Chapter-4

Research Methodology
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The purpose of the present study was to find out the relationship between service quality and customer satisfaction in Insurance sector. Further, comparing service quality and customer satisfaction of the customers of public and private sector Insurers. The process of the research methodology included the selection of right questions, selection of a representative sample, collecting relevant data, applying appropriate research tools and techniques, analysis and interpretation of the data for scientific investigation of the problem.

4.1 RESEARCH PROBLEM

The growth and development of the service sector in India has been influenced and accelerated by the expansion of the Insurance sector. Like any other financial services, the insurance industry, too, is facing a market that is changing rapidly. New technologies are being introduced and there is always a fear of economic uncertainties. Fierce competition, more demanding customers and the changing climate have presented an unparallel set of challenges. In such a competitive scenario, it is extremely important that Insurers are able to retain a satisfied base of customers by continuously enhancing their quality of service.

Service quality has been researched extensively to find out the focus areas for the management so as to increase customer satisfaction levels. In the backdrop of the review of literature it was observed that service quality and its dimensions like tangibility, reliability, responsiveness, assurance and empathy vary for different customers. Besides, there was a significant relationship between service quality and customer satisfaction. The contributing factors for the difference can be the demographic factors like gender, age, qualification, income, profession and marital status. Further there was a significant difference in the perception of service quality and customer satisfaction of public and private sector Insurers. In view of the above, the problem of the present study can be stated as “A comparative study of service quality and customer satisfaction in insurance sector”. The study used a survey of public (LIC) and private insurer (HDFC Life) customers in Shimla, Kullu, Mandi and
Dharamsala of Himachal Pradesh to investigate the relationship between service quality and customer satisfaction and comparison of the two insurers thereof.

4.2 OBJECTIVES OF THE STUDY

1) To explore how the customers of the Insurance companies perceive the various dimensions of service Quality.
2) To find out the moderating effect of various demographic variables on the perception of service quality and its various dimensions.
3) To find out if there exist any relationship between Service Quality and Customer Satisfaction.
4) To find out the moderating effect of various demographic variables on customer satisfaction.
5) To find out if there exist any significant difference between the perception of Public and Private sector Insurance customers with respect to Service Quality and Customer Satisfaction

4.3 HYPOTHESES

The study considered the impact of moderating variables which included six demographic factors on relationship between service quality and customer satisfaction in public and private life insurance companies.

Demographic factors considered were (i) Gender (ii) Age (iii) Income (iv) Education (v) Profession (vi) Marital status.

Following were the hypotheses formulated for the study:

4.3.1 LIC Customers

The review of literature indicated that the customers differ in their perception of service quality and its various dimensions. The difference in the perception may be due to some demographic factors.

H1.1: There would be a significant difference in the perceived Service quality and its various dimensions for LIC customers on the basis of gender.

H1.2: There would be a significant difference in the perceived Service quality and its various dimensions for LIC customers on the basis of age.
H1.3: There would be a significant difference in the perceived Service quality and its various dimensions for LIC customers on the basis of income.

H1.4: There would be a significant difference in the perceived Service quality and its various dimensions for LIC customers on the basis of educational backgrounds.

H1.5: There would be a significant difference in the perceived Service quality and its various dimensions for LIC customers on the basis of profession.

H1.6: There would be a significant difference in the perceived Service quality and its various dimensions for LIC customers on the basis of marital status.

Our next important factor for the study was Customer Satisfaction. Review of literature suggested that there would be a difference in the Customer satisfaction of LIC customers. The customer satisfaction would be moderated by demographic factors.

H2.1: There would be a significant difference in the Customer satisfaction for LIC customers on the basis of gender.

H2.2: There would be a significant difference in the Customer satisfaction for LIC customers on the basis of age.

H2.3: There would be a significant difference in the Customer satisfaction for LIC customers on the basis of income.

H2.4: There would be a significant difference in the Customer satisfaction for LIC customers on the basis of educational background.

H2.5: There would be a significant difference in the Customer satisfaction for LIC customers on the basis of profession.

H2.6: There would be a significant difference in the Customer satisfaction for LIC customers on the basis of marital status.

The literature suggested a strong relationship between Service Quality and Customer Satisfaction. The relationship would be moderated by various demographic factors.

H3.1: There would be a significant relationship between Service quality, its various dimensions and Customer satisfaction for the entire sample of LIC customers.
H3.2: Gender would have a moderating effect on service quality-customer satisfaction relationship.

H3.3: Age would have a moderating effect on service quality-customer satisfaction relationship.

H3.4: Income would have a moderating effect on service quality-customer satisfaction relationship.

H3.5: Qualification would have a moderating effect on service quality-customer satisfaction relationship.

H3.6: Profession would have a moderating effect on service quality-customer satisfaction relationship.

H3.7: Marital status would have a moderating effect on service quality-customer satisfaction relationship.

