The determinants of service quality in private life insurance industry

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Abstract

This research may be used by private life insurance service providers to improve their marketing strategies, products, and offers. A firm grasp and position in the market for private life insurance services would be easier to achieve with this. Also, client loyalty will increase, which is great for long-term customer retention. More sales, or a larger portion of the market, for their goods and services is the end goal. In addition, the private life insurance sector may utilise the study's results to assist close the service quality gap that arises when companies misjudge their customers' expectations and provide less than what they promised.

Introduction

An economy that is doing well has a solid financial system. A vital cog in the wheel of economic expansion, the insurance sector is an integral aspect of the financial system. In today's contemporary economics, Liedtke (2007) [1] argues that insurance is the greatest solution to cover multidimensional risk and a crucial part of economic progress. As a result of liberalization, globalisation, and privatization, the insurance business in India is seeing an influx of private investors drawn by the country's large, undeveloped market and plenty of promising opportunities. In an effort to appeal to a wider range of consumers, life insurance companies nowadays provide a dizzying array of cutting-edge products. Because of this, competition in the insurance market has intensified. Therefore, in order to thrive in today's cutthroat market, life insurance companies must use fresh approaches to enhancing the quality of their services and the happiness of their clients.

The concept of quality encompasses a wide range of more or less tangible characteristics. Quality in insurance, according to Crosby (1979) [2], cannot be measured objectively but must instead be subjectively assessed in light of the more readily visible unit traits. As an improved definition, "the goodness or excellence of services provided by all the components of the life insurance companies system" better describes quality. For life insurance firms, providing high-quality services is both a competitive weapon and a driving force in the pursuit of profitability. Only by first seeing the correct things and then acting in the appropriate way can insurances become or remain lucrative. In most people's minds, quality is a defensive strategy, but in reality, it can be a powerful competitive weapon for expanding into new areas and gaining market share.

Literature review

Mohd Suki, Norazah. (2013) [3]. In order to protect themselves financially in the event of a disaster, consumers buy life insurance. This study looks at the life insurance business to see how customer satisfaction is impacted by service quality. In order to accomplish the study purpose, a quantitative research approach is used. We got 100 valid, self-administered questionnaires from people in the Federal Territory of Labuan, Malaysia, who reported having a life insurance policy with a Malaysian insurer. Multiple regression analysis reveals that in the life insurance market, client happiness is positively and significantly correlated with certainty, tangibility, and empathy. The manner in which the services are provided satisfies the customers. Customers have faith in life insurance companies because of the professionalism and expertise of their staff and the hard work of their agents. Agents with exceptional communication skills and a welcoming environment with attractive physical amenities go a long way towards ensuring happy customers. Consequently, clients get

tailored service as employees are well-versed in meeting each client's unique requirements. Additionally, recommendations for further study are made.

Bala (2011) [4] The whole service sector is experiencing a multi-dimensional, purposeful, consumer-friendly attitude, shaking off the sluggishness that had been synonymous with the industry, thanks to the influx of new competitors and the resulting competitive activity. The effect of competition has been similarly substantial on Life Insurance Corporation (LIC) of India, one of the top service sector insurance corporations. Improving the quality of their services is one of the biggest obstacles the life insurance company is facing. This paper's objective is to investigate the life insurance industry's use of the SERVQUAL instrument and to assess its reliability and dimensionality. On top of that, the research has shown where there are gaps in service quality and where we need to focus our efforts. We asked 337 LIC clients in three different cities in Punjab to rate the quality of service they received from the company on a seven-point Likert scale. Rather than the perception ratings merging into three aspects of service quality, the study's results show that the gap scores do not. Clearly, the SERVQUAL tool is not going to cut it in the Indian life insurance market, thus we need to go deeper to understand service quality in India.

R., Ramamoorthy & Gunasekaran (2016) [6] In the context of the life insurance industry in India, this research aims to examine customer happiness, behavioural intents, and characteristics of service quality as perceived by the customers. By connecting the two concepts at the dimensional level, the research investigates the connection between service quality, satisfaction, and behavioural intentions. Exploratory factor analysis was used to explore the dimensionality of service quality, satisfaction, and behavioural intents in the Indian life insurance sector. Customers' perceived service quality was captured using a modified SERVQUAL instrument. We used structural equation modelling to examine how service quality, satisfaction, and subsequent behavioural intentions were impacted. This study's findings corroborate those of other studies that have established responsiveness and dependability as critical components of service quality. In the Indian life insurance market, client happiness and future actions were significantly affected by fast and dependable customer service. The findings would be useful for life insurance firms in India to enhance their operations.

