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A Study on Service Quality in Insurance Industry With Special Reference to Life Insurance Corporation in Madurai District

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ABSTRACT

The insurance industry of India has started to reveal the potential after the process of reforms were started on the basis of recommendation of R.N. Malhotra Committee, which was set up in 1993 with an objective of creating a more efficient and competitive financial system suitable for the Indian economy. After the implementation of government policies on globalization and liberalization, the consumers have become more critical of the quality of service. Consumers are now very much aware of the alternatives available in relation to services and the provider organizations. The present study is an endeavor to examine the effect of reforms on the performance of the LIC, to assess the comparative service quality level of life insurance companies in India, analyze the effect of service quality on customer loyalty and finally to identify the gaps in the performance so as to make suggestions to improve the performance of the life insurance Industry in India.

KEYWORDS Service quality, Perception, Life Insurance, SERVQUAL

Introduction

Service organizations in India are facing tough competition in the global market because of liberalization and globalization of the Indian economy. Hence, it is helpful for service organizations to know the customer service quality perceptions in order to overcome the competitors and attract and retain the customers. Because of the globalization and liberalization of Indian economy, Indian service sector has been opened for Multinational companies. In order to overcome the competition and to retain the world class service standards, Indian companies have been forced to adopt quality management programs. Nerurkar (2000) analyzed the SERVQUAL dimensions in India and concluded that service quality should form the basis for all customer retention strategies. Services are defined as: the activities, which are involved in producing intangible products as education, entertainment, food and lodging, transportation, insurance, trade , government, financial, real estate, medical, consultancy, repair and maintenance like occupation. Quality has become a strategic tool for obtaining efficiency in operations and improved business performance (Babakus and Boller, 1992; Garvin, 1983; Phillips, Chang and Buzzell, 1983).

This is true for the services sector too. Several authors have discussed the unique importance of quality to service firms and have demonstrated its positive relationship with profits, increased market share, return on investment, customer satisfaction, and future purchase intentions (Rust and Oliver, 1994). One obvious conclusion of these studies is that firms with superior quality products outperform those marketing inferior quality products.

Service quality can be concisely defined as the personal experience of the customer with the service provider. Service quality is playing an increasingly important role in the present environment where there is no further scope for the companies to differentiate themselves other than the quality of the service provided by them. Delivering superior service quality than the competitors is the key for the success of any organization. But, the companies face difficulties in measuring the quality of services offered to the customers. Because unlike measuring the quality of goods, the measurement of the quality of services offered by the companies is difficult due to the three unique features of services viz. intangibility, heterogeneity, and inseparability. Hence the only way of measuring the quality of services offered by the service provider is the measurement of the customer's perception of the quality of service they are experiencing from their service providers.

Objectives of the study

In the light of the above background, the main objective of this study is to identify the dimensions of service quality in the Insurance industry using the SERVQUAL scale and to assess the importance of each of these dimensions in the Insurance industry. The study is conducted with the following objectives:

1. To understand the consumer perception regarding life insurance industry.
2. To assess the impact of service quality on customer loyalty in life insurance industry
3. To determine the relevant dimensions of service quality.

Scope of the Study

The service quality of the Insurance industry should be up to the level of overall satisfaction of the ultimate beneficiaries. This highlights the need for obtaining the feedback from the policy holders (customers) of this innovative product through periodical research. This will lead to refinement, improvement of the product or withdrawal as the case may be. In this context the present paper service quality of Insurance industry a customer centric analysis, has been undertaken by the authors to identify the overall satisfaction and expectations, which will give proper solution to measure the service quality of the insurance scheme.

Need for the Study

Although reforms have brought significant changes in the life insurance industry during the recent decades, it has been seen that there is widespread customer dissatisfaction in the insurance industry. The main reason has been found to be insurance providers' failure to satisfy customer needs and mis-selling of products by agents in the market. Therefore, further research to improve the industry understanding of service quality is required. There is a need of identifying the reasons for poor service quality and to suggest measures for improving it by bridging the gap between the perceived customer satisfaction and the actual service given by the insurance service providers.

It is now becoming apparent that customer loyalty is a more important factor for the success of a business organization than customer satisfaction. The increasing demands of the customers as well as the increasing market competition have posed new challenges to insurance providers. The insurance companies are therefore finding ways to understand the factors affecting customer loyalty. So, insurance companies need to use this knowledge to implement strategies which will ensure that they will receive loyalty from both existing and prospective customers.

