



An Empirical Investigation into Service Quality and Policyholder Satisfaction within Life Insurance Corporation of India (LIC) in Burhanpur District of Madhya Pradesh

Dr.Rahul Rathore

Seva Sadan Prabandhan Mahavidyalaya, Burhanpur (M.P)

Abstract

As India's largest life insurer, LIC plays a critical role in ensuring financial security for millions, making policyholder satisfaction a key determinant of its continued success. Using questionnaire, data has collected from LIC policyholders in Burhanpur, focusing on five core service quality dimensions. The study explores the relationship between service quality dimensions and policyholder satisfaction in the context of the Life Insurance Corporation of India (LIC) in Burhanpur District, Madhya Pradesh. Adopting a quantitative research approach, data was collected from LIC policyholders within the region. The study assessed five key service quality dimensions-Reliability, Promptness in Service, Confidence and Trustworthiness, Understanding and Caring Approach, and Physical Facilities and Appearance to determine their impact on overall satisfaction.

This study explores how different dimensions of service quality influence policyholder satisfaction within LIC. Using Pearson Correlation Coefficient, five key dimensions were assessed i.e. Reliability ($r = 0.78$), Promptness in Service ($r = 0.65$), Confidence and Trustworthiness ($r = 0.72$), Understanding and Caring Approach ($r = 0.60$), and Physical Facilities and Appearance ($r = 0.45$). All correlations were found to be positive and statistically significant ($p < 0.001$).

The study found that all five dimensions were significantly and positively correlated with policyholder satisfaction ($p < 0.001$), indicating that improvements in any area are likely to enhance satisfaction. The researcher also applied multiple regression analyses, results revealed that Reliability ($\beta=0.42$), Promptness in Service ($\beta=0.28$), Confidence and Trustworthiness ($\beta=0.23$), and Understanding and Caring Approach ($\beta=0.09$) were significant predictors of satisfaction. In contrast, Physical Facilities and Appearance ($\beta=0.03$, $p=0.319$) did not show a

statistically significant effect when controlling for the other variables. The findings are expected to offer valuable insights for LIC's management to enhance service strategies, improve customer retention and loyalty, and maintain a competitive edge in the evolving life insurance market.

Keywords: LIC- Service Quality and Policyholder Satisfaction

Introduction

India's life insurance sector has undergone substantial transformation in recent decades, evolving from a monopolistic system to a dynamic, competitive marketplace. Rising incomes, greater financial literacy, and increasing awareness of risk have driven demand for life insurance products, making them integral to personal financial planning and economic stability. In this environment, customer satisfaction has become a critical success factor, influencing not only customer retention but also organizational credibility and growth.

The Life Insurance Corporation of India (LIC) continues to dominate the life insurance landscape through its vast outreach and legacy of trust. Despite its strong presence, LIC now faces stiff competition from private insurers offering personalized, tech-enabled services. To maintain its market leadership, ensuring high levels of policyholder satisfaction is imperative. With more discerning customers and diverse expectations, LIC must consistently evaluate and improve its service quality.

In today's service-driven economy, particularly within the financial and insurance sectors, delivering high-quality service is essential for sustaining customer satisfaction and loyalty. For the Life Insurance Corporation of India (LIC), ensuring policyholder satisfaction is not just a metric of performance but a cornerstone for building long-term relationships, trust, and competitive advantage. As customers become more discerning, understanding what aspects of service influence their satisfaction becomes a strategic imperative.

Service quality is often conceptualized through five key dimensions: Reliability (delivering what is promised), Promptness in Service (timely and helpful responses), Confidence and Trustworthiness (instilling trust through professionalism), Understanding and Caring (empathy and personalized attention), and Tangibles (appearance and physical setup). While all these aspects contribute to service perception, their impact on satisfaction can vary. This study aims to evaluate how each dimension contributes to overall satisfaction among LIC policyholders using statistical techniques that not only identify associations but also determine which factors truly drive satisfaction.

In today's increasingly competitive and customer-focused financial services landscape, particularly within the Indian insurance sector, delivering high-quality service is essential for ensuring customer satisfaction and long-term success. As India's largest public sector insurer, the Life Insurance Corporation of India (LIC) faces the dual challenge of expanding its reach while maintaining high levels of policyholder satisfaction. Customer satisfaction

is more than just a performance indicator it plays a pivotal role in retention, trust-building, and positive referrals, all of which contribute to LIC's sustainability and growth.