Chaplot, Deepika. (2017) [5]. Customer satisfaction surveys conducted by certain insurance firms are the subject of this article, along with the elements that have been shown to have a significant impact on these surveys. This article's first sections serve as an introduction, discussing customer happiness and other metrics that insurance firms use to gauge their performance. The essential ideas of customer satisfaction have also been provided, which will help in comprehending how customers see insurance and its policies. Following this, the most significant indicators of success for the insurance industry were determined to be customer satisfaction, which is influenced by factors such as trust, employee behaviour, quality of service, claim settlement process, and grievance solutions.

Nguyen (2018) [6] Sustainable services are generally seen as long-term plans and operations that provide value for customers while also making a positive impact on society and the environment. Service providers risk becoming obsolete and economically irrelevant if they don't meet the requirements of their customers. Using data gathered from a 2017 survey of 1,476 Vietnamese consumers, this article details the findings of an empirical investigation into the factors that influence life insurance policyholders' happiness and loyalty. The suggested framework is tested on the direct and indirect relationships between variables using a route analysis approach. Corporate image, service quality, and perceived value are the three main determinants of consumer satisfaction in life insurance services, according to statistical study. Based on our research, a life insurance company may increase client happiness and loyalty by concentrating on service quality and corporate image.

Examining whether or not the data was appropriate for factor analysis was an important first step for the researcher. Kaiser-Meyer-Olkin (KMO) test for sample adequacy and Bartlett's test of sphericity were administered by the researcher to determine whether the data was suitable for factor analysis.

Materials and Methods

The present investigation was both descriptive and exploratory. In order to have a better understanding of the topic at hand, exploratory research included a literature review. A variety of fact-finding enquiries and surveys were used in descriptive study. Explanation of the current situation was the primary goal of descriptive study. Research in the social sciences and the commercial world often made use of descriptive methods.

A researcher's approach to selecting a unit for the sample is known as their sampling strategy. Respondents for this research were chosen using a judgmental sampling technique. A non-probability sampling approach is judgmental sampling. The researcher uses his or her knowledge, experience, and personal judgement to choose the sample units in judgmental sampling. Picking responders from a wide range of demographics was a top priority. Study participants were hand-picked after researchers canvassed all five private life insurance company branches in six different U.P. districts (Ambedkar Nagar, Ayodhya, Agra, Amethi, Greater Amethi, and Aligarh) to gauge interest.

Primary and secondary sources have both contributed to the researcher's data set. Journal articles, theses (both published and unpublished), research projects, websites, editorials, essays, and other written works were all considered secondary sources.

Both AMOS 21 and SPSS 21 were used to analyses the data.

Results and Discussion

Table 1: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.970
Bartlett's Test of Sphericity	Approx. Chi-Square	13826.888
	Degree of Freedom	703
	Sig.	0.000

Kaiser-Meyer-Olkin determines the fraction of variation among variables that may be common as a measure of sampling adequacy. Data are better suited for factor analysis when the fraction of variation is small. The data is suitable for the investigation if the KMO value is greater than the standard value of 0.6. A KMO score greater than the industry norm of 0.5, according to some writers, indicates that the data is suitable for factor analysis. The results of the factor analysis run by SPSS are shown in Table 1. Compared to the norm, the KMO value for this investigation was higher at 0.970. Therefore, there was enough data in the sample to build the factors for this investigation.

To determine whether the variances of all samples were equal, we used Bartlett's test for homogeneity of variances. It ran a series of statistical tests to make sure the assumption of equal variances held. The correlation matrix was tested for identity matrix status using Bartlett's test of sphericity. You may use Bartlett's test to determine whether your sample is appropriate for factor analysis if all of the variables are highly linked with one another and with other variables. If the significance level is less than 0.05, then the variables might be considered to be correlated. Because the study's data followed a normal distribution, it was used.

With 703 degrees of freedom, the Bartlett's test produced a Chi-square value of 13826.88, which was more than the tabulated value at the 5% level of significance (Table 1). Consequently, it proved that the data was suitable for utilisation in factor analysis.

Table 2 further demonstrated that all items or variables were suitable for further research since their communality's values were greater than 0.4. A variable's communality indicated the degree to which it was correlated with all other variables. All of the variables' communalities were more than the normal value of 0.4, which means that factor analysis is being measured more accurately. It is possible that no factor may have been considerably loaded by a variable whose communalities were less than 0.4. Table 2 shows the communalities value for all 38 claims.

