Service Quality Perceptions Of Customers About Insurance Companies: An Empirical Study

*** Vikas Gautam**

INTRODUCTION

Service organizations in India are facing tough competition in the global market because of liberalization and globalization of the Indian economy. Hence, it is helpful for service organizations to know the customer service quality perceptions in order to overcome the competitors and attract and retain the customers. Because of the globalization and liberalization of Indian economy, Indian service sector has been opened for Multinational companies. In order to overcome the competition and to retain the world class service standards, Indian companies have been forced to adopt quality management programs. **Nerurkar (2000)** analyzed the **SERVQUAL** dimensions in India and concluded that service quality should form the basis for all customer retention strategies. **Services are defined as: the activities, which are involved in producing intangible products as education, entertainment, food and lodging, transportation, insurance, trade , government, financial, real estate, medical, consultancy, repair and maintenance like occupation. Quality has become a strategic tool for obtaining efficiency in operations and improved business performance (Babakus and Boller, 1992; Garvin, 1983; Phillips, Chang and Buzzell, 1983).** This is true for the services sector too. **Several authors have discussed the unique importance of quality to service firms and have demonstrated its positive relationship with profits, increased market share, return on investment, customer satisfaction, and future purchase intentions (Rust and Oliver, 1994)**. One obvious conclusion of these studies is that firms with superior quality products outperform those marketing inferior quality products.

Service quality can be concisely defined as the personal experience of the customer with the service provider. Service quality is playing an increasingly important role in the present environment where there is no further scope for the companies to differentiate themselves other than the quality of the service provided by them. Delivering superior service quality than the competitors is the key for the success of any organization. But, the companies face difficulties in measuring the quality of services offered to the customers. **Because unlike measuring the quality of goods, the measurement of the quality of services offered by the companies is difficult due to the three unique features of services viz. intangibility, heterogeneity, and inseparability. Hence the only way of measuring the quality of services offered by the service provider is the measurement of the customer's perception of the quality of service they are experiencing from their service providers.**

Quality has been defined differently by various authors. Some prominent definitions include '*Conformance To Requirements*' **(Crosby, 1990)**, '*fitness for use*' or '*one that satisfies the customer*'. According to production philosophy of Japan, quality has been defined as 'zero defects' in the firm's offerings. Though initial efforts in defining and measuring service quality emanated largely from the goods sector, a solid foundation for research work in the area was laid down in the mid-eighties by **Parasuraman, Zeithaml and Berry (1985)**. They were amongst the earliest researchers to emphatically point out that the concept of quality prevalent in the goods sector is not extendable to the services sector. Being inherently and essentially intangible, heterogeneous, perishable and entailing simultaneity and inseparability of production and consumption, services require a distinct framework for quality explication and measurement.As against the goods sector, where tangible cues exist to enable consumers to evaluate product quality, quality in the service context is explicated in terms of parameters that largely come under the domain of 'experience' and 'credence' properties and are as such difficult to measure and evaluate (Parasuraman, Zeithaml and Berry, 1985). One major contribution of Parasuraman, Zeithaml and Berry (1988) was to provide a terse definition of service quality. **According to these authors service quality means relating the superiority of the service with the global judgement of a person about it and explicated it as involving evaluations of the outcome (i.e., what the customer actually receives from service) and process of service act (i.e., the manner in which service is delivered)**.

* *Research Scholar,* ICFAI University, Dehradun, Uttarakhand. E-mail : vgautam78@gmail.com

In line with the propositions put forward by **Gronroos (1984)** and Parasuraman, Zeithaml and Berry (1985, 1988) posited and operationalized service quality as a difference between consumer expectations of '*what they wan*t' and their perceptions of '*what they get*' Based on this conceptualization and operationalization, they proposed a service quality measurement scale called 'SERVQUAL'.Quality has become a strategic tool in obtaining efficiency in operations and improved performance in business. This is true for both the goods and services sectors. However, the problem with management of service quality in service firms is that quality is not easily identifiable and measurable due to inherent characteristics of services which make them different from goods.

Insurance in India is usually understood as a measure to save the tax for an individual. It has not been considered as a medium for investment for a long time. In Indian mentality, savings can be done only in banks in terms of fixed deposits and other investment facilities available to them. Some people also like to invest in gold. After independence, the Life Insurance Corporation was nationalized in 1956, and then the general insurance business was nationalized in 1972. **Life Insurance Corporation of India has monopoly over the Indian Life Insurance sector**. But after the entry of private insurance players having alliance with foreign insurance experts, Indian insurance market has turned into a highly competitive market. The Insurance Regulatory and Development Authority Act 1999 (IRDA Act) was passed by Parliament of India and in the year 2000, the President of India gave his consent to the act. IRDA consists of one chairman, five full-time members and four part-time members. The LIC Act, 1956 brought remarkable change in the way the insurance industry functioned -particularly, the life insurance business. Till the end of 1999-2000 fiscal year, Life Insurance Corporation (LIC) and General Life Corporation (GIC) were the monopoly insurance (both life and non-life) providers in India. Under GIC, there are four subsidiaries - National Insurance Company Limited, Oriental Insurance Company Limited, New India Assurance Company Limited and United India Assurance Company Limited. In fiscal year 2000-01, the Government of India lifted the entry restrictions for private sector insurance players. Foreign investment insurance market was allowed with 26 percent cap.

Up to the end of 2001, sixteen insurance players had made a total investment of ₹1910.95 crores including investments made from policyholders' funds. Life insurance business has witnessed significant growth because of the increasing customer awareness and better marketing strategies by insurance companies.

