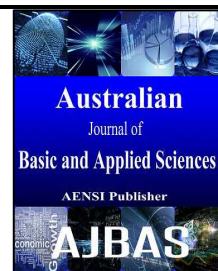




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Service Quality and Customer Satisfaction in Life Insurance Business

Dr. A. Lenin Jothi

Rukmini Devi Institute of Advanced Studies, Affiliated to GGSIP University, India

Address For Correspondence:

Dr. A. Lenin Jothi, Rukmini Devi Institute of Advanced Studies, Affiliated to GGSIP University, India
Tel: 09810941948; E-mail: leninjothimba@yahoo.com.

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ABSTRACT

In a competitive business environment, service quality plays crucial role in the success of any business and quality is an effective tool to ensure customer satisfaction. Life insurance is a business of long – term relationship between insurers and their customers and a policy holder may require different kinds of services from time to time during the policy term. This article seeks to study the impact of service quality on customer satisfaction in life insurance industry in India. A sample of 1000 life insurance customers (500 from public sector and 500 from private sector) were administered a well-structured questionnaire using quota sampling method. The initial 22 attributes of SERVQUAL scale developed by Parasuraman and colleagues were used in this research without any modifications. This research is also aimed to cross compare the level of customer satisfaction in public and private life insurance spheres. It is found that all SERVQUAL dimensions have significant effect on the level of customer satisfaction in life insurance industry and customers of public sector (LIC) are more satisfied than private sector customers.

INTRODUCTION

For the past few decades, service quality has been emerging as a major area of interest to researchers owing to its strong impact on customer satisfaction and customer loyalty (Cronin and Taylor, 1992; Hallowell, 1996; Chang and Chen, 1998; Lasser, Manolis, and Winsor, 2000; Silvestro and Cross, 2000; Newman, 2001; Sureshchander, Rajendran, and Kamalanabhan, 2002; Guru, 2003). The term quality has been used in different ways. Quality can be a collection of concepts, ideas or tools that are proven to improve customer satisfaction (Garvin, 1984). The significance of providing quality service has been acknowledged in all kind of organisations. Today's customers have not only become more knowledgeable but also more demanding in their expectations, price savvy in their outlook, more discerning in their choice of products and services. What customers really want is core service to meet their needs. Consistently providing quality service can help in bringing the real value and meaning to business. Life insurance is obviously a service oriented business which requires the endorsement of customer delight because of the long – term relation between insurer and insured. In India, at present, there are 23 private and one public (Life Insurance Corporation) life insurance companies. Indian life insurance industry is witnessing a plethora of changes as consumers are given more options to choose from innovative customized products. One of the takeaways of liberalization in insurance sector has been the discernible shift from the sellers' market to buyers' market. So life insurance industry needs to identify customers' needs and fulfill them rather than selling insurance policies.

II. Literature Review:

As the subject of continued debate in marketing literature, the distinction and association between service quality and customer satisfaction remains at the forefront of many academics and practitioners (Spreng, Harrell,

