



## A Relationship Between Service Quality and Customer Satisfaction in Life Insurance Sector

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M. Yuvaraj and G. Rajendiran

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# THE RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER SATISFACTION IN LIFE INSURANCE SECTOR

**M.YUVARAJ** (Research Scholar), Department of Commerce, S.I.V.E.T. College, Chennai, India.  
(yuvaraj24061982@gmail.com)

**Dr.G.RAJENDIRAN** (Head and Research Supervisor), PG Department of Commerce,  
S.I.V.E.T. College, Chennai, India.(drgrjnirmala@gmail.com).

## ABSTRACT

The main aim of this research paper is to validate all the service quality dimensions pertaining to life insurance sector and the factors influencing customer satisfaction in the same. This paper is based on primary data derived from the life insurance policy holders under their perception regarding service quality offered to them from public and private insurance companies. The researcher used Likert's five point scale to measure their satisfaction level regarding various services offered by the Public and private sector insurance companies. The researcher obtained 300 responses from the policyholders of public and private sector insurance companies. The researcher applied both exploratory factor analyses, confirmatory factor analysis as well as linear multiple regression analysis to validate the empirical relationship between service quality dimension and customer satisfaction in life insurance sector. It is concluded from the research that there are eight dimensions of the service quality and customer satisfaction mainly depends upon the best service offered to their customers.

**Keywords:** *Customer perception, life insurance companies, policyholders.*

## INTRODUCTION

Service quality shall be interpreted as a gap between expectations from customers and performance of service providers. Service quality dimensions are very essential for all the service providers to catch hold of customer loyalty. The improve the service quality as a direct consequences over economic competitiveness and the distance developments. The organizations can offer best service quality by improving the operational process and identifying the problem faced by them to reach their customer satisfaction. Service quality is a systematic approach useful for all the service providers identify the customer needs and also help them to design the strategies to increase their satisfaction level of their customers. The point of culmination of successful service quality strategy always ensures customer satisfaction..

The determinations of customer expectation depends upon efficient service, customer satisfaction, repurchase intention and a recommendation to friends and relatives. Since the service quality deals with service provider and the service seeker, definitely there will be a gap varies from small to large. In the years 1985, a group of authors named as Parasuraman, Zeithaml and Berry at Texas and North Carolina developed service quality model or the 'GAP model' to highlighted the major developments in the sector of delivering high service quality and identified five 'gaps' that cause unsuccessful delivery. In general, Customers have a tendency to compare the service they 'experience' with the service they 'expect' and the gap between them.

The customer satisfaction shall be designed by the service provider to create various service quality strategies to exactly meet the customer expectations. Customer satisfaction is defined as psychological and mental satisfaction derived from the customers after experiencing and analyzing the service provided by the service provider during a particular span of time. The products of the manufacturer or the services of the service provider should reach the expectation of customers ensuring satisfaction. The experience of service provider or the manufacturer is that the customer's expectation is always high and it is very difficult to reach their point of culmination.

Several studies argued that customer cannot be offered full satisfaction by the manufacturer or service provider instead they are able to plan their strategy to win the heart of the customers. These strategies always help the service providers are the manufacturers to improve their performance and make them to motivate for perfection in their production as well as perfect services.

## LIFE INSURANCE SECTOR

In the present-day Indian economy insurance sector place itself a conspicuous role in building the national economy. It is one of the financial services found in India to meet the futuristic need of the people. In the year 1991, after the liberalization and globalization of Indian economy, the monopoly of life insurance Corporation was drastically reduced. The private players are given more opportunity to transact in India for their insurance business. The main aim of life insurance is to meet the unexpected debt, unexpected accidents and other dangers experienced by the customers in their day-to-day life. The life insurance business in India is getting momentum as the people of India are well aware of their future and have high expectation to lead their life comfortably during their olden days.

