CHAPTER 2
LITERATURE REVIEW

2.1 OVERVIEW

The investigator attempted to frame the concept of this study by reviewing the following studies conducted by various authors on the service qualities of insurance and allied sectors. The authors through extant of literature have examined the gaps prevailing among the various companies in relation to the customer satisfaction and the service quality.

In this chapter the investigator has surveyed and critically reviewed extant of literature related to the theme that is customer satisfaction and service quality of the financial services sector in particular the insurance companies. Since banking sector is also rendering services similar to insurance sector and also is one of the components in the financial services, the studies related to services in banking sector have also been surveyed. It forms an overview of the entire chapter. It also outlines briefly a number of Indian studies related to service quality and customer satisfaction conducted abroad by evaluating the gaps between the expectations and perceptions of the customers.

The Literature review section examines, as far as possible the recent research studies, company data, or industry reports that act as a basis for the proposed study.

The literature review explains the need for the proposed work to apprise the shortcomings and informational gaps in secondary data sources. This
analysis scrutinizes the availability or conclusions of past studies and their data, examines the accuracy of secondary sources, credibility of the sources and their appropriateness.

The present study attempts to highlight the growth and market potential of the Life Insurance sector in India, in this competitive era. Liberalization has made a mark in the country by offering a competitive edge over cost and distributional efficiencies. The insurance sector’s current objective is to retain the customers. The private players are vying with each other to provide quality service to customers since customer satisfaction, customer loyalty and customer delight have become the success formula in the cut throat competitive scenario. Service quality is a hallmark of success for any industry, In this context, the need for the present study on expectations and perceptions of SERVQUAL with special reference to LIC of India and few Private Insurance Companies in Ramanathapuram District has been identified, since the district is considered as backward in industrial development and is undergoing a tremendous process of economic growth.

2.2 REVIEWS OF RELATED STUDIES

The reviews have been presented to topic-wise. Some studies dating back to the 1980s have been given, because of its basic importance and also because they are considered the base for the concept.

2.3 ASSOCIATION OF DEMOGRAPHIC FACTORS WITH LIFE INSURANCE PURCHASE DECISION

Gautam & Kumar (2012) attempted to illustrate the attitudes of Indian consumers towards the insurance services by collecting the responses of consumers through a structured questionnaire on five point Likert scale. A total 377 responses were collected to assess the level of awareness about the insurance services and peoples’ attitude towards insurance services. Findings
revealed that basic socio demographic and economic variables have significant impact on consumers’ attitudes towards insurance services in the Indian scenario.

Bishnoi & Bishnoi (2013) found that demographic variables are related to eight service quality factors namely, employee competence, creditability, timeliness and promptness, convenience, accessibility, communication, customer orientation and responsiveness.

Sanmugam (2013) examined the various socioeconomic and demographic factors associated with decisions with regards to life insurance purchasing behavior and total policies expenditures on life insurance by Malaysian married couples. Primary data from a survey were used in this study. The Logit model was formulated to investigate life insurance purchasing decisions and total expenditure on life insurance policy amongst married couples. Results from the empirical analysis showed income and education level of the household head supports the explanatory variables for decision on purchasing life insurance.

Marijana Curak et al. (2013) investigated the effect of social and demographic factors on life insurance demand in Croatia. The empirical research was based on the survey data collected on the sample of 95 respondents. The research result showed that age, education, and employment impact life insurance demand of household in Croatia while gender, marital status and number of family members did not have any statistically significant influence.

Nwankwo & Bakarey (2013) examined the impact of Islamic belief on the demand for life assurance policies in LPagos State, Nigeria. In view of collecting primary data, a questionnaire was administered to some Islamic mission in Lagos state South West Negeria and spearman’s rho correlation was used to test the hypothesis. It was found that the respondents agreed that
providing for the future and one’s dependant is good but the current way that conventional insurance was practiced was a factor contributing to why they do not consider buying insurance. Rather they explore other ways to meet their future and dependant’s needs.

Mohamad Idham Md Razak et al. (2014) examined the demand for life insurance in Malaysia in the context of Globalization and severe competition among the insurance companies. This research basically focuses on the walk in customer at Etiqa Insurance and Takaful branches all over Malaysia. The researchers had narrowed to 100 and randomly chosen respondents as the data sampling in order to get information regarding those factors. Under customers’ perception, there were several elements like age, education and family size or number of children that have been studied. They concluded that among all respondents, there was a high level of customer demand for life insurance.

Sogunro & Abiola (2014) attempted to measure Customer Satisfaction on Life Insurance Products through a case study conducted in Lagos State, Nigeria. Due to dramatic increase in competition, the life insurance companies launch different types of life insurance plans to provide quality in the products so as to satisfy human wants. The result showed that the policy holders are not generally satisfied with the life insurance products based on the attributes attached to each of the product.

2.4 CUSTOMER SATISFACTION

Govind Johri (2009) opined that customer satisfaction is most important criterion, which encompasses quality product and value addition. What was implied by value addition was effort taken to provide ultimate customer satisfaction. Customer (dis) satisfaction is cascading in nature and requires building relationship of confidence and trust with utmost commitment, internal accountability and a sense of care for the customer. The insurer must try
to get closure to customer through 6 ‘C’ concept and by implementing customer experience management by understanding customer’s value proposition through all his interactions and give weightage to more focused methodology.

Parmjit & Meenakshi (2010) explored the factors which are important determinants of customer satisfaction in case of life insurance customers, to see how much effect the factors have on overall customer satisfaction and to identify the common grievances of customers with regard to their life insurance policies. The study was restricted to the tri-city of Chandigarh, Mohali and Panchkula. The factors identified for overall customer satisfaction are customized and timely service, Brand USP considerate employees and Price Immunity. The result indicated that satisfaction with product offerings is the primary driver of overall customer satisfaction in case of insurance policies, even if the after sale service is not up to the mark. Customers were satisfied with their insurance policies but not satisfied with the quality of agents.