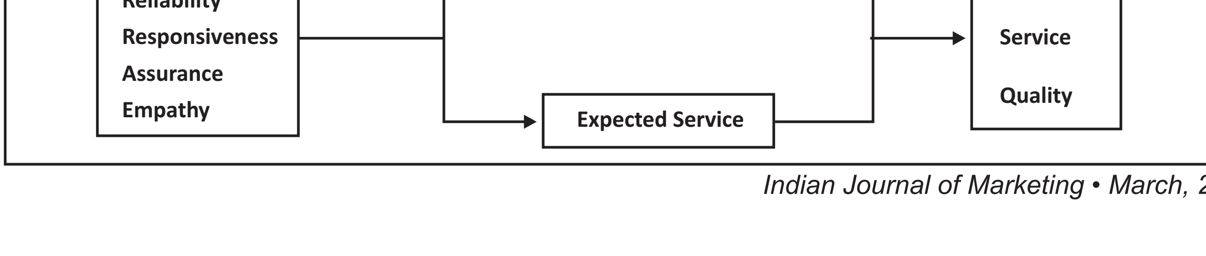
The Indian market is one of the biggest markets in the world having huge population of more than one billion. Insurance is one of the best sectors presenting ascendant growth in the market. According to India Brand Equity Foundation, April, 2009, Insurance is a US$ 41-billion industry in India. At world level, India ranked as the 5th largest life insurance market in the rising economies having high growth rate of 32-34 per cent yearly. As competition is mounting among all the insurance players, they are upcoming with new inventive insurance products to catch the attention of more and more customers. The total number of life insurance companies operating in India is currently 22. While the competition has sent strong signals to the state-owned enterprises, LIC still controls the life insurance market. The insurers in non life segment are finding it difficult to compete with the new private insurance companies.

MODEL OF SERVICE QUALITY PERCEPTION

The present study is based on the SERVQUAL/SERVPERF Model suggested by Parsuraman, Zeithaml, and Berry (1988), which explains the service quality on the basis of gap between perceived service quality and expected service quality.

This model is different from other models as it helps in finding out more than one aspect of service encounters. **Rust and Oliver** in **1994** in their research showed that overall service quality perceptions are based on various dimensions of service encounters.

Figure : 1 : Model of Service Quality Perception



REVIEW OF LITERATURE

Several studies were conducted on the issue of service quality in various countries. Some studies were consulted for proper understanding of the concepts discussed in this study. Various models have been developed to determine measure and assess the determinants of service quality. SERVQUAL is based on the idea of a gap between expectations of the customers about service quality by service provider and their assessment of actual performance of service by the service provider. Since **Parsuraman et al. (1988) developed the SERVQUAL instrument**, many researchers have used and developed the 22-item scale to study service quality in different sectors of the services industry. The following studies have been consulted for the present study:

❁**A. Parsuraman, Leonard L. Berry, and Valarie A. Zeithaml, (1988)** in their study described about development of 22-item instrument in the assessment of service quality perceptions of customers in service and retail firms, which was called as "SERVQUAL". This study was revolutionary as it didn't depend on the earlier dimension of goods quality in the manufacturing sector. **The initial study based on the focus groups yielded 10 dimensions of service quality that included access, competence, courtesy, credibility, security, tangibles, reliability, responsiveness, communication, and understanding the customer**. In concluding remarks, authors proposed that SERVQUAL scale can help a vast range of service and retail firms to assess the customer expectations and perceptions of service quality as it had a variety of potential applications.

❁**Johnson, William. C, and Anuchit Sirikit (2002)** conducted a study on the landline and mobile users of the Thai telecommunication industry using the **SERVQUAL scale (reliability, responsiveness, assurance, empathy, and tangibles)**. The study was conducted with the objectives of finding whether service quality ratings predict a competitive advantage among Thai telecommunication firms as indicated by future customer intentions and whether SERVQUAL reliably assesses service quality perceptions/expectations among customers in the Thai telecommunication industry.

❁**G.S.Sureshchandar, Chandrasekharan Rajendran, and R.N.Anantharaman (2003)** critically examined the service quality issues from the customers' point of view. In their study conducted in a developing country, India, authors selected three groups of banks for their study viz. Public sector, Private sector, and foreign banks. Authors in their study found that in terms of the customer perceptions of service quality, the technological factors appear to contribute more in differentiating the three sectors and the people-oriented factors appear to contribute less in differentiation among three sectors. In terms of performance, foreign banks topped among three groups, and performance of public sector banks is even less than private sector banks.

❁**Alka Sharma, Versha Mehta, (2004)** found in their empirical study in the banking sector that among the public and private sector banks, all five dimensions of the service quality are of equal importance. In terms of score comparison, the scores for the public sector have been higher than the private sector.

❁**Gayathri H., M. C. Vinaya, and K. Lakshmisha (2005)** conducted a pilot study on the insurance companies in India to quantitatively study the levels of the dimensions of service quality and its relation to the level of customer satisfaction. The results showed that LIC was scoring lower in all the five dimensions of service quality. To relate the satisfaction level of customers with the levels of SERVQUAL dimensions, multiple regression equations were developed for the four companies. The study concluded by saying that the companies have to focus on service quality in order to differentiate themselves and create a competitive advantage in order to survive the competition in the market.

❁**Halil Nadiri, Kashif Hussain (2005)** found in their study that SERVPERF scale maintains its reliability. With the help of exploratory factor analysis, researchers arrived at the conclusion that SERVPERF instrument failed to form its five dimensions - reliability, responsiveness, tangibility, assurance, and empathy. Tangibles and intangibles were the two dimensions which were formed as a result of the study.

