ABSTRACT

In the fast paced environment that surrounds industries today, companies find themselves faced with the pressure to discover foolproof ways to manage their businesses. Insurance industry in India is no exception and is undergoing revolutionary changes. Competition has been central to the agenda of companies and it has become one of the enduring themes of our time. The Insurance Industry today is experiencing intense competition and the major players, including LIC have come under pressure. In lieu of this, retaining a Customer is cheaper than finding a new customer. LIC should focus on assurance and empathy to further strengthen the level of satisfaction. Major players in the market especially LIC have to concentrate on retaining existing customers, which could offer huge business potential. Time based competition, quality, product range, timely advertisement, follow up, prompt and error free service are the key ingredients for the better service and it will boost up the sales.

Key Words

INTRODUCTION

The basic human trait is to be averse to the idea of taking risks. There is always an urge to minimize the risks and take protection against possible failure. The risk includes fire, the perils of sea, death, accidents and burglary. Any type of risks may be insured against at a premium commensurate with the risk involved. Thus collective bearing of risk is insurance. Whether life or non-life insurance, insurer provides people with a reasonable degree of security and assurance that they will be protected in the event of a calamity or failure of any sort. There are number of forces driving the services sector today such as industries-customers, competitors, government, technology and globalization forcing rapid changes in the service sector. In addition, there are four factors of particular importance to service providers-change in how quality is perceived, cost control, customer services and the new definitions of the customer. Prior to 1956, there were about 245 insurance companies, which operated in India. The insurance coverage was mostly confined to life and vehicles.

The Government of India felt that a strict Government Control of Insurance industry is required and nationalized the insurance industry in 1956. Life Insurance Company of India (LIC) was formed in September 1956 by an Act of Parliament vis., the LIC Act with a capital contribution of Rs. 50 million from the Government of India (Palande et al, 2003). Over the years the Insurance business has grown enormously and collected funds both in linked and non-linked sectors. In recent times new private players have come into existence. Indian Economy is among the most under insured markets in terms of spread and penetration leaving a huge untapped market penetration, with the insured population being only 70 million people (Palande, Shah and Lunawat, 2003). Indian insurance industry ranks 51 across the world in terms of penetration. The Indian Life Insurance premium is a mere 1.5 percent of the GDP, compared to 11.6 percent in South Korea (Palande, Shah and Lunawat, 2003). It is felt that the changing demographic profile of Indian population, growth of the economy, change over to new technologies, etc. are likely to push the demand for the insurance cover further.

SERVICE QUALITY

Service quality is more difficult for the consumer to evaluate than goods quality. Perceptions of service quality result form a comparison of consumer expectations with actual service performance. Quality evaluations are not made solely on the outcome of a service; they also involve an evaluation of the process of service delivery (Sesser et al. 1978). Service quality has been described as a form of attitude, related but not equivalent to satisfaction, which results from the comparison of expectations with performance (Parasuraman, Zeithaml and Berry 1988).
Service quality involves a comparison of expectations with performance: it is a measure of how well the service level delivered matches customer expectations of a consistent basis. Service quality has been conceptualized as a function of consumer expectations towards the service situation and process, and of the output quality they perceived themselves to have received.

**OBJECTIVES OF THE STUDY**

- To study the personal, demographic and rational profile of policy holders.
- To propose a multidimensional model to evaluate the services quality of the corporation.

**HYPOTHESES OF THE STUDY**

$(H_0)$

There are no multiple-dimensional impacts of service quality dimensions on the services quality of LIC.

**REVIEW OF PREVIOUS STUDIES**

There were many studies dealing with the services quality, its application and its contribution to the firms. They are listed here to show to what extent the various areas were explored in services quality research and to improve the methods and techniques adopted for the study.

Praveen Sahu (2009) assessed Buying Behavior of Consumers towards Life Insurance Policies. The researcher identified the consumer’s perception towards Life Insurance Policies is positive. It developed a positive mind sets for their investment pattern, in insurance policies. Montserrat Guillon et al. (2008) empirically investigated the need to monitor customer loyalty and business risk in the European insurance industry. In this study describe that the reasons why insurance companies should perform customer loyalty and business risk monitoring and develop guidelines for the implementation of this procedure.