4.3.2 HDFC Life Customers

Similar hypotheses were formulated for the customers of HDFC Life.

Perceived Service quality and its five dimensions for HDFC Life customers for different categories of demographic factors:

H4.1: There would be a significant difference in the perceived Service quality and its various dimensions for HDFC Life customers on the basis of gender.

H4.2: There would be a significant difference in the perceived Service quality and its various dimensions for HDFC Life customers on the basis of age.

H4.3: There would be a significant difference in the perceived Service quality and its various dimensions for HDFC Life customers on the basis of income.

H4.4: There would be a significant difference in the perceived Service quality and its various dimensions for HDFC Life customers on the basis of educational qualification.

H4.5: There would be a significant difference in the perceived Service quality and its various dimensions for HDFC Life customers on the basis of profession.

H4.6: There would be a significant difference in the perceived Service quality and its various dimensions for HDFC Life customers on the basis of marital status.
Customer satisfaction of HDFC Life customers for different categories of demographic factors:

H5.1: There would be a significant difference in the Customer satisfaction for HDFC Life customers on the basis of gender.

H5.2: There would be a significant difference in the Customer satisfaction for HDFC Life customers on the basis of age.

H5.3: There would be a significant difference in the Customer satisfaction for HDFC Life customers on the basis of income.

H5.4: There would be a significant difference in the Customer satisfaction for HDFC Life customers on the basis of educational qualification.

H5.5: There would be a significant difference in the Customer satisfaction for HDFC Life customers on the basis of profession.

H5.6: There would be a significant difference in the Customer satisfaction for HDFC Life customers on the basis of marital status.

Relationship between Service quality, its various dimensions and Customer satisfaction of HDFC Life customers for different categories of demographic variables:

H6.1: There would be a significant relationship between Service quality, its various dimensions and Customer satisfaction for the entire sample of HDFC Life customers.

H6.2: Gender would have a moderating effect on service quality-customer satisfaction relationship.

H6.3: Age would have a moderating effect on service quality-customer satisfaction relationship.

H6.4: Income would have a moderating effect on service quality-customer satisfaction relationship.

H6.5: Qualification would have a moderating effect on service quality-customer satisfaction relationship.

H6.6: Profession would have a moderating effect on service quality-customer satisfaction relationship.
H6.7: Marital status would have a moderating effect on service quality-customer satisfaction relationship.

4.3.3 Comparison of LIC and HDFC Life Customers

For the comparative study of Public and Private sector Life insurers on the basis of the relationship between Service quality and customer satisfaction the following hypotheses were considered:

**Perceived Service quality and its five dimensions for LIC customers and HDFC Life customers for different categories of demographic factors:**

H7.1: There would be a significant difference in perceived Service quality and its various dimensions for the entire sample of LIC and HDFC Life customers.

H7.2: There would be a significant difference in perceived Service quality and its various dimensions for LIC customer and HDFC Life customers on the basis of gender.

H7.3: There would be a significant difference in perceived Service quality and its various dimensions for LIC customer and HDFC Life customers on the basis of age.

H7.4: There would be a significant difference in perceived Service quality and its various dimensions for LIC customer and HDFC Life customers on the basis of income.

H7.5: There would be a significant difference in perceived Service quality and its various dimensions for LIC customer and HDFC Life customers on the basis of educational qualification.

H7.6: There would be a significant difference in perceived Service quality and its various dimensions for LIC customer and HDFC Life customers on the basis of profession.

H7.7: There would be a significant difference in perceived Service quality and its various dimensions for LIC customer and HDFC Life customers on the basis of marital status.

**Customer satisfaction for LIC customers and HDFC Life customers for different categories of demographic factors:**
H8.1: There would be a significant difference in the Customer satisfaction of the entire group of LIC customers and HDFC Life customers.

H8.2: There would be a significant difference in the Customer satisfaction of LIC customers and HDFC Life customers on the basis of gender.

H8.3: There would be a significant difference in the Customer satisfaction of LIC customers and HDFC Life customers on the basis of age.

H8.4: There would be a significant difference in the Customer satisfaction of LIC customers and HDFC Life customers on the basis of income.

H8.5: There would be a significant difference in the Customer satisfaction of LIC customers and HDFC Life customers on the basis of educational qualification.

H8.6: There would be a significant difference in the Customer satisfaction of LIC customers and HDFC Life customers on the basis of profession.

H8.7: There would be a significant difference in the Customer satisfaction of LIC customers and HDFC Life customers on the basis of marital status.

Relationship between Service quality, its various dimensions and Customer satisfaction of LIC customers and HDFC Life customers for different categories of demographic factors:

H9.1: There would be a significant relationship between Service quality, its various dimensions and Customer satisfaction of LIC customers and HDFC Life customers.

H9.2: Gender would have a moderating effect on service quality-customer satisfaction relationship for LIC and HDFC Life customers.