❁**Mushtaq A. Bhat (2005)** concluded that Indian banks fall much below the perceptions of their customers on all the five dimensions of service quality, where as, in case of foreign banks, these banks are exceeding the perceptions of their customers on two dimensions of service quality namely; tangibility and reliability. This finding revealed the notion that Indian banks in terms of service quality do not meet the expectations of their customers. In case of foreign banks, perceptions and expectations of the customers about service quality offered by the banks do not have a big gap.

❁**Ndubisi, Nelson Oly, and Chan Kok Wah (2005)** conducted a study on the Malaysian banking sector. The study concluded by saying that banks can generate customer satisfaction by exhibiting trustworthy behaviour, commitment to service, communicating information to customers efficiently and accurately, delivering services in a competent manner, handling potential and manifest conflicts skilfully, and improving overall customer relationship quality.

☸**Najjar, Lotfollah, and Ram R. Bishu's (2006)** study on the US banking sector used a non-difference score of SERVQUAL scale and focused on the importance of improving service quality in the banking sector. The study used statistical tools like ANOVA, Factor Analysis, and Regression to analyze the data.

☸The final results of the service quality analysis showed that reliability and responsiveness were the two most critical dimensions of service quality and they are directly related to overall service quality. The findings of the study substantiated the findings of Berry et al. where reliability and responsiveness were shown to be important factors of service quality.

RESEARCH GAP AND PURPOSE OF THE STUDY

As per the literature reviewed for the present study in the insurance sector, no comparative study about service quality between public and private insurance companies in Indian context has been conducted. So as per the stiff competition in the market between these companies, it is important to find out which insurance companies are being perceived better by the customers in terms of service quality. Also, customers have different mindset towards public and private sector companies about service quality. The reforms in the insurance sector, which were started towards end of 1999, have ushered radical changes in the insurance market. The Indian insurance sector is vast and there are big business opportunities for the insurance players. Before the entry of private insurance players in Indian insurance industry, public sector companies had complete autonomy in the market. Service quality was not of much importance for the insurance service providers because customers had no other option. Under the IRDA Act, 1999, Government of India opened the insurance market to private players. As a result of this act, public sector insurance service providers started thinking about their market share, as it started declining.

With almost all the public and private insurance companies offering the same kind of services and network coverage, the quality of service offered to the customers became one of the important differentiators for all the public and private insurance companies to maintain their competitive advantage in the market. Service quality refers to the perception of the customers of the organization regarding how well the organization is fulfilling their service needs. As said in the introduction, measuring the quality of services provided is possible only through the perception of the quality of service that the customers are experiencing from their service providers.

MEASUREMENT SCALE

Various definitions of the term 'service quality' have been proposed in the past and, based on different definitions; different scales for measuring service quality have been put forward. **SERVQUAL and SERVPERF constitute two major service quality measurement scales. The consensus, however, continues to elude till date as to which one is superior**. **An ideal service quality scale is one that is not only psychometrically sound, but is also diagnostically robust enough to provide insights to the managers for corrective actions in the event of quality shortfalls**. Empirical studies evaluating validity, reliability, and methodological soundness of service quality scales clearly point to the superiority of the SERVPERF scale.

SERVPERF SCALE

Cronin and Taylor (1992) were amongst the researchers who leveled maximum attack on the SERVQUAL scale. They questioned the conceptual basis of the SERVQUAL scale and found it confusing with service satisfaction. They,

Table 1 : Five Dimensions of Service Quality

Tangibility	Physical facilities, equipment, appearance of personnel
Reliability	Ability to perform promised service dependably and precisely
Responsiveness	Willingness to help customers and provide quick service
Assurance	Knowledge and courteous nature of employees and their ability to show trust and confidence
Empathy	Caring individualized attention the company provides to its customers

therefore, opined that expectation (E) component of SERVQUAL be discarded and instead, Performance (P) component alone be used. They proposed what is referred to as the 'SERVPERF' scale. Besides theoretical arguments, **Cronin and Taylor (1992)** provided empirical evidence across four industries (namely banks, pest control, dry cleaning, and fast food) to corroborate the superiority of their 'performance-only' instrument over disconfirmation-based SERVQUAL scale. Being a variant of the SERVQUAL scale and containing perceived performance component alone, '*performance only*' scale is comprised of only 22 items. A higher perceived performance implies higher service quality. Methodologically, the SERVPERF scale represents marked improvement over the SERVQUAL scale. Not only is the scale more efficient in reducing the number of items to be measured by 50 per cent, it has also been empirically found superior to the SERVQUAL scale for being able to explain greater variance in the overall service quality measured through the use of single-item scale. This explains the considerable support that has emerged over time in favour of the SERVPERF scale **(Babakus and Boller, 1992; Churchill and Surprenant, 1982; Woodruff, Cadotte and Jenkins, 1983)**. Though still lagging behind the SERVQUAL scale in application, researchers have increasingly started making use of the performance-only measure of service quality **(Babakus and Boller, 1992; Boulding *et al*., 1993; Cronin and Taylor, 1992, 1994)**.

Also, when applied in conjunction with the SERVQUAL scale, the SERVPERF measure has outperformed the SERVQUAL scale (Babakus and Boller, 1992; Cronin and Taylor, 1992). Seeing its superiority, even Zeithaml (one of the founders of the SERVQUAL scale) in a recent study observed that their results are not compatible with expectations and the gap formation for service quality. Instead, they found that perceived quality is directly influenced only by perceptions (of performance) (Boulding *et al*., 1993). This admittance cogently lends a testimony to the superiority of the SERVPERF scale.

