



Assessing the Service Quality Gaps in the Life Insurance Sector

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Abstract

The insurance sector in India has witnessed a paradigm shift over the past two decades. The competition between the public and the private players in the insurance company has increased to such a great extent that retaining the customers has become a challenge. The expectation of the customers on the insurance companies have increased. Hence an attempt has been made to understand the service quality gaps in the Insurance sector. For the purpose of the study 165 samples were selected from Salem by adopting convenience sampling. A questionnaire on a five point Likert scale was framed and the data was collected by using an interview schedule. The statistical tools like the percentage analysis, mean score, standard deviation, 't'-statistics was used to draw findings and conclusions.

Key Words:Service quality, SERVQUAL, gap analysis, insurance sector.

1. Introduction

The concept of insurance is not new to India and has been found to be practiced drawing evidences from Manusmriti (200 BC) which states that the traders were asked to pay taxes and duties to the government for providing risk free and safe trading. The modern form of insurance in India came into existence with the establishment of the Oriental Life Insurance Corporation in 1818.

Over the last decade, the insurance sector has been experiencing a paradigm shift. With growing number of private players in the insurance sector the customer has a lot of choices and the choice depends on the perception and the expectations that the consumer forms through experience, word of mouth, promotions etc. The expectations of the customers are never the same and keep changing. Insurance companies can optimize its market and retain customers through service quality. Hence service quality today has become the focal point of insurance companies for a sustained business and customer retention.

2. Conceptual Framework

Ten dimensions of Service quality was identified by Parasuraman et al. (1985) later which was consolidated service into five categories as tangibles, reliability, responsiveness, assurance and empathy (Parasuraman et al., 1988, 1991a, b). In the words of Parasuraman et al. (1988):

“It provides a basic skeleton through its expectations and perceptions format, encompassing statements for each of the five service-quality dimensions. The skeleton, when necessary, can be adapted or supplemented to fit the characteristics of specific research needs of a particular organization.”

Bitner *et al.* (1994) explains service quality as the impression of the consumers on the organization and its services and the impression may be either inferior or superior stated service quality as the consumers’

SERVQUAL has been designed for a variety of service sectors. The SERVQUAL measurement of service quality developed by Parasuraman et. al (1988) is accepted as the standardized tool for measuring service quality , gap analysis. It is calculated as $Q = P - E$, Where Q = Service quality, P = Customer’s perception of service, E = Customer’s expectation of service.

3. Literature Review

Brown.W. Stephen & Swartz A. Teresa (1989) in their study on a gap analysis of professional service quality found that gaps arise due to inconsistency in the perception of expectation between patients and physicians.

Reddy (2005), in his attempt to study the customer perception towards life insurance companies’ policies in Bangalore city , found that customers opine

that policies offered by private companies meet their expectations while public companies' policies are very few.

Tsoukatos, Evangelos and Rand, Graham K (2006), in their study titled "Path analysis of perceived service quality, satisfaction and loyalty in Greek insurance" found that "Tangibles" does not affect customer satisfaction while WOM is an antecedent of repurchasing intentions.

Choudhary et al.(2007) in their study titled "Perception of the Customers Towards Insurance Companies in Bangladesh: A Study Based on the Servqual Model" attempted to measure the customers' expectations and gaps in service quality. The findings of the study showed that among the insurance companies, the clients preferred foreign private insurance companies because of their worthiness, experience in operation and wide range.

The study conducted by **Barkur et al (2007)** on the influence of five critical factors on service quality in the insurance sector attempted to find a solution to enhance the quality of service. The results led to the identification of the key parameters like past experience, personal needs, external communication, word of mouth, and active clients to significantly influence service quality.

Ganesan , Cheryl ;Russell, Rebekah and Dagger, Tracey (2008), found that the perception of service quality differed with the level of contact inherent to the service. Consumer age was found to affect service quality perceptions; while no differences were found in service quality perceptions on the basis of gender and income.

Timira Shukla (2011), used the GAP model to depict the overall perception score of LIC using RATER dimensions. The study shows that LIC needs to improve the tangibility dimension as it is an important criteria.

Shanker (2012), attempted to study the difference between customer expectations of service quality and perceived service quality by the customers of public sector banks and private sector banks and found that the highest gap was in the Servqual dimension of responsiveness followed by empathy, reliability, tangibility and assurance.

