



“A Study on Service Quality in Insurance Industry with Special Reference to Life Insurance Corporation in Kolar 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.

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).

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.

Methodology of the study:

The study is 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.

Service Quality and Customer Satisfaction in Insurance Industry:

Research has shown that the quality of services and the achievement of customer satisfaction and loyalty are fundamental for the survival of insurers. Taylor (2001) concluded that the quality of after sales services can lead to very positive results through customer loyalty, positive WOM, repetitive sales and cross-selling. Lawrence A. Crosby, Nancy Stephens (1987) explained that life insurance consists largely of credence properties & insurance providers should engage themselves in relationship-building activities that emphasize buyer-seller interaction and communication. Leonard L. Berry (1995) said that because of the amount of money that is typically invested in an insurance policy, customers seek long-term relationships with their insurance companies and respective agents in order to reduce risks and uncertainties. Raj Arora, Charles Stoner, (1996) found that perceived service quality has a significant effect on the attitude towards obtaining insurance. Marla Royne Stafford and Brenda P. Wells (1996) suggest that males and females are, overall, identical in their perceptions of claims service quality.

The five dimensions comprising 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.

CONCLUSIONS:

The results show that of customer's perception toward tangibility dimension of service quality has the greatest impact on customer satisfaction followed by competency and credibility. Responsiveness, reliability, empathy and assurance dimension of service quality have the negligible impact. The results also show that customer expectation toward credibility dimension of service quality has the greatest impact on customer satisfaction followed by assurance and

competency. Responsiveness, reliability, tangibility and empathy dimension have the negligible impact on customer satisfaction. The study found that customer expectations and perception toward tangibility, assurance, competency & credibility dimension of service quality have more impact on customer satisfaction. That means customers are more conscious towards statements related to these dimensions.

SUGGESTIONS

In order to give better customer service and more satisfaction to customers, it is suggested that insurance company should use modern equipment and technology. Insurance company should offer its products and services at competitive prices and of the utmost quality, Insurance company should keep its promise when it undertakes to do something by a certain time, insurance company should issue contracts containing clear, transparent and non-ambiguous terms, insurance company should settle claims easily and with no unnecessary delays. The behavior of insurance company's employees and agents must instill confidence in customer. Insurance company must have operating hours convenient to all its customers. The employees and agents of insurance company must be neat appearing.

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