



DIMENSIONAL STRUCTURE OF THE SERVICE QUALITY: A STUDY OF PRIVATE LIFE INSURANCE PROVIDERS

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Abstract

Depending upon sector, nation, culture etc, dimensions of the service quality vary over time and each dimension of the service quality has a significant impact in the mind of the customers about the quality of services offered by the service providers. Considering all aspects, in this paper, researcher concentrated his focus on the life insurance sector especially on the private life insurance providers operating their business in the district of Burdwan, West Bengal and attempted to investigate the relevant dimensional structure of the service quality for these life insurers in the present perspective. To do this, accepted 661 usable responses of the customers was considered as the sample size of the study and statistical package SPSS 16 was used to perform the analyses.

Keywords:*Dimension, Private Life Insurer, Service quality.*

INTRODUCTION

Indian insurance sector is one of the rapid developing insurance sectors in the present world. Like any other financial sectors, life insurance sector also has a significant impact in the country's economy and now established itself as an integral part of the Indian economic development. India's expanding population, robust economic growth, lucrative tax benefits, rising disposable income levels, and increased awareness of the need for insurance, especially among younger people are the important factors for the significant growth of the life insurance market (<http://www.reportlinker.com/p0778033>). After the enactment of Insurance Regulatory and Development Authority (IRDA) Act of 1999, Indian insurance market was opened for both domestic private insurance companies and foreign insurance companies and at end-September 2012, along with the one and only public life insurance company of India named Life Insurance Corporation of India (LICI) there are 23 private life insurance companies operating in India (IRDA Annual report, 2011-12). After the entrance of private and foreign insurance companies in the Indian insurance market, customers' awareness about these life insurance companies has also been changed where almost all these life insurance companies are offering more or less same type of products to the customers in the insurance market. Realizing the present situation, all the private life insurance companies are now trying to move their focus from the product to the customers where service quality has become the main key driver for the business success in the market. Service quality plays an indispensable role in the customization process of service delivery, improvement of the productivity and profitability of the organizations as well as in the satisfaction process of the customers. Considering the various needs and requirements of customers, organizations are now concerned in providing quality of services to their customers in order to meet the expectations of the customers. Customers are likely to evaluate service quality based on the total service package provided and how well the combined services meet their expectations (Gronroos, 2000). In order to survive in future and to achieve maximum growth in the present competitive life insurance market, the private life insurers are now dedicatedly involved in the development of new strategies for the purpose of customer satisfaction through providing better quality of services in the most efficient way.

OBJECTIVE OF THE STUDY

The objective of the current study is to investigate the dimensional structure of the service quality for the private life insurance companies operating their business in Burdwan district.

REVIEW OF LITERATURE

"A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, takes place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems" (Gronroos, 2000). Kotler et al. (2002) defined the quality as the totality of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs. Service quality may be defined as "a global judgement or attitude relating to a particular service; the customer's overall impression of the relative inferiority or superiority of the organization and its services. Service quality is a cognitive judgement" (Fogli, 2006). Czepiel (1990) defined the service quality as customer perception of how well a service meets or exceeds their expectations. In simple way service quality can be described as "the degree and direction of discrepancy between customers' service perceptions and expectations" (Parasuraman and Zeithaml, 2006). Service quality dimensions are likely to be industry specific (Asubonteng et al., 1996). Babakus and Boller (1992) stated that dimensionality of service quality may depend on the type of service under study where the importance of different dimensions of the service

