



## **EFFECTS OF THE SERVICE QUALITY ON CUSTOMER SATISFACTION IN SRI LANKAN LIFE INSURANCE INDUSTRY**

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### **ABSTRACT**

*The insurance industry in Sri Lanka has the goal to provide quality service to satisfy their customers in the principal of severe competition for market share with its plentiful competitors. Sri Lankan insurance industry is regulated by IRCSL and according to its records as at April 2018, the insurance industry was generally made up of 19 Non-Life companies and 10 Life companies. The problem of this research is that how can effects the service quality on customer satisfaction in Sri Lankan insurance industry. The population belongs to the research is life insurance policy holders in Maharagama AGA Division in Sri Lanka and the researcher has selected 250 number of sample using quota sampling method. Primary data is collected through structured questionnaires which consists three parts. Tangibility, Reliability, Responsiveness, Empathy and Assurance measured using five point likert scale as indicators of service quality. Validity analysis, Frequency analysis, Factor analysis, Descriptive statistics, Chi-squared test and correlation analysis were used as analysis tools. It was identified that there is a relationship between customer satisfaction with the demographic factors such as insurance company, gender, age group, occupation, monthly income and also time period deal with current company while no relationship civil status, race, religion and also education level. There is significant positive relationships between dependent variable named customer satisfaction and independent variables named tangibility, reliability, responsiveness, empathy and assurance. The variable named empathy shows the largest relationship with the customer satisfaction. Lowest relationship shows the variable named tangibility.*

**KEYWORDS:** *Insurance industry, Customer satisfaction, Tangibility, Reliability, Responsiveness, Empathy, Assurance*

## 1. INTRODUCTION

The insurance industry in Sri Lanka has the goal to deliver quality service to satisfy their customers in the core of severe competition for market share with its numerous competitors. Sri Lankan insurance industry is regulated by IRCSL and according to its records as at April 2018, the insurance industry was mainly made up of 19 Non-Life companies and 10 Life companies (IRCSL, 2018). Service quality and customer satisfaction have long been recognized as playing a crucial role for success and survival in today's competitive market (Karim & Chowdhury, 2014).

## 2. OBJECTIVES

The main objective of this study is to examine the relationship between Services Quality and Customer Satisfaction in Sri Lankan insurance industry. In Addition to the main objective there are sub objectives that will go to achieve over this study such as examine the relationship between tangibility and Customer Satisfaction, examine the relationship between reliability and Customer Satisfaction, examine the relationship between responsiveness and Customer Satisfaction, examine the relationship between assurance and Customer Satisfaction and examine the relationship between empathy.

## 3. METHODOLOGY

The population belongs to the research is life insurance policy holders of both public and private sector insurance companies who provide life insurance policies in Maharagama AGA Division Sri Lanka. Among those large number of life insurance holders this study was selected 250 persons as the sample using Quota sampling method. Although, 250 respondents were selected it can be justify in the sense of time and cost limitations. The researcher distributed 250 questionnaires and gets back only 236 questionnaires which fulfil this number.

In order to collect primary data, structured questionnaire was used. Questionnaire comprises basically 3 parts as demographic data, service quality data and customer satisfaction data. All the demographic data were categorical and there isn't use any method to give measurements for those data. Data about service quality of insurance companies' and Likert scale is a questionnaire method used to measure attitudinal information on a specific subject.

This study has considered the likert scale given by each respondent separately for components of five factors. Then construct the indexes for each and every factor by using factor score method. Score for each component is defined according to the communalities result of confirmatory factor analysis. For the purpose of categorical data analysis, consider the mean value of each index and categorized customers into two categories as whose score is greater than mean value that respondent categorized as high level of factor and others as low level of factor.

This study identified relationships between each of demographic factor and factor levels by

using chi square test. As fulfil the main objective of this study researcher use the Pearson's correlation coefficient to identify relationship between service quality aspects and the customer satisfaction level. So the study used validity analysis, frequency analysis, factor analysis, weighted average, correlation analysis and also chi square test as the tools of analysis. For the analysing purposes the research will use SPSS (v.21) and Excel (v. 2010).

## 4. RESULTS AND DISCUSSION

### 4.1 Demographic features of the sample

Majority comes from Ceylinco insurance and as percentage it is equals to 31.8% of the sample. Second majority as 22.9% includes to Sri Lanka Insurance Corporation. Then Aviva NDB PLC has 19.1% of the sample and Union Assurance PLC shows 13.6% from the sample while the minority as 12.7 comes from Janashakthi insurance PLC. So it is clear that most of the respondents of the sample is respondents who is client of Ceylinco insurance PLC while the minimum number of sample includes to Janashakthi insurance PLC.

The researcher has absorbed to establish the gender structure of the identified sample. So 43.6% (103respondents) are male and however 56.4% (133 respondents) who are falling under the female category. There are 164 as the percentage 69.5% of married respondents while percentage of unmarried respondents are equals to 30.5% (72 respondents). Accordingly majority of sample is the married respondents.