OBJECTIVES OF THE STUDY

In the light of the above background, the main objective of this study is to identify the dimensions of service quality in the Insurance industry using the SERVQUAL scale and to assess the importance of each of these dimensions in the Insurance industry. The study is conducted with the following three objectives:

1. To determine the perceptions of customers regarding the service quality in insurance companies.

2. To analyze and compare the service quality perceptions of the customers in public and private insurance companies.

3. To determine the relevant dimensions of service quality.

SCOPE OF THE STUDY

The study was conducted in Hyderabad city. The conclusions cannot be extended to Andhra Pradesh State or India. Further study on a bigger scale can be conducted to validate the results.

HYPOTHESIS

The hypothesis of the study is:-

H_0 - There is no significant difference in the service quality perceptions of public and private sector insurance companies.

H_1- There is significant difference in the service quality perceptions of public and private sector insurance companies.

RESEARCH METHODOLOGY

In the present study, the service quality model developed by Zeithamal, Parsuraman and Berry (1988) has been used with underlying assumption that service quality model is multidimensional. These dimensions contribute to the assessment of service quality in any setting. A construct 'SERVPERF' based upon service quality model has been used to determine service quality in different public and private sector insurance companies.

In 'SERVPERF' construct, all the statements are one-dimensional and performance based, which incorporate the statements of 'SERVQUAL' model that can be used for measurement (Cronin and Taylor, 1992). In the questionnaire, 22 statements were grouped under five dimensions. To ascertain the perceptions of service quality, Likert's 7- point scale was used for its suitability so that range and variations in the perceptions can be estimated. The Likert's scale 1-7 represents '1' strongly disagree and '7' as strongly agree.

Two insurance service providing companies- LIC in public sector and ICICI Prudential in private sector were selected for this study on the basis of market share in Indian life insurance market. The service quality ratings were obtained using the SERVPERF scale. Sampling frame for the present study consists of life insurance policy holders of LIC and ICICI Prudential life insurance companies in Hyderabad. The present study has been conducted in the city of Hyderabad in Andhra Pradesh state. The respondents from the areas of Secunderabad, Basheerbagh, Khairatabad, Somajiguda, Ameerpet etc. of Hyderabad city were requested to give their responses with respect to each insurance company with which they have taken the policies. Field survey was conducted from the period of June 25, 2009 to 23 August, 2009. Data was collected from the customers by distributing the questionnaires to the customers of the selected insurance companies. The questionnaire given to the customers focused on all the dimensions of service quality as per the SERVPERF scale viz. Tangibles, Reliability, Responsiveness, Assurance, and Empathy.

A pilot study was conducted to ascertain the suitability of the SERVPERF construct (n=46) in Indian insurance setting, because all the negative statements in the standardized scale were changed into positive statements. Reliability check has been performed to know the suitability of the construct for this industry. After ascertaining the suitability of the SERVPERF construct, the questionnaire was administered to the customer's sample size of 210 respondents. Since pilot study results were in the favour of the construct, those responses were also included in the sample. The sample size for the study was 210 with 123 LIC customers and 87 ICICI Prudential customers (See the Table No. 2).

Table 2 : Sample Classification

No.	Company	Number of Responses	Percentage
1	LIC	123	58.57
2	ICICI PRUDENTIAL	87	41.43
	Total	**210**	**100**

The questionnaires were administered by the researcher to get the responses from the respondents. Convenience sampling method was used because of time constraint for collecting the data for the study.

DATA PRESENTATION

DEMOGRAPHIC PROFILE

The questionnaire included a section on customer's profile, as various demographic and other factors were likely to influence the customer services offered by the company. Information on demographic features may also be helpful to provide services effectively. A demographic profile of the respondents consisted of age, gender, marital status, educational qualifications, employment status, and monthly income. Among the respondents, 54.5 percent were of the age group 26 to 35 years, and 27 percent were of 25 years and below age group. Majority of the respondents were males with 62.4 percent and female respondents comprised of less percentage of 37.6 percent. The majority of the respondents were married (55.2 percent), as percentage of unmarried respondents were 44.8 percent. There were more post graduate respondents (65.2 percent) than graduate and others. Moreover, the occupational variables showed that the respondents had major portion of professionals (69.0 percent), whereas, the percentage of self employment, wage employment, others were 4.3 percent, 19.5 percent, 5.7 percent respectively. In the survey, it was also found that the respondents came from different income backgrounds; a major part of them (58.1 percent) earned more than ₹ 10000 but above ₹ 20000 were only 30.5 percent.

DATA ANALYSIS AND FINDINGS

The SPSS software package 17.0 version was used for analyzing the data collected for this study. The Microsoft Excel software package was also used to make some basic computations like calculation of the mean values etc.

RELIABILITY TEST

To test the reliability of the set of items forming the scale, a measure of construct reliability (Cronbach's alpha) was computed. Cronbach's alpha is useful in measuring how well a set of variables or items measure a single, one-dimensional latent construct. The alpha values of 0.70 or greater represent satisfactory reliability of the items measuring the construct (dimension). These alpha coefficients were found to be 0.966 for LIC and 0.956 for ICICI Prudential, making the items measuring the dimensions satisfactorily reliable (See the Table No. 4).