Jusuf Zekiri (2011) assessed the customer satisfaction with service quality in Mobile Telecommunications in Macedonia using SERVQUAL model. They found that the overall service quality perceived by the customers was not satisfactory and that expectations were higher than perceptions. Customers were not satisfied with the service quality in all 5 dimensions studied. Factor analysis revealed ‘reliability’ to be as the most important factor for customer satisfaction with service quality. ‘Reliability’ and ‘responsiveness’ were shown to be as the most important factors for customers’ satisfaction with service quality, followed by ‘assurance’ as a second factor, then empathy as a third factor component, and the ‘tangibles’ dimension as the last and fourth factor.

Borah (2012) analyzed the service quality perception of 50 customers in Jorhat by choosing from Kotak Mahindra Life Insurance Company to access their satisfaction level and also the identify service factors which have the
maximum impact on customers’ satisfaction. He used non-probabilistic judgment-cum-convenience sampling technique to choose the sample. The findings showed that most of customers were satisfied.

2.5 TOTAL QUALITY MANAGEMENT SYSTEMS AND TOTAL QUALITY SERVICE

Atul Gupta et al. (2005) developed a conceptual model in measuring the quality service through implementation using TQM concepts, and concluded that the three important constructs namely, Leadership, organizational culture and employee commitment were very important in achieving total quality service objectives. The proposed model linked these three constructs with business process and total quality service.

2.6 NEW SERVICE DEVELOPMENT IN INSURANCE INDUSTRY

Fu-Ren Lin & Pei-Shan Hsich (2011) studied the importance of New Service Development (NSD) in the business sector. This study divided the NSD process into five stages: Service identification, Service value net formation, service modeling, service implementation, and service commercialization. They observed that the NSD process is likely to be refined by service providers and customers to incorporate their detailed requirements and integrate service value into future development processes. The have recommended Stage-Activity-Technique model (SAT model) to assist service designers and engineers in developing new services by providing a structured NSD process and identifying techniques for activities in the NSD process.

2.7 SERVICE QUALITY IN LIFE INSURANCE INDUSTRY

Sachdev & Verma (2004) attempted to explore the relative importance of service quality dimensions in Banking, Insurance, Fast food, and
Beauty salon. The study results suggested that in all areas under study, the dimensions, tangibility, reliability, responsiveness, assurance, and empathy are important and there is no significant difference among the sectors in the ranking of the dimensions.

Barkur et al. (2007) identified, past experience, personal needs, external communication, word of mouth, and active clients as the key parameters of Service Quality.

Vanniarajan (2008) studied the important service quality factors in Life Insurance Industry and identified the following important factors: Customer recognition, Customer confidence on employees and agents, Agent’s customer relationship, time service, Customer orientation, employee’s skills, Approach, grievance redressal, and Customer comfort.

Siddique et al. (2010) measured the Service Quality on six dimensions, namely assurance, competence, personalized financial planning, corporate image, tangibles and technology dimensions and found that priority areas of services were assurance followed by competence and personalized financial planning. Meharajan & Vanniarajan (2011) found that cultural factors have significant influence on the expectation of service quality in Indian Insurance Market. Sandhu & Bala (2011) concluded that the three factors namely, proficiency, physical and ethical excellence and functionality have significant impact on the overall service quality of Life Insurance Corporation of India.

Mittal et al. (2013) observed that the perceived service quality of Life insurance services is a multi-dimensional second-order construct consisting of the primary dimensions of service delivery, Sales, Agent Quality, Tangibles, Value of Core Service. Reza Pashaie et al. (2013) attempted to evaluate service quality in insurance industry based on customer and personnel view in Kavsar
insurance institute, Iran. The study utilized the survey approach. The sample consisted of 319 respondents. The results showed huge gap for reliability, responsiveness and empathy, which reliability showed highest gap between customers’ perception and expectation. This research illustrated that reliability emerged as the most critical determinant of SERVQUAL measure of service quality.

Guru Murthy & Chilar Mohamed (2013) studied the level of service quality of Life Insurance Corporation of India with special reference to Chennai District with seven dimensions namely, assurance, personalized financial planning, competence, corporate image, tangibles, technology and ethics. They have identified various gaps and suggested that there is room for improvement. These results have provided a good framework for private insurers to improve their competitive position especially relating to ethical working.

Rajamani (2013) assessed the Service Quality in Insurance Sector in Virudhunagar district, Tamil Nadu through a SEM approach. A total number of 600 customers were contacted. The result of the assessment revealed that customers rated ‘reliability’ as the most important dimension. The study showed the ways that insurance can create satisfaction among customers by improving service quality. By ensuring the safety of customers’ transactions, giving and keeping promises, showing respect to customers, fulfilling obligations to customers and making customers confident in the insurance’s offerings, the trust element can be consummated to contribute to overall customer satisfaction.

Pramod & Assitha (2013) studied the service quality in Insurance sector taking the private companies of Haryana State. This study was based on the SERVQUAL model covering 500 customers of private insurance companies of 7 districts of Haryana. The study concluded that the people are still carrying a negative impression towards the private insurance companies. Further, they face
a negative response from their respective insurance companies. In other words, they are not satisfied and often feel cheated. The following are the situations when insurance policy holders face difficulties while interacting with their insurance agents: (i) during second premium date; (ii) while checking the face value of the funds; (iii) while surrender of the policy.

Urban Sebjan & Polona Tominc (2014) studied the relationships among components of Insurance Companies and Services’ Quality through SEM approach. The sample size was 200 Slovenian users of insurance services. The results indicated that higher perceived innovation of insurance company was associated with higher perceived reputation of insurance company. In addition, higher perceived reputation of insurance company was associated with higher perceived adequacy of information about the coverage and the premium for insurance services. The study also found that higher perceived adequacy of premium was associated with higher perceived adequacy of information about the coverage of insurance services.

Shamsher Singh et al. (2014) studied the customer perception towards Service Quality of Life Insurance Companies in Delhi NCR Region. The primary data were collected from 139 respondents from Delhi NCR Region. The factor analysis and correlation have been used to find the perception of the customers. The study has found that there were four major factors which influence customer perception of service quality namely, responsiveness and assurance, convenience, tangible and empathy. Only age of respondents have been found to be significantly related with the customer perception and other demographic factors have no significant impact.

