

## Study on Service Quality of Insurance Companies -A comparative study.

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**Abstract:** Quality of service matters a lot in retaining existing business as well as getting new business in the service industries. Insurance being a service industry, it is needless to add that service quality is important. Today's complex business environment makes it an imperative to maintain high quality service, come what may. Insurance sector is not an exception to the above rule. This study makes a simple attempt to compare service quality in both the Public and Private sector insurance companies. A sample of 107 responses from the existing policy holders belonging to both Public and Private sector insurance companies have been elicited to estimate the quality of service in them. Parameters such as Reliability, Confidentiality, Accuracy, Receptiveness to customer complaints, Quick complaint resolution, Receptiveness to customer suggestions, Innovations in products and services have been considered to estimate the service quality. Non probability sampling method and convenience sampling technique has been used in this study.

**Key words:** Service quality, Reliability, Confidentiality, Accuracy, Receptiveness to customer complaints, Quick complaint resolution, Receptiveness to customer suggestions, Innovations in products and services, respondents.

### Introduction

Insurance is an insulation against unforeseen and unexpected events in life. The protection given by Insurance has become very important in the present day complex living environment. Insurance companies design variety of products and offer them to the needy people. Because insurance sector today is not in a monopoly, Competition has become very fierce. Both Public sector and Private sector insurance companies approach people with their product varieties and to sell and service them, they use their unique strengths. One such unique strength is service quality. This study makes a simple attempt to compare the quality of service offered by Public and Private sector insurance companies in Bangalore City. To estimate the quality of service, parameters such as Reliability, Confidentiality, Accuracy, Receptiveness to customer complaints, Quick complaint resolution, Receptiveness to customer suggestions, Innovations in products and services have been used in this study.

### Scope of the Study

The study takes seven different parameters of service quality viz., Reliability, Confidentiality, Accuracy, Receptiveness to customer complaints, Quick complaint resolution, Receptiveness to customer suggestions, Innovations in products and services for consideration. These parameters have been used to test service quality in both Public and Private sector insurance companies. The study will attempt to bring out which particular parameter

of service quality reigns supreme in the public and private sector insurance companies and which one reigns less in them.

### **Importance of the Study**

The quality of service in Public sector insurance companies were not upto expected levels during the 1980s and early part of 1990s. LPG 1991 (Liberalization, Privatization and Globalization) and the recommendations of Dr. Malhotra committee (1994) brought changes in the Insurance sector. Private insurance players started entering the sector. Products and services from both Private and Public sector insurance companies filled up the insurance sector space and it was a pleasant competition all around to impress and garner business from existing as well as potential policy holders. In a highly competitive environment how well the service quality mattered in garnering business became an interesting aspect, worth studying. In these respects the present study assumes importance.

### **Review of Literature**

**Lewis and Booms (1983)** underline service quality as a measure of how well a service level delivered matches customer expectations. Delivering quality of service means confirming the customers expectations on regular basis. They have said that customers of service industries examine tangibles, reliability, responsiveness, assurance and empathy in their service organizations. Tangibles mean service providers' physical facilities, equipments, etc. Reliability is the ability of the industry to perform the service promised dependably. Responsiveness is the willingness of the service provider to help customer in getting prompt service. Assurance refers the courtesy of the service providers' employees. Empathy means the individualized attention which the service firm provides to its customers.

**Rathiha and Edwin Gnanadass (2007)** say that consumers are concerned about the level of service quality because it is declining over a period of time irrespective of industries. They also say that customers with higher incomes, better education and lesser time demand service quality matching their expectations. One more important thing is that the service industries have to change and adapt themselves to the changing expectations of their customers.

**Maya Salimath et al. (2012)** says the service quality means bringing delight to the customer through service. According to him, providing delight to the customer is more than just satisfying the customer. This is also a way of retaining the customer in the business. This will also pave the way for inclusion of new customers to the business as such customers who are delighted may, by word of mouth, recommend the service organizations to their friends, relations, etc.