Table 3 :Reliability Coefficient For Dimensions Of Service Quality

Name of Insurance Company	Number of Items	Cronbach's Alpha
LIC	23	0.966
ICICI PRUDENTIAL	23	0.956
OVERALL	23	0.961

COMPARING THE SERVICE QUALITY DIMENSIONS

The average scores of the two companies considered in the study for all the five dimensions of service quality were compared (See the tables below). As could be seen in the results of the average scores, the results show the dimensions of service quality where the companies need to improve their service levels to increase the service quality in the minds of customers.

Table 4 : Scores On SERVQUAL

No.	Servqual Dimension	Insurance Company	
		LIC	ICICI PRUDENTIAL
1	Tangibles*	4.40	3.78
2	Reliability*	4.78	3.37
3	Responsiveness*	4.74	3.70
4	Assurance*	4.80	3.82
5	Empathy*	4.72	3.74

* Significant at 0.05 level of significance

Table 5: Average Scores For Five Service Quality Dimensions (Question Wise)

Q. No.	Tangibles		Reliability		Responsiveness		Assurance		Empathy	
	LIC	ICICI	LIC	ICICI	LIC	ICICI	LIC	ICICI	LIC	ICICI
1	4.37	3.69	4.63	3.52	4.95	3.82	4.82	3.71	4.85	3.91
2	4.53	3.85	4.60	3.44	4.65	3.70	4.85	3.78	4.77	3.90
3	4.37	3.98	4.71	3.09	4.76	3.63	4.76	3.94	4.67	3.54
4	4.33	3.62	4.89	3.23	4.59	3.67	4.80	3.83	4.67	3.60
5	-	-	5.08	3.55	-	-	-	-	4.62	3.72

See Questionnaire in the Appendix for questions 1, 2, 3, 4, and 5 of each dimension.

RELEVANCE OF DIMENSIONS (CORRELATION ANALYSIS)

The relevance of various dimensions of service quality, which have been measured in the present study, was determined by calculating the correlation coefficient 'r' values. The values for correlation coefficient 'r' of all the dimensions of service quality namely; Tangibility, Reliability, Responsiveness, Assurance, and Empathy precisely

Table 6 : Correlation Coefficient 'R' Value Table For LIC

FACTOR	'r' VALUE
TANGIBILITY	.970
RELIABILITY	.972
RESPONSIVENESS	.970
ASSURANCE	.967
EMPATHY	.969

indicate the relationship between the factors (dimensions) and the service quality perception. The correlation coefficient tables for LIC and ICICI Prudential are given in Tables 6 and 7 .

Table 7 : Correlation Coefficient 'R' Value Table For ICICIPrudential

FACTOR	'r' VALUE
TANGIBILITY	.973
RELIABITY	.945
RESPONSIVENESS	.956
ASSURANCE	.967
EMPATHY	.965

All this clearly shows that all the five dimensions are very relevant for service quality perceptions in insurance sector in both cases of LIC and ICICI Prudential.

EXPLORATORY FACTOR ANALYSIS

Exploratory factor analysis was performed to see whether the data collected are consistent with the prescribed structure. The results for factor analysis in case of LIC with KMO (0.935), Bartlett's Test of Sphericity (Chi-square 2457.587, significance 0.000) and in case of ICICI Prudential with KMO (0.927), Bartlett's Test of Sphericity (Chi-square 1601.010, significance 0.000) proves that factor analysis done with the 22 service quality related variables is effective.

Five factors were extracted using the methods of principal component analysis. In case of LIC, there was cross loading of two items, and those two items -i.e. item 7 and 21 were deleted. After that, again, reliability analysis was done and value of Cronbach's alpha was 0.965. In case of ICICI Prudential, there was cross loading in three items, so those three items i.e. items 3, 7, 21 were deleted. In this case also, reliability analysis was done and value of Cronbach's alpha was 0.965. The criterion as SPSS commands for 5 factors was given. The five factors extracted from the 20 variables in case of LIC explains 78.34% of the variance, where as five factors extracted from 19 variables in case of ICICI Prudential explains 77.07% of the variance.

Principal Component Analysis using varimax rotation with Kaiser Normalization was employed to find the dimensionality of the data set collected. The loadings of the dimensions identified in factor analysis were stable. Each of the variable loaded high on a single factor. Cut-off point was 0.40 for both companies.

MULTIPLE REGRESSION ANALYSIS

Multiple regression equations were developed to relate the customer overall service perception with the values of the SERVPERF dimensions collected. For the purpose of developing the regression equations, the five service quality dimensions were taken as the independent variables and the customer overall service quality perception was taken as the dependent variable. The dependent variable (customer overall service quality perception) for the development of regression equations was taken as the 23rd item mentioned in the questionnaire considered for the study. The Standardized Regression equations developed for the two companies considered for the study are:

Table 8: Standardized Regression Equation For ICICI Prudential

ICICI PRUDENTIAL
Overall service quality = 0.583(Empathy) + 0.459(Tangibles) + 0.304(Responsiveness)+ 0.211(Assurance)
(0.069) (0.069) (0.069) (0.069)
+ 0.192 (Reliability)
(0.069)
R^2 = 0.725

Figures in the parenthesis are standard errors of beta coefficients

Table 9: Standardized Regression Equation For LIC

LIC
Overall service quality = 0.630(Empathy) + 0.475(Reliability) + 0.386(Assurance)+ 0.337(Responsiveness)
(0.031) (0.031) (0.031) (0.031)
+ 0.207(Tangibles)
(0.031)
R^2 = 0.928

Figures in the parenthesis are standard errors of beta coefficients

Table 10: Comparison Of Beta-Coefficient Values Of Two Regression Equations

Dimension	LIC	ICICI Prudential
	Beta Coefficient Values	Beta Coefficient Values
Tangibility*	0.207	0.459
Reliability*	0.475	0.192
Responsiveness	0.337	0.304
Assurance*	0.386	0.215
Empathy	0.630	0.583

*Significant at 0.05 & 0.10 level of significance

Statistically, beta coefficient values for reliability, assurance dimensions are higher in case of LIC as compared to ICICI Prudential. Whereas, only one dimension tangibility got statistically higher beta coefficient value for ICICI Prudential.

