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Impact of Service Quality on Customer Satisfaction in Life Insurance Companies in Sri Lanka

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Abstract- Insurance industry is recorded high growth rate in Sri Lanka in the recent years. The delivery of high-quality service is the vital to success in service industries. Customers are likely to choose insurance company that has high quality of service such as provide complete information about the product and services, well-known and positive corporate image, handle the complaints. Service quality is a recent and more dynamic decisive issue in the marketing thought. The population was the customer who has life insurance policies in the top five insurance companies which are lapsed within one year and structured questionnaire is used as a major method to collect primary data. The special case is that population sample was selected from all 25 districts and 200 respondents are selected as the sample out of the total population. This paper examines the impact of Service Quality of the life insurance companies on their customer satisfaction. The SERVQUAL instrument is selected to measure service quality. The results of the study confirms that tangibility, responsiveness, assurance and empathy have a moderate positive influence on customer satisfaction and even though reliability has negative relationship, it impacts on customer satisfaction in the insurance industry. Further the researcher identified that assurance was the most important factor. It has considerable impact on customer satisfaction in Insurance industry.

Keywords: *service quality, customer satisfaction, insurance industry, service quality dimensions.*

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Abstract- Insurance industry is recorded high growth rate in Sri Lanka in the recent years. The delivery of high-quality service is the vital to success in service industries. Customers are likely to choose insurance company that has high quality of service such as provide complete information about the product and services, well-known and positive corporate image, handle the complaints. Service quality is a recent and more dynamic decisive issue in the marketing thought. The population was the customer who has life insurance policies in the top five insurance companies which are lapsed within one year and structured questionnaire is used as a major method to collect primary data. The special case is that population sample was selected from all 25 districts and 200 respondents are selected as the sample out of the total population. This paper examines the impact of Service Quality of the life insurance companies on their customer satisfaction. The SERVQUAL instrument is selected to measure service quality. The results of the study confirms that tangibility, responsiveness, assurance and empathy have a moderate positive influence on customer satisfaction and even though reliability has negative relationship, it impacts on customer satisfaction in the insurance industry. Further the researcher identified that assurance was the most important factor. It has considerable impact on customer satisfaction in Insurance industry.

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I. Introduction

Service Quality in insurance industry is the most significant criteria and asset for evaluating and customer satisfaction and thereby increases the customer loyalty and average retention rate of customers. Service is "any intangible act or performance that one party offers to another that does not result in the ownership of anything" defined by Kotler & Armstrong (2010). It also helps control the competitive position and consequently determines the market share and profits (Shabib, 2002). Therefore, the ability of life insurance companies to continue and survive in the marketplace depends on their ability to respond to the requirements of change and interact with the output of it. In 2017, the insurance industry in Sri Lanka recorded positive growth there are 28 Insurance Companies in Sri Lanka and 60 insurance brokers operating with 45,228 Insurance Agents representing insurers. Further the total assets of Insurance Industry is worth Rs 518,417 million (Insurance Regulatory Commission of Sri Lanka report 2017).

Customers are likely to choose insurance company that has high quality of service such as provide complete information about the product and services, well-known and positive corporate image, handle the complaints (Keong et al., 2014). Furthermore, company needs a valuable perceived value to increase the willingness of customer to purchase insurance policy from them (Eling & Kochanski, 2013). There is widespread customer dissatisfaction in the insurance industry, arising from poor service design and delivery, and inferior quality of services largely account for this (Awlachew, 2015). Lapses may be the source of customer dissatisfaction (Chandarsekaran, 2008). In this relentless rivalry among the life insurance companies, customers are especially mindful of the choices accessible in the connection to services and the provider organization. Presently customer's desires are growing and expanding and service provider organization should be aware of these consumer's expectations. Thusly, this study was attempted to discover the Impact of Service Quality on Customer Satisfaction of Life insurance companies in Sri Lankan context to fill the knowledge gab.