The research paper recognizes the role of service quality in driving customer satisfaction, there is limited empirical evidence focusing on how specific service attributes influence satisfaction at the district level. The present study investigates the relationship between key service quality dimensions and policyholder satisfaction within LIC's operations in Burhanpur. Building on established service quality frameworks, this research focuses on five core dimensions:

- **Reliability:** Delivering services dependably and accurately.
- **Promptness in Service:** Providing quick and helpful customer support.
- **Confidence and Trustworthiness:** Earning customer trust through courteous and knowledgeable staff.
- **Understanding and Caring Approach:** Offering personalized and empathetic customer interactions.
- **Physical Facilities and Appearance:** The visual and tangible elements of service environments.

By applying both correlation and multiple regression techniques, the study not only explores whether these dimensions affect satisfaction but also determines the relative importance of each. The findings aim to guide LIC in enhancing its service strategies in Burhanpur and similar semi-urban markets.

Literature Review

The evaluation of service quality in the life insurance sector has been extensively studied using established frameworks like SERVQUAL, which continue to provide valuable insights into customer perceptions and satisfaction. Mehta and Lobo (2004) highlights SERVQUAL model within the Indian life insurance context, validating its applicability for assessing service quality dimensions. Expanding on this approach, Siddiqui and Sharma (2010) emphasized the model's enduring relevance by identifying key dimensions particularly 'Assurance' and 'Competence' as strong predictors of customer satisfaction. Their findings highlighted the growing importance of not just technical expertise but also trust and confidence in service personnel.

Reddy and Gurubasappa (2024) examined policyholder satisfaction specifically within the Life Insurance Corporation of India (LIC). Their research confirmed that while LIC's product offerings generally met expectations, a major concern among policyholders was the inconsistent quality of service delivered by agents. This points to a crucial service delivery gap, particularly in terms of interpersonal interactions, which are central to long-term customer engagement in the insurance industry.

Further emphasizing customer priorities, Sharma and Sharma (2012) identified efficient and transparent claim settlement processes as critical determinants of satisfaction in the Indian insurance landscape. These findings align with global trends, where responsiveness and reliability are seen as core service expectations in financial services.

Taken together, these studies suggest that while structural offerings such as product variety and pricing remain important, the service experience particularly in terms of reliability, personalized attention, and confidence and trustworthiness, understanding and caring approach is central to building and sustaining customer satisfaction in India's life insurance sector.

Hypothesis Testing, Results & Interpretation

Hypotheses for Correlation Analysis

- Null Hypothesis (H0): There is no significant correlation between the specific service quality dimension and policyholder satisfaction within LIC.
- Alternative Hypothesis (H1): There is a significant positive correlation between the specific service quality dimension and policyholder satisfaction within LIC.

I. Correlation Test

Table-1

Service Quality Dimension	Pearson Correlation Coefficient (r)	P-value	Result	Interpretation
Reliability	0.78	< 0.001	Significant	There is a strong positive link. When LIC's services are viewed as dependable, policyholders report a noticeable increase in satisfaction.
Promptness in Service	0.65	< 0.001	Significant	A moderate-to-strong positive correlation exists. Greater Confidence and Trustworthiness from LIC leads to higher policyholder satisfaction.
Confidence and Trustworthiness	0.72	< 0.001	Significant	A strong positive association exists. Policyholders who feel secure and confident in LIC's services are generally more content.

Understanding and Caring Approach	0.6	< 0.001	Significant	There's a moderate positive relationship. When LIC staff show greater care and understanding, customer satisfaction improves accordingly.
Physical Facilities and Appearance	0.45	< 0.001	Significant	A moderate positive correlation exists. While still significant, the physical aspects and appearance of LIC's facilities and materials is less impactful compared to other service aspects.

