SQL MODEL ON PREFERENCE AND SATISFACTION BEHAVIOUR OF LIFE INSURANCE CORPORATION PRODUCTS WITH EVIDENCE FROM TRICHY AND THANJAUR DISTRIST, TAMILNADU

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ABSTRACT

The service quality has become a highly influential co-efficient in the aggressive competitive marketing. Life Insurance Corporation of India (LIC) is increasingly adopting a total marketing approach to product development, innovation, research and communication to satisfy the customers and create brand loyalty. The main objective of the study was to determine the service satisfaction among policyholders of LIC and the likelihood of recommendation of brand LIC by the policyholders. The primary data was collected through personal interviews with LIC policyholders in Trichy and Thanjaur district consisting of 359 urban policyholders and 241 rural respondents using well structured questionnaire. Statistical tools like Analysis of variance, Factor analysis, ChiSquare Analysis, SERVQUAL Gap Analysis, Multiple regressions and Logit regressions were employed for data analysis. The hypotheses were tested to analyse the policyholder's awareness on facilities of LIC, service satisfaction on the marketing mix and agency service satisfaction with respect to socio-economic profile and the service quality gap among the urban and rural respondents from the study area and to identify the determinants of word of mouth publicity of LIC by the respondents.

Keywords: Product Development, Innovation, Research and Communication

1. Introduction

Since Liberalization, Privatization and Globalization in insurance sector, service quality has become an important tool for proving difference among the Insurance Industries in India **(Gurumurthy and Chilar Mohamed, 2013).** Services make up the growing bulk of today's economy and also account for most of the growth in new business. The size of the service sector is increasing in almost all economies around the world. Service sector is a new frontier for marketing strategy and it continues to be an ever more important part of the Gross National Product (GNP) of developing and developed nations **(Valarie et al., 2008).**

A service is an economic activity that creates value and provides benefits for customers at specific times and places by bringing about a desired change in, or on behalf of, the recipient of the service **(Christopher Lovelock, 2008).** The primary objective of service marketers is to develop and provide offerings that satisfy consumer needs and expectations, thereby ensuring their own economic survival. To achieve these objectives, service providers need to understand how consumers choose, experience and evaluate their service offerings **(Valarie et.al, 2008).**

The globalization and liberalization have opened new vistas for the development of service generating organizations and these organizations are making sincere efforts to make themselves stronger and stronger, if they have to survive and thrive **(Jha, 2008).** Services have five unique characteristics such as intangibility, inseparability, heterogeneity, perishability and lack of ownership. Services require tangibilizing efforts and services cannot be separated from the provider **(Harsh V. Verma, 2012).** In the absence of significant tangible elements, marketers may find it useful to employ physical images and metaphors to demonstrate the competencies of the service firm and to illustrate the benefits resulting from service delivery.

2. Life Insurance Corporation of India (LIC)

LIC was formed under **Life Insurance Corporation Act, 1956**, with capital contribution from the Government of India. Life Insurance Corporation of India (LIC) was created with the objective of spreading life insurance; to encourage public savings to finance the five year plans; to provide complete security to policyholder; to prevent malpractices, misuse of powers and positions, etc; to avoid wasteful efforts in competition and conduct the business with utmost economy; to regulate insurance on scientific basis and to achieve the goal of the socialistic pattern of society. Life Insurance is the fastest

growing sector in India since 2000. Today LIC has become the leading investment institution of India, in order to reach to people in every part of the country, it has developed a vast service network, comprising of eight zonal offices, 113 divisional offices and 2048 branches and 1275 satellite offices, more than 1.16 lakh employees and 11.72 lakh agents spread all over the country.

3. Statement of the Problem

A service is a performance or act performed for a customer. Delivering quality of service has been increasingly identified as a key factor in differentiating service products and in building competitive advantage. Therefore to gain more insight into the development of service delivery in the insurance industry, differences between customers and service providers' perspectives need to be explored **(Sayasonti and Sasirin, 2005).** The perception of service marketing focuses on selling the services in the best interest of customers. Companies should find out what service elements are important to customers and where performance needs to be improved. Life insurance is a customer based business where retention of existing customers is the biggest challenge in present day cut throat market competition **(Babita Yadav, 2011).**

4. Objectives of the Study

- To assess the policyholders awareness towards facilities offered by Life Insurance Corporation of India
- To identify service satisfaction of policyholders towards the key elements of marketing mix of LIC.
- To analyze the factors influencing agency service satisfaction among the policyholders.
- To determine the policyholders perception and expectation on service quality dimensions of LIC.

5. Theoretical background of the study

Service quality has become an important area of attention because many services which enjoyed monopoly for a long period of time have now become competitive. As a result, paying attention to the constructive quality became necessary as it can exert influence on corporate top echelon and bottom line. Different perspectives and models exist on quality services.

Nordic school: Gronroos, (1984) model views service quality to be an outcome of a comparison between expected and perceived service. In this model, quality is made of three components: the technical quality, functional quality and image.

Gaps model: Parasuraman, Zeithmal and Berry et al. (1985) proposed a model which became popular as Gaps model. They found ten service quality dimensions which were later merged into five RATER dimensions. Gaps model basically explored how different gaps can creep in implementing service quality in an organization which ultimately lead to the final gap between what customer expectation and perceives to be delivered by the service firm. These experts developed an instrument to measure service quality which came to be known as SERVQUAL.

6. Selection of the Sample

The multi-stage sampling method was followed for selection of the sample respondents being the policyholders of LIC of India. Appropriate sampling method was followed at each stage to select respondents from urban and rural areas. The Life Insurance Corporation of India has established seven branch offices within the urban limits of Trichy and Thanjaur district Municipal Corporation along with its corporate head office.