Tamzid Ahmed et al. (2007) studied the perceptions of the customers towards insurance companies in Bangladesh with the help of servqual model. The researcher concluded that the demographic trends suggest that as private insurance companies (both local and multinational) have proliferated in Dhaka city.

Graham K. Rand et al. (2007) investigated the Cultural influences on service quality and customer satisfaction: evidence from Greek insurance: The purpose of this study is twofold. First, the study aims to determine whether culture is related to service quality and whether the importance of service quality dimensions is connected to the dimensions of culture. Second, to examine whether the importance of service quality dimensions determines the strength of their relationships with customer satisfaction and, hence, whether culture is a determinant of the latter. Izah Mohd Tahir et al. (2007) studied service quality gap and customers’ satisfactions of commercial
banks in Malaysia. In this study the researcher identified commercial banks play a significant role in the economy, making up one of the biggest provider of services in the Malaysian economy.

James C. Hao (2007) explored an Efficiency Test on Taiwan's Life Insurance Industry- Using X-Efficiency Approach. Distribution free analysis (DFA) was applied to determine the relative efficiency of insurers in the sample. He then tested the constants to see if they were related to so-called X-efficiencies because of market share, diversification products strategy, scale efficiency and market growth ratio. Results show that firms with large market share tend to be cost efficient.

Parasuraman et al. (1988) developed a 22-item measurement instrument called SERVQUAL for assessing customers’ perceptions of service quality in service and retailing organizations. The 22 items are spread over five dimensions of tangibles, reliability, responsiveness, assurance and empathy. Respondents are first asked to provide the level of service expected from a service firm on the 22-item expectations scale. Perceived service quality is obtained by subtracting the expectations rating from the perception rating for each of the items.

RESEARCH DESIGN

It is a sample survey to measure the services quality of LIC in Dharmapuri district. In all the branches the managers revealed that there is no formal maintenance of records about the policyholders based on the location of branches. So, the purposive sampling method is adopted to select the sample policyholders scattered all over in Dharmapuri and he contacted 100 policy holders. The Instrument (Questionnaire) was structured and it was prepared to measure the service quality of LIC in Dharmapuri district.

RESULTS AND DISCUSSION

After the data collection was over, the researcher analyzed the collected data with help of computerized statistical packages. It is implicitly assumed that the 29 services quality items were followed a multivariate normal distribution.

TABLE No. 1: DEMOGRAPHIC PROFILE OF POLICYHOLDERS

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>CLASSIFICATION</th>
<th>No. OF POLICYHOLDERS</th>
<th>PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>GENDER</td>
<td>Male</td>
<td>89</td>
<td>89</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>AGE</td>
<td>20-30</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>31-40</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>41-50</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Above 50</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>OCCUPATION</td>
<td>Private employees</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Govt. employee</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>Businessman</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>Professionals</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>
The above table (1) shows that the profile of policyholders. Out of 100 respondents, 89% of the respondents belong to male category, 37% of respondents are between 31-40 years age category and majority of them are businessmen and belongs to PG qualification and 3 member group and majority of them are having endowment policy for saving benefit and they took the policy through agent.

STRUCTURAL EQUATION MODEL (SEM)

\[ Z = 0.100X_1 + 0.119X_2 + 0.080X_3 + 0.114X_4 + 0.117X_5 + 0.153X_6 + \epsilon \]
Where \( Z \) is the estimated service quality score and \( e \) is the estimated measurement error.

Table (2) reveals the contribution of the dimensions such as assurance, personalized financial planning, similarity with agent, tangibles, corporate image and competence to the service quality of LIC of India in Dharmapuri district. Equation (1) shows that, if the LIC changes the assurance dimension by one unit there will be 0.100 units increases in the service quality of LIC of India in Dharmapuri, when other dimensions are kept constant and vice versa. Among the six dimensions, similarity with agent and personalized financial planning and tangibles are gives more contribution to the service quality when compared to other dimensions.

