

Influence of Demography on Service Quality: A Study from Indian Life Insurance Industry

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***Abstract:** After the privatization of Indian Insurance Industry, intensive competitive environment came into existence and companies started selling diversified product mix to attract the customers and fulfill their needs and ensure satisfaction through customers' positive perception. The objective of this research study is to investigate whether demographic characteristics have influence on the perception of customer towards the quality of services rendered by life insurance players. Data was collected from 1000 life insurance customers and quota sampling was chosen as the sampling technique. Parasuraman's SERVQUAL scale was used without any modification. This study reveals that education level has significant influence on the perception of life insurance customers on all dimensions. It is concluded that empathy is the most significant dimension. This study investigates the influence of demographic profiles on the perceived service quality of life insurance customers.*

***Keywords:** Demographic Characteristics, Service Quality, Customers' Perceptions, SERVQUAL Scale.*

INTRODUCTION

In India, insurance has a deep-rooted history and dates back to 1818 with the establishment of the Oriental Life Insurance Company at Calcutta, the first insurance company, which was followed in quick succession by the Bombay Life Assurance Company (1823) and Madras Equitable Life Assurance Society (1829). After independence, there were 245 Indian and foreign insurance and provident societies and they were first amalgamated and then nationalized in 1956. The Life Insurance Corporation (LIC) thus came into existence. For the first time in the year 2000, insurance sector was opened up to the private sector with the enactment of Insurance Regulatory and Development Authority (IRDA). Apart from LIC, at present there are 23 private insurers in life insurance sector in India. The FDI limit in the insurance sector has been capped at 26% for the foreign marketers but the government is thinking to increase it to 49%. Several new players are expected to enter India's rapidly growing insurance market, particularly in the life insurance market, especially, if the FDI limit is raised

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from 26% to 49%. However, LIC continues to be the dominant life insurer even in the liberalized scenario of Indian insurance and is moving fast on a new growth surpassing its own past records.

The life insurance sector has been discernibly shifting from the sellers' market to buyers' market. Consumers are given more options to choose from innovative customized products. As regards to service quality, the individual's experience of a perceived service forms the basis of an assessment of its quality. Quality is a property of a service and customer satisfaction is a result of service quality. Clearly, measurement of service quality in service sector should take into account customers' expectations as well as perceptions of service. The majority of works on service quality to date has attempted to use the SERVQUAL (Parasuraman, Zeithaml and Berry, 1985; 1988) instrument in an effort to measure service quality (e.g. Brooks, Lings, and Botschen, 1999; Brown and Swartz, 1989; Chaston, 1994; Edvardson, Larsson, and Setterlind, 1997; Kassim and Bojei, 2002; Lings and Brooks, 1998; Pitt, Oosthuizen, and Morris, 1992; Sahney, Banwet, and Karunes, 2004; Young, Cunningham and Lee, 1994). Study on the impact of demographic factors on service quality is a critical one, since different classes of customers may have different perceptions towards their service providers.

LITERATURE REVIEW

It is interesting to identify here about the applicability of SERVQUAL to financial services, particularly insurance services. The SERVQUAL instrument has been used indifferent occasions by different authors (e.g. Ahmad and Sungip, 2008; Bhatt, and Jain, 2010; Chow – Chua and Lim, 2000; Gayathri, Vinaya, and Lakshmisha, 2005; Goswami, 2007; Harrison, Waite, White, 2006; Joseph, Stone, and Anderson, 2003; Mehta, Lobo, and Hhong, 2002; Prakash Vel, Ravichandran, and Chan Kok Eng 2005; Singh and Arora, 2003; Vanniyarajan, Praba Devi and Shankari, 2008) to measure service quality in life insurance sector.

Service quality is one of the most dominant themes of research in services. Parasuraman, *et al.* (1985 and 1988) state that service quality is determined by the differences between customer's expectations of services provider's performance and their evaluation of the services they received and assert that customers are the sole judge of service quality. There is general agreement that service quality can be determined by many dimensions. Grönroos (1984) identified three components of service quality: technical quality; functional quality; and image. Lehtinen and Lehtinen (1982) also contend that service quality has three dimensions, viz. Physical Quality, Corporate Quality and Interaction Quality. Parasuraman *et al.* (1985) reported a ten-factor model of service quality. The factors included reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding, and tangibles. Based on their further testing and refinement, they developed a conceptual model of service quality consisting of one tangible factor and four intangible factors of service quality such as reliability, responsiveness, assurance and empathy

(Parasuraman *et al.*, 1988). The service quality is the key to measure customer satisfaction (Pitt, Watson, and Kanvan, 1995).