### **Objectives of the Study**

The following objectives have been framed for this study

1. To estimate the contribution of selected demographic variables to the study undertaken
2. To estimate the mean values of various service quality parameters as ascertained from the responses of the respondents to the study separately in respect of Public and Private sector insurance companies.
3. To compare the mean values of the different service quality parameters of Public and Private sector Insurance companies as calculated from the respondents opinions.

### **Pilot Study**

A pilot study amongst the policy holders of both Public and Private sector insurance companies was done to identify what were the parameters used by them to judge the service quality in their Insurance companies. It was found that the parameters chosen by the policy holders were Reliability, Confidentiality, Accuracy, Receptiveness to customer complaints, Quick complaint resolution, Receptiveness to customer suggestions, Innovations in products and services. The above parameters were also in alignment with the parameters proposed by Zeithmal and Parasram for estimating service quality in the service industries.

### **Research Methodology:**

#### **Population**

The Population for this study is the existing policy holders of Public and Private sector insurance companies in Bangalore City.

**Sample:**

106 policy holders from both Public and Private sector insurance companies in Bangalore City form the sample. Of this 106, 55 are Public sector insurance companies policy holders and 51 are Private sector insurance company policy holders.

**Study area:**

The study area is Bangalore City.

**Type of data:**

Primary data has been used for the study.

**Instrument used:**

A questionnaire has been designed and used for the study.

**Sampling Method:**

Non probability sampling method has been used.

**Sampling technique:**

Convenience sampling technique has been adopted.

**Statistical test used in the study:**

Percentage analysis, Descriptive statistics (Mean) have been exploited to draw meaningful results from the data collected from insurance policy holders.

**DATA ANALYSIS**

**TABLE – 1**  
**Gender wise break up of policy holders**

	<b>Frequency</b>	<b>Percent</b>
Female	47	44.34
Male	59	55.66
<b>Total</b>	<b>106</b>	<b>100.00</b>

(Source: Primary data)

It can be seen from the above table that male policy holders constitute 59 (55.66%) of the total sample of 106 while female policy holders constitute 47 (44.34%) of the total sample.

**TABLE – 2**  
**Education wise breakup of policy holders**

<b>Education</b>	<b>Frequency</b>	<b>Percent</b>
Graduation	39	36.79
Post Graduation	31	29.24
Up to School level	15	14.15
Others	21	19.82
<b>Total</b>	<b>106</b>	<b>100.00</b>

(Source: Primary Data)

It can be seen from the above table that Graduates constitute 39 (36.79%) of the total sample of 106, Post Graduates constitute 31 (29.24%) of the total sample, upto school level constitute 15 (14.15%) of the total sample while others constitute 21 (19.82%) of the total sample.

**TABLE – 3**  
**Employment – wise breakup of policy holders**

<b>Employment</b>	<b>Frequency</b>	<b>Percent</b>
Associates	42	39.62
Subordinate	31	29.24
Supervisory	23	21.70
Executives	3	2.83
Others	7	6.61
<b>Total</b>	<b>106</b>	<b>100.00</b>

(Source: Primary data)

It can be observed from the above table that associates constitute 42 (39.62%) of the total sample size of 106, Subordinates constitute 31 (29.24%) of the total sample, Supervisors constitute 23 (21.70%) of the total sample, Executives constitute 3 (2.83%) of the total sample while others constitute 7 (6.61%) of the total sample size of 106.

**TABLE – 4**  
**Annual Income – wise breakup of policy holders**

<b>Annual Income</b>	<b>Frequency</b>	<b>Percent</b>
Upto 2 lakhs	22	20.75
2 to 5 lakhs	35	33.02
5 to 10 lakhs	31	29.25
Above 10 lakhs	18	16.98
<b>Total</b>	<b>106</b>	<b>100.00</b>

(Source: Primary data)

It can be seen from the above table that policy holders with annual income upto 2 lakhs constitute 22 (20.75%) of the total sample of 106, annual Income between 2 to 5 lakhs constitute 35 (33.02%) of the total sample, annual income between 5 to 10 lakhs constitute 31 (29.25%) of the total sample while annual income above 10 lakhs constitute 18 (16.98%) of the total sample size of 106.