### TABLE No. 3: VARIANCE CO-VARIANCE MATRIX

<table>
<thead>
<tr>
<th>INDICATORS</th>
<th>ASSURANCE</th>
<th>PERSONALISED FINANCIAL PLANNING</th>
<th>SIMILARITY WITH AGENT</th>
<th>TANGIBLES</th>
<th>CORPORATE IMAGE</th>
<th>COMPETENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assurance</td>
<td>0.172</td>
<td>0.169**</td>
<td>0.169**</td>
<td>0.163**</td>
<td>0.093*</td>
<td>0.079**</td>
</tr>
<tr>
<td>Personalised finance planning</td>
<td>-</td>
<td>0.484</td>
<td>0.113</td>
<td>0.275**</td>
<td>0.170**</td>
<td>0.135**</td>
</tr>
<tr>
<td>Similarity with agent</td>
<td>-</td>
<td>-</td>
<td>1.303</td>
<td>0.121</td>
<td>0.291*</td>
<td>0.076</td>
</tr>
<tr>
<td>Tangibles</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.350</td>
<td>0.192**</td>
<td>0.152**</td>
</tr>
<tr>
<td>Corporate image</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.331</td>
<td>0.083**</td>
</tr>
<tr>
<td>Competence</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.74</td>
</tr>
</tbody>
</table>

* Critical ratio that significant at 1% level. GFI =0.754 RMR=0.051

Chi-square test value=1798.783; AGFI =0.705; RMSEA=0.095; d.f= 362; P-value<0.01

Table (3) visualizes the variance co-variance relationship among the dimensions of service quality. From the above table it is identified that there is a strong relationship among the dimensions of service quality and it is confirmed by critical test ratio which gives the estimated variance co-variance among the dimensions are statistically significant at 1% level. This shows that, if LIC changes any one of the dimensions of service quality, obviously it will affect the other dimensions. Moreover, the result of the chi-square test confirms the proposal model of evaluating service quality is statistically and pragmatically significant at 1% level. Likewise the goodness of fit index (GFI) is 75.4% and adjusted goodness of fit index (AGFI) is 70.5% revealed that the model fitness is close to the recommended level of 0.7. Similarly the root mean residual (RMR) 0.051 and root mean square error of approximation (RMSEA) 0.095 are the good evidence, which shows that the estimated error in evaluating the
service quality is minimum as well as close to Zero. Hence it can be concluded that the proposed model in evaluating the service quality of LIC is valid and reliable.

Suggestions and Recommendations

- To increase the level of insurance penetration LIC may focus on bringing products that suit to the rural customers.
- The company if possible should invest in advertising, conduct road shows, and spend money on Hoardings, so that it can better propagate awareness about its various lesser known products.
- LIC should also tie up with several other banks apart from the existing ones to sell its products i.e. through banc assurance.
- The company has the option of tying up with local NGO’s for selling its rural insurance products.
- Customer friendly documentation i.e. it should be made easier and faster.
- LIC should keep a check that its agents equally promote all its products.
- LIC may provide additional funds to its development officers and agents.
- All the hidden charges should clearly be stated in the form and explained by the agent and LIC should provide better training to its agents.
- Claim settlement process should be made fast and must not involve lengthy decision making process.
- Some special focus should be laid on individual risk coverage while designing the products.

CONCLUSION

The entry of private sector insurance companies into the Indian insurance sector triggered off a series of changes in the industry. Even with the stiff competition in the market place, it is evident from the study that the public sector giant LIC dominates the Indian insurance industry. In today’s competitive world, customer satisfaction has become an important aspect to retain the customers, not only to grow but also to serve. Increased competition, wide range of product offerings and multiple distribution channels cause companies to value satisfied and highly profitable customers. Customer service is the critical success factor in a company and providing top notch customer service differentiates great customer service from indifferent customer service. In the fast paced environment that surrounds industries today, companies find themselves faced with the pressure to discover foolproof ways to manage their businesses. Insurance industry in India is no exception and is undergoing revolutionary changes. Competition has been central to the agenda of companies and it has become one of the enduring themes of our time. The Insurance Industry today is experiencing intense competition and the major players, including LIC have come under pressure. In lieu of this, retaining a Customer is cheaper than finding a new Customer. LIC should
focus on assurance and empathy to further strengthen the level of satisfaction. Major players in the market especially LIC have to concentrate on retaining existing customers, which could offer huge business potential. Time based competition, quality, product range, timely advertisement, follow up, prompt and error free service are the key ingredients for the better service and it will boost up the sales.

REFERENCES