## LITERATURE REVIEWS

**Huseyin Arasli (2005)** wanted to examine the relationship between “Quality”, “Customer Satisfaction” and “Positive Word of Mouth, the author measured the service quality perceptions of Greek Cypriot bank customers that results to the light of changing bank market dynamics. For the purpose of this study, a sample of 260 retail bank customers were taken to study their views on Greek translated version of SERVQUAL. Statistical tools such as descriptive and factor analysis, regression analysis was applied and the study found that the expectations of the bank customers were not met where the greatest gap was obtained in the “Responsiveness” and “Empathy Dimension”. “Reliability”.

**Niki Glaveli (2006)** examined the existence of differences in perceptions of service quality and service quality dimension among the banking customers in five Balkan countries such as Greece, Bulgaria, Albania, Fyrom and Serbia. On application of statistical tools such as T-test and factor analysis concluded that the Greek customers perceived the highest level of service quality.

**Camel Herington (2007)** the purpose of this research was to examine the impact of network service quality on the level of customer delight and on the improvement of customer relationships. A self-complete survey was used to collect data from 200 Australian online banking users. Application of factor analysis and structural equation modeling to test the proposed model of relationships and concluded that “Personal Need” and “Site Organization” dimensions of network service quality are related to e-loyalty, with “personal needs” exhibiting the forceful impact and also found that customer gratification has no relationship to online service quality, relationship strength or e-loyalty.

**Naeem Hummayoun (2008)** focused on studying emotional intelligence and its impact on service quality in Pakistani banking sector. The study found that “Emotional Perception” is a positive predictor of higher service quality in Pakistani private/foreign banking sector. The study also analyzed that it is related to dimensions of service quality since the employees of the organization practice the skills of “Sentimental Intelligence” as a weak divider of service quality in Pakistani public sector.

**Mamta Brahmhatt (2008)** has examined and measured the service quality and customer fulfillment among Private, Public and Foreign banks. A stratified simple random sampling procedure was used on a sample of 246 Respondents. On application of statistical tools such as principal component Analysis, Rotation Method:- Varimax with Kaiser normalization, the study concluded that the banks need to improve their employees-related attributes of service quality.

## RESEARCH GAPS

After reviewing the national and international literature on service quality dimensions in public services, the researcher identified to predominant gaps between service quality dimensions and customer satisfaction that was not empirically provided by the previous researchers and there was a lagging between the impact of personal demographic variables on that service quality perception and the customer satisfaction. The present study intended to fulfill the mentioned gaps through empirical evidences.

## OBJECTIVES OF THE STUDY

1. The first objective was to focus on validating the factors of service quality dimensions with respect to life insurance services.

2. The second objective was to measure the level of satisfaction derived among the customers of life insurance services.
3. The third objective was to find the relationship between service quality dimensions and customer satisfaction that resulted to the backdrop of life insurance services.

## **HYPOTHESES**

1. There is no significant influence of service quality dimensions on customer satisfaction and the life insurance sector.
2. There is no significant influence of demographic variables of customers on the service quality perception and customer satisfaction.

## **RESEARCH METHODOLOGY**

### **METHODOLOGY**

This study is majorly related to both primary and secondary data. Primary data is collected through a structured questionnaire.

#### **Sample collection**

For the study purpose, the researcher applied convenience sampling method to collect the responses from customers of LIC. The researcher obtained 20 responses each from 15 zones of Chennai city resulting to 300 responses out of which 12 are not completely filled. Therefore for the study purpose, the researcher considered 288.

#### **Data analysis**

The statistical tools such as simple percentage analysis, t-test, one-way analysis of variance, linear multiple regression analysis and the structural equation model was used for analyzing the primary data.

## **LIMITATIONS OF THE STUDY**

The research was conducted in Chennai city only. The perception of the respondents may change with time and due to the other market forces. From this research, we cannot generalize the Company service quality. Since research is limited to sample size of 288 from the population.

## **ANALYSIS AND DISCUSSIONS**

### **INFLUENCE OF SERVICE QUALITY ON EMPLOYEE COMMITMENT SATISFACTION:**

The researcher intended to relate the factors of service quality dimension Versus Employee involvement.