**TABLE – 5**  
**Breakup of policy holders**

<b>Insurance companies</b>	<b>Number of policy holders</b>	<b>Percent</b>
Public sector	55	51.89
Private sector	51	48.11
<b>Total</b>	<b>106</b>	<b>100.00</b>

(Source: Primary data)

It can be seen from the above table that the number of policy holders taken as sample from the Public sector Insurance companies constitute 55 (51.89%) of the total sample of 106 while number of policy holders from the Private sector insurance companies constitute 51 (48.11%) of the total sample.

Each of the service quality parameters considered in this study has been given a code as mentioned in the following table.

Service quality parameter	Code
Reliability	V1
Confidentiality	V2
Accuracy	V3
Receptiveness to customer complaints	V4
Quick complaint resolution	V5
Receptiveness to customer suggestions	V6
Innovations in products and services	V7

**TABLE – 6**  
**Frequency support for different service quality parameters in Public sector Insurance companies**

Service quality parameters	Highly Satisfied	Satisfied	Neutral	Not satisfied	Not at all satisfied
V1	14	15	15	6	5
V2	16	16	12	8	3
V3	15	16	11	7	6
V4	15	15	17	3	5
V5	15	15	11	8	6
V6	12	17	17	4	5
V7	13	17	14	7	4

It can be seen from the above table that majority of policy holders in Public sector Insurance companies are “highly satisfied as well as satisfied” with the service quality provided to them. It can also be seen that very few policy holders are “not satisfied as well as not at all satisfied” with the service quality provided to them by their insurance companies.

**TABLE – 7**  
**Frequency support for different service quality parameters in Private sector Insurance companies**

Service quality parameters	Highly Satisfied	Satisfied	Neutral	Not satisfied	Not at all satisfied
V1	19	18	9	4	1
V2	19	14	13	3	2
V3	16	19	11	4	1
V4	17	15	17	-	2
V5	21	12	15	2	1
V6	19	12	14	6	-
V7	17	18	12	3	1

It can be seen from the above that majority of policy holders in Private sector Insurance companies are “highly satisfied as well as satisfied” with the service quality provided to them. It can also be seen that very few policy holders are “not satisfied as well as not at all satisfied” with the service quality provided to them by their insurance companies.

**TABLE – 8**  
**Mean values of service quality parameters of Public sector insurance companies**

Sl. No	Service Quality parameters	Mean values
1	V1	3.49
2	V2	3.62
3	V3	3.49
4	V4	3.58
5	V5	3.43
6	V6	3.49
7	V7	3.51

	Overall mean value of service quality	3.52
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(Source: computed data)

It can be seen from the above table that the service quality parameter “Confidentiality” has a high mean value of 3.62 thereby indicating that the policy holders are “just satisfied” with this parameter in their insurance companies. It can also be seen that the service quality parameter “Quick complaint Resolution” has a mean value of 3.43 thereby indicating that the policy holders are “Neutral” in their rating of this service quality parameter in their insurance companies. All other service quality parameters take mean values 3.49, 3.49, 3.58, 3.51. The overall mean value of all the seven service quality parameters is 3.52.

**TABLE – 9**  
**Mean values of service quality parameters of Private sector insurance companies**

Sl. No	Service Quality parameters	Mean values
1	V1	3.98
2	V2	4.31
3	V3	3.88
4	V4	3.69
5	V5	3.98
6	V6	3.86
7	V7	3.92
	Overall mean value of service quality	3.95

(Source: computed data)

It can be seen from the above table that the service quality parameter “Confidentiality” has a high mean value of 4.31 thereby indicating that the policy holders are “just satisfied” with this parameter in their insurance companies. It can also be seen that the service quality parameter “Receptiveness to customer suggestions” has a mean value of 3.86 thereby indicating that the policy holders are again “just satisfied” in their rating of this service quality parameter in their insurance companies. All other service quality parameters have mean values 3.98, 3.88, 3.69, 3.92. The overall mean value of all the seven service quality parameters is 3.95.