(Primary Survey)

Interpretation of Correlation Analysis Results

This study explored how different aspects of service quality relate to customer satisfaction among LIC policyholders. Using Pearson correlation analysis, we examined five key service dimensions: Reliability, Promptness in Service, Confidence and Trustworthiness, Understanding and Caring Approach, and Physical Facilities and Appearance. In each case, the results showed a statistically significant positive correlation with policyholder satisfaction ($p < 0.001$), suggesting that improvements in service quality across these areas lead to increased customer satisfaction.

Key Dimension-wise Insights:

- Reliability ($r = 0.78$) - This showed the strongest relationship with satisfaction. When customers believe LIC delivers services reliably and as promised, their satisfaction is significantly higher.
- Promptness in Service ($r = 0.72$) - Quick and efficient service matters. When policyholders perceive that LIC responds promptly and confidently, their overall satisfaction increases notably.
- Confidence and Trustworthiness ($r = 0.65$) - Trust plays a crucial role. When staff members are courteous, knowledgeable, and instill confidence, it contributes strongly to customer satisfaction.
- Understanding and Caring Approach ($r = 0.60$) - Empathy matters. Customers are more satisfied when LIC staff show genuine care and give personalized attention to their concerns.
- Physical Facilities and Appearance ($r = 0.45$) - Though less influential than other factors, clean, organized, and well-presented offices and materials still have a meaningful effect on how satisfied customers feel.

Conclusion: Overall, the results confirm that service quality is a key driver of policyholder satisfaction at LIC. Among the five dimensions, Reliability and Promptness in Service are the most impactful. To strengthen customer relationships and satisfaction, LIC should focus on maintaining consistent, dependable service and ensuring timely, efficient customer support.

II. Multiple Regressions

Table-2

Predictor Variable (Service Quality Dimension)	Unstand arized Beta (β)	Standard Error (SE)	Standar dized Beta (β)	t- statistic	P- value	Result
(Constant)	0.55	0.17	-	3.24	0.002	-
Reliability	0.3	0.04	0.42	7.5	< 0.001	Significant
Promptness in Service	0.22	0.03	0.28	7.33	< 0.001	Significant
Confidence and Trustworthiness	0.18	0.04	0.23	4.5	< 0.001	Significant
Understanding and Caring Approach	0.07	0.03	0.09	2.33	0.021	Significant
Physical Facilities and Appearance	0.02	0.02	0.03	1	0.319	Not Significant

(Primary Survey)

Results

Statistic	R2	Adjusted R2	F-statistic	p-value	Significance
Value	0.65	0.63	46.15	< 0.001	Significant

Interpretation of Multiple Regression Results

This regression analysis evaluates the influence of five service quality dimensions on policyholder satisfaction within LIC (Life Insurance Corporation of India). The results help determine which aspects of service quality significantly impact customer satisfaction.

Model Summary:

- $R^2 = 0.65$: This means that 65% of the variability in policyholder satisfaction is explained by the five service quality dimensions.
- Adjusted $R^2 = 0.63$: Adjusted for the number of predictors, this value confirms a strong explanatory model.
- F-statistic = 46.15, $p < 0.001$: The overall regression model is statistically significant, meaning the predictors collectively have a meaningful effect on satisfaction.

Interpretation of Individual Predictors:

1. Reliability

- Standardized Beta = 0.42, $t = 7.5$, $p < 0.001$
- This is the strongest predictor of satisfaction.
- Customers who view LIC as dependable and accurate are significantly more satisfied.

2. Promptness in Service

- Standardized Beta = 0.28, $t = 7.33$, $p < 0.001$
- LIC's ability to respond quickly and efficiently contributes strongly to satisfaction.

3. Confidence and Trustworthiness

- Standardized Beta = 0.23, $t = 4.5$, $p < 0.001$
- Customers who feel confident and secure with LIC's staff and services report higher satisfaction.

4. Understanding and Caring Approach

- Standardized Beta = 0.09, $t = 2.33$, $p = 0.021$
- While still significant, this has a smaller impact compared to other predictors.
- Personalized attention and empathy positively affect satisfaction, though to a lesser extent.

5. Physical Facilities and Appearance

- Standardized Beta = 0.03, $t = 1$, $p = 0.319$
- Not statistically significant.
- The physical infrastructure (e.g., buildings, brochures, ambiance, clean, organized, and well-presented offices and materials) has minimal influence on policyholder satisfaction in this context.