**Table 1.1**

### **REGRESSION FOR SERVICE QUALITY ON EMPLOYEE COMMITMENT SATISFACTION**

<b>Model formation</b>	<b>Correlation R</b>	<b>Correlation R Square</b>	<b>Correlation Adjusted R Square</b>	<b>Standard Error in Estimation</b>
Dimension	0.481	0.231	0.224	0.921

The study analyzed that correlation  $R^2 = 0.231$ , correlation adjusted  $R^2 = 0.224$  and standard error estimate = 0.921 relating to the service quality dimension and Employee involvement. The study also found 23% variance towards service quality dimension over customer satisfaction and Employee involvement.

**Table 1.2****ANOVA FOR SERVICE QUALITY ON EMPLOYEE COMMITMENT SATISFACTION:**

Model formation	Sum of the squares	Degree of freedom	Mean Square values	F- values	Level of Significance
Regression	212.156	8	26.520	31.222	0.000
Residual	705.839	831	0.849		
Total	917.995	839			

The study found that F-value =31.222, p=0.000 are statistically significant at 5% significant level validating the relationship between service quality dimensions and Employee involvement. The individual influence of these factors is presented in the following coefficient table.

**Table 1.3****CO-EFFICIENT FOR INFLUENCE OF SERVICE QUALITY ON QUALITY PERFORMANCE SATISFACTION**

Model formation	Unstandardised Coefficients values		Standardised Coefficients values	t-value	Significant values
	B	Std.Error values	Beta values		
(Constant)	4.964	0.927		5.356	0.000
Tangibility	-0.293	0.070	-0.141	-4.175	0.000
Reliability	-0.427	0.065	-0.254	-6.566	0.000
Responsiveness	0.369	0.044	0.320	8.346	0.000
ASS	-0.068	0.056	-0.049	-1.208	0.227
Empathy	0.282	0.068	0.192	4.144	0.000
PEP	-0.011	0.075	-0.006	-0.141	0.888
Corporate image	-0.347	0.121	-0.126	-2.876	0.004
Technology	0.300	0.084	0.129	3.566	0.000

It is inferred that Tangibility (Beta=-0.141, t=-4.175, p=0.000), Reliability (Beta=-0.254, t=-6.566, p=0.000), Responsiveness (Beta=0.320, t=8.346, p=0.000), Empathy (Beta=0.192, t=4.144, p=0.000), Corporate Image (Beta=-0.126, t=-2.876, p=0.004), Technology (Beta=0.129, t=3.566, p=0.000), are statistically significant at 5% level.

The service quality dimensions like Tangibility (Beta=-0.141), Reliability (Beta=-0.254), Corporate Image (Beta=-0.126) these factors are negatively correlated as they are not up to the level of customer satisfaction in Employee involvement. Responsiveness (Beta=0.320), Empathy (Beta=0.192), Technology (Beta=0.129) are positively correlated with Employee involvement.

Life Insurance Company should have brand image and good financial position. The company should have visually appealing facilities like hoardings and convenient operating hours. The employees of LIC should provide prompt service and timely help to their customers. They have to inform about the product and the exact time when the service will be performed. Fore said factors, makes the customer that the company is trustable, but analysis gives a negative correlation. Since the customer is dissatisfied with the company employees involvement. Hence Tangibility, Reliability and Corporate image are negatively correlated.

Organizational growth is based on employee output. The employee has to work with full involvement and commitment. This will make a good image on the organization. The Employee has to utilize the available resources and technology in order to service the customer. In our analysis, Responsiveness, Empathy, and Technology had a positive correlation towards Employee involvement.

**INFLUENCE OF SERVICE QUALITY TOWARDS USAGE OF TECHNOLOGY SATISFACTION:**

The researcher intended to relate the factors of service quality dimension and Usage of Technology.