HYPOTHESIS TESTING

The present study was conducted with a null hypothesis that there is no significant difference in the service quality perceptions of public and private sector insurance companies. The hypothesis was tested with the use of t-test. The results of t-test are:-

Table 11 : Group Statistics

Group Statistics					
	VAR00002	N	Mean	Std. Deviation	Std. Error Mean
VAR00001	LIC	5	4.6880	.16459	.07361
	ICICI Prudential	5	3.6811	.18166	.08124

Table 12

	Levene's Test for Equality of Variances		t-test for equality of means						
								95% Confidence Interval of the Difference	
VAR00001	**F**	**Sig.**	**t**	**Df**	**Sig.(2-tailed)**	**Mean Difference**	**Std. Error Difference**	**Lower**	**Upper**
Equal variances assumed	.027	.875	9.185	8	.000	1.00690	.10963	0.75410	1.25970

Levene's test for equality of variances shows that F value is insignificant, so assumption of equal variances is accepted. With this evidence, t-test for equality of means is conducted, and results show that t value is lying outside the confidence interval. Therefore, the null hypothesis is rejected. Further, it proves findings of the present study that there is a difference in the service quality perceptions of customers in the public and private sector insurance companies.

STRATEGIC IMPLICATIONS

The growth trail of Indian economy is reflected in the all sectors including Insurance sector, as it is also an indicator of a country's economy. The private and public insurance companies have been keeping pace with the growing and maturing market economy since this sector opened for private insurance players in the year 2000. The increased competition among public and private insurance companies led to strengthening of prudential norms and technological input to ensure better growth opportunities and on the other, a better service to the customers.

FINDINGS OF THE STUDY

Present study included five dimensions of the service quality perceptions namely, tangibility, reliability, responsiveness, assurance, and empathy. The analysis of these dimensions identified that between public and private insurance companies, private insurance company **ICICI Prudential has high Tangibility in terms of the employees, physical evidence and ambience**. However, public insurance company LIC is the oldest company, but employees of **ICICI Prudential are comparatively more professional**. In case of **Ambience**, again, private insurance companies are spending more than public insurance companies. Therefore, customers perceive it as a quality tangible offer in case of private insurance companies.

The analysis of reliability dimension places the public insurance companies far ahead of the private insurance companies. **Public insurance company LIC is perceived to be More Reliable than private insurance company ICICI Prudential**. It is this factor, on which the public sector insurance companies have been able to improve their perceptions among the customers. Due to this fact, the customers trust them.

The analysis of the other dimension, **Responsiveness again represents the public sector insurance companies as the front runner between public and private sector insurance companies, but the difference is not as much substantial**. The interpretation of this dimension can be done as the employees' capability to respond to the customers. This fact is well represented in the voluminous increase in life insurance business of these public sector insurance companies.

The **Assurance dimension of service quality is also very high in public sector insurance companies rather than in private sector insurance companies**. The analysis revealed the same. This is also correlated to the factors of reliability dimension, as reliability leads to trust and support.

Measurement of the fifth dimension **Empathy identifies better understanding of customers' needs as being very high in public sector insurance companies as compared to private sector insurance companies**. **The results of all these five dimensions tangibility, reliability, responsiveness, assurance and empathy can be summed as public sector insurance company LIC has significantly high quality perception among insurance customers as compared to private sector insurance company ICICI Prudential.**

The overall comparison between public and private sector insurance companies identifies the public sector insurance companies to have higher quality perception than the private sector insurance companies.

CONCLUSIONS

In the increasing competition in insurance industry after Indian Government opened this sector for the private sector, companies want to differentiate themselves from the competitors and stay ahead in the race. The oldest and leading public sector insurance company- LIC in India is facing very stiff competition from the new players entering the market. Established players, mainly LIC, is facing increased competition on one front and a decline in the market share on the other hand. At the same time, they should also make sure that the service quality dimensions like Reliability and Empathy in which they are doing well are given their due importance. Moreover, in case of insurance sector, word of mouth plays a vital role, so keeping this aspect into consideration, leading insurance player should focus on the service quality. Service quality should be used as a strategic tool to get a competitive advantage over the competitors. LIC should focus on assurance and tangibility to further strengthen the level of service quality. The Insurance Industry today is experiencing stiff competition and the major players, including LIC, have come under pressure. Due to this cutthroat competition in the insurance sector, retaining a customer is cheaper than finding a new customer. Major players in the market, especially LIC, have to concentrate on retaining existing customers, which could offer huge business potential in terms of spreading positive word of mouth and also buying new products offered by the company. If we talk about competition in service industry-- time, quality, product range and service create competitive advantage, but the decisive test comes in how these are used by the players to differentiate themselves. The service quality dimensions provided could be a basis for differentiation for the service providers, which could be developed into a Sustainable Competitive Advantage in the long run. These non-price instruments usually have more potency than price changes, because they are hard to match. Any reaction from the competitors to match any of these may require a change in the entire service strategy. So, the existing players can focus on the various service quality dimensions discussed in the present study to create a competitive advantage, which is sustainable and which cannot be easily matched by their new competitors in the long run. Issues like service quality, were difficult to be imitated by their competitors, as it depended on many dimensions and needs a complete overhaul of the entire service strategy of the company.