Sonia Chawla and Pooja Sharma (2017), in their study used the correlation analysis on the variables of overall service quality, customer satisfaction, purchase intention and overall corporate image, and found that the correlation is maximum between overall service quality and the overall corporate image of the insurer in case of public sector, while in the case of private sector, the correlation is maximum in the case of overall service quality and customer satisfaction.

Ritu Sehgal and Sonia Chawla (2017), in their study on gap analysis of service quality of internet banking found that customers' perceptions are lower than their expectations on the dimensions namely ease of use, reliability, responsiveness, security, convenience, efficiency, technical characteristics, cost effectiveness and user involvement. The dimensions accessibility and product portfolio meet customers' expectations.

4. Need and Objectives of the Study

The customer of an insurance product has a variety of choices to make and his decision is influenced by his expectation and perception of a company and its products. Every company need to meet the expectations of the customers if they need to retain customers and build customer loyalty. Hence it would be appropriate to study the gap that exists between the customer expectation and their perception on Servqual dimensions.

The objectives of the study are to

1. Identify the profile variables of the customers.
2. Identify the customer's expectation and perception on the SERVQUAL dimensions.
3. Identify the service quality gap.

5. Methodology

The empirical study was conducted with a sample of 165 customers selected using convenience sampling. The data was collected from the customers of life insurance companies in the Salem district. For the purpose of the study, a structured questionnaire was prepared on Likerts five point scales using the five dimensions of service quality. The reliability of the data collected was tested with the use of Cronbach Alpha. The data collected was classified on the basis of demographic profile, for analyzing further Mean Score, Standard Deviation and t statistics were administered.

6. Analysis and Interpretation

The customers were asked to rate the various service quality variables on the Likerts five point scale for the purpose of analysis. The customers rated their opinion with regard to their expectations and perception of the statements prepared on the five SERVQUAL dimensions of service quality.

Profile of the Customers

The customers were classified on the basis of gender, age, education, occupation and income. The data is presented in table 1.

Table No 1: Profile of the Customers

Sl.No	Profile Variable		Percentage of customers
1	Gender	Male	77.0
		Female	23.0
		Total	100.0
2	Age	<=25	4.8
		26-40	73.3
		41-55	19.4
		>55	2.4
		Total	100.0
3	Education	Schooling	17.0
		Graduation	47.9
		Post graduation	20.6
		Others	14.5
		Total	100.0
4	Occupation	Government employee	18.2
		Private Employee	48.5
		Businessman	13.9
		Professional	9.1
		Others	10.3
5	Income	Total	100.0
		< = Rs 20000	23.9
		Rs 20001- Rs40000	73.1
		> Rs 40001	3.0

Source : Primary data

Among the total customers 77 percent of them were male and 23 percent of them were female. While classifying the customers on the basis of age it is found that 4.8 percent of the customers were in the age group of less than 26 years, 73.3 percent of the customers were in the age group of 26 to 40 years, 19.4 percent of the customers were in the age group of 41 to 55 years and 2.4 percent of the customers were in the age group of more than 55 years. The customers were classified on the basis of education as schooling, graduation, post graduation and others which accounted for 17 percent, 47.9 percent, 20.6 percent and 14.5 percent respectively. While classifying the customers on the basis of occupation the customers were grouped as government employee, private employee, businessman, professional and others which were 18.2 percent, 48.5 percent, 13.9 percent, 9.1 percent and 10.3 percent respectively. While classifying the customers on the basis of income it was found customers with income of less than and equal to Rs 20000, Rs 20001- Rs40000 and greater than 40001 accounted for 23.9 percent, 73.1 percent and 3 percent respectively.

Customer Level of Expectation on SERVQUAL Dimensions

The level of customer expectation on the SERVQUAL dimensions namely, tangibility, responsiveness, reliability, assurance and empathy pertaining to the insurance industry was measured by calculating the mean score and the standard of deviation. The results of the same are shown in Table 2.

Table 2: Level of Customer Expectation on SERVQUAL Dimensions

Sl. No	Service Quality Factors	Mean	Standard Deviation
1	Tangibility	4.2788	0.40749
2	Responsiveness	4.2939	0.50678
3	Reliability	4.2978	0.46248
4	Assurance	4.3160	0.44838
5	Empathy	4.3018	0.52108

Source: Primary data

Higher level of expectation has been identified in the factor assurance with a mean score of 4.3160 with a standard deviation of 0.44838, followed by empathy with the mean score of 4.3018 and standard deviation of 0.52108. The factor reliability is perceived as the third highest factor with a mean score of 4.2978 and standard deviation of 0.46248 followed by responsiveness and tangibility with a mean score of 4.2939, 4.2788 and 0.50678, 0.40749 respectively.