H9.3: Age would have a moderating effect on service quality-customer satisfaction relationship for LIC and HDFC Life customers.

H9.4: Income would have a moderating effect on service quality-customer satisfaction relationship for LIC and HDFC Life customers.

H9.5: Qualification would have a moderating effect on service quality-customer satisfaction relationship for LIC and HDFC Life customers.

H9.6: Profession would have a moderating effect on service quality-customer satisfaction relationship for LIC and HDFC Life customers.
H9.7: Marital status would have a moderating effect on service quality-customer satisfaction relationship for LIC and HDFC Life customers.

4.4 SAMPLING

For the comparative study of public and private sector life insurers reported here in, responses were gathered from customers of two major Life Insurance Companies of India, LIC and HDFC Life. HDFC Life is the first private sector life insurance company in India (http://en.wikipedia.org/wiki/HDFC_Life#cite_note-5) and LIC being the only public sector Life Insurance Company were chosen for the study. Data were collected for fifteen to twenty days from the four towns of Himachal Pradesh namely Shimla, Kullu, Mandi, and Dharamsala. These towns were selected because HDFC Life has its branches only in these towns of Himachal Pradesh. Some questionnaires were administered to customers visiting the branch during the above said period. The help of insurance agents was also sought to identify the customers. A total of nine hundred and twenty three questionnaires were collected, but some of these were non-qualified and were rejected. So, the final sample consisted of seven hundred and thirty seven customers. Out of these, three hundred and thirty seven customers were from LIC and four hundred were from HDFC Life from different towns.

4.5 STATISTICAL TECHNIQUES USED IN ANALYSIS

The responses to the questionnaires have been analyzed using IBM SPSS 16 package for windows.

➢ Descriptive analysis was used to find out the measures of central tendency such as means, standard deviation etc. to study the profile of the customers of both the Insurers. Further T-test was used to compare the two insurers for significant difference in the perceived service quality and its dimensions for different categories of demographic factors.

➢ Analysis of variance (ANOVA): In order to test for the distinctiveness of various constructs among more than two groups of customers ANOVA test had been carried out.

➢ Correlation Analysis: The relationship between service quality, its dimensions and customer satisfaction were analyzed by correlation analysis.
Regression analysis: Multiple Regression analysis was conducted to determine the impact of various service quality dimensions on customer satisfaction. The moderating variables were demographic factors that may affect the relationship between service quality, its dimensions, and customer satisfaction. The moderating variables were grouped and the regression models were formulated for each group and compared with the other groups. The moderating effect of various demographic factors like gender, age etc. was also found using this.

4.6 RESEARCH INTRUMENT

In present study SERVPERF scale (Cronin & Taylor, 1994) was used. In doing so, the researcher: included items that represent the five dimensions of service quality by Parasuraman et. al. (1991a); the five dimensions that were used to conceptualize quality included:

- **Tangibles**: The appearance of physical facilities, equipment, personal and communication material.
- **Assurance**: it is defined as the employees knowledge and courtesy and the ability of the organization to inspire trust and confidence.
- **Responsiveness**: it is willingness to help customers and to provide prompt service. This dimension emphasizes attentiveness and promptness in dealing with customer requests, questions, complaints and problems.
- **Reliability**: it is defined as the ability to perform the promised service dependably and accurately.
- **Empathy**: it is defined as the caring, individualized attention the organization provides to its customers. It also means the approachability, ease of access and effort taken to understand customers’ needs.

Five point scale: finally, twenty items were selected to measure service quality. All items were measured on five point Likert scale from 1 (Strongly Disagree) to 5 (Strongly Agree). Thus, the score for the overall service quality ranged from (40-80). The scoring for various dimensions ranged as follows: Tangibility (4-20), Reliability (5-25), Responsiveness (3-15), Assurance (3-15), and Empathy (13-17). Higher the score, higher the perception of the parameter.
Customer satisfaction: Customer satisfaction was operationalised by 13 items which measured overall general satisfaction. It included items related to concern for customers’ needs, fair charges, services as value for money, procedures of the company and over all delight in choosing the company. All items were measured on the five point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). Thus, the score ranged from (13-65).

Finally, the research instrument consisted of three sections, Section I included questions that aimed at collecting information related to customer demography (Gender, Age, Income, Education, Profession and Marital Status). Section II included questions measuring service quality and Section III had statements to measure customer satisfaction. Thus, only those items were included in the research instrument, which reflected the construct for which the scale sets out to measure and were based on previous literature study. The questions for measuring service quality were taken from a standardized scale SERVPERF (Cronin & Taylor, 1994). The validity of the questions for measuring service quality dimensions and customer satisfaction was checked through reliability coefficient Cronbach’s alpha. For different dimensions of service quality the alpha values were, tangibility .709, reliability .838, responsiveness .778, assurance .741 and empathy .731. And for customer satisfaction the Cronbach’s alpha value was .887. (Sumesh Singh, 2011).