Kuldheep Chaudhary et al. (2014) examined the Expected and Perceived Service Quality in Life Insurance Corporation of India to find out what went wrong with this Indian Life Insurance Industry giant, in the present
context of competition from private players. The findings suggested that there exists a significant negative gap in service quality expected and perceived by the customers of the selected company. So, they have suggested that LIC of India should think strategically to improve its customer services on selected dimensions of service quality so that the status of market leadership can be maintained.

Arul Minash Rajkumar & Kannan (2014) conducted a research study to understand the Policyholders’ preconception towards Service Quality of Life Insurance Companies in Tamilnadu. They have taken a sample of 1254 Life Insurance policyholders for this study. The statistical tools, like, the Factor analysis, ANOVA, and the correlation coefficient were used to analyze the primary data. The study identified eight service quality factors such as Employee Competence, Credibility, Timeliness and Promptness, Convenience, Accessibility, Communication, Customer Orientation, and Responsiveness. The analyses revealed that the demographical variables of the respondents and the eight service quality factors were significantly related.

Prakash & Sugumaran (2014) assessed the perception and expectations of customer in Servqual parameters with reference to Life Insurance Companies in Chennai, India. The sample size of the study was 150. They have used stratified random sampling technique. The factors which are significant are Communications, Competence, Reliability, Security and Courtesy and the expectation levels of these dimensions are significantly higher.

2.8 SERVICE QUALITY IN SERVICE INDUSTRIES

Hussein & Al – Amiri (2003) studied the service quality in the UAE Islamic and compared service quality of the Dubai Islamic Bank and the Abu Dhabi Islamic Bank in UAE. Results of linear regression Indicate that there is a positive and a statistically significant relationship between overall service
quality and the SERVQUAL dimensions, in the UAE Islamic banks. It has also been found that the dimension of empathy and the dimension of tangibles play an important role in overall service quality.

Arasli et al. (2005) in the article “Customer Service Quality in the Greek Cypriot Banking Industry”, attempted to measure the service quality perception of Greek Cypriot bank customers. It also examines the relationship among service quality, customer satisfaction and positive word of mouth, in the light of changing bank market dynamics due to EU accession. Two hundred and sixty retail bank customers responded to a Greek version of the SERVQUAL. After descriptive analysis and factor analysis, multivariate regression analysis was used to estimate the impact of service quality on overall customer satisfaction and the impact of customer satisfaction on positive word of mouth. Results reveal that the banks are not performing as per the expectations of the customers. The largest gap has been obtained in the responsiveness - empathy dimension of service quality. The items related to the reliability dimension have the highest effect on customer satisfaction, which, in turn, has a statistically significant impact on positive word of mouth.

Amat Taap Manshor et al. (2007) attempted to study the service quality in the Malaysian banking sector to access the customer satisfaction. Based on previous literature, the 26 questions were asked each on expectations as well as perceived level of satisfaction on different dimensions. The technique of Factor Analysis is able to detect only four dimensions from the data collected from a sample of 136 customers. These factors have been identified as - Tangible, Reliability, Competent and Convenient. The results revealed that there are significant differences between the respondents' expectations and their perceptions. Among the four dimensions tested, Tangibles has the smallest gap whereas, convenient has the largest gap. Further, the technique of Dominance Analysis is used to predict the impact of the above four dimensions in reducing
the SERVQUAL Gap in Banking Sector in Malaysia. It is observed that Competence and Convenience together can help to reduce the SERVQUAL gap as much as 75%. So, the banking sector needs to take initiative to become more competent by being more responsive and fulfilling the assurance of the customers and providing the banking facilities more conveniently.

Hitendra Bargal & Ashish Sharma (2008) observed that India's growth is at present service sector-driven. According to RBI's data, the contribution of service sector to real GDP growth was 57%, in 2003-04. Even in 1990s, the sector contributed highly in this regard. There is a noticeable trend that when the contribution of service sector to GDP rose from 47.5% to 57%, the contribution of agriculture declined from 31.5% to 22.2% in 2003-04.

In India, nowadays the growth of service sector is taking place in consumer services, Information Technology (IT) services and business process outsourcing services. According to an estimate given by World Bank, "India's share as a supplier of software services is as high as 17%, compared to 3.2% in textiles and apparel. The share of software exports has risen from 19% to 34%". In 1997-98, 96% of all software exports were from services like custom application Development, IT Training and Education, etc. The share of BPO has risen to 24% of total software exports.

The growth of services is in a dominant form in the industrial growth of India. According to an estimate, the contribution of services is 41% to the GDP of country. In a quick and successful manner, the quality and benchmarking of the services has risen up to the global standard. One may take the examples from financial services, software services, accounting services, etc., which are getting operationalized in a global manner. Furthermore, they suggested that (a) the banks will have to adopt the diversified services like selling insurance, etc., so that they can be of multiple uses; (b) the business
transaction hours can be flexible. The customer may have access any time whenever it is required; (c) they can open their branches at shopping centres so that customers may have easy availability of finance; (d) banks can install the web system so that transactions can be done in a speedy manner; (e) proper professional training system could be a solution to the working style of bank employees. The attitude towards the job should be that of a professional; (f) defining high performance system can also help the bank employees for an improvement in their behaviour; (g) customer complaint system can be more effective and informative; (h) technology training to employees could be an additional feature that banks may adopt; (i) performance based appraisal system can be introduced at branch level.

Suzana Markovic & Sanja Raspor (2010) attempted to measure the service quality of the Croatian Hotel Industry using SERVQUAL. Data were collected in 15 hotels in the Opatija Riviera (Croatia), using self-administered questionnaire. Descriptive statistical analysis, exploratory factor analysis and reliability analysis were conducted. The study results indicated the rather high expectations of hotel guests regarding service quality. ‘Reliability’, ‘empathy’ and ‘competence of staff’, ‘accessibility’ and ‘tangibles’ are the key factors that best explained customers’ expectations of hotel service quality.