**TABLE – 10**  
**Comparison of mean values of service quality parameters in Public and Private sector insurance companies**

Service Quality parameters	Public sector insurance companies	Private sector insurance companies	Difference in mean values
V1	3.49	3.98	0.49
V2	3.62	4.31	0.69
V3	3.49	3.88	0.39
V4	3.58	3.69	0.11
V5	3.43	3.98	0.55
V6	3.49	3.86	0.37
V7	3.51	3.92	0.41
Overall mean value	3.52	3.95	0.43

(Source: Computed value)

It can be seen from the above table that all the parameters of service quality in Private sector Insurance companies have mean values greater than the mean values of similar parameters of service quality in Public sector Insurance companies. It can also be seen that the overall mean value of service quality parameters in Private sector Insurance companies (3.95) is greater than the overall mean value (3.52) in Public sector insurance companies. It can therefore be concluded that the service quality in Private insurance companies is definitely better compared to Public sector insurance companies. It can also be concluded that the parameter “Confidentiality” in Public sector insurance companies must be attended seriously and improved immediately as the difference in mean values is maximum.

## Findings of the Study

### Findings relevant to objective 1

1. Males dominate the sample taken up for the study with 59 out of 106.
2. "Graduates" are more in number at 39 in the sample while "upto school level" are least in number with 15.
3. "Associates" are more in number at 42 in the sample while "Executives" are least with just 3.
4. Policy holders with Annual income "between 2 to 5 lakhs" are more in number at 35 in the sample while policy holders with annual income "above 10 lakhs" are least with 18.

### Findings relevant to objective 2

5. The service quality parameter "Confidentiality" has a high mean value of 3.62 thereby indicating that the policy holders of Public sector insurance companies are "just satisfied" with this parameter in their insurance companies. All other service quality parameters taken for consideration have mean values, 3.49, 3.49, 3.58, 3.43, 3.49 and 3.51 respectively. The over all mean value for all the parameters is 3.52.
6. The service quality parameter "Confidentiality" has a high mean value of 4.31 thereby indicating that the policy holders of Private Insurance companies are "just satisfied" with this parameter in their insurance companies. All other service quality parameters taken up for consideration have mean values 3.98, 3.88, 3.69, 3.98, 3.86 and 3.92 respectively. The overall mean value for all the parameters is 3.95.

### Findings relevant to objective 3

7. The service quality parameters in Private Insurance companies are much better compared to the same set of parameters in Public insurance companies. The parameter "Confidentiality" has a wide difference in mean values between Public and Private sector Insurance companies. Implying that a lot needs to be done in Public sector insurance companies on this parameter for improvement.
8. The overall mean value for the seven service quality parameters differ fairly significantly between Public and Private sector insurance companies with a value of 0.43. This again indicates that the service quality in Private sector insurance companies is much better and a lot needs to be done in Public sector insurance companies.

## Limitations of the Study

1. The sample size is 106. Though this is a fairly good sample, still a better sample size may give at different and clear picture about the service quality levels in both Public and Private sector insurance companies.
2. The study has been carried out in Bangalore City and hence cannot be taken to be a fully representative one as the results may vary in different places. This is also a limitation.

## Conclusion

In this era of electrifying competition, it is only the difference in service quality provided by the insurance companies which is going to help them entrench themselves firmly in this business. Though, prior to 1994, Public sector insurance companies were the only option for the people, things have changed and now it is both public as well as private sector insurance companies. A variety of products are now available to the existing as well potential policy holders. They also choose whatever they require from amongst a basket of products. But it can be seen clearly that people prefer such insurance companies to do their business where service quality levels are high and match their expectations.

Ultimately it is the service quality provided by the insurance companies which matters a lot to them in dealing with the people. In this, today, Private insurance companies are really a challenge to the Public insurance companies with their differentiated service quality.

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