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and Mackoy, 1995). Quality is whatever a customer perceives it to be (Grönroos, 2000). Customer satisfaction is defined as a function of discrepancy between a customer's prior expectations and his/her perceptions regarding the purchase (Churchill and Surprenant, 1982; Oliver, 1981; Tse and Wilton, 1988; Yi, 1990). Parasuraman, Zeithaml, and Berry (1985, 1988) defined service quality in a similar way as a comparative function between customer expectations and actual service performance and developed the universally accredited SERVQUAL scale comprising 22 attributes confined into 5 dimensions. As far as the above definitions are concerned, quality and satisfaction appear highly similar. Sometimes the terms quality and satisfaction are used interchangeably, as if both are evaluate the same. Although, researchers have often equated quality with customer satisfaction, these have been more recently accepted as different constructs with customer satisfaction being a consequence of service quality (Bergman and Klefsjö, 1994; Kessler, 1995; Cronin and Taylor, 1992; ISO 9004-2, 1991). Studies illustrate that the customer satisfaction and service quality are distinct concepts and are temporally related (Dabholkar, 1995; Gotlieb, Grewal, and Brown, 1994). While service quality is an enduring long-term attitude (Bolton and Drew, 1991a), satisfaction is a more specific and short-term evaluation (Bitner and Hubbert, 1993; Parasuraman *et al.*, 1985), an emotional reaction to a product or service experience (Spreng and Singh, 1993) and experimental, transitory and transaction specific (Stafford, Stafford and Wells, 1998). The difference between quality and satisfaction mirrors managerial versus customer concerns; a manager and service-providing firm tries to provide "high-quality" service, and a customer experiences the service encounter and is "satisfied" or not (Iacobucci, Ostrom, and Grayson, 1995). Many studies on satisfaction have been conducted in service settings and generally, researchers agree that the two constructs are conceptually distinct. Customer satisfaction is one of the topics very related with the quality and the ultimate measurement of quality is customer service (Bergman and Klefsjö, 1994). Although various authors used different determinants to measure customer satisfaction (Westbrook and Reilly, 1983, Crosby and Stephens, 1987, Oliver and MacMillan, 1992), there is a general conformity on the distinctiveness of service quality and customer satisfaction from a conceptual point of view. Cronin and Taylor (1992) tested, among other things, the casual relationship between service quality and customer satisfaction and revealed that perceived service quality leads to satisfaction. The 22 items of SERVQUAL, when measured as a function of multiple experiences with a firm, may be good predictors of overall service satisfaction (Bitner and Hubbert, 1994). Attention to service quality can help an organization to differentiate itself from other organizations and through it gain a lasting competitive advantage (Moore, 1987). High quality of services is considered as essential determinants of the long-term profitability of service organizations (Margolies, 1988). Service quality affects the repurchase intention of both existing and potential customers. Perceived service quality has been found to be one of the most important determinants of customer satisfaction in life insurance services (Durvasula, Lysons, Mehta, and Tang, 2004; Crosby and Stephens, 1987) and other services (Cronin, Brady, and Hult, 2000; Bolton and Drew, 1991b; Yang, Jun and Peterson, 2004).

III. Methodology:

The present research seeks to study service quality and customer satisfaction in contemporary market scenario. The main objective is to study the impact of SERVQUAL dimensions on customer satisfaction in life insurance industry in India. Furthermore, the specific objective of this research study is to cross compare the level of customer satisfaction in public and private life insurance spheres. This research is both exploratory and descriptive in nature and carried out on life insurance business in India. The target population are those who have purchased a life insurance policy after the liberalization of insurance industry, i.e., after the year 2000, from either LIC (public sector) or any one of the private life insurance companies namely-ICICI Prudential, HDFC Standard Life, Birla Sun Life, SBI Life and Bajaj Allianz. The sample base is Delhi and National Capital Region of India. Non-probability sampling is chosen as the basic method and Quota sampling is chosen as the specific method to carry out this study. A sample of 1000, public (500) and private (500), life insurance customers were administered a well-structured questionnaire to measure their expectations and perceptions on the 22 attributes of SERVQUAL instrument. The method of data collection comprised of personal interview as well as mailed questionnaire methods. A 7-point Likert scale was used to measure customers' expectation and perception and a 5-point Likert scale to study the overall customer satisfaction. Dimensions on perception are taken into account to compare with customer satisfaction. Karl Pearson's Coefficient of correlation, Regression Analysis and *t* - test were used to test the hypotheses and data analysis was carried out using SPSS 21.0. Even though different authors have modified SERVQUAL scale in different occasions, the author uses the initial 22 attributes without any modifications.

3.1. The five dimensions comprising 22 attributes of SERVQUAL instrument are as under

- **Tangibles:-**

Condition of equipment, Appearance of facility, Appearance of staff and Ambience in the facility

- **Reliability:-**

Staff's sincerity in services, Staff's problem solving ability, Correct service performance, Service provision in time and Record keeping accuracy.

- **Responsiveness:-**

Waiting time for service, Promptness in responding, Willing to help customers and Availability to respond.

- **Assurance:-**

Trustworthiness of staff, Ease in interacting with staff, Politeness of the staff and Ability of staff to answer questions.

- **Empathy:-**

Individual attention paid, Personal attention paid, Understanding customer's need, Sensitiveness to customer's best interest and Convenient operating hours

3.2. Research Hypotheses:

On the basis of the above literature review, research hypotheses have been formulated as under:

H₁ : Service quality dimensions have positive and significant correlation with customer satisfaction.

H₂ : All dimensions of service quality have significantly positive effect on customer satisfaction.