In the case of race, 68.2% of the sample is Sinhala respondents and the percentage of Tamil, Muslim and other races are respectively 10.2%, 11% and 10.6%. When it considering religion, 61.9% of the sample is Buddhist respondents and the percentage of Christian, Hindu and Islam religions are respectively 18.6%, 8.1% and 11.4%.

When this research consider the level of education of the sample; majority 106 of respondents as 44.9% of the sample mentioned maximum level of education is G.C.E. A/L, 73 of respondents as percentage 30.9% educated up to Diploma level. 34 respondents (14.4% of the sample) have Graduate as maximum education level. 9.3% of the sample as 22 respondents have maximum education level as post graduate and there is one person as percentage 0.4% who completed education up to O/L.

In the case of age group of the sample; there are 5.1% (12) respondents who belongs to 18 to 24 age group, 23.3% (55) respondents who belongs to 25 to34 age group, 15.7% (37) respondents who belongs to 35 to 49 age group 110 respondents as percentage 46.6% who belongs to 50 to 59age group, and 22 respondent as percentage 9.3% belongs to above 60 age group.

There are 6.4% respondents of government sector employees, 11% of semi government sector employees, 32.6% of private sector employees, 35.2% of businessmen and 14.8% of self-employees.

When this research consider the level of monthly income of the sample; majority 98 of respondents as 41.5% of the sample mentioned monthly income is between Rs.50,000 to 100,000, 76 of respondents as 32.2% of the sample mentioned monthly income is between Rs.25,000 to 50,000, 51 of respondents as percentage 21.6% falls to greater than Rs. 100,000 income level. 11 respondents (4.7% of the sample) have monthly income less than Rs. 25,000. As figure 04.9 clearly indicate that the majority of the sample is falls to Rs. 50,000 to Rs. 100,000 and minority goes to respondents who has less than Rs. 25,000 as monthly income level.

When this research consider the time period deal with current insurance; majority 90 of respondents as 38.1% of the sample mentioned it is less than 2 years, 76 of respondents as 32.2% of the sample mentioned that time period is between 2 to 5 years, 38 of respondents as percentage 16.1% falls to time period between 5 to 10 years. 32 respondents (13.6% of the sample) have greater than 10 years experience with the considered insurance company.

#### 4.2 Validity of the data

To evaluate validity if the gathered data researcher used response rate and reliability test. Response rate of this study is 94.4% which is more than 50%. So researcher can concluded that validity

#### Score estimation for Reliability.

Reliability Score = 0.818 (RL1) + 0.0695 (RL2) + 0.950 (RL3) + 0.960 (RL4)

- Where;
- RL1: Company fulfil its compensation claim promise on time
  - RL2: Showing sincere interest in solving customers' problems
  - RL3: Provide the services within the specified contract time limits
  - RL4: Company insist on error free records

Factor named "Reliability" the component RL4 is the highly affected to Reliability factor while the RL2 is less impact with considering other components. But each and every components show strong effect on Reliability factor.

#### Score estimation for Responsiveness.

Responsiveness Score = 0.860 (RS1) + 0.898 (RS2) + 0.862 (RS3) + 0.669 (RS4)

- Where;
- RS1: Related service information can easily obtain
  - RS2: Able to easily contact employees in any emergency situation
  - RS3: Employees can promptly response to your request, even when they are busy.
  - RS4: Employees communicate clearly with you

Factor named "Responsiveness" the component RS2 is the highly affected to Responsiveness factor while the RS4 is less impact with considering other components. But each and every components show strong effect on Responsiveness factor.

#### Score estimation for Empathy

Empathy Score = 0.871 (E1) + 0.942 (E2) + 0.961 (E3) + 0.028 (E4)

- Where;
- E1: Employees deal with customers in caring fashion
  - E2: Employees have customer best interest at heart
  - E3: Employees easily understand the needs of their customers
  - E4: Convenient operating hours to all its customers

Factor named "Empathy" the component E3 is the highly affected to empathy factor while the E4 is less impact with considering other components. But each and every components show strong effect on empathy factor.

#### Score estimation for Assurance

Assurance Score = 0.839 (A1) + 0.885 (A2) + 0.853 (A3) + 0.592 (A4)

- Where;
- A1: Behavior of employees inspires and confidence in you.

of questionnaire method is appropriate for further analysis. It gave an indication where the values of Cronbach's Alpha are in the acceptable range which is greater than 0.7 and also the internal consistency and reliability of the scales could be clearly assured by the researcher.

#### 4.3 Score estimations

Researcher has considered the likert scale given by each respondent separately for components of five factors as above. Using those values construct the indexes for each and every factor by using factor score method.

#### Score estimation for Tangibility.

Tangibility Score = 0.955 (T1) + 0.955 (T2) + 0.877 (T3) + 0.689 (T4)

- Provision of visually attractive offices, equipment and materials
- Appearance and uniforms of employees
- Ability to give you access to information, service catalogues
- Ability to provide variety of entertainment facilities

Factor named "Tangibility" the component T1 and T2 are the highly affected to Tangibility factor while the T4 is less impact with considering other components. But each and every components show strong effect on Tangibility factor.