Reena Roy et al. (2011) studied through empirical means the service quality gap associated with customer satisfaction among the customers of Indian foreign banks in Tamilnadu using PZB service quality model. A survey using structured questionnaire was conducted among 275 customers in Tamilnadu, India to measure the five gaps proposed by the model. The differences between the perceived quality and the services provided were analyzed with parameters such as Need Analysis, Service Features, Infrastructure and Behavior of Bank personnel. They concluded that service can be a useful framework in assessing quality of care and product offerings provided to the customers.
Muhammad Ehsan Malik et al. (2011) studied the contribution of service quality perception in satisfying banking customers in banks in Pakistan. They found that the multiple regression of survey responses indicated that assurance satisfied banking customers more than did reliability whereas favorable perceptions regarding SERGQUAL remaining dimensions did not prove to be instrumental in satisfying customers.

Vasanthi & Gowri (2013) studied the customer perception towards service quality attributes of public sector banks and private sector banks through six dimensions (Service Quality Attributes-SQA) to measure the service quality. They found that there is no significant relationship among the dimensions in the Public Sector Banks (PSB). But it was found in the Private Sector Banks (RSB) the technology has significant relationship with transactional and procedural service qualities. There is a significant difference found on technical, transactional and procedural service qualities between PSBs and RSBs. In PSBs transactional service quality has contributed highest part and in RSBs, technology service quality has contributed highest part. In general, the technology based service quality has the highest contribution over other dimensions.

2.9 SERVICE QUALITY AND CUSTOMER SATISFACTION

Gayathri et al. (2005) observed strong relationship between satisfaction level and the service quality dimensions. Vanniarajan (2008) concluded that distribution network, product, responsiveness, reliability, customer relationship management, empathy, brand building, promotion and tangibility are the most important service quality factors.

Mohammad Muzahid Akhar & Noorjahan Parvez (2009) have proposed a conceptual framework to investigate the effects of customers’ perceived service quality, trust, customer satisfaction and customer loyalty. To
test the conceptual framework, structural equation modeling (SEM) has been used to analyze the data collected from 304 customers of a major private telecommunication company operating in Bangladesh. The results of the study indicated that trust and customer satisfaction are significantly and positively related to customer loyalty. Customer satisfaction was found to be an important mediator between perceived service quality and customer loyalty.

Sulieman Ibraheem et al. (2011) found that the order of importance of the dimensions of service quality tested was assurance, reliability, tangibles, empathy, and responsive. Customer satisfaction was mostly influenced by the service quality. Customers indicated high satisfaction with the five dimensions of service quality.

Ananda Raj et al. (2014) assessed the relationship between Service Quality and Customer Satisfaction in the Malaysian Automotive Insurance Industry. To carry out the study, a total of 650 online structured questionnaires were mailed to respondents from five car insurance directories and 380 respondents replied to the questionnaire. The data collected were analyzed using Pearson Correlation and Multiple Regression Analysis. The results indicated that good relationship exists between service quality dimensions (reliability, empathy, assurance, responsiveness and tangibility) and customer satisfaction.

2.10 INFORMATION TECHNOLOGY AND SERVICE QUALITY

Chawala & Sing (2008) stated that product innovation, increased interaction level between agents and customers and technological upgradation affect the service quality. Eckardt & Doppener (2010) found from their study conducted in Germany that duration of counseling interviews was found to be the single most important factor that has a positive effect both on the information quality and on the total service quality provided. Further, they opined that the Service Quality depends, to a large extent, on the information gathering and
processing activities of agents. Communication, Information Communication Technology, Customer’s Knowledge and Prior experience influence the service quality in Insurance industry (Saad et al. 2014). Choudhuri (2014) observed that perceived service quality and customer satisfaction are dependent on information technology.

2.11 ANALYZING QUALITY GAP

Poonam Kumar & Veena Nandi (2011) analyzed the quality gap in the public sector bank in South Delhi, using SERVQUAL model. They found that there is a gap between what is expected and perceived for most or all of the parameters. The reliability and empathy dimensions are almost positive and according to the expectations of the clients but when considered about responsibility and responsiveness than the perceived gap on these factors was very much higher. They suggested the public sector banks to improve the infrastructure facility like implementing latest development of Information technology, ambience, physical evidence, and internal environment and layout.

Kavita Mahajan (2013) studied the gaps in customer services in insurance industry and strategies to close these gaps. The author suggested the following few measures to be taken by the insurers: Insurance awareness to be spread. New employees have to understand insurance market properly. Employees can be utilized in Direct Marketing of products. Involve customers in developing products (through customer suggestions and feedback for modification in the product).

Pankaj & Amalesh (2013) conducted a study to understand the difference between the Expected and Experience “Customer-Solution”, i.e., Product dimensions of marketing mix with respect to Life Insurance in Assam. The study revealed that the difference between the degree of customer solution expected from the insurance and the degree of customer solution experienced is
statistically not significant. The most interesting finding of the study was the degree of customer solution experienced was more than that of the degree of customer solution expected.

Bhowal & Pankaj (2014) studied the Image of Life Insurance Services through an Expectation-Experience Gap Analysis in terms of Customer Cost Dimension that is Price dimensions of marketing mix with respect to Life Insurance in Assam. The study was conducted based on the primary data collected from Tezpur town-the districts headquarter through questionnaire. The study revealed that the difference between the degree of customer cost expected from the insurance and the degree of customer cost experiences is statistically not significant.

Partha Sarathi Choudhuri (2014) examined the service quality gap between expectation and perception of the customers of Life Insurance Corporation of India in Burdwan. Previous empirical studies revealed that dimensions of the service quality vary from one sector to another sector, one nation to another nation, one culture to another culture and obviously over time. The study revealed that a gap exists in every dimension of the service quality of life insurance. Further, this study indicated that the way insurers delivered their services to their customers that is their level of performance was not at all met with the customers’ level of service expectation and at present customers are dissatisfied with the services offered by the Life Insurance Corporation of India in Burdwan.