quality depend on the characteristics of the industry (Brady and Cronin, 2001). As the identification of the determinants of service quality is necessary to be able to specify, measure, control and improve service quality perceived by the customer so it should be a central concern for service management, academics and practitioners (Johnston, 1995). The mostly used service quality measurement tool SERVQUAL (Parasuraman et al., 1988) consists of five dimensions namely tangibles, reliability, responsiveness, assurance and empathy and according to Oliver (1993) customer consider the expectations of performance on these service dimensions. Based on the Parasuraman et al. (1985)'s GAP model and the ten dimensions of the service quality, Zeithaml et al. (1990) developed Customer Assessment of Service Quality through which customer can access the quality of service. The six criteria of good perceived service quality identified by Gronroos (1988) are professionalism and skills, attitudes and behaviors, accessibility and flexibility, reliability and trustworthiness, recovery, and reputation and credibility. Among these professionalism and skills can be referred as technical or outcome-related dimension, attitudes and behaviors, accessibility and flexibility, reliability and trustworthiness and the recovery can be referred as functional or process-related dimensions and reputation and credibility can be referred as image-related dimension. Reeves and Bednar (1994) in their study asserted that excellence, value, conformance to specifications and meeting and/or exceeding expectations are the four dimensions of service quality. According to Brady and Cronin (2001)'s opinion in service marketing literature so far, the most debated and controversial topic is the conceptualization and measurement of the perceptions of service quality. Combining Nordic model (Gronroos, 1984), SERVQUAL (Parasuraman et al., 1988), three component model (Rust and Oliver, 1994) and the multilevel model (Dabholkar et al., 1996) of service quality, Brady and Cronin (2001) developed multi-hierarchical model where service quality includes dimensions and sub-dimensions. To investigate the SERVQUAL structure across the five service industries, Mels et al. (1997) performed the factor analysis and found two dimensions of service quality namely intrinsic and extrinsic which are linked to interactive quality (Lehtinen and Lehtinen, 1985) as well as interaction quality (Gronroos, 1990) and to the technical quality (Gronroos, 1990) respectively. The study of Choudhuri (2012) also established six dimensional structure of the service quality for the public life insurance company LIC. "Therefore, while SERVQUAL can be used in its present form to access and compare quality across a wide variety of firms, appropriate adaptation of the instrument may be desirable when only a single service is investigated" (Parasuraman et al., 1988) and the determinants of service quality should be measured at the item level (Brady and Cronin, 2001).

METHODOLOGY

In this study, PZB's SERVQUAL model was adapted as the backbone of the survey instrument. To investigate the dimensional structure of the service quality for all the 23 private life insurance companies operating their business in the district of Burdwan, West Bengal, first of all few items related to information technology were included along with the existing 22 items of SERVQUAL instrument spread over tangibility, reliability, responsiveness, assurance and empathy dimensions. After proper formation of survey instrument, pilot study was conducted where researcher randomly selected 25 customers. After explaining objectives and purpose of the study, researcher tried to get valuable feedback from these customers. Based on pilot study, the preliminary analysis established the internal consistency of the items within each dimension and identified eight items (electronic network, networking of branches, computer resources, conference facility, linkage with the customers, learning and support services, alert system and web space for the customers) related to the information technology. The pilot study gave the confirmation of validity and reliability of final survey instrument. Thus, the modified SERVQUAL scale was developed as the survey instrument for the customers. This modified SERVQUAL instrument consists of six dimensions named Tangibility, Reliability, Responsibility, Assurance, Empathy and Technology Enabled Services where Tangibility contains 5 items, Reliability contains 5 items, Responsibility contains 4 items, Assurance contains 5 items, Empathy contains 3 items and Technology Enabled Services contains 8 items. The structure of the questionnaire is both open-ended and close-ended and consisted 7 point Likert scale ranging from 1-strongly disagree to 7-strongly agree. After successfully completion of the pilot study, considering different demographic profile of the customers and using random sampling technique 850 questionnaires were distributed to the customers in order to obtain the data of customers' expectation and perception of quality of services provided by the private life insurers. Though 739 customers were agreed to give response but usable responses were 661 which was considered as the sample size for this study. According to Hair et al. (1992) for multivariate analysis the sample size should be at least 5 times the number of parameters in the model. As this study initially consists of 30 parameters, the minimum response necessary would be $(30 \times 5) = 150$. Thus, the sample size of this research, i.e., 661 is far in excess of the Hair et al.'s (1992) recommendation as well.

RESULTS AND DISCUSSIONS

To obtain the data for the purpose of the study, a cross-sectional survey was conducted among the customers of the private life insurance companies where researcher carefully considered the different demographic profile such as gender, age, income status, occupation, educational qualification, locality of living and modern aids accessed by the customers. The summarized demographic profile of the customers of this study is now given below:

Table 1: Demographic profile of the customers

Demographic Variable	Demographic Characteristics	Frequency	Percentage (%)
Gender	Male	483	73.1
	Female	178	26.9
Age	30 years	162	24.5
	31 - 40 years	341	51.6
	41 - 50 years	103	15.6
	51 - 60 years	39	5.9
	60 years	16	2.4
Income	Rs.14999.00	62	9.4
	Rs.15000.00 - Rs.24999.00	155	23.5
	Rs.25000.00 - Rs.44999.00	196	29.7
	Rs.45000.00	248	37.5
Occupation	Salaried	280	42.4
	Business	137	20.7
	Professional	219	33.1
	Retired	14	2.1
	Housewife	11	1.7
Educational Qualifications	High school	5	0.8
	Graduate	191	28.9
	Post-graduate	216	32.7
	Professional	232	35.1
	Any other	17	2.6
Locality of Living	Center of the town	368	55.7
	Outskirts of the town	204	30.9
	Rural areas adjoining town	89	13.5
Modern Aids	Only mobile phone	202	30.6
	Combination of mobile & internet	459	69.4

