

A Study on Service Quality of the Life Insurance Corporation of India

¹Dr. M. MAHESWARI

***ABSTRACT--**Insurance companies may be aware that its supremacy could get eroded by new comers unless adequate attempts are made to retain their customers. There will be an upsurge in awareness of policyholders, satisfaction of employees and policyholders and an increase in expectations that hopes and aspirations be delivered by the insurance industry. This will put an immense pressure on the insurance industry where in the industry will have to respond to it. The study focuses on policyholders' perception of life insurance products and services offered by the LIC of India. The analysis is made on the basis of the five dimensions of service quality. Based on the analysis, it was suggested that dimensions life tangibility, empathy, and assurance s have to be developed.*

***Key words--** Service quality, customer relationship management, relationship marketing, service performance, insurance services, service quality gap, etc.*

I. INTRODUCTION

Insurance companies have been continuously taking innovative steps to live up to the ever-changing expectations of the insuring public. In future, the perception of the insuring populace will change but will be organized as a multi-dimensional protection instrument. Insurance is greatly influenced by changes in the social structure, social thinking and social values, which in turn influences the needs of individuals. Understanding the customers better will enable insurance companies to design appropriate products, determine price correctly and increase profitability, selection of right type of distribution channel mix and bring out an effective CRM system, which would eventually create a sustainable competitive advantage and build a long-lasting, in semi-urban and rural areas where it offers a huge potential. Indeed, the Life Insurance Corporation of India being a public sector organization is keen to show that they are no less efficient than private players. Insurance companies may be aware that its supremacy could get eroded by new comers unless adequate attempts are made to retain their customers. There will be an upsurge in awareness of policyholders, satisfaction of employees and policyholders and an increase in expectations that hopes and aspirations be delivered by the insurance industry.

II. SERVICE QUALITY

Service quality is based on multiple dimensions. In general, it has two service quality dimensions, the functional aspect and the technical aspect. The functional aspect concern "how" service is received by the policyholder as the outcome of the process in which the resources are used. However, the policyholder perceives how the process itself functions, i.e. the functional or process quality dimension. It is a function of the differences between expectation and performance along the quality dimension. Unlike goods quality, which can be easily

¹ Assistant Professor, Department of Commerce, Government College for Women, Kumbakonam, Tamil Nadu – 612 001

measured objectively in terms of number of defects and durability, service quality is an elusive construct that may be difficult to measure.

III. STATEMENT OF THE PROBLEM

The Indian insurance industry has moved into a more competitive arena with the arrival of private players in the market. Even though the Life Insurance Corporation of India reigns supreme in terms of market share, private companies are gearing up to woo the consumer. In the globalization regime, insurance companies face a dynamic global business environment. Radical changes are taking place owing to the internationalization of activities, the appearance of new risks, new types of covers to match with new risk situations and unconventional and innovative ideas on customer service. The existing insurers are facing difficulties from non-traditional competitors that are entering the retail market with new approaches and through new channels. The primary focus of the insurance companies in the liberalized era is in delivering quality service. It is highly essential to bring about quality improvement in the services of the life insurance companies, as the customers' tastes, preferences and requirements are ever changing. Quantifying service quality measurements will help the companies to direct their efforts towards service improvement. In 1956, life insurance business was nationalized and LIC of India came into business and enjoyed monopoly till 1999. Private players captured a significant market share. But, still the insurers had behaved, more as retail seller; target small investors, salaried people and others who wanted to satisfy individual's future goal. Privatization of life insurance companies started with effect from 1.4.2000. The problem is even with introduction of private players, the insurance business has not become popular and private players have concentrated on the important cities only. Therefore, the researcher thinks that it is worth to study the perception of the policyholders towards the service quality of the LIC of India, Kumbakonam branch.

IV. OBJECTIVES OF THE STUDY

The main objective of this study is to examine the service quality of the Life Insurance Corporation of India, Kumbakonam branch. Besides, the study has the following secondary objectives:

1. To study the need and importance of service quality in life insurance industry.
2. To analyze the perceived service quality of policy holders in the Life Insurance Corporation of India, Kumbakonam branch.
3. To find out the service quality gap in the Life Insurance Corporation of India, Kumbakonam branch.
4. To offer suitable suggestions to improve the service quality of the Life Insurance Corporation of India based on the findings of the study.

V. TESTING OF HYPOTHESES

The following null hypotheses were formulated and tested.