II. Literature

a) Service Quality

Quality can be defined as the totality of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs. It is evident that quality is also related to the value of an offer, which could evoke satisfaction or dissatisfaction on the part of the user (Kotler et al., 2003). According to Siddiqui and Sharma (2010) the life insurance sector, most of the company has equivalent offerings and establishing better service quality may be the only way of differentiating itself from the others. Gayathri et al. (2005) identified that the service quality dimensions could be a basis for differentiation of the insurance players that could be developed into a sustainable competitive advantage for the players in the long run and they also concluded that non-price differentiation

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instruments have a better potential than price differentiation, because any reaction from the competitors to match non-price differentiation may require changes in the entire service strategy. According to Awlachew (2015) has shown that the quality of services and the achievement of customer satisfaction fundamental for the survival of insurers. With a greater choice and an increasing awareness, there is a continuous increase in the customer's expectations and they demand better quality service (Awlachew, 2015).

b) Customer Satisfaction

Customer satisfaction means the feeling of receiving acceptable service (Kobylanski & Pawlowska, 2012). Customers expect businesses to have a simple and seamless service delivery process so they can receive reliable service (Upadhyaya & Badlani, 2011). Customer satisfaction then becomes the total assessment of a customer's experiences with a company, leading to customer loyalty. Loyal customers tend to exhibit two behaviors: repurchase behavior and favorable word-of-mouth, both are largely influenced by the perceived quality of the service and prior satisfaction (Patil, 2012).

The elements of customer satisfaction (or dissatisfaction) include levels of over or under fulfillment and the feeling of receiving fair treatment (Kobylanski & Pawlowska, 2012). Consumers connect service expectations to their satisfaction levels (Patil, 2012). According to Awlachew A. (2015) customer satisfaction has become important to the extent that some service institutions consider it as a key element in their marketing strategies, as the term "post-marketing" is used widely to mean to focus attention and efforts on current customers in order to maximize the level of satisfaction they have and ensure keeping them. According to Awlachew A. (2015) explains many studies have addressed the definition of customers" satisfaction. Customer's satisfaction has been defined as the feeling or attitude of customers about the product or service after use, so that the satisfied customer about a service or product will use it once again, in addition to the transfer of such good feeling to others and encourage them to experience this item or service (Kobylanski & Pawlowska, 2012).

c) Service Quality and Customer Satisfaction

Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service (Wilson et al., 2008). According to Zeithaml et al. (2006) although it is stated that other factors such as price and product quality can affect customer satisfaction, perceived service quality is a component of customer satisfaction. When consider insurance sector if the insurance company cannot meet the customer's desire, the perceived value to the insurance company tends to be lowered (Johri, 2009). Scholars Upadhyaya & Badlani (2011) investigated that based customer satisfactions on insurance sector. Life insurance is a large yet poorly understood industry. Most policies lapse before they expire.

III. Results and Discussion

Table 3.1: Pearson Correlation analysis

Variable	Customer Satisfaction	P Value
Tangibility	0.555	0.000
Reliability	0.777	0.000
Responsiveness	0.769	0.000
Assurance	0.828	0.000
Empathy	0.753	0.000

Source: Authors calculations using survey data

According to the above table, the reliability, responsiveness, assurance and empathy have the high relationship with the customer satisfaction. All five service quality dimensions are having strong positive relationship with customer satisfaction. In addition, the level of the statistical significance of P-value was 0.000 for all five service quality dimensions. Hence it has been supported for the relationship.

Table 3.2: Multiple Regression Model Summary

Model	R	R^2	Adjusted R Square	Std. Error of the Estimate
1	0.888[a]	0.790	0.784	0.41386

Source: Authors calculations using survey data

Table 4.2 shows the model summery of regression analysis. Value of the explanatory power (R2) shows the degree to which extent the variance of the dependent variable is explained by independent variables. Looking at R2, it can be concluded that, 79.0% (0.790) of the variance of customer satisfaction of life insurance companies in Sri Lanka are explained by tangibility, reliability, responsiveness, assurance and empathy of the life insurance service. Only 21% of the variance of customer satisfaction is explained by other

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influencing factors which are not covered by the current study.

Table 3.3: Multiple Regression Model Summary

Variable	Unstandardized Coefficients		Unstandardized Coefficients Beta	T	Sig.
	B	Std. Error			
(Constant)	-0.309	0.141		-2.187	0.030
Tangibility	-0.269	0.061	-0.226	-4.396	0.026
Reliability	0.245	0.083	0.188	2.963	0.091
Responsiveness	0.336	0.064	0.305	5.240	0.034
Assurance	0.554	0.085	0.460	6.555	0.004
Empathy	0.263	0.073	0.203	3.583	0.044