- A2: Knowledgeable employees to answer customers’ questions.
- A3: Employees consistently courteous towards you.
- A4: You feel safe to do business with the company

Factor named “Assurance” the component A2 is the highly affected to Assurance factor while the A4 is less impact with considering other components. But each and every components show strong effect on Assurance factor.

**Score estimation for Customer satisfaction**

Customer satisfaction Score = 0.984 (SQ1) +0.964 (SQ2) + 0.967 (SQ3) + 0.984 (SQ4)

- Where; SQ1: Your rate of overall service quality
- SQ2: You recommend your insurance company to friends/relations
- SQ3: Your likeliness to re-purchase insurance services of your insurance company
- SQ4 Your insurance company’s services met your expectations

Factor named “Customer satisfaction” the component SQ1 and SQ4 are the highly affected to Customer satisfaction factor while the SQ2 is less impact with considering other components. But each and every components show strong effect on Customer satisfaction factor.

**4.4 Descriptive statistics of factor score**

**Table 01: Descriptive statistics for factor scores**

	Minimum	Maximum	Mean	Std. Deviation
Tangibility Score	10.27	17.38	14.5812	1.98947
Reliability Score	5.80	13.99	11.5170	2.14534
Responsiveness Score	9.83	16.44	13.8177	1.77461
Empathy Score	5.69	14.01	11.4009	2.21420
Assurance Score	9.49	15.85	13.2266	1.69579
Satisfaction Score	9.73	19.49	16.2830	2.42590

Source: Sample Survey (2019)

According to the results shown in table 01, highest mean value obtain from customer satisfaction while lowest mean value obtain from Empathy score. Minimum factor score of respondents belong to empathy factor while the

maximum value refers with customer satisfaction factor. As consider with the standard deviation sub assurance factor shows the highest stability while customer satisfaction factor shows the maximum deviation.

**4.5 Identify demographic factors affecting to customer satisfaction.**

**Table 02: Results of the non-parametric tests**

Hypotheses		Chi square value	Sig value	Decision
H <sub>01</sub> :	There is no relationship between insurance company and customer satisfaction.	27.389	0.000	H <sub>01</sub> rejected
H <sub>02</sub> :	There is no relationship between gender and customer satisfaction.	14.187	0.000	H <sub>02</sub> rejected
H <sub>03</sub> :	There is no relationship between civil status and customer satisfaction.	1.429	0.232	H <sub>03</sub> accepted
H <sub>04</sub> :	There is no relationship between race and customer satisfaction.	5.080	0.166	H <sub>04</sub> accepted
H <sub>05</sub> :	There is no relationship between religion and customer satisfaction.	2.844	0.416	H <sub>05</sub> accepted
H <sub>06</sub> :	There is no relationship between education level and customer satisfaction.	7.578	0.108	H <sub>06</sub> accepted
H <sub>07</sub> :	There is no relationship between age and customer satisfaction.	26.288	0.000	H <sub>07</sub> rejected
H <sub>08</sub> :	There is no relationship between occupation and customer satisfaction.	20.854	0.000	H <sub>08</sub> rejected
H <sub>09</sub> :	There is no relationship between monthly income and customer satisfaction.	12.412	0.006	H <sub>09</sub> rejected
H <sub>010</sub> :	There is no relationship between time period deal and customer satisfaction.	11.482	0.009	H <sub>010</sub> rejected

Source: Sample Survey (2019)

#### 4.6 Relationship between independent and dependent variable

**Table 03: Results of the correlation test**

Hypotheses		Correlation	Sig value	Decision
H <sub>011</sub> :	There is no relationship between tangibility and customer satisfaction.	0.345	0.044	H <sub>011</sub> rejected
H <sub>012</sub> :	There is no relationship between reliability and customer satisfaction.	0.426	0.011	H <sub>012</sub> rejected
H <sub>013</sub> :	There is no relationship between responsiveness and customer satisfaction.	0.510	0.006	H <sub>013</sub> rejected
H <sub>014</sub> :	There is no relationship between empathy and customer satisfaction.	0.534	0.001	H <sub>014</sub> rejected
H <sub>015</sub> :	There is no relationship between assurance and customer satisfaction.	0.354	0.010	H <sub>015</sub> rejected

Source: Sample survey (2019)

#### 5. CONCLUSION

There is a relationship between customer satisfaction with the demographic factors such as insurance company, gender, age group, occupation, monthly income and also time period deal with current company with 95% confidence. There is no relationship customer satisfaction with demographic factors such as civil status, race, religion and also education level under 95% confidence. There is significant relationships between dependent variable named customer satisfaction and independent variables named tangibility, reliability, responsiveness, empathy and assurance. All the independent variables shows the positive relationship with dependent variables. So when independent variables increase customer satisfaction will also increase. The variable named empathy shows the largest relationship with the customer satisfaction. Lowest relationship shows the variable named tangibility.

#### 6. SUGGESTIONS

Improving tangibility, reliability, responsiveness, empathy and assurance increases satisfaction of life insurance industry. Lowest relationship shows the variable named tangibility and empathy shows the largest relationship with customer satisfaction. Therefore managerial decision makers should pay high attention to increase empathy while other factors keep stable level.

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