2.12 CUSTOMER RELATIONSHIP MANAGEMENT IN LIFE INSURANCE SERVICE

A study conducted by Patil Kallinath (2003) aimed at critically evaluating the performance of existing insurance products. It revealed that the insurance coverage of agricultural groups and agricultural labor is very low. The
performance of children-related policies like Jeevan Kishore, Jeevan Balya, etc., is very poor, except the children’s money back policy, which also has not been contributing significantly. The demonstration of product features, by the agents, is unsatisfactory.

Raman & Gayatri (2004) observed customers' awareness towards new insurance companies. It was found that 53% of the respondents belong to the age group up to 30, 24% between 31 to 40, 20% between 41 to 50, and the remaining above 50. They also observed that a large percentage of the insured respondents (32%) are professionals, and 56% of the respondents are married, It was also found that most of the respondents (52%) had taken a policy to cover the risk, 44% to avoid tax, and the remaining to invest the surplus amount. The study suggests that understanding the customer better will enable insurance companies to design appropriate products, determine price correctly and to increase profitability.

Jagendra Kumar (2005) in his study, revealed that life insurance penetration in India is just about 2% of the GDP, while the life insurance premium per capita is just Rs. 550. UIC is the largest player with over 2,000 officers. After liberalization, it has improved efficiency and customer services among the private life insurance companies. ICICI Prudential life Insurance and Birla Sun Life are the first and second largest players. Other prominent companies in competition are Bajaj Allianz, HDFC Standard Life, Kotak Mahindra, ING Vysya Aviva Life, Metlife, etc.

Pramod Pathak & Saumya Singh (2005) studied the challenges of LIC using both primary as well as secondary method for data collection. He concludes that the challenge for LIC is threefold creating the need when it is not there, changing the needs into wants, and finally, changing the wants into
demands which they must be able to satisfy. L1C needs to rebuild its thrust with the public and deliver sustainable, affordable and understandable products.

Santosh Dhan & Upinder Dhar (2005) in their paper “Insurance Industry in India: An Insight” throw light on the changes taking place owing to the internationalization of activities, the appearance of new risks, new types of covers to match with the risk situations, and unconventional and innovative ideas on customer services. They also discuss the difficulties faced by the existing insurers from the non-traditional competitors who are entering the retail market with new approaches and through new channels. The authors conclude that India cannot remain isolated. It is evident that the existing players need to gear up to face the competition. The existing and the new players will have to device different strategies to retain and enhance their market share.

In the article Sudarsana Reddy(2005) studied the Customer perception towards Private Life Insurance Companies Policies with Reference to Bangalore City and found that, 39 per cent of the respondents are private employees, 31 per cent are self-employed and the remaining are government employees. Majority of the sample respondents are in the age group of 31 to 50 years, As far as alternatives of private companies' policies for public insurance companies' majority of the respondents feel that very few policies are better alternatives for public insurance company. Respondents feel that the policies offered by the private insurance companies are up to the customers' expectations. Almost all the respondents feel that there is no risk and no need to worry about their money since all the: private insurance companies are under the regulation of Insurance Regulatory Development Authority (IRDA). Most of the respondents feel that there is no need to increase the age limit. It is clear from the above that majority of the sample respondents perceives that all policies are coming with hidden cost. Respondents are expecting policies with tax benefits, followed by value added policies. Respondents are aware of health insurance
policies but they require more policies for illness cover. Customers are interested in investing in pension policies on comparing fixed deposit interest rates.

Manoj Sharma & Punam Agarwal (2005) stated that the opening up of insurance sector for competition offers ample opportunities to both existing and new players to penetrate into untapped areas, sectors and sub-sectors and unexploited segment of population as presently both insurance density and penetration are at a low level. Both indices being at a very low level compared to other countries with the high level of economic development and per capita Income are indicative of the potential of the growth of this sector in future in India.

Namasivayam et al. (2006) analyzed the socio-economic factors that are responsible for taking life insurance policies and examined the preferences of the policyholders towards various types of policies of LIC. From the analysis, it was found that factors such as age, educational level and sex of the policyholders are insignificant. However, income level, occupation and family size are significant while deciding on an insurance policy. From the analysis, it is inferred that respondents belonging to the age group of 31 to 40 years are much interested in taking a life insurance policy.

Vanniyarajan (2007) concluded that the important service quality factors leading to purchase of life insurance policies are reliability, responsiveness, assurance, tangibility and empathy. The important discriminant quality factors among the urban and rural consumers are reliability and empathy whereas among the customers in public and private players, these are reliability, empathy and responsiveness. The rural consumers are driven more by reliability and empathy than by the urban consumers. The same result is identified in the case of customers in public player as the customers in private players. These
findings explore the role of the service quality factors in influencing consumer behaviour and decision making process of purchasers of life insurance policies.

Shekhar, Sawant & Filipe Rodriguese Melo (2008) aimed at studying the market potential for ING Vysya Life Insurance Company, one of the private insurance companies and found that the market reputation of a company plays a very decisive role. ING Life Insurance, with its global network, could make an impact on the customers at a faster pace. It is also found from the study that benefits are available to an organization by practising Customer Relationship Management (CRM), because of which they need to delight their customers by giving them free gifts, organizing customer camps and providing good after sales service.

From this study, it is revealed that the satisfaction level of the customers regarding ING Life Insurance shows consistency in respect of certain factors like better service, communication, etc., with a slight variation. The most important reasons for preferring ING Life products have been timely and better service, friendly approach, better communication, immediate attention and trustworthiness. The least important factors considered are less premium level and returns. Thus, it clear that the first level of importance has been attached to better and timely service.