Table 2: Communalities

		Initial	Extraction
1	Company has modern equipment and technology	1.000	0.751
2	Physical facilities of the branch are visually appealing	1.000	0.632
3	Employees and agents are neat in appearance	1.000	0.740
4	Materials associated with the services are appealing	1.000	0.730
5	Employees and agents fulfil the promise to do something by a certain time	1.000	0.725
6	Employees and agents show sincere interest in solving customer's problems	1.000	0.721
7	Employees and agents perform the service at the first instance	1.000	0.699
8	Employees and agents provide their services at the time they promise to do so	1.000	0.755
9	Company has error free record and transactions	1.000	0.568
10	Company has sound financial strength	1.000	0.865
11	Company's goodwill in the market is good	1.000	0.829
12	Employees and agents tell customers exactly when services will be performed	1.000	0.679
13	Employee and agents give prompt services to customers	1.000	0.743
14	Employees and agents are willing to help customers	1.000	0.690
15	Employees and agents are never too busy to respond to customer's requests	1.000	0.568
16	Employees and agents constantly communicate with customers	1.000	0.801
17	Method of communication suits the customer's need	1.000	0.845
18	The behaviour of employees and agents instils confidence in customers	1.000	0.718
19	Customers feel that their transactions are safe	1.000	0.705
20	Employees and agents are courteous with customers	1.000	0.683
21	Employees and agents have knowledge to render professional service to customers	1.000	0.674
22	Employees and agents give accurate presentation of products and services	1.000	0.637
23	Employees and agents give individual attention to customer's needs and demands	1.000	0.659
24	Company has convenient operating hours for their customers	1.000	0.658
25	Employees and agents give personal attention to customers	1.000	0.746
26	Employees and agents have their customer's best interests at heart	1.000	0.758
27	Employees and agents understand the specific needs of their customers	1.000	0.719
28	Employees welcome complaints and criticism from customers and respond them positively	1.000	0.677
29	Company organizes consumer awareness programmes under Customer Relationship Management	1.000	0.734
30	Company commits to ethics and promote ethical behaviour among employees and agents	1.000	0.750
31	Company's products and services are of utmost quality	1.000	0.844
32	Company provides diversified products and policies	1.000	0.783
33	Company provides competitive price of their products and services	1.000	0.815
34	Customers assured about quality of product and services through appropriate guarantees	1.000	0.813
35	Company differentiates adequately their products and services in the market	1.000	0.774
36	There are clear and transparent terms in contract of insurance policies	1.000	0.737
37	Company settles customers' claims without any hassle and delay	1.000	0.759
38	Company provides simple formalities for purchasing its policy	1.000	0.649

Extraction Method: Principal Component Analysis

Communalities, Common Method Bias, and Bartlett's test were all run on the relevant data before Principal Component Analysis (PCA with Varimax Rotation) was used. The multivariate statistical technique known as principal component analysis was essential in deriving

useful information from statements of correlated data and recasting them as a collection of orthogonal variables that are not associated with one another. PCA and Factor Analysis are quite similar. The researcher was able to determine seven components by analyzing the eigenvalues and variance explained, as shown in Table 3.

Table 3: Total Variance Explained

Component	Initial Eigen Values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Factor 1	19.910	42.395	42.395	19.910	42.395	42.395	7.603	20.009	20.009
Factor 2	2.529	8.654	51.049	2.529	8.654	51.049	6.477	17.044	37.054
Factor 3	2.470	5.867	56.916	2.470	5.867	56.916	4.647	12.228	49.281
Factor 4	2.047	4.756	61.672	2.047	4.756	61.672	3.393	8.929	58.210
Factor 5	1.975	4.566	66.238	1.975	4.566	66.238	2.302	6.057	64.267
Factor 6	1.964	3.536	69.774	1.964	3.536	69.774	2.200	5.789	70.056
Factor 7	1.738	2.943	72.718	1.738	2.943	72.718	1.011	2.662	72.718

Extraction Method: Principal Component Analysis

The original solution, extracted components, and rotated components were shown in Table 3. The sum of the original variables that each component explained was given by the total column in the initial eigen value. This was also known as the eigen value. The percent of variance column provided the breakdown of the overall variation in all variables as a percentage, while the cumulative percent column listed the percentage of variance explained by the first n components.

The eight variables that were retrieved explained a total of 72.718 percent of the variation, as shown in table 3. A solution that explains 60% or more of the total variation is often considered adequate in the social sciences (Hair et al., 2014). To ensure that all seven components were included, the researcher checked that their eigenvalues were larger than 1, as shown in table 3. Consequently, all seven elements were considered. The rotated component matrix was simpler to understand than the unrotated one because the cumulative percent value in the rotated column displayed variations that were uniformly spaced out.

Conclusion

This research helps advance the life insurance industry by outlining the seven determinants of high-quality life insurance service. Availability, dependability, empathy, responsiveness, convenience, and assurance were the seven characteristics that were discovered. the service quality of the top five private life insurance firms. We found that there was not much of a difference. Despite this, Bajaj Allianz Life Insurance scored the lowest negative mean difference value across all service quality characteristics and total service quality (1.18). The results also showed that when compared to other private life insurance firms, Bajaj Allianz Life Insurance provided superior service across all seven of the previously defined dimensions.

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