SERVQUAL MODEL AND MARKETING SERVICES FOR LIFE INSURANCE CORPORATIONWITH SPECIAL EVIDENCE FROMTAMILNADU

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Abstract
The primary data was collected through personal interviews with LIC policyholders in Tamilnaduconsisting of 359 urban policyholders and 241 rural respondents using well structured questionnaire. Statistical tools like Analysis of variance, Factor analysis, ChiSquare Analysis, SERVQUAL Gap Analysis, Multiple regressions and Logit regressions were employed for data analysis. The hypotheses were tested to analyse the policyholder's awareness on facilities of LIC, service satisfaction on the marketing mix and agency service satisfaction with respect to socio-economic profile and the service quality gap among the urban and rural respondents from the study area and to identify the determinants of word of mouth publicity of LIC by the respondents.

Keywords: Primary Data,Product Development, Innovation, Research and Communication.

1. Introduction

The service industry plays an increasingly important role in the economy of many countries. In today's global competitive environment delivering quality service is considered as an essential strategy for success and survival (Parasuraman et al., 1985; Reichheld and Sasser, 1990; Zeithaml et al., 1990). Even the public sector organizations have come under increasing pressure to deliver quality services (Randall and Senior, 1994) and improve efficiencies (Robinson, 2003). Customer needs and expectations are changing when it comes to governmental services and their quality requirements. However, service quality practices in public sector organizations is slow and is further exacerbated by difficulties in measuring outcomes, greater scrutiny from the public and press, a lack of freedom to act in an arbitrary fashion and a requirement for decisions to be based in law (Teicher et al., 2002). Since Mauritius has gained independence in 1968, the public sector has undergone a number of transformations. In 2006, the Government has introduced the Public Service Excellence Award for the public department which excels in all spheres of its operations in order to increase productivity and efficiency (Government of Mauritius, 2006). The public sector is under increasing pressure to demonstrate that their services are customer-focused and that continuous performance improvement is being delivered. The purpose of this paper is thus to examine the service quality concepts and their application in the public service sector in Mauritius. The study uses the SERVQUAL approach to examine the gap between customers' general expectations of a service and their perceptions of the service received by a specific service provider. This paper investigates how closely customer expectations of service and front-line employees (FLE) perceptions of customer expectations are matched. This approach has been used extensively to assess the quality of private sector services but fewer applications of the approach have been reported in public services. This paper is organized as follows: the introductory section gives a brief description of the service quality and a background of the Mauritian public service sector. This is followed by relevant literature review pertaining to service quality. The methodology of the research paper is explained, followed by the results of the empirical analysis. Conclusions and managerial implications are noted, and limitations and future directions are discussed. Finally, recommendations for improving service quality within the public service sector of Mauritius based on the findings of the study are provided.

2. Life Insurance Corporation of India (LIC)

LIC was formed under **Life Insurance Corporation Act, 1956**, with capital contribution from the Government of India. Life Insurance Corporation of India (LIC) was created with the objective of spreading life insurance; to encourage public savings to finance the five year plans; to provide complete security to policyholder; to prevent malpractices, misuse of powers and positions, etc; to avoid wasteful efforts in competition and conduct the business with utmost economy; to regulate insurance on scientific basis and to achieve the goal of the socialistic pattern of society. Life Insurance is the fastest growing sector in India since 2000. Today LIC has become the leading investment institution of India, in order to reach to people in every part of the country, it has developed a vast service network, comprising of eight zonal offices, 113 divisional offices and 2048 branches and 1275 satellite offices, more than 1.16 lakh employees and 11.72 lakh agents spread all over the country.

3. Statement of the Problem

The SERVQUAL instrument for measuring service quality has been subjected to a number of criticisms. Most research studies do not support the five-factor structure of SERVQUAL put forward by Parasuraman et al. (1988), and administering expectation items is also considered unnecessary (Carman, 1990; Babakus and Boller, 1992). In addition, Cronin and Taylor

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(1992) have developed their own performance-based measure, the SERVPERF. In fact, the SERVPERF scale is the unweighted perceptions components of SERVQUAL, which consists of 22 perception items thus excluding any consideration of expectations. In their empirical work in four industries, Cronin and Taylor (1992) found that unweighted SERVPERF measure (performance-only) performs better that any other measure of service quality, and that it has the ability to provide more accurate service quality score than SERVQUAL. They argue that current performance best reflects a customer's perception of service quality, and that expectations are not part of this concept. Despite the criticisms, SERVQUAL has been used to measure service quality in a variety of contexts, including hospitals (Bakar et al., 2008), universities (Galloway, 1998), police services (Donnelly et al., 2006), banks (Kangis and Passa, 1997), travel agencies (Luk, 1997) and public utilities (Babakus and Boller, 1992). The wide array of application of such an instrument as SERVQUAL spells confidence in its utilization as a technique for measuring service quality in various business sectors and service industries.