**Table 1.4**

**REGRESSION FOR SERVICE QUALITY ON USAGE OF TECHNOLOGY SATISFACTION**

Model formation	Correlation R	Correlation R Square	Correlation Adjusted R Square	Standard Error in Estimation
Dimension	0.592 <sup>a</sup>	0.350	0.344	0.606

The study found that correlation  $R^2=0.350$ , correlation adjusted  $R^2=0.344$  and standard error estimate=0.606 was derived towards service quality dimension and Usage of Technology. 35% variance is created by the service quality dimension over customer satisfaction towards Usage of Technology. This leads to the verification of the regression fit as shown in the following ANOVA table.

**Table 1.5**

**ANOVA FOR SERVICE QUALITY ON USAGE OF TECHNOLOGY SATISFACTION:**

Model formation	Sum of Squares values	Degree of freedom	Mean Square values	F values	Significance value
Regression	164.876	8	20.609	56.021	0.000 <sup>b</sup>
Residual	305.714	831	0.368		
Total	470.589	839			

F=56.021, p=0.000 are statistically significant at 5% significant level. This validates the relationship between service quality dimensions and Usage of Technology. The individual influence of these factors is presented in the following coefficient table.

**Table 1.6**

**CO-EFFICIENT FOR SERVICE QUALITY ON USAGE OF TECHNOLOGY SATISFACTION**

Model formation	Unstandardised Coefficients values		Standardised Coefficients values	t-values	Level of significance
	B	Std.Error	Beta		
(Constant)	-0.217	0.610		-0.356	0.722
TAN	0.043	0.046	0.029	0.931	0.352
REL	0.204	0.043	0.170	4.773	0.000
RES	0.255	0.029	0.308	8.762	0.000
ASS	-0.252	0.037	-0.253	-6.812	0.000
EMP	-0.082	0.045	-0.078	-1.837	0.067
PEP	0.654	0.049	0.483	13.274	0.000
COR	0.068	0.079	0.035	0.861	0.390
TECH	0.237	0.055	0.143	4.288	0.000

From the above table it is found that Reliability (Beta=0.170, t=4.773, p=0.000), Responsiveness (Beta=0.308, t=8.762, p=0.000), Assurance (Beta=-0.263, t=-6.812, p=0.000), Personalised Financial Planning (Beta=0.483, t=13.274, p=0.000), Technology (Beta=0.143, t=4.288, p=0.000), are found to be statistically significant at 5% level.

The service quality dimension Assurance (Beta=-0.263), is negatively correlated as these dimensions are not up to the level of customer satisfaction towards the Usage of Technology. Whereas Reliability (Beta=0.170), Responsiveness (Beta=0.308), Personalised Financial Planning (Beta=0.483), Technology (Beta=0.143), which are positively correlated with Usage of Technology. The above analysis shows that Life Insurance Company employees

are not responding to customer needs and providing technical answers to the customers. Hence Assurance is negatively correlated.

With the advent of Information technology, the Life Insurance Companies use this technology as user-friendly. Through IT customer can choose to pay their premium for the policy. According to his/her need, the customer can choose a suitable policy. In our present analysis, Personalised financial planning, Responsiveness, and Technology are positively correlated towards Usage of Technology.

## **FINDINGS AND CONCLUSION**

The age factor 20-25 group influences Assurance, Empathy, Personalized Financial Planning Dimensions and influence Customer Satisfaction. The Professionally Qualified Respondents influence Tangibility, Reliability, Responsiveness, Assurance, Empathy, Technology, Customer Satisfaction and Customer Loyalty. The married Respondents highly admit customer loyalty than other parameters

Therefore the influence of service quality on Employee Response Satisfaction factor indicates a positive correlation with Responsiveness, Empathy and Technology. The quick settlement factor influence positive correlation with Responsiveness, Assurance and Empathy, but the influence of Professional touch satisfaction was negatively correlated with Tangibility and Corporate Image. The technical competence satisfaction factor was positively correlated with Personalized financial planning. The usage of Technology is negatively correlated with assurance parameter. Therefore the influence of service quality on Communication satisfaction reveals the positive correlation for Reliability, Empathy, Personalized Financial Planning and Technology.

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