Demographic characteristics do have an impact on the service quality perceptions and hence influence the decision making. Comparing demographic variables of the internet banking users to the non-internet banking users, Padachi, Rojid, and Seetana (2008) finds that there is no significant difference between the two groups of users with respect to age group and the education level of the respondents. Jamal, Evan and Foxall (2006) say that demographic characteristics influence the purchase decisions of consumers. They notified that such decisions differ with respect to age, gender, age and occupation.

Since life insurance customers require, besides pre-sales services, different kinds of services at different time periods during the policy term, quality service should be the foremost priority of life insurance companies to maintain the level of customer satisfaction and to retain their customers. While assessing service quality in Malaysia insurance industry, Ahmad and Sungip (2008) finds that the gender has influence empathy dimension and male and female perceptions in empathy dimension are significantly different. They further conclude that Assurance is the most significant between the almost demographic factors in expectation and Responsiveness is the most significant between the almost demographic factors in perception.

STATEMENT OF PROBLEM AND RESEARCH OBJECTIVES

In today's competitive business environment, the factor that enables insurance companies to attract and retain customers is service quality. Since the duration of a life insurance contract is too long, customers may require different types of services in different time periods based on their personal characteristics. Consistently giving quality service to the customers can help in bringing the real value and meaning to business. What the customers really want is the core service to meet their needs. Many factors such as religion (Henderson and Milhouse, 1987), culture (Douglas and Wildavsky, 1982), demography (Ilias, Hasan, Rahman, Yaso, 2008), psychological and social factors (Brown 2006) influence consumer behaviour and consequent service quality.

However demographic characteristics are one of the factors that may have great influence on the perception of service quality. Very few researches have been done to look into the impact of demographic factors which contribute towards service quality. The main objective of this research study is to investigate the impact of demographic characteristics on the perception of service quality in the context of life insurance industry in India. Emphasis has been given in studying the influence of demography on all five SERVQUAL Dimensions separately.

RESEARCH METHODOLOGY

This research study is both exploratory and descriptive in nature. The target population chosen for the study are those who have purchased a life insurance policy after the

liberalization of insurance industry, i.e., after the year 2000 from either LIC (public sector) or any one of the private life insurance companies namely-ICICI Prudential, HDFC Standard life, Birla Sun life, SBI Life and Bajaj Allianz. The sample base is NCR (Delhi, Noida, Gaziabad, Faridabad, Gurgaon). Quota sampling is chosen as the specific method amongst the non-probability methods. A sample of 1000 life insurance customers, public sector (500) and private sector (500), were administered a well-structured questionnaire.

The method of data collection comprised the personal interview as well as mailed questionnaire methods. Questionnaire contains the questions related to the SERVQUAL factors on customers' expectations and perceptions of service quality and service encounter in life insurance industry. The customers' actual realization of these factors was measured using a 7-point scale ranging from Extremely Good to Extremely Bad. The questionnaire was initially pre-tested on fifty conveniently selected customers (25 from public sector and 25 from private sector) and slight modifications were made.

The study uses the SERVQUAL instrument capsulated into five dimensions of service quality (Parasuraman *et al.*, 1988, 1991). Even though different researchers have modified this scale according to the nature of services concerned, this research uses the initial 22 attributes of SERVQUAL without any modifications. SERVQUAL consists of the five dimensions comprising 22 attributes as explained below:

Tangibles (TA): Condition of Equipment, Appearance of Facility, Appearance of Staff and Ambience in the Facility.

Reliability (RL): Staff's Sincerity in Services, Staff's Problem Solving Ability, Correct Service Performance, Service Provision in Time and Record Keeping Accuracy.

Responsiveness (RS): Waiting time for service, Promptness in responding, Willing to help customers and Availability to respond.

Assurance (AS): Trustworthiness of staff, Ease in interacting with staff, Politeness of the staff and Ability of staff to answer questions.

Empathy (EM): Individual attention paid, Personal attention paid, Understanding customer's need, Sensitiveness to customer's best interest and Convenient operating hours.

HYPOTHESES

Socio-Demographic factors considered for this research study are Gender, Age, Marital Status, Education, Income, and Occupation. Following are the hypotheses used to determine the effect of demographic factors on service quality in life insurance services in India.

H₁: Gender has influence on SERVQUAL dimensions.

H₂: Age has influence on SERVQUAL dimensions.

H₃: Marital Status has influence on SERVQUAL dimensions.

H₄: Education has influence on SERVQUAL dimensions.

H₅: Income has influence on SERVQUAL dimensions.