4. Servqual gap analysis
Parasuraman, Zeithmal and Berry et al. (1985) developed an instrument for measuring consumers' perception and expectation of Service Quality, known as SERVQUAL, with five dimensions. The dimensions were:
- ❖ **Tangibles –** physical facilities, appearance of personnel and equipment.
- ❖ **Reliability –** ability to perform the promised service dependably and accurately.
- ❖ **Responsiveness –** willingness to help customers and provide prompt service
- ❖ **Assurance –** ability of the organization's employees to inspire trust and confidence in the organization through their knowledge and courtesy (combination of items designed originally to assess. Competence, Courtesy, Credibility, and Security).
- ❖ **Empathy –** personalized attention given to customer (combination of items designed originally to assess Access, Communication, and Understanding the customer).

5.PLS (Partial Least Squares) Model
Model Hypothesis:
Null Hypothesis (H0): Fitting of a model is good for the data.
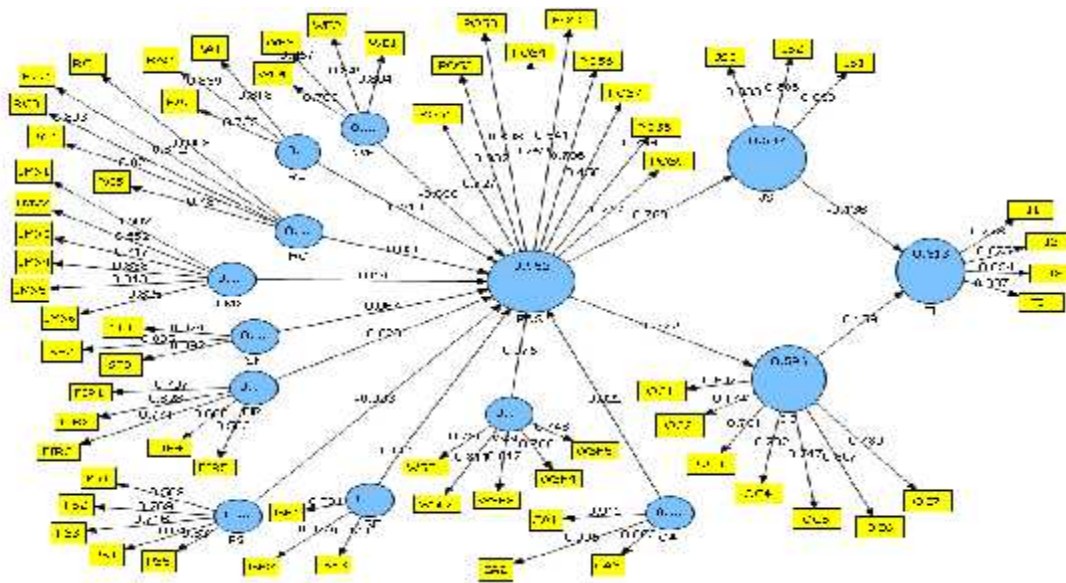**Alternative Hypothesis (H1):** Fitting of a model is not good for the data.

Table 1 - Independent Variables

Independent Variables	Unstandardized	SE	Standardized	P value	Sig
Factor 1	0.965	0.11	0.219	0.001	<0.001**
Factor 2	0.756	0.086	0.009	0.001	<0.001**
Factor 3	0.952	0.109	0.236	0.001	<0.001**

** Denotes significant at 1% Level

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Table 2 - Indices

Indices	Values	Suggested Value
CMIN	7687	**Fox (1984)**
P Value	0.104	**Duncan (1975)**
GFI	0.981	**Bollen (1989)**
AGFI	0.927	
CFI	0.257	
RMR	0.079	
RMSEA	0.079	

From the above table, it's inferred that all arrived P value is greater than 0.05 (greater that 5 % level significant). So the result of the structural equation modeling for the above independent and dependent variables are indicates that fitting of the variable model is good for the data.

Table 3 - Result

CMN = ---------- Df	CMN = 1495.272 Df = 550	1495.272 = ---------- 550	= 2.7186 (arrived value is less than 5)

Table 4 - Item Reliability

Independent variables	Factor Loading	(Factor Loading)^2	Delta (Error)	AVE (Average Variance Expected)
SDS1	0.226	0.051076	0.948924	
SDS2	-0.12	0.0144	0.9856	
SDS3	0.847	0.717409	0.282591	
SDS4	0.906	0.820836	0.179164	
SDS5	0.05	0.0025	0.9975	
SDS6	0.797	0.635209	0.364791	
SDS7	0.759	0.576081	0.423919	0.597498
BLS7	0.814	0.662596	0.337404	
BLS6	0.65	0.4225	0.5775	
BLS5	0.608	0.369664	0.630336	
BLS4	0.719	0.516961	0.483039	
BLS3	0.624	0.389376	0.610624	
BLS2	0.648	0.419904	0.580096	
BLS1	0.858	0.736164	0.263836	0.497548
LS7	0.646	0.417316	0.582684	
LS6	0.537	0.288369	0.711631	
LS5	0.581	0.337561	0.662439	
LS4	0.644	0.414736	0.585264	
LS3	0.668	0.446224	0.553776	
LS2	0.718	0.515524	0.484476	
LS1	0.718	0.515524	0.484476	0.580678
SS7	0.285	0.081225	0.918775	
SS6	0.193	0.037249	0.962751	
SS5	0.045	0.002025	0.997975	

