quality of services in order to be more competitive among health insurance companies. The study has been carried out in the month of May, June 2015. The major Limitation of the study is that since Health Insurance involves both Policy issuing company(National Insurance Company) and Third party administrators (claim processing company) customer perception may change even if the third party administrators services are bad. Further this study is carried out among the urban customers only.

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