From the available data, the Rotated Component Matrix obtained the factor loading or cross-loading of the customers' items along with name of the different dimensions and the commonalities and differences of factor loading or cross loadings of the several items across different dimensions. The detail analysis is presented in Table 2 and 3.

Table 2: Rotated Component Matrix on Customers' Expectation Variables

Variables	Component				Dimension Naming
	1	2	3	4	
Modern Equipments	0.512				Convenience in Service Offering
Electronic network	0.786				
Networking of branches	0.665				
Conference facility	0.819				
Linkage with the customers	0.538				
Learning and support services	0.654				
Alert system	0.804				
Web space for the customers	0.683				On-Site Responsiveness
Professional Appearance of Employees		0.825			
Willingness to help customers		0.861			
Individual attention to the customers		0.695			

Treat the public situation with care & seriousness		0.730			
Convenient business hours		0.524			
Fulfill promise in a timely manner			0.637		Commitment in Delivery
Error-free records			0.575		
Provide exact information			0.702		
Perform the service right the first time			0.878		
Instill confidence in the customers				0.560	Security & Confidence Building
Safety of transactions				0.774	
Confidentiality of Records & Information of Customers				0.692	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Table 3: Commonalities and differences of factor loadings/cross loadings on Customers' Expectation Variables

	Component			
	1	2	3	4
	CSO	OSR	CD	SCB
Initial Eigenvalues	5.718	4.152	2.843	1.674
% of Variance	27.124	16.439	11.317	7.286
Cumulative %	27.124	43.563	54.880	62.166
Cronbach's	0.726	0.881	0.839	0.753
KMO measure of sampling adequacy	0.863			

** **Legends used:** *CSO- Convenience in Service Offering, OSR- On-Site Responsiveness, CD- Commitment in Delivery, SCB- Security & Confidence Building*

According to Kaiser and Cerny (1979) the high shared variance and relatively low uniqueness in variance are indicated by the KMO measure for sampling adequacy (0.863). The Barlett's Sphericity Test where Chi-square value is 1527.408 ($p < 0.0001$) established that distribution is ellipsoid and amenable to data reduction. The Rotated Component Matrix table, Table 2, shows that out of 30 items, values of 20 items of the modified SERVQUAL instrument are greater than 0.5 which strongly support the recommendation of Nunnally and Bernstein (1994) about the factor loading and cross-loading. So, Table 2 established that 20 items of the questionnaire are properly loaded under 4 components. It is clear to understand that under the first component 8 items are properly loaded, 5 items are loaded under the second component, 4 items are loaded under the third component and 3 items are loaded under the fourth component and the names given for the dimensions of above mentioned group of items loaded under the components of 1, 2, 3 and 4 are respectively Convenience in Service Offering, On-Site Responsiveness, Commitment in Delivery and Security & Confidence Building. Table 3, shows that Initial Eigen values of Convenience in Service Offering, On-Site Responsiveness, Commitment in Delivery and Security & Confidence Building are 5.718, 4.152, 2.843 and 1.674 respectively, i.e., all Initial Eigen values are greater than 1 which proves the significance of the factors. Whilst the corresponding Cronbach's values are found to be 0.726, 0.881, 0.839 and 0.753 respectively establishing the reliability of the survey instrument of the study.

CONCLUSIONS

In the investigation of the dimensional structure of the service quality for the private life insurance companies, researcher initially included few additional items related to the technology enabled services in the existing PZB's SERVQUAL instrument and finally established a new dimensional structure of the service quality for the private life insurance providers that has four dimensions namely Convenience in Service Offering, On-Site Responsiveness, Commitment in Delivery and Security & Confidence Building. Thus, the study affirmed that through this four dimensional structure, private life insurers are now not only trying to provide quality of services to their own customers but also trying to give better satisfaction than before in order to retain them as well as to attract the new customers in the present competitive market.



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