Since the agents are the interface between customers and the insurance companies, they can be the best source of information regarding the changes required in the life insurance industry. So, there is a need to study the insurance industry from the point of view of agents too.

Methodology
The study was based on both primary and secondary data. The primary data was collected with the help of structured questionnaires. The secondary data was collected from various research papers, books, journals published, IRDA annual reports, annual reports of life insurance companies and websites etc.

Construction of Tools
SERVQUAL, an instrument “for assessing customer perceptions of service quality in service organizations” developed by Parasuraman, was used for this study. The schedule has 21 statements related with five dimensions of tangible, reliability, responsiveness, assurance and empathy of Life insurance corporation. In the scale, they used the following five generic dimensions:

- **Tangibility:** Physical facilities, equipment, appearance of personnel and written materials.

- **Reliability:** Ability to perform the promised service dependably and accurately.

- **Responsiveness:** Willingness to help customers and provide prompt service.

- **Assurance:** Knowledge and courtesy of the employees and their ability to inspire trust and confidence.

- **Empathy:** Caring and individualized attention that a service provider provides to its customers.

Tools of Analysis
The SPSS software program was used to perform statistical analysis of the data collected through the interview schedule specially designed for this study. The data analysed was from 50 Policy holders. Descriptive analysis, paired sample‘t’ test and ANOVA were used in terms of expectations and perceptions values.

Analysis and Interpretation
The description, correlations and paired-sample t-test used to compare the 21 mean scores for expectation and perception statements. The t-test was to compare the means and confirm H_1 and H_o by showing a significant difference between the expectation and perception of customers in Life Insurance Corporations.

Table 1 Description Statistics (Expectations and Perceptions)

	Mean	N	Std. Deviation	Std. Error Mean
Pair 1 EXP AVG	5.2988	50	0.4331	1.890
PER AVG	3.7158	50	0.3136	1.369

Source: Compiled Data

Table 2 Correlations (Expectations and Perceptions)

	N	Correlation	Significance
Pair 1 EXP AVG & PER AVG	50	0.309	0.000

Source: Compiled Data

Table 3 T- Test (Expectations and Perceptions)

	Paired Differences					‘t’	df	Significance
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 EXP AVG - PER AVG	1.5830	0.4496	1.962	1.5444	1.6215	9.571	49	0.000

Source: Compiled Data

It is inferred from the table that the difference between the two sets of mean scores was unlikely to occur by chance. The results do not report the magnitude of the intervention’s effect, the degree to which the two variables are associated with one another. In other words a small difference between groups can become statistically significant but this does not mean that the difference has any practical or theoretical significance. In order to assess the importance of the findings the “effect size” (also known as “strength of association”) can be calculated. This is a set of statistics that indicates the relative magnitude of the differences between means, or amount of total variance in the dependent variable that is predictable from knowledge of the levels of the independent variables. There are a number of different effect size statistics. The one used for this analysis to compare the data was the Eta squared. The Eta Squared was calculated using the following formula:

	t^2
Eta Squared =	---------------------------
	t^2+N-1
	$(9.571)^2$
Eta Squared =	---------------------------
	$(9.571)^2+50-1$
Eta Squared =	0.65

The guidelines proposed by J.W.Cohen were taken into account for interpretation. The guidelines showed that for interpreting this effect size is as follows: 0.01 = small effect, 0.06 = moderate effect, 0.14 = large effect. Given the present Eta squared value of 0.65 for the difference between expectation and perception mean scores, the study can conclude that this was a large effect. The paired sample t-test concluded that there is a statistically significant difference in the perceptions mean score (M = 3.7158, SD = 0.3136) compared to the expectations mean score (M = 5.2988, SD = 0.4331, t(49) = 9.571, p < 0.0001 (two-tailed).

Conclusion
It can be said that the insurance industry as a whole has recorded profound growth after liberalization and privatization of the sector. Life insurance has now become an attractive channel for providing risk coverage against death or accident, for saving tax, for meeting post retirement needs, and as an investment tool for securing the future. The liberalization process and the competitive environment has acted as a catalyst in the life insurance sector and has thus improved the performance of LIC and made them equally efficient as compared to

their private competitors. So, the LIC agents perceived a much better service quality of their company as compared to the agents of private sector life insurance companies.

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