Customer Level of Perception on SERVQUAL Dimensions

The level of customer perception on the SERVQUAL dimensions pertaining to the insurance industry was calculated with a use of mean score and standard deviation of the five servqual dimensions namely, tangibility, responsiveness, reliability, assurance and empathy. The results of the same are shown in Table 3.

Table 3: Level of Customer Perception on SERVQUAL Dimensions

Sl. No	Service Quality Factors	Mean	Standard Deviation
1	Tangibility	4.0657	0.35958
2	Responsiveness	4.5152	0.54643
3	Reliability	3.9593	0.41012
4	Assurance	4.0693	0.44077
5	Empathy	3.9600	0.53566

Source: Primary data

Responsiveness was the highly perceived factor with a mean of 4.5152 and a standard deviation of 0.54643, followed by assurance with a mean score of 4.0693 and standard deviation of 0.44077, closely followed by the factor tangibility with a mean score of 4.0657 and standard deviation of 0.35958. The fourth and fifth perceived factors are empathy and reliability with a mean score of 3.9600, 3.9593 and standard deviation of 0.53566 and 0.41012 respectively.

Service Quality Gap

The difference between the expectation and the perception is called the SERVQUAL Scale. A negative SERVQUAL scale means that the perception of the customers is less than the expectation of the customers. The gap was identified with respect to the servqual dimensions of tangibility, responsiveness, reliability, assurance and empathy by calculating the mean difference and the t values are shown in table 4.

Table 4: Gap Analysis on SERVQUAL Dimensions in Life Insurance

Sl. No	Service Quality Factors	Perception Mean	Expectation Mean	Mean Difference	t- statistics
1	Tangibility	4.0657	4.2788	-0.2131	6.288**
2	Responsiveness	4.5152	4.2939	0.2213	-5.105**
3	Reliability	3.9593	4.2978	-0.3385	9.096**
4	Assurance	4.0693	4.3160	-0.24671	7.641**
5	Empathy	3.9600	4.3018	-0.3418	7.590

Source: Primary data ** significant at 0.01 percent

The factors of empathy, reliability, assurance and tangibility are negative with a mean difference value of -0.3418, -0.3385, -0.24671 and -0.2131 respectively. Hence the biggest gap is identified in the factor empathy, followed by reliability, assurance and tangibility.

The 't'-statistics of tangibility, responsiveness, reliability and assurance are 6.288, -5.105, 9.096 and 7.641 respectively and found to be significant at 0.1 percent level of significance. This indicates that the companies should take steps to be empathetic to its customers.

Moreover, it needs to undertake measures to instill reliability in the minds of the customers. Steps need to be taken to improve the factors assurance and tangibility. The mean difference of responsiveness is found to be positive, showing that the customers perceive a higher level of responsiveness than expected.

7. Findings

The demographic profile of the respondents showed that 77 percent of the customers to be male, a maximum of 73.3 percent of the customers belong to the age group of 26 to 40 years of age, 47.9 percent of the customers were graduates, 48.5 percent of the customers were employed in private sectors and 73.1 percent of the customers belong to the income group of Rs 20001 to Rs40000.

While examining the level of expectation of the customers on the servqual dimensions, higher level of expectation with a mean score of 4.3160 was identified with respect to assurance, followed by empathy, reliability, responsiveness and tangibility.

With respect to level of perception among the customers of insurance sectors, it was observed that responsiveness was the highly perceived factor with a mean of 4.5152 followed by assurance tangibility, empathy and reliability.

Analyzing the gaps with respect to the factors, the biggest gap is identified in the factor empathy, followed by reliability, assurance and tangibility with a negative mean score. The customers perceive a higher level of responsiveness than expected with a positive mean score.

8. Conclusion and Scope for Future Research

The association of the service quality factors with that of the profile variables can be studied. Moreover, an attempt to relate the personality of the customers to the service quality dimensions and their impact on buying behavior can be made. The research can be further extended to other sectors like financial services, hospitality health care etc.

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