In case of private insurance companies, they are competing in the market very aggressively. But the low score for reliability dimension is not a good signal for them. Private players need to focus on the reliability part, and at the same time, since they are good at tangibles, they should leverage it for their rapid growth. Assurance is also one area they need to focus, so that customers can be satisfied. In all it is the need of hour for both public sector and private sector insurance companies to concentrate on all the five dimensions of service quality.

SERVICE QUALITY IMPROVEMENT SUGGESTIONS

There is need of hour for the insurance services to reaffirm themselves in view of the stiff competition. The insurance companies shall have to reorient themselves in terms of the customer service parameters to instil the concept of quality service in the mind of the customer and further in terms of growth.

In the language of strategy, the insurance companies in the public sector should focus more on improving the infrastructure. The infrastructure not only involves the information technology input in the branches, regional offices and head office, but also the physical evidence, ambience and layout. This is due to the fact that like in other service organizations, in insurance services also, the internal ambience of the organization has a positive impact on the customers.

The customers trust the public sector insurance companies since these insurance companies have existed in the market for a longer period than the private sector insurance companies. The reliability factor is a positive factor for these public sector insurance companies. These public sector insurance companies should position themselves in the market on the basis of this dimension and promote themselves aggressively. This step will not only help them survive the present onslaught from private sector insurance companies, but also be able to compete in the market.

Another observation is that the customer base of the public sector insurance companies is very large as compared to the private sector insurance companies; therefore, it is important to retain and satisfy those customers with insurance companies. It has become dire need of the hour for the public sector companies to train their employees to treat the customers with empathy. This can give the required leading edge and finally, lend competitive advantage to the public sector insurance companies.

However, in order to be successful in the market, the private sector insurance companies shall have to be more innovative in terms of the insurance product offers to customers and compete with full strength in the market.

One important aspect which needs concentration is reliability. This aspect needs some relevant strategies. As indicated by the study, the private sector insurance companies lack reliability as compared to the public sector insurance companies. So these private insurance players should make relevant strategies for gaining reliability. They should highlight the recent achievements in terms of number of policies, premium collected etc. so that the customers are aware of these and trust these private sector insurance companies.

LIMITATIONS OF THE STUDY

The study was limited only to the city of Hyderabad. Due to the limitations in the time factor, the study was limited only to the major two life insurance companies- one each from public sector and private sector. A single measure of service quality (SERVPERF) was used to measure the service quality of the service providers.

SCOPE FOR FURTHER RESEARCH

Taking into account the limitations of the present study mentioned above, future research could focus on expanding the study to other non-life insurance companies and also by expanding the geographic reach of the study. Another comparison can be done among private and public sector insurance companies in terms of products offered. A Study can be done to measure the gap between expectation and perception of service quality for public and private sector insurance companies.

APPENDIX

Appendix 1 : Factor Loadings for LIC

	Factors loadings				
	1	2	3	4	5
Tangible1		.846			
Tangible2		.777			
Tangible3		.832			
Tangible4		.829			
Reliability1				.496	
Reliability2	.404			.505	.443
Reliability4				.748	
Reliability5	.554			.563	
Responsiveness1	.730			.452	
Responsiveness2	.681				
Responsiveness3	.764				
Responsiveness4	.735				
Assurance1			.718		
Assurance2			.805		
Assurance3	.505		.570		
Assurance4			.850		
Empathy1				.475	.603
Empathy2	.485				.562
Empathy3				.475	.630
Empathy5					.718

Appendix 1(a): Factor Loadings for ICICI Prudential

	Factors loadings				
	1	2	3	4	5
Tangible1				.753	
Tangible2				.700	
Tangible4				.797	
Reliability1			.433		.667
Reliability2					.760
Reliability4					.720
Reliability5	.550				.632
Responsiveness1		.796			
Responsiveness2		.741		.406	
Responsiveness3		.759			
Responsiveness4		.739		.404	
Assurance1	.879				
Assurance2	.881				
Assurance3	.551		.477		
Assurance4	.885				
Empathy1			.707		
Empathy2			.739		
Empathy3			.588		
Empathy5			.573	.482	

BIBLIOGRAPHY

1) Anantharaman R. N., Chandrasekharan Rajendran, and G.S. Sureshchandar. 2003. Customer perceptions of service quality in the banking sector of a developing economy: A critical analysis. *International Journal of Bank Marketing*, 21(3), 233-242.

2) Arasli Huseyin, Salih Turan Katircioglu, and Salime Mehtap-Smadi. 2005. Customer service quality in the greek cypriot banking industry. *Managing Service Quality*, 15(1), 41-56.

3) Babakus, E., and G.W. Boller. 1992. An empirical assessment of the SERVQUAL scale. *Journal of Business Research*, 24, 253-268.

4) Boulding, W., A. Kalra, R. Staelin, and V.A. Zeithaml. 1993. A dynamic process model of service quality: From expectations to behavioural intentions. *Journal of Marketing Research*, 30, 7-27.

5) Buzzell, R.D., L. Phillips, R. Dae, and W. Chang. 1983. Product quality, cost position, and business performance: A test of some hypothesis. *Journal of marketing*, 47(2), 26-44.

6) Cadotte, Ernest R., Robert B. Woodruff, and Roger L. Jenkins. 1987. Expectations and norms in models of consumer satisfaction. *Journal of Market Research*, 24, 305-314.