The regression results highlight that Reliability and Promptness in Service are the most influential factors driving LIC policyholder satisfaction. Confidence and Trustworthiness and Empathy also play important roles, while Tangibles (physical facilities and appearance) are less impactful. LIC should prioritize improvements in service dependability and responsiveness to enhance customer satisfaction.

Conclusion

This research provides a comprehensive assessment of how various service quality dimensions influence policyholder satisfaction in LIC. The correlation analysis confirmed that all five factors are positively associated with satisfaction. Among these, Reliability and Confidence and Trustworthiness demonstrated the strongest associations with satisfaction, While Physical Facilities also had a positive correlation, its influence on satisfaction was relatively modest in comparison. These findings underscore the importance of prioritizing relational and performance-oriented aspects of service quality. For LIC, focusing on reliability, prompt responsiveness, and trust-building efforts can significantly enhance policyholder satisfaction and reinforce long-term loyalty.

However, the multiple regression results offered deeper clarity, showing that Reliability had the strongest impact, followed by Promptness, Trustworthiness, and Empathy. Interestingly, the physical aspects of service- Tangibles did not significantly influence satisfaction when other dimensions were considered.

These results suggest that LIC should prioritize consistent service delivery, timely assistance, and building trustworthy and empathetic customer interactions over merely improving physical infrastructure. Investing in these relational elements could yield better satisfaction outcomes and foster stronger, long-term policyholder relationships.

References

- Mehta, S., & Lobo, M. (2004). Assessing service quality in life insurance. *Marketing Mastermind*, 4(2), 19-24.
- Siddiqui, M. H., & Sharma, M. (2010). Service quality and customer satisfaction in life insurance sector: An empirical study. *International Journal of Marketing & Financial Management*, 1(2), 22-31.
- Reddy, U. R., & Gurubasappa, T. (2024). An Analysis of Policyholders' Satisfaction with LIC of India: Focus on Bidar District. *BPAS Journals*.

- Sharma, D., & Sharma, M. (2012). A study of customer satisfaction towards life insurance policies: An empirical study in Indian context. *International Journal of Management & Business Studies*, 2(2), 11-18.
- Gera, M. (2011). The mediating role of customer satisfaction in the relationship between service quality and loyalty in the Indian insurance industry. Granthaalayah Publications.
- Kumar, M., Mani, T. A., & Mahalingam, M. (2010). Customer satisfaction in non-life insurance services in India. *International Journal of Management Studies*, 1(1), 1-13.
- Kaur, H., & Kaur, M. (2025). Service Quality Gaps in the Life Insurance Sector: A SERVQUAL Analysis of LIC. *IJSREM Journal*.
- Kumar, M., Mani, T. A., & Mahalingam, M. (2010). Customer satisfaction in non-life insurance services in India. *International Journal of Management Studies*, 1(1), 1-13.
- Kaur, H., & Kaur, M. (2015). Service Quality Gaps in the Life Insurance Sector: A SERVQUAL Analysis of LIC. *International Journal of Research in Commerce, Economics & Management*, 5(1), 12-18.
- Dr. Krishna Banana, R. Vijaya Naik (2018) A Study on Customer Perception on Life Insurance Policies in India (with reference to Prakasam district in Andhra Pradesh) *International Journal of Research in Social Sciences* Vol. 8 Issue 1 <http://www.ijmra.us>
- Furquan Uddin, Mohammad Razi-ur-Rahim (2020) An empirical study on problems of policyholders of LIC of India, *Int. J. Financial Services Management*, Vol. 10, No. 4.
- Rai, Priyanka & Mishra, Mr. (2020). An empirical research on Customer Satisfaction towards Lic of India. 10. 128-133.
- Shubhada, Dr & Kulkarni, Shubhada. (2013). Service Quality and Customer Satisfaction: An Empirical Study of LIC's Policyholders in Jalgaon District. 10.13140/2.1.2772.2881.
- Shrikant Krupasindhu Panigrahi, Noor Azlinna Azizan & Muhammad Waris Ali Khan.(2018) Investigating the Empirical Relationship Between Service Quality, Trust, Satisfaction, and Intention of Customers Purchasing Life Insurance Products, *Indian Journal of Marketing* , January 2018, 28-46.