H₃ : There is significant difference in satisfaction level between public and private sector life insurance customers.

RESULTS AND DISCUSSION

The extensive literature review proves that service quality and customer satisfaction are interlinked and create value for customer. The responses on different attributes of each SERVQUAL dimension were totaled and average was calculated to represent the particular dimension. The impact of every dimension on the level of satisfaction was studied separately.

4.1. Correlation between SERVQUAL Dimensions and Satisfaction:

Correlation between the five service quality dimensions and customer satisfaction was calculated with the help of Karl Pearson's coefficient of correlation and tested for significance at 1% level. Table 1 shows the coefficients of correlation between the five dimensions of service quality and overall customer satisfaction. All dimensions of service quality are positively correlated with customer satisfaction. The significant test for correlation coefficient between customer satisfaction and Tangibility ($p = 0.000$), Reliability ($p = 0.000$), Responsiveness ($p = 0.000$), Assurance ($p = 0.000$) and Empathy ($p = 0.000$) confirms the hypothesis, H₁. This means that all SERVQUAL dimensions have significantly positive correlation with customer satisfaction. Among the five dimensions, "Responsiveness" followed by "Assurance" shows largest correlation with customer satisfaction.

Table 1: Correlations between SERVQUAL Dimensions and Satisfaction.

Dimensions Vs. Customer Satisfaction	Correlation Coefficient	Sig. (2 – Tailed)
Tangibility ↔ Customer Satisfaction	0.221(**)	0.000
Reliability ↔ Customer Satisfaction	0.393(**)	0.000
Responsiveness ↔ Customer Satisfaction	0.506(**)	0.000
Assurance ↔ Customer Satisfaction	0.449(**)	0.000
Empathy ↔ Customer Satisfaction	0.280(**)	0.000
Overall Service Quality ↔ Customer Satisfaction	0.459(**)	0.000

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

The overall service quality was calculated as the average of the scores obtained from the 22 SERVQUAL attributes. Table 1 also indicates the relationship between overall services quality and customer satisfaction. It is observed that correlation between overall service quality and customer satisfaction is 0.459 and significance level is 0.000. Hence there exists significant positive correlation between overall service quality and customer satisfaction.

4.2. Service Quality and Customer Satisfaction:

Because of the positive correlation between service quality and the customer satisfaction, a series of simple regression analysis was conducted to examine the relationship further and to determine the effect of these dimensions on customer satisfaction (H₂). Customer satisfaction was considered as dependent variable and SERVQUAL dimensions as independent variables. The t and Sig. (p) values give an indication of the impact of each independent variable – a big absolute t value and small p value suggests that a predictor variable is having

a large impact on the customer satisfaction. Table 2 indicates the regression coefficients for public sector, private sector and the life insurance industry as a whole. In case of Tangibility, regression coefficients for public sector, private sector and the life insurance industry are significant at $p \leq 0.05$. This means that Tangibility (H_{2A}) has significant effect on the level of customer satisfaction in life insurance industry. As compared to the public sector, t – value is more in private sector. The hypothesis H_{2B} was tested to determine whether the “Reliability” dimension has any significant positive impact on the customer satisfaction. The result shows that the regression coefficient is 0.259 for public sector, 0.404 for private sector and 0.347 for the industry and significant at $p = 0.000$. It ascertains the hypothesis H_{2B} . The result of regression analysis on Responsiveness indicates that the regression coefficients are significant at $p = 0.000$ and thus supports the hypothesis H_{2C} . This analysis further shows that regression coefficient for public sector is 0.252, for private sector is 0.447, and for life insurance industry is 0.369 which are significant at $p \leq 0.05$ and confirms the hypothesis H_{2D} . Thus it is concluded that Assurance has significant effect on the level of customer satisfaction in life insurance industry. The result further supports the hypothesis H_{2E} at $p = 0.000$. It is also found that all service quality dimensions have more impact on customer satisfaction in private sector than public sector.

Table 2: Regression Analysis between Quality Dimensions and Satisfaction.