H₀₁: There is no significant relationship among the respondents belonging to different demographic profiles towards the perceived level of service quality in the Life Insurance Corporation of India, Kumbakonam branch.

H₀₂: There is no significant difference between the expected and perceived levels of the service quality in the Life Insurance Corporation of India, Kumbakonam branch.

VI. SCOPE OF THE STUDY

The present study attempts to examine the service quality of the Life Insurance Corporation of India, Kumbakonam branch. The study is confined only to Kumbakonam branch. The service quality is the vast subject. Therefore, the most common dimensions of the service quality, namely, assurance, empathy, reliability, responsiveness, and tangibility only are studied.

VII. METHODOLOGY

The present study is empirical in character, based on survey method. As an essential part of the study, the primary data were collected from 600 policy holders. Taking into consideration the objectives of the study, a questionnaire was prepared after a perusal of available literature and thorough consultation with the experts of related fields. Each question was improved for its relevance and meaning by constant interaction with the experts in the areas. The questionnaire was constructed based on Likert scaling technique. The secondary data have been collected mainly from journals, magazines, government reports, books and unpublished dissertations. In order to study the service quality, percentage analysis, paired t-test, analysis of variance, and multiple regression analysis have been employed.

VIII. ANALYSIS AND INTERPRETATIONS

Table 1: Demographic Profile of the Respondents

Personal Variables		No. of Respondents	Percentage
Gender	Male	400	66.67
	Female	200	33.33
Age (years)	Up to 30	124	20.67
	31-40	179	29.83
	41-50	239	39.83
	Above 50	58	09.67
Education	Up to H.Sc	142	23.67
	Diploma/ITI	114	19.00
	Degree	204	34.00
	P.G and above	140	23.33
Occupation	Business	106	17.67
	Employed	256	42.67
	Professionals	135	22.50

	Agriculturists	85	14.17
	Pensioners	18	03.00
Monthly income (in Rs.)	Up to 15000	194	32.33
	15001-25000	210	35.00
	25001-35000	141	23.50
	Above 35000	55	09.17

Source: Primary Data.

Out of 600 respondents, 66.67 per cent were male and 33.33 per cent were female. The predominant age group of the respondents (39.83 per cent) is 41-50 years. A good majority of the remaining respondents are distributed in the age group 31-40 years. 20.67% and 9.67% of the respondents were distributed in the age groups upto 30 years and above 50 years respectively. The highest literacy rate (34%) of the respondents is degree level. 23.67 per cent of the respondents have got upto H.Sc education, 19 per cent have got Diploma/ITI education and 23.33 per cent of the respondents have PG and above qualifications. 17.67 per cent of the respondents are businessmen, 42.67 per cent are employed, 22.50 per cent of the respondents are professionals, 14.17 per cent are agriculturalists, and 3% of the respondents are pensioners. 32.33 per cent of the respondents have monthly income upto Rs.15000 and 35 per cent have Rs.15001 to Rs.25000 as monthly income. 23.50 per cent of the respondents have monthly income Rs.25001-35000. About 9.17 per cent of the respondents have above Rs.35000 as monthly income.

Table 2: Relationship between Demographic Variables and Perceived Service Quality

Demographic Variables	Source of Variation	Sum of Squares	D.F	Mean Squares	Calculated Value	Table Value at 5 %	Result
Age	Between Groups	3	224.811	74.937	2.880	2.620	Significant
	Within Groups	596	15506.462	26.018			
	Total	599	15731.273				
Education	Between Groups	3	83.501	27.834	1.060	2.620	Not significant
	Within Groups	596	15647.772	26.255			
	Total	599	15731.273				
Occupation	Between Groups	4	407.806	101.951	3.959	3.351	Significant
	Within Groups	595	15323.468	25.754			
	Total	599	15731.273				

Monthly income	Between Groups	3	0.610	0.203	0.008	2.620	Not significant
	Within Groups	596	15730.663	26.394			
	Total	599	15731.273				

Source: Primary Data.

There is no significant relationship among the respondents belonging to different educational status groups and monthly income groups towards perceived service quality in the Life Insurance Corporation of India. Nevertheless, a significant relationship is found among the respondents belonging to different age groups and occupations towards perceived service quality.