H₆: Occupation has influence on SERVQUAL dimensions.

DATA ANALYSIS

The hypotheses were tested through the independent sample test (*t*-test), and analysis of variance (*f*-test). Independent sample *t*-test has been used in case of gender and marital and one-way ANOVA to determine the effect of other demographic factors on service quality in life insurance industry.

Demographic Profile

The demographic profile of the respondents is shown in Table 1. The respondents have been classified on the basis of gender, marital status, age, education, occupation, and monthly income. Of the sample collected, most of the respondents are married (80.6%) and between the age of 35–45 (45.5%). Education level considered for this study is the regular education from any recognized university or institute. Other qualifications include diploma, certificate, doctoral, and etc. It is observed that majority of respondents were educated. Moreover, among all respondents almost half of them earn in between Rs. 20,000 and Rs. 40,000. A close look at the table clearly indicates that the frequencies are normally distributed among different categories of all demographic characteristics.

Impact of Gender on Service Quality

Table 2 indicates the analysis of independent sample *t*-test in determining the differences of SERVQUAL dimensions perceived by the gender in assessing service quality. Female customers have shown more perception on Assurance factor with mean 5.1127. The *F*-values for Tangibility, Responsiveness, and Empathy indicate significant difference at level $p < 0.05$. It means that perceptions between male and female life insurance customers are significantly different in Tangibility, Responsiveness, and Empathy dimensions. However, even though mean scores of male respondents' attitude are slightly different from that of their female counterpart, it is found that gender does not have any significant impact on reliability and assurance dimensions while perceiving service from their respective life insurance companies.

Impact of Marital Status on Service Quality

The analysis of determining the differences of SERVQUAL dimensions perceived by married and unmarried customers is shown in the table 2. The *F*-Value of marital status for Responsiveness, Assurance and Empathy rejects the null hypothesis at level $p < 0.05$. This means that the marital status has significant impact on Responsiveness, Assurance and Empathy dimensions. It is also noted that the unmarried group

compared to married scores highest mean in terms of perceived service quality on all dimensions. Therefore it can also be concluded that perception level of married people is lower than that of unmarried people.

Impact of Age on Service Quality

The demographic characteristic Age was categorized into four such as less than 25, 25–35, 35–45, and above 45. The impact of age on the perception of service quality is analysed here. It is found that almost for all dimensions, except Empathy, people in the age group 25–35 shows a high level of perception of service quality as compared to other age groups. The overall perception among the people above the age 45 is somewhat lower than other. As shown in table, the significance level $p < 0.05$, for the Responsiveness dimension. It indicates that null hypothesis can be rejected and alternate hypothesis is substantiated. It means that age has significance impact on Responsiveness perceived by life insurance customers.

Table 1
Demographic Profile of Respondents

Characteristics		Frequency		
		LIC	Private	Total
Gender	Male	332	322	654
	Female	168	178	346
	Total	500	500	1000
Marital Status	Married	432	374	806
	Unmarried	68	126	194
	Total	500	500	1000
Age	Age < 25	50	62	112
	25 – 35	109	138	247
	35 – 45	243	212	455
	Age > 45	98	88	186
	Total	500	500	1000
Regular Education	School Level	74	75	149
	Graduation	270	255	525
	Post Graduation	143	158	301
	Others	13	12	25
	Total	500	500	1000
Occupation	Service (Govt.)	96	100	196
	Service (Pvt.)	163	156	319
	Prof./Business	149	137	286
	Others	92	107	199
	Total	500	500	1000
Monthly Income (in Rupees)	Income < 20,000	124	140	264
	20,000 – 40,000	242	209	451
	40,000 – 60,000	89	106	195
	Income > 60,000	45	45	90
	Total	500	500	1000