Sonia Singh (2008) made an attempt to study the potential for Life Insurance Companies in Indian Suburban areas in Faridabad District” and found that there is an immense potential for the insurance companies in the suburban areas. Most of the areas are untouched. This is because these days a lot of young generation is going every day to cities, for higher education and for good job opportunities. It is suggested that Insurance companies, to be successful in these areas, must design their offerings in such a way so as to attract customers and to provide them with the best products and services.
Sunayna Khurana (2008) tried to understand consumer behaviour in the insurance sector. The main objective of this study was identifying customer preferences regarding plans and company, their purpose of buying insurance policies, their satisfaction level and their future plans for the new insurance policy. Data was collected with the help of a structured questionnaire from 200 customers from Hissar city. In this study, the sample was taken on the basis of the Convenience Sampling method. Percentage, frequency and cross tabulation methods have been used for analysis. It was concluded from the study that 68.8% of the respondents have policies of LIC and 31.2% have policies of private companies like HDFC Standard Life, ICICI Prudential, Kotak Life, Tata AIG, Max New York, Birla Sun Life and Bajaj Allianz. Protection is the main criterion in the buying of an insurance policy, for 100% of the customers of HDFC Standard Life, ICICI Prudential, Kotak Life, Max New York and Birla Sun Life will definitely suggest to their friends, which means that they are totally satisfied with their company policies and services. But 45%, 50% and 50% of the customers of LIC, Tata AIG and Bajaj Allianz respondents will not suggest to their friends, which again means that they are not satisfied; and Only 56.3% of the respondents are ready to buy new insurance plans from the same company.

Arpita Khare & Anshuman Khare (2008) explored the role and relevance of CRM technology in creating sustainable relationships. They highlighted how the CRM technology changing the business processes to provide better value to the customer during the interaction.

Vanniyarajan et al. (2008) studied the Service Quality of Life Insurance Companies at Salem revealed that the SERVQUAL factor identified by Parasuraman and Zeithmal was used for framing the questionnaire on the service quality factors. A sample of 65 life insurance policy holders has been purposively selected for the study. The data collected were subjected to analysis using statistical tools like the factor analysis, ANOVA and correlation and
Cronbach Alpha. The analyses revealed how the profile of the respondents and the various service quality factors are associated and related. The study of correlation matrix has established how the eight service quality factors relate with each other. This study identified the service quality factors in life insurance industry as customer recognition, customer confidence on employees and agents, agent customer relations, timely service customer orientation, employee skills, approach grievance redressal and customer comfort.

Oghojafar et al. (2011) studied about the Information technology and customer relationship management (CRM) in some selected insurance firms in Nigeria and found that most companies have a comprehensive data base of their customers and not all make previsions for their customers to make major transactions online because they have not fully integrated their customer relationship management with information technology. They also found that effective combination of customer relationship management with information technology leads to improved customer service and organization’s profitability.

### 2.13 CUSTOMER ATTITUDE ON LIFE INSURANCE COMPANIES

Ghausia Mushtaq (2008) observed that customer expectations are increasing day by day. Private sector as well as Public sector insurance companies are experiencing lot of problem in maintaining customer satisfaction as due to intense completion and huge amount of alternative present in the market the customer’ expectations are rising. To meet these ever increasing customer expectations, the insurers have to develop ‘X’ factor in their produce and services, because a customer is said to be satisfied when he/she gets more than their expectations.
2.14 ROLE OF BRAND IN THE INDIAN LIFE INSURANCE INDUSTRY

The Insurance industry has a long way to go as only 35% of the total insurable population of India is insured. With increased number of private players, the competition will be tough, but surely rewarding for those who can align their products with consumer expectations. Brand management is thus an important concept essential for tapping the huge untapped market.

However, Ray, Subhasis & Pathak (2006) have shown that advertisements related to insurance in television, newspaper, magazine and hoarding are still the major communication mediums in India which people like and access the most. According to Mishra & Datta (2006), brand awareness is evaluated by using brand recall and brand recognition techniques.

Subbasis Ray & Ajay Pathak (2007) attempted to find out the influence of various brand building initiatives (e.g. advertisement, tagline) on brand recall and how this translates into market share. This paper also dealt with the people’s choice of brand ambassadors and focused at the factors which should be stressed upon in all forms of communications to entice the prospective consumers. This study is concluded with a strategy of brand positioning to enhance the customer base. According to this study, LIC tops the awareness list with ICICI coming as a distant second. As the customers are becoming more and more aware and demanding, it is important to find out the key factors that influence the purchase of insurance. They are: security of the money, savings for the future and tax benefits.

Festus Epetimehin (2011) analyzed the impact of Marketing innovation and creativity in insurance industry towards achieving competitive advantage. He concluded that the marketing innovation and creativity are crucial for organizational success and through marketing innovation and creativity, the
insurance industry can improve their businesses and achieve a competitive advantage.

2.15 MEASUREMENT OF SERVICE QUALITY

As competition becomes more intense and environmental factors become more hostile, the concern for service quality grows. If service quality is to become the cornerstone of marketing strategy, the marketer must have the means to measure it. The most popular measure of service quality is SERVQUAL, an instrument developed by Parasuraman et al. (1985; 1988). Not only has research on this instrument been widely cited in the marketing literature, but its use in industry has also been quite widespread (Brown & Swartz 1989).

Affiaine Ahmad & Zalina Sungip (2008) studied the service quality in Malaysia Insurance Industry and assessed that the challenge for insurance sector in Malaysia remains the same that is to bring innovative solutions to client while making them realize the value of those services provided. When clients realize that quality is something that cannot be compromised, an organization has to survive in the competitive market while managing high value service.

SERVQUAL is designed to measure the service quality as perceived by the customer. Relying on information from focus group interviews, Parasuraman et al. (1985) identified basic dimensions that reflect service attributes used by consumers in evaluating the quality of service provided by service businesses. As an example, among the dimensions were reliability and responsiveness. Consumers in the focus groups discussed service quality in terms of the extent to which service performance on the dimensions matched the level of performance that consumers thought a service should provide. A high quality service would perform at a level that matched the level that the consumer
felt should be provided. The level of performance that a high quality service should provide was termed consumer expectations.

Masood Siddiqui et al. (2010) strived to develop a valid and reliable instrument to measure customer-perceived service quality in life-insurance sector. The resulting validated instrument comprised six dimensions: assurance, personalized financial planning, competence, corporate image, tangibles and technology. Further, the results of analytical hierarchy process highlighted the priority areas of service instrument with assurance is the best predictor, followed by competence and personalized financial planning.