Table 3: Effect of Personal Variables on Perceived Service Quality

Personal Variables	B	Std. Error	t	Sig.
(Constant)	58.991	1.275	-	-
Gender	0.122	0.448	0.273	Ns
Age	-0.03.879	0.232	-0.167	Ns
Educational status	-0.02004	0.195	-0.103	Ns
Monthly income	0.02074	0.223	0.093	Ns
Location	-0.132	0.286	-0.461	Ns

Source: Primary Data. Ns: Not significant

R	R Square	F	Result
0.026	0.001	0.067	Not significant

There has been a low correlation (0.026) between the perceived service quality and the selected personal variables. The R square indicates that 0.10 per cent of variation in the perceived service quality is explained by all personal variables taken together. The F value indicates that the multiple correlation coefficients are not significant. The gender, age, education, monthly income and location of the respondents have no significant effect on the perceived service quality in the Life Insurance Corporation of India.

Table 4: Expected and Perceived Levels of Tangibility

Dimensions	Level	Mean Score	Standard Deviation	t Value	D.F	Table Value at 1%	Result
Assurance	Expected level	14.756	1.535	32.756	599	2.584	Significant
	Perceived level	10.770	2.489				
Empathy	Expected level	23.161	2.158	54.322	599	2.584	Significant
	Perceived level	15.535	2.633				
Reliability	Expected level	19.400	1.271	64.060	599	2.584	Significant
	Perceived level	12.453	2.401				
Responsiveness	Expected level	14.913	1.820	39.903	599	2.584	Significant
	Perceived level	10.090	2.329				
Tangibility	Expected level	15.350	1.635	41.323	599	2.584	Significant
	Perceived level	10.308	2.440				

Source: Primary Data.

The calculated t values for all the dimensions of service quality are greater than the table value (2.584) at 5 per cent level of significance. Hence, there is a significant difference between expected and perceived levels of assurance, empathy, reliability, responsiveness and tangibility dimensions of service quality in the Life Insurance Corporation of India.

IX. FINDINGS

1. Out of 600 respondents, 66.67 per cent were male and 33.33 per cent were female. The predominant age group of the respondents (39.83 per cent) is 41-50 years. A good majority of the remaining respondents are distributed in the age group 31-40 years. 20.67% and 9.67% of the respondents were distributed in the age groups up to 30 years and above 50 years respectively.

2. The highest literacy rate (34%) of the respondents is degree level. 23.67 per cent of the respondents have got up to H.Sc education, 19 per cent have got Diploma/ITI education and 23.33 per cent of the respondents have PG and above qualifications.

3. 17.67 per cent of the respondents are businessmen, 42.67 per cent are employed, 22.50 per cent of the respondents are professionals, 14.17 per cent are agriculturalists, and 3% of the respondents are pensioners.

4. 32.33 per cent of the respondents have monthly income up to Rs.15000 and 35 per cent have Rs.15001 to Rs.25000 as monthly income. 23.50 per cent of the respondents have monthly income Rs.25001-35000. About 9.17 per cent of the respondents have above Rs.35000 as monthly income.

5. There is no significant relationship among the respondents belonging to different educational status groups and monthly income groups towards perceived service quality in the Life Insurance Corporation of India. Nevertheless, a significant relationship is found among the respondents belonging to different age groups and occupations towards perceived service quality in the Life Insurance Corporation of India.

6. There has been a low correlation (0.026) between the perceived service quality and the selected personal variables. The R square indicates that 0.10 per cent of variation in the perceived service quality is explained by all personal variables taken together. The F value indicates that the multiple correlation coefficients are not significant. The gender, age, education, monthly income and location of the respondents have no significant effect on the perceived service quality in the Life Insurance Corporation of India.

7. There is a significant difference between expected and perceived levels of assurance, empathy, reliability, responsiveness and tangibility dimensions of service quality in the Life Insurance Corporation of India.

X. CONCLUSION

In the increasing competition in insurance industry, insurance companies want to differentiate themselves from the competitors and stay ahead in the race. Insurance companies are facing increased competition on one front and a decline in the market share on the other hand. It has been striving to achieve effectiveness and excellence in its business operations. The researcher suggest measures such as policy holder intimate strategy, high-quality policy holder service, training to employees, customer communication, creativity and innovativeness, policy holder contact programmes, policy holder compliant monitoring cell, providing update information, improving reliability, customer segment specific strategies, staff involvement, provision of prompt service and understanding the policy holders to improve service quality of the Life Insurance Corporation of India.

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