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SS4	-0.261	0.068121	0.931879	
SS3	-0.288	0.082944	0.917056	0.832736
SS2	-0.679	0.461041	0.538959	
SS1	-0.662	0.438244	0.561756	
WRS1	0.757	0.573049	0.426951	
WRS2	0.637	0.405769	0.594231	
WRS3	0.567	0.321489	0.678511	
WRS4	-0.298	0.088804	0.911196	
WRS5	-0.09	0.0081	0.9919	
WRS6	-0.116	0.013456	0.986544	
WRS7	0.622	0.386884	0.613116	0.743207

The desired value for reliability test is 0.5 and above. Overall reliability of the instrument is above 0.5 indicating good testing norm for item reliability. So the result of the reliability test, which indicates that skills variables, are more reliable for the further study. So the result of the item reliability indicates that fitting of a variable model is good for the data.

Discriminant Validity

Table 5 - Inter Correlation Matrix

	S1	S2	S3	S4	S5
S1	***	0.35	0.09	0.33	0.24
S2	0.35	***	0.015	0.28	0.049
S3	0.329	0.015	***	0.119	0.059
S4	0.163	0.28	0.059	***	0.213
S5	0.074	0.049	0.29	0.193	***

From the above table, it's inferred that all arrived value is less that average variance expected. So the result of the discriminant validity indicates that fitting of a variable model is good for the data.

6. Results and Implications

Table 6 - Product

Product	Mean Score Desired Level of Service	Mean Score - Perceived Level of Service
Wide range of products	2.8	2.68
Full / long-term risk coverage	2.69	2.66
High and long-term savings	2.55	2.64
Attractive returns	2.94	2.91
Considerable tax exemption benefits	2.38	2.34
Comparative knowledge on returns and premiums of different policies provided	2.35	2.27
Providing compulsory savings	2.59	2.53
Providing loans on LIC policies	2.36	2.37
Reasonable interest on loans	3.73	3.63
Attractive Brand-value and High Brand-equity	3.69	3.72
Providing timely bills, remainders and notifications of changes	4.08	3.78
Maintaining good documentation procedure	3.68	3.58
Good after-sales service	4.33	4.47

Among 13 product variables, from the table it is inferred that while comparing desired level of service and the perceived level of service, the mean value of the "Good after-sales service" is perceived as high by life insurance customers when compared to other variables. The second highest mean value is for "High and long-term savings", and the third place fetched by Attractive Brand-value and High Brand-equity forth place for providing loans on LIC policies. Apart from above four variables, all other variables desired level of service is very high when compared to perceived level of service. Hence it is concluded that expectation of the life insurance customers are very high but the performance is not up to their expectations.

Table 6 - Price

Price	Mean Score - Desired Level of Service	Mean Score - Perceived Level of Service
Charging affordable premium	4.40	4.39
Providing rebates and incentives	3.36	3.37
Providing good monetary returns	3.36	3.73
Favourable maturity claims	4.49	4.47
Timely Death claims	2.76	2.46
Favourable grace period for late premium	2.03	1.76
Charging less penalty for late payment	2.62	2.38
Reasonable charges on renewal of elapsed policy	2.79	3.00
Providing a net value addition to my family sources	3.94	3.89
Accurate Billing system	2.49	2.27
Convenient / Electronic mode of payment of premium	2.31	2.23
Reasonable cost of policy (including cost of processing, commission to agents, reinsurance companies registration, etc)	2.01	1.99

Among 12 price variables, from the table it is inferred that while comparing desired level of service and the perceived level of service, the mean value of the "Providing good monetary returns" is perceived as elevated high importance by life insurance customers when compared to other variables. The second highest mean value is for "Reasonable charges on renewal of elapsed policy", and the third place fetched by Providing rebates and incentives. Apart from above three variables, all other variables desired level of service is very high when compared to perceived level of service. Hence it is concluded that expected standard of the life insurance customers are very high but the performance is not up to their expectations.

7. Conclusion

Life insurance is a customer based business where retention of existing customers is the biggest challenge in present day market competition. The most challenging task of insurance marketing is to understand the consumer behaviour. The creativity in the promotional measures is the need of the hour which would help insurance organizations in informing and sensing the users in a right fashion. The advertisement, public relations, sales promotion, word-of-mouth communication and telemarketing need due care and the personal selling requires an intensive care. It is right to mention that the business of insurance is based on the skill and excellence of agents and this makes a strong advocacy in favour of personal selling. The agents and the front-line staff need to show their excellence in the process of offering. LIC is increasingly adopting a total marketing approach to product development, innovation, research and communication. By seeking methods to allow consumers to influence the Life Insurance Corporation of India to have the products, prices, promotions and operations that consumers will buy, and the company are more likely to satisfy the customers and create brand loyalty.

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