Ravi Kant Sharma & Bansal (2011) attempted a comparative study between Indian and Chinese customers of Insurance sector. They found that although both the countries are operating in similar service environment the responses to this service quality components differ from customers of one country to those of another.

Sahar Siami & Mohammadbagher Gorji (2012) measured the service quality of the three insurance companies in Iran using SERVQUAL model to find out the gap. The sample volumes of various categories namely, managers, employees and customers are respectively 203, 324, and 356 selected through random sampling method. The research findings showed that the rate of present service quality as 52% from the customers’ point of view and also they estimated the rate of five gaps in service quality as -2.5, 2.7, -2.5, -0.2 and -1.6 for the first through gaps respectively. These represent an inappropriate service quality in Iran’s insurance industry. Also, the results represented reliability as the most important and tangible dimension. The least important factor is delivering an optimal insurance service.
2.15.1 Definition of SQ

Parasuraman et al. (1985) suggested three underlying themes after reviewing the previous writings on services:

1. Service quality is more difficult for the consumer to evaluate than goods quality,
2. Service quality perceptions result from a comparison of consumer expectations with actual service performance, and
3. Quality evaluations are not made solely on the outcome of service. They also involve evaluations of the process of service delivery.

Parasuraman et al. (1988) defined perceived service quality as "global judgment, or attitude, relating to the superiority of the service".


2.15.2 Measurement of Service Quality: SERVQUAL Model

Carman (1990) was the first to criticize the perceptions-minus-expectations operationalization of SERVQUAL. His criticisms were based on theoretical considerations rather than empirical evidence, which supported the SERVQUAL measure. He attempted to answer these criticisms from within the
framework of the original service quality model with important extensions to the SERVQUAL measure.

Carman (1990) reported on the replication and testing of the SERVQUAL instrument and offered suggestions for its use by retailers. In this study, it is revealed that the scales should be refined by factor analysis and reliability tests before commercial application.

Cronin et al. (1992) also criticized the perceptions-minus-expectations operationalization of SERVQUAL. They argued that the theoretical considerations evidence suggests that the underlying service quality model developed by Parasuraman et al. (1985) is flawed. Therefore, using their own service quality model, they developed an alternative measurement scale based on service performance (or perceptions) rather than perceptions minus expectations. They tested this alternative scale empirically, along with the SERVQUAL scale, in four previously untested service settings and argued that the results proved the superiority of their performance-based measures of service quality.

Specifically, Cronin et al. (1992) tested the ability of their performance-only measurement scale, SERVPERF (1) compared to SERVQUAL (2).

\[
\text{Service quality} = \text{(perceptions)} \quad (2.1)
\]

\[
\text{Service quality} = \text{(perceptions - expectations (P - E))} \quad (2.2)
\]

2.16 AN OVERVIEW OF SERVQUAL APPLICATIONS

Parasuram, Valarie A Zeithmal & Leonard L Berry (1988) in the article “SERVQUAL: A multiple – item scale for measuring consumer perceptions of service quality” described the development of a 22-item
instrument (called SERVQUAL) for assessing customer perceptions of service quality in a service and retailing organization.

Sureshchandar et al. (2002) critically investigated the determinants of customer – perceived service Quality through confirmatory factor analysis approach and attempt to bring into the limelight some of the critical determinants of service quality that have been overlooked in existing literature. It proposed a comprehensive model/framework to measure service quality as perceived by customers. The instrument has been designed with special reference to the banking industry. Data were reflected from customers of select banks in India. The Proposed instrument has been empirically tested for unidimensionality, reliability, and Construct validity using confirmatory factor analysis. The study offers a systematic procedure for providing insights into the constituents of service quality as perceived by customers.

Sureshchandar et al. (2003) investigated the Customer perceptions of service quality in the banking industry of a developing economy through the critical factors of service quality as perceived by customers in India. The research compares and contrasts, the three groups of banks that are; the public sector banks, the private acted banks, the foreign banks, with respect to the service quality factors, from the perspective of the customers. The results of the study indicated that the three groups of banks in India seem to vary significantly in terms of the delivery of the five service quality factors. From the customer perceptions of service quality, the technological factors (i.e. core service, an systematization of the service delivery appear to contribute more, in differentiating the three sectors; while the people orients, facers (human element of service delivery) appeared to contribute to on discrimination. The results also indicated that the foreign banks are, performing well, followed by private sector banks and public sector banks. The overall weakness in quality indices for the
different service quality factors has revealed that in India there is considerable scope for improvement in service quality.

Spathis et al. (2004) discussed, in their research paper the service quality of the Greek banks as perceived by the customers and analyses how perception of service quality; - terms of effectiveness and assurance, access, price, tangibles, service portfolio end reliability differs across gender. The results of the empirical study of 1,260 containers of Greek banks supports the hypothesis that males and females have different perceptions regarding the service quality delivered to them.

Ziller Rahman (2005) in the article “Service quality: gaps in the Indian banking industry” investigated the discrepancy between customers’ expectations and perceptions towards the quality of services using the servqual instrument and found that the Indian banking industry received strong ratings on "the tangible dimensions, particularly the employees’ neat and professional appearance and low ratings on the empathy dimensions, particularly services providers interest differences. Further, found that the more important dimension from the customers’ point of view was reliability and then empathy and the least important dimension was tangible. This study also revealed that the sample population had perceptual problems with their banking services experiences that is, the respondents were not able to distinguish between expectation and perceived service level measures of the sample involved.

Joshua & Moli Koshi (2005) in the article “Expectations and perceptions of service quality in old and new generation banks: A study of select banks in the south Canara region” revealed the data regarding the service quality aspects of some of the leading banks in the costal Karnataka districts of dakshinakannada and Udipi. And it focuses on comparison of service quality across the banks especially those between old and new generation banks.
In this study SERVQUAL instrument including the 22 item section was used to measure

a) Customer expectations for various aspects of service quality and

b) Customer perceptions of what they actually received from the local service organizations.