Source: Authors calculations using survey data

Table 3.3 shows the coefficient table of the regression analysis. B value of the table represents the degree to which extent the dependent variable can be affected by a certain independent variable while other independent variables remain constant. B coefficient for tangibility is -.269 indicates that increasing 1 unit of tangibility causes to decrease in customer satisfaction by-.269 units while other independent variables remain constant. Reliability involves 0.245 B value, which denotes, when reliability increases 1 unit customer satisfaction also increases by 0.245 units and vice versa. Responsiveness has 0.336 B value which indicates that, when responsiveness increases by 1 unit, customer satisfaction increase by 0.336 units while other independent variables remain constant and vice versa. Assurance has 0.554 B value which indicates that, when assurance increases by 1 unit, customer satisfaction increase by 0.554 units while other independent variables remain constant and vice versa. Finally analyzing the B coefficient of empathy, it can be concluded as, when assurance increases by 1 unit customer satisfaction also increase by 0.263 units 53 and vice versa.

The main objective is to find out the impact of service quality on customer satisfaction in Life Insurance Companies in Sri Lanka. The studies of Parasuraman et al., (1988), suggest service quality leads to customer satisfaction. Among the five SERVQUAL dimensions tangibility, responsiveness, assurance and empathy were found to be significant predictors on customer satisfaction. This implies that these four dimensions are most important to life insurance industry customer satisfaction. Regression Analysis shows that tangibility has a significant positive impact on customer satisfaction. The finding is supported by the previous researchers specially Awlachew A. (2015).

According to Gunarathne W.H.D.P.U., (2014) tangibility was found to be significant to customer satisfaction. Results from hypotheses testing also show that tangibility found to have positive impact on customer satisfaction. This is in line with Awlachew A. (2015) in this research it has positive impact on customer satisfaction. Responsiveness has positive impact on customer satisfaction. This evidence is supported by the findings by, Awlachew A. (2015). As suggested by Gunarathne W.H.D.P.U. (2014) responsiveness was found to be significant to customer satisfaction. Results from hypotheses testing also show that responsiveness found to have positive relationship with customer satisfaction. This result is helps to the findings by Pollack B.L. (2009) and proved that responsiveness has positive impact on customer satisfaction. According to Parasuraman et al., (1988) responsiveness positively related with customer satisfaction.

Assurance has positive impact on customer satisfaction. As suggested by Gunarathne W.H.D.P.U. (2014) assurance was found to be significant to customer satisfaction. Results from hypotheses testing also show that responsiveness found to have positive relationship with customer satisfaction. The results proved that responsiveness has positive impact on customer satisfaction. Empathy has positive impact on customer satisfaction. This evidence is supported by the findings by, Awlachew A. (2015). Results from hypotheses testing also show that empathy found to have positive relationship with customer satisfaction. This result is proved that empathy has positive impact on customer satisfaction. According to Parasuraman et al., (1988) empathy positively related with customer loyalty. This study proved that reliability does not significantly effect on Customer satisfaction of life insurance companies in Sri Lanka. The significant value of the reliability is greater than 0.05. Here tangibility, responsiveness, assurance and empathy were impact on customer satisfaction. According to the research, researcher identified that assurance was the most important factor. It has considerable impact on customer satisfaction in life insurance companies in Sri Lanka.

IV. Conclusion

The total gap score for the three insurance companies showed a negative gap score which means

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that the customers of the insurance companies were not satisfied by the five service quality dimensions. The correlation result showed that, the five service quality dimensions (tangibility, responsiveness, assurance, empathy and reliability) were positively and significantly related with customer satisfaction.

In terms of the stated research hypotheses the following specific empirical findings emerged from the investigation. The following conclusions were made by researcher. By considering the finding of the study researcher came in to conclusion that is tangibility, responsiveness, assurance and empathy have a moderate positive influence on customer satisfaction and even though reliability has negative relationship, it impacts on customer satisfaction in the insurance industry.

In this study researcher found that most influential dimension which contribute to the customer satisfaction are tangibility, responsiveness, assurance and empathy. According to the regression analysis above variables have positive relationship with the customer satisfaction. Tangibility is the other factor which was affected to increase the customer satisfaction. Life insurance industry staff members should help customers in pleasant and effective way. The customers believed that the employees who are employed in the life insurance company treated the customers in heartiest, friendliness as well as polite with customers.

Ultimately the researcher concluded the findings as the customers are satisfy with the empathy. Life insurance industry customers require caring individualized attention to its valuable customers such as solving customer's enquiries and problems. But reliability had few impacts respectively to the customer satisfaction.

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