7) Churchill, G.A., and C. Suprenant. 1982. An investigation into the determinants of customer satisfaction. *Journal of Marketing Research*, 19(4), 491-504.

8) Cowles, D., K.R. Evans, and L.A. Crosby. 1990. Relationship quality in services selling: An interpersonal influence perspective. *Journal of Marketing*, 54(1), 68-81.

9) Cronin, J.J., and S. A. Taylor. 1992. Measuring service quality: A re-examination and extension. *Journal of Marketing*, 56, 55-68.

10) Cronin, J.J., and S. A. Taylor. 1994. SERVPERF versus SERVQUAL: Reconciling performance-based and perceptions-minus-expectations measurements of service quality. *Journal of Marketing*, 58, 125-131.

11) Garvin, D.A. 1983. Quality on the line. *Harvard Business Review*, 61(5), 65-73.
12) Gayathri, H, M. C. Vinaya, and K. Lakshmisha. 2005. A pilot study on the service quality of insurance companies. *Journal of Services Research,* 5(2), 123-138.
13) Gronroos, Christian. 1984. A service quality model and its marketing implications. *European Journal of Marketing*, 18(4), 36-44.
14) Halil Nadiri, and Kashif Hussain, 2005. Perceptions of service quality in north Cyprus hotels. International Journal of Contemporary Hospitality Management, 17(6), 469-480.
15) Johnson, William, C, and Anuchit Sirikit. 2002. Service quality in the thai telecommunication industry: A tool for achieving a sustainable competitive advantage. *Management Decision,* 40(7/8), 693-701.
16) Lam, T., A. Wong, and S. Yeung. 1997. Measuring service quality in clubs: An application of the SERVQUAL instrument. *Journal of Hospitality Marketing*, 4(1), 7-14.
17) Mehta Versha and Alka Sharma. 2004-2005. Service quality perceptions in financial services: A case study of banking services. Journal of Services Research, 4(2), 205-222.
18) Mushtaq A. Bhat. 2005. Service quality perceptions in banks: A comparative analysis. Journal of Business Perspective, 9(1), 11-20.
19) Najjar, Lotfollah, and Ram R. Bishu. 2006. Service quality: A case study of a bank. *The Quality Management Journal*, 5(3), 35-44.
20) Ndubisi, Nelson Oly, and Chan Kok Wah. 2005. Factorial and discriminant analyses of the underpinnings of relationship marketing and customer satisfaction. *International Journal of Bank Marketing,* 23(7), 542-557.
21) Nerurkar, O. 2000. A preliminary investigation of SERVQUAL dimensions in India. Proceedings of the International Conference on Delivering Service Quality Managerial Challenges for the 21st Century, New Delhi, 571-80.
22) Oliver, R.L., and R.T. Rust. 1994. Service quality: Insights and managerial implications from the frontier, service quality: New directions in theory and practice, Sage publications, Thousand Oaks, CA, 1-19.
23) Parasuraman, A., Leonard L. Berry, and Valarie A. Zeithaml. 1985. A conceptual model of service quality and its implications for future research. *Journal of Marketing*, 49, 41-50.
24) _______________1988. SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing, 64*(1), 12-40.

(Contd. From Page 7)

But for a foreign Nationality, the situation is hostile as they are unable to travel back to their native place due to the recovering process. They need help and organized recouping facilities, which are not available. This aspect should be seen as a huge opportunity and if this gap is addressed adequately, with efficient and organized service providers, Indian medical tourism will stand first in the whole world.

CONCLUSION

The role of hospital management in promoting medical tourism is vital. Their interface with the various stake holders can create synergy and common platform for promoting medical tourism to India. Doctor's expertise and their networking can enhance the scope of this field. However certain aspects like language, cross cultural issues are in the scope of the hospital management to nurture and adhere. But other aspects like post operative care, visa and insurance streamlining, air connectivity, laws regarding organs and transplantation are outside the preview of the hospital management but they can intervene effectively with the Government and lobby for their cause which is are also very essential for the growth of this sector. If the hospitals and the Government of India take concrete planned steps to promote this sector it can help in wealth generation.

BIBLIOGRAPHY

1. "Medical Tourism: Opportunities and Challenges for India". Indian Express 16-31March, 2005.
2. "It is advantage India in Medical Tourism: CII" 16 August, 2004.
3. "Medical Tourism sat to take off in a big way" Express Pharma Pulse. Shardul Nautiyal and Sapna Dogra.
4. Booming Medical Tourism in India (2009) www.rncos.com/report/.com
5. Joseph Marlowe and Paul Sullivan (2007) Medical Tourism: The Ultimate Outsourcing. Human Resource Planning 30 (2) pp 8-10.
6. Joan C Henderson (2004) Paradigm Shifts: National Tourism Organizations and Education and Health Tourism. The Case of Singapore. Tourism and Hospitality Research (5) 2 pp 170-180.
7. Lynn Schroth and Ruthy Khawaja (2007) Globalization of Health Care. Frontiers of Health Services Management 24(2) pp 19-30.
8. Noor, Ras (2006) The Future of Health Care; Challenges and Opportunities. Net work Journal 13 (4) pp 12-16.
9. Pamela C Smith and Dana A Forgiore (2007) Global Outsourcing of Health Care: A Medical Tourism Decision Model. Journal of Information Technology Case and Application Research 9 (3) pp 19-30.
10. Zaher Hallab (2006) Catering to the Healthy Living Vacationer Journal of Vacation Marketing 12(1) pp71-91.