Sector	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Tangibility and Customer Satisfaction					
Public	0.126	0.033	0.170	3.839	0.000
Private	0.247	0.041	0.262	6.054	0.000
Industry	0.192	0.027	0.221	7.145	0.000
Reliability and Customer Satisfaction					
Public	0.259	0.032	0.342	8.132	0.000
Private	0.404	0.039	0.420	10.333	0.000
Industry	0.347	0.026	0.393	13.520	0.000
Responsiveness and Customer Satisfaction					
Public	0.293	0.028	0.429	10.607	0.000
Private	0.435	0.030	0.546	14.533	0.000
Industry	0.384	0.021	0.506	18.549	0.000
Assurance and Customer Satisfaction					
Public	0.252	0.030	0.356	8.509	0.000
Private	0.447	0.035	0.495	12.703	0.000
Industry	0.369	0.023	0.449	15.862	0.000
Empathy and Customer Satisfaction					
Public	0.172	0.029	0.258	5.951	0.000
Private	0.274	0.040	0.295	6.894	0.000
Industry	0.230	0.025	0.280	9.215	0.000
Overall Service Quality and Customer Satisfaction					
Public	0.354	0.037	0.394	9.564	0.000
Private	0.547	0.043	0.494	12.681	0.000
Industry	0.473	0.029	0.459	16.320	0.000

4.3. Customer Satisfaction–Public vs. Private:

The purpose of analyzing customer satisfaction was to confirm the position of life insurance companies under this study. Among the private companies, SBI Life stands first in satisfying their customers with mean 3.850 followed by Bajaj Allianz (3.840), ICICI Prudential (3.550) and HDFC Standard Life (3.770) and Birla Sun Life (3.450). It is observed that the position of LIC (Public Sector) in satisfying their customers is well above these five private companies with mean satisfaction level of 3.970. The hypothesis (H_3) that there is significant difference in customer satisfaction between the public and private sector life insurance is tested here. Table 3 shows the result of the test for both LIC and Private Companies on the customer satisfaction level. The t –statistic for Birla Sun Life is 6.190 (Sig. = 0.000); for HDFC Standard Life 5.280 (Sig. = 0.000); and ICICI Prudential 2.598 (Sig. = 0.010). Therefore null hypothesis is rejected. This means that there is significant difference in satisfaction level between LIC customers and the customers of these three companies. The test however indicates that LIC customers do not significantly differ in experiencing satisfaction with customers of Bajaj Allianz ($t = 1.745$ at $p = 0.081$) and SBI Life ($t = 1.571$ at $p = 0.117$).

The significance test was again conducted taking all private insurance companies together to determine the significant difference in customer satisfaction between the public and the private sectors of life insurance industry. The obtained t –value rejected the null hypothesis at $p=0.000$. Also the mean difference is positive 0.278. It is thus concluded that there exists statistically significant difference in customer satisfaction between public and private sector life insurance companies and the customers of public sector (LIC) are more satisfied than private sector customers in experiencing satisfaction on overall services.

Table 3: Customer Satisfaction: Public vs. Private.

Private Companies	Mean CS for LIC = 3.970 and SD = 0.67537				
	Mean	Mean Difference	Std. Error Difference	<i>t</i>	Sig. (2-tailed)
BAJAJ	3.840	0.130	0.07563	1.745	0.081
BIRLA	3.450	0.520	0.08433	6.190	0.000
HDFC	3.550	0.420	0.07993	5.280	0.000
ICICI	3.770	0.200	0.07776	2.598	0.010
SBI	3.850	0.120	0.07764	1.571	0.117
All Private	3.692	0.278	0.05152	5.435	0.000

V. Conclusion:

Service quality and customer satisfaction are the two core concepts in marketing theory and practices. The present study threw some light on the relationship between service quality and customer satisfaction in the context of life insurance industry in India. The results of correlation analysis indicate that all service quality dimensions are significantly correlated with customer satisfaction. It is concluded from the findings of the regression analysis that SERVQUAL dimensions have significant effect on the level of customer satisfaction in life insurance industry. It is therefore suggested that reliable, responsive, assured, and empathic services with the help of tangibles leads to and improve customers' satisfaction. All these dimensions have more impact on customer satisfaction in private sector than public sector. From the comparative analysis on the overall customer satisfaction, it is concluded that there is significant difference in customer satisfaction between public and private sector life insurance companies and customers of public sector (LIC) is more satisfied than private sector customers. Among the private companies, SBI Life stands first in satisfying their customers. It is finally suggested that private insurers have to give more attention on providing timely services and adequate product knowledge to customers.

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