AN EVALUATION OF SERVICE QUALITY AND CUSTOMER'S SATISFACTION OF GENERAL INSURANCE COMPANIES IN SURAT CITY: A STUDY BASED ON SERVQUAL GAP MODEL

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ABSTRACT

In today's era, service sector plays a significant role for the development of the economy of any country. Competition plays vital role for the improvement of quality of services. So, this study focuses on service quality and customers' satisfaction of general insurance companies in Surat city. Total 50 customers have been taken as respondents from general insurance companies in Surat city. Data has been collected by applying convenience sampling method by using a structured questionnaire. Questionnaire has been framed on the basis of SERVQUAL model. Data has been analyzed by using average, percentage, frequency distribution, gap-score and t-test. From the analysis, it has been concluded that customers are satisfied with the services of general insurance companies in Surat city. It has been found that there is a positive gap between customers' perception and customers' expectation.

KEYWORDS: *Service Quality, SERVQUAL Gap Model, Customer Satisfaction, General Insurance.*

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Introduction

Insurance is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for payment. An insurer is a company who is selling the insurance policy; an insured, or policyholder, is the person or entity buying the insurance policy. The insurance rate is a factor used to determine the amount to be charged for a certain amount of insurance called the premium. General Insurance is relevant only if there are uncertainties. If there is no uncertainty about the occurrence of an event, it cannot be insured against. General Insurance does not protect the asset. At the same time, the general insurance cannot prevent the loss to the assets that has caused due to the perils. Non-life or general insurance deals with insurance covering non-life objects like animals, agricultural crops, goods, factories, cars etc. Non-life insurance also covers losses through individual behaviors like fraud, burglary, non-fulfillment of promises (in case of repayment of mortgage loans), professional negligence by doctors etc. In recent years, the interest in service quality has been increased because of competition and implication of total quality management (TQM) concepts in the service industry. Now-a-days insurance industry focuses on service quality to provide satisfaction to the customers. Customer satisfaction is dependent on congruence of expectations and performance of the product or service. It is believed that the customers compares the product/service performance with what he/she was actually expecting and if the performance matches the expectations, the customer is satisfied, if it falls short of expectations, the customer is dissatisfied and if it surpass the expectations, the customer is delighted. The satisfaction is a-person's feeling of pleasure or disappointment which resulted from comparing a product's perceived performance or outcome against his/her expectations.

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Review of Literature

Parasuraman et al. (1985) revealed ten dimensions viz., tangibles, reliability, responsiveness, competence, courtesy, credibility, security, communication, understanding, and access in the original model of service quality.

Seth and Deshmukh (2004) have critically appraised various service quality models and identified issues for future research based on the critical analysis of literature. The paper critically examined 19 different service quality models reported in the literature. The review of various service quality model revealed that the service quality outcome and measurement is dependent on type of service setting, situation, time, need etc factors. Riadh Ladhari (2009) reviewed 20 years (1988-2008) of research on the SERVQUAL scale for measuring service quality.

Bala, Sandhu and Nagpal (2011) have measured the service quality of life insurance companies. The aim of paper is to test the reliability and to examine the dimensionality of SERVQUAL instrument in the life insurance sector. Besides, the study has identified deficiencies in the specific areas of service quality where concentrated efforts are required to be made.

Sharma and Goel (2011) have made an attempt to assess the service quality in insurance sector. The present study focused on developing a valid and reliable instrument to measure customer perceived service quality and comparing these between Indian and Chinese Insurance companies. The resulting validated instrument comprised of six dimensions: assurance, personalized financial planning, competence, corporate image, tangibles and technology. The study found that although both the countries are operating in similar service environment but the responses to these service quality components differ from customers of one country to another.

Service Quality and SERVQUAL Gap Model

- **Service Quality–A Conceptual Framework:** Service quality is needed for creating customer satisfaction and service quality is connected to customer perceptions and customer expectations. Service quality is considered as a critical determinant of competitiveness. Service quality can help to differentiate itself from other competitors. Oliver (1997) argues that service quality can be described as the result from customer comparisons between their expectations about the service they will use and their perceptions about the service company.