Ram Pratap Sinha (2006) in his study "Operating Efficiency of Life Insurance Companies - A Data Envelopment Approach" attempted to compare the operating efficiency of 13 Life insurance companies for the financial year 2004 - 2005 using the Data Envelopment Analysis (DEA). For this the operating income and net premium income of the observed Life Insurance companies have been taken as the output, and the number of agents employed by the companies and equity capital as the inputs. It is observed that the private insurance companies are still lagging behind LIC. It is clear from the study that, in terms of net operating income, not only LIC, but SBI Life also has a technical efficiency score of 1 and also in terms of operating income, no life insurance company except LIC was found to be technically efficient.


Priya Despande (2006) concluded that the quality of health care services particularly in public sector could be delivered only when service providers treat their responsibility not as a commercial activity but as the service.
Robin L Snipes et al. (2006) examined gender differences in customer ratings of service performance, and also gender differences in perceptions of service fairness. For this study, to measure faculty demographic data, faculties at each school were given a survey. Customer satisfaction data was collected from a total of 8,667 students in post – secondary academic institution located across three southeastern states. It is seen from the study that a gender bias exists in Customer evaluation of service employees. All else being equal, male service providers will receive higher service quality ratings than female service providers. It is found from the study that a significant difference existed in perceptions of service fairness between male & female customer. This study also suggested that it is the males that tend to rate the fairness of service encounters higher.

Paromita Goswami (2007) attempted to study the dimensions of service quality in the Life Insurance Industry in India, which helps ensuring maximum customer satisfaction, and motivates insurers to acquire a large share of the market. The study was done on a systematic sampling design. In this study, SERVQUAL scale was used to understand the dimensions of service quality and multiple regressions was run with the scores on tangibility, reliability, responsiveness, assurance and empathy as independent variables and customer satisfaction as the dependent variables. In this study, the author found that the responsiveness dimension of service quality provides maximum customer satisfaction in the Life Insurance Industry in India.

Chinnadorai et al. (2007) attempted to analyse the Motivational factors and level of satisfaction of agents and Development officers of LIC of India and concluded that an insurance organization bears the responsibility of offering world - class services to the ultimate users, which needs innovative marketing practices. Although there are big opportunities in the insurance sector in India, the success rate depends on the effective distribution system. According
to this study, the business of Insurance is based on the skill and excellence of agents and this builds a strong advocacy in favour of personal selling.

Gareth Smith et al. (2007) evaluated service quality in Universities through service department perspective found that the service quality gaps, and the relative importance of the five dimensions of service quality, were the same for students and staff, albeit with some specific differences. It is found that the reliability was the most important dimension for all customers and it is suggested that the greatest improvement in service quality would be achieved through improved service reliability.

Brenda Sullivan & Cherly Estes (2007) measured customer service Quality in Local government, and to explore how the SERVQUAL service quality model could be adopted and applied to human service agency. In this study they have used six modified SERVQUAL Indicators: responsiveness, reliability, competency, accuracy, courtesy and completeness in its performance measurement system to measure the difference between what customers expect and what they thought they actually received.

Lesley & Rick (2008) developed a modified measurement instrument for service quality that includes human factor consideration. [Tangibles, reliability, responsiveness assurance and empathy were dimensions commonly used to measure service quality through a survey instrument named SERVQUAL.] A sixth dimension, usability was added to a modified survey instrument teemed SERVUSE. The three response variables were perceived quality, satisfaction and behavioral intention. Usability was found to be a significant prediction of all response variables.
2.17 PRIVATE PLAYERS AND THE PUBLIC COMPANY

The insurance market in India has been going through a phase of transition due to opening of the industry to private companies having 49% of FDI with the Inland companies. Jampala & Rao (2005) opined that opening up of the sector to private players has brought in cutthroat competition. With the increase in the number of Insurance companies in the market and consumers becoming more enlightened about various substitutes available and their rights as a consumer, insurers have realized the importance of customer relationship management (Chandhok 2006). Sachdev & Verma (2004) observed that in recent years, thrust on efficient customer service has increased manifold in the service sector because of increased competition from private players, improved technologies, and growing customer awareness. Chawla & Singh (2008) conducted a research on, “Service Quality Perceptions of Life Insurance Policyholders in Northern India: Pre-Privatization and Post Privatization”. The purpose of the study was to identify the service quality factors affecting the customer satisfaction level of the policyholders. Findings of the study revealed that the accessibility factors have a higher mean satisfaction as compared to the mean satisfaction of reliability and assurance factors.

2.18 FEW CRITICAL SUCCESS FACTORS OF AGENTS IN LIFE INSURANCE

Senthil et al. (2009) concluded in their article, “Critical success Factor of Agents in Life Insurance Services” that agents are the real success of Life Insurance products. The study focused on the identification of critical success factors of the agents, the impact of factors on their performance, and the discriminated success factors among the agents of public and private sector players. The study concluded that the important critical success factors of agents are service diversity, service quality, trust, communication, and customization. All the above mentioned factors have a significant and positive impact on their
performance. The important discriminated factors among the agents of public and private players are the customization and service quality. The agents of public players are far better in the above factors compared to their counterparts (i.e., agents of private sector players).

2.19 CUSTOMER LOYALTY

Devi & Praba (2008) conducted a research related to customer loyalty. The objectives of the study are identifying customer loyalty variables and to find how the variables contribute to the formation of loyal customers. The factor analysis identified customer satisfaction, meeting customer needs, and customer confidence as the three main customer loyalty factors.

2.20 KNOWLEDGE MANAGEMENT PRACTICE IN LIFE INSURANCE

Li-Su Huang & Cheng-Po Lai (2010) studied the applying Knowledge Management in the Life Insurance Industry in the insurance industry in Taiwan. The findings revealed that most of the respondents agreed that KM would improve their job performance in enhancing service quality, saving time and being more effective at work, and the opinions from senior management played an important role in having KM into place.

2.21 CHAPTER SUMMARY

Extant of literatures of research on the service quality from the studies of foreign and Indian authors were reviewed and presented under various heads. These studies have prompted to go further to decide the concept in which this research study should proceed.