Table 2
Impact of Demographic Variables on Perception

<i>Demographic Factors</i>		<i>SERVQUAL Dimensions (Mean)</i>				
		<i>Tangibility</i>	<i>Reliability</i>	<i>Responsiveness</i>	<i>Assurance</i>	<i>Empathy</i>
Gender	Male	4.9006	5.0841	4.9308	5.0646	4.7199
	Female	5.0275	4.9925	4.8121	5.1127	4.8254
F - Value		3.948	1.836	4.896	3.341	9.867
Sig.		0.047	0.176	0.027	0.068	0.002
Marital Status	Married	4.8986	5.0352	4.8396	5.0478	4.7395
	Single	5.1353	5.1237	5.0979	5.2204	4.8268
F - Value		1.526	1.424	5.788	9.708	7.816
Sig.		0.217	0.233	0.016	0.002	0.005
Age	< 25	4.9777	5.0232	4.9219	5.0759	4.6750
	25 – 35	5.0182	5.1409	5.0840	5.0911	4.7644
	35 – 45	4.9132	4.9972	4.8434	5.0846	4.7327
	≥ 45	4.9032	5.0871	4.7258	5.0632	4.8527
F - Value		0.823	1.383	4.382	0.031	0.898
Sig.		0.481	0.247	0.004	0.993	0.442
Regular Education	Schooling	4.6829	4.8376	5.0923	5.0336	4.5060
	Graduation	5.0452	5.1406	4.9367	5.1986	4.8872
	Post-Grad.	4.9194	5.0066	4.7002	4.9369	4.6718
	Others	4.6900	5.0320	4.9800	4.6400	4.5200
F - Value		6.510	4.456	5.213	6.280	7.319
Sig.		0.000	0.004	0.001	0.000	0.000
Occupation	Service (Govt.)	4.7679	4.9286	4.8151	5.0293	4.5112
	Service (Pvt.)	4.9859	5.0132	4.8072	5.0219	4.8351
	Prof./Business	4.9895	5.1650	4.9685	5.1556	4.7937
	Others	4.9874	5.0754	4.9824	5.1206	4.8181
F - Value		2.827	2.764	1.905	1.170	4.954
Sig.		0.038	0.041	0.127	0.320	0.002
Monthly Income	< 20 K	4.7737	5.0402	5.1127	5.2661	4.5697
	20 K – 40 K	5.0072	5.1042	4.8841	5.0610	4.8891
	40 K – 60 K	4.9744	5.1097	4.7705	5.0269	4.7333
	> 60 K	5.0667	4.7044	4.5222	4.7583	4.6889
F - Value		4.100	4.920	8.067	6.438	5.883
Sig.		0.007	0.002	0.000	0.000	0.001

Impact of Education on Service Quality

Education, in this study, was divided into four categories such as school level, graduate, post-graduate, and others. Analysis of variance is used to determine the impact of education level on the SERVQUAL dimensions perceived by life insurance customers. It is observed from the table that people who are graduates have greater mean score of perceived service quality on almost all dimensions, except responsiveness, than the people in other categories. The *F*-Value of for all dimensions of SERVQUAL scale indicates significant differences at level $p < 0.05$. This means that the education level has significant influence on the perception of all dimensions.

Impact of Occupation on Service Quality

All kinds of employment are taken into this study. However, the researcher divided the occupation into four categories such as government service, private service, professionals and business people, and others like self – employed. The F–value for the dimensions of Tangibles, Reliability, and Empathy rejects the null hypothesis. This means that there is significant impact of occupation on perception of only these service quality dimensions. The category of businessmen and professionals compared to other occupation group scores the highest level of consensus of perception in relation to Tangibility, Reliability, Assurance and Empathy and the government employees' mean score is the lowest in term of Tangibles, Reliability and Empathy. Working status of life insurance customers has a significance effect on their perception of service quality.

Impact of Income on Service Quality

The last demographic characteristic under this research is monthly income. Respondents are divided into four groups according to their income as follows: less than Rs. 20,000, Rs. 20,000–Rs. 40,000, Rs. 40,000–Rs. 60,000, and above Rs. 60,000. Data were categorized according to these groups. It is interesting to note that the F–Value of monthly income for all five dimensions indicates significant differences at level $p < 0.05$. This means that the occupation has significant impact on the overall perceived service quality in relation to life insurance services. However, classifying occupation into more categories could have changed the average perception of service quality within the categories.

CONCLUSION

The biggest challenge faced by life insurance industry is ensuring positive customer perceptions for better customized service. As a result, insurers are heavily forced to concentrate on customer relationship management (CRM) to ensure customer satisfaction and customer retention. Quality is the ultimate tool which plays the important and significant role in determining and influencing customer satisfaction. Impact of demographic profile of customers on their perception of service quality is a subject matter of concern, since expectations differ from profile to profile and so is the perception. An effort has been made in this study to assess the effect of demographic factors on the perceptions of life insurance customers on service quality. It is concluded that gender does not have any significant impact on reliability and assurance dimensions while perceiving service from their respective life insurance companies and perception level of married people is lower than that of unmarried people. The factors namely education and monthly income have significant influence on the perception of all dimensions. Among the five SERVQUAL dimensions, Empathy is the most significant dimension, which is influenced by demographic variables while assessing service quality in life insurance industry. It is expected that findings from such survey would constitute vital input for insurers in designing marketing strategies that would further stimulate and boost patronage and perception of insurance services.

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