- **Service Quality Gap Model:** Valarie Zeithamal, A. Parasuraman, and Leonard Berry identify four potential gaps within the service organisation that may lead to a fifth and most serious final gap– the difference between what consumers expected and what they perceived was delivered. The different five gaps are:

  - **The Knowledge Gap (Gap 1):** It is a gap between customer's expectations and management's perception. The knowledge gap is difference between what senior management believes customers expect and customer's actual needs and expectations.

  - **The Policy Gap (Gap 2):** It is a gap between management perceptions and service quality specification. The policy gap is the difference between management's understandings of customer's expectations and the quality standards established for service delivery. The management make policy decision not to deliver what they think customers expect. Reasons for setting standards below customer's expectations typically include cost and feasibility considerations.

  - **The Delivery Gap (Gap 3):** It is a gap between service quality specification and service delivery. The delivery gap is the difference between specified service delivery standards and the delivery teams and service operation's actual performance on these standards.

  - **The Communication Gap (Gap 4):** It is a gap between service delivery and external communications. The communication gap is the difference between what company communicates and what actually delivers to its customers.

  - **The Perception Gap (Gap 5):** It is gap between customer expectations and customer perceptions. The customer gap is difference between customer perceptions and customer expectations. Customer's expectation is what customer expects according to available resources and social & cultural background. Customer perception is totally subjective and based on customer's interaction with product or service. The customer gap is most important gap.

Chart 1: Service Quality Gap Model
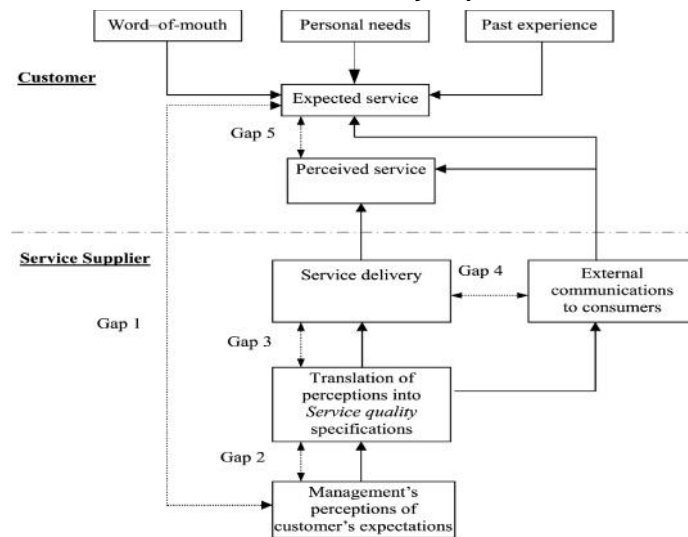
Source: Parasuraman *et al.* (1985)

- **What Is SERVQUAL Instrument?:** SERVQUAL is an assessment tool. It is useful to assess the service quality. Since the development of SERVQUAL, it has been applied in a variety of businesses to assess the service quality. SERVQUAL is the most favoured instrument for measuring service quality (Robinson, 1999).

Research Problem

In last decade the service sector has focused on service quality because of competitiveness. The major challenges are to provide better services, to meet customer expectations and to face competition. The most successful service provider companies are that which provides better goods or services to their customers. So this paper presents that how to determine the service quality and customer satisfaction of general insurance companies in Surat city.

Objectives

- To identify the service quality difference between the expected service and perceived services of general insurance companies in Surat city.
- To study the customer satisfaction towards the service quality of general insurance companies in Surat city.

Significance of the Study

There are many studies conducted in the field of life insurance, non-life insurance, customer satisfaction and service quality in India and outside India. But very few of the studies have been conducted in the field of a study on evaluation of service quality of general insurance companies in Surat city with respect to vehicle insurance. The present study will contribute to get idea about the service quality of general insurance companies in Surat city particularly. The study provides in depth scenario for the service quality of general insurance companies in Surat city.

Research Methodology

- **Data Collection:** Primary data were collected through structured questionnaire which were filled up by individual policy holder. The data have been collected from 50 policy holders of general insurance companies in Surat city. The data have been collected from the policy holders of four general insurance companies namely the New India Assurance Co. Ltd., the National Insurance Co. Ltd., the ICICI Lombard General Insurance Co. Ltd. and the Bajaj Allianz General Insurance Co. Ltd.
- **Tools and Techniques:** The SERVQUAL scale was applied to measure the five dimensions of service quality viz., tangible, reliability, responsiveness, assurance and empathy. Five point Likert's scale was used to construct the questionnaire. In order to analyse the collected data statistical techniques like average, percentage, one sample t-test and frequency distribution have been applied.

- **Hypothesis:**

  H_{0a}: There is no service quality gap between customers' perception and expectation of general insurance companies in Surat city.

  H_{0b}: Customers are not satisfied with the services of general insurance companies in Surat city.

- **Data Analysis**
  - **Demographic Profile of Respondents**

Table 1: Demographic Profile of Respondents (n=50)

Demographic Factors		No. of Respondents	
		F	%
Gender	Male	21	42
	Female	29	58
Age	24	15	30
	25-34	24	48
	35-44	07	14
	45	04	08
Marital status	Married	29	58
	Unmarried	21	42
Educational qualification	Under graduate	09	18
	Graduate	25	50
	Post graduates	11	22
	Professional	05	10
Annual income	Below Rs.1,50,000	16	32
	Rs.1,50,001 to Rs.3,00,000	17	34
	Rs.3,00,001 to Rs.4,50,000	07	14
	Above Rs.4,50,001	10	20
Occupation	Student	11	22
	Service	27	54
	Professional	04	08
	Business	08	16

Table 1 indicates the demographic profile of respondents that out of 50 respondents 21 respondents were male whereas 29 respondents were female. 50% of respondents were graduate whereas 18% of respondents were under graduate. Majority of respondents concerned with service. 27 respondents were concerned with the service and 08 respondents were concerned with the business activity. It was also found that majority of the respondents (48%) are in the age group of 25–34 years. Majority of respondents (17) who have annual income between Rs.150001 to Rs.300000. Data says that 29 (58%) respondents were married.

- **Overall Service Quality Gap Score For General Insurance Companies:**

Table 3: Overall Service Quality Gap Score for General Insurance Companies

Service Quality Dimensions	Perception (P)	Expectation (E)	Gap Score (P)–(E)	Null Hypothesis
Tangible	4.08	3.33	0.75	Rejected
Reliability	4.11	3.20	0.91	Rejected
Responsiveness	4.05	3.20	0.85	Rejected
Assurance	3.95	3.45	0.50	Rejected
Empathy	3.85	3.26	0.59	Rejected
Overall	4.01	3.29	0.72	Rejected

From the Table 1, it can be seen that there is a gap between the score of all the five dimensions. Hence, the null hypothesis has been rejected which implies that there is a gap between customers' perceptions and their expectations for the service quality of general insurance companies in Surat city.

- **Overall Satisfaction**

Table 2: Overall Customer Satisfaction (One Sample t-test)

Variable	t	N	Df	Sig(2-tailed)	Mean difference	Mean	Null hypothesis
Customer satisfaction	27.230	50	48	0.000	3.837	3.84	Rejected

From the table 2, it can be found that p value is less than 0.05 therefore the null hypothesis is rejected and alternate hypothesis is accepted. The mean score of customer satisfaction is greater than 3 which implies that customers are either satisfied or neutral. Therefore it can be concluded that with 95% confidence limit customers are satisfied.

Limitations

- The study is limited to 400 respondents of selected general insurance companies of Surat city.
- It may be possible there was biasness in the responses given by respondents, which ultimately constrains the result of study.

Conclusion

On the basis of result and discussion, it can be concluded that customers of Surat city are satisfied with services of general insurance companies. The study concludes that general insurance companies of Surat city are providing services as per the expectations of customers for any of the dimensions mentioned in the study. The general insurance companies are providing better quality services than expected by the customers.

Managerial Implication

The study revealed that there is significant positive gap exists in all the dimensions of service quality as per the SERVQUAL model for the general insurance companies in Surat city. The study also suggested that SERVQUAL model is a suitable instrument for measuring the service quality in the general insurance companies in Surat city. Therefore, the management of the general insurance companies may use this instrument for measuring service quality time to time. Although, the significant positive service gap exists in all the dimensions of service quality, the general insurance companies' management should emphasize to provide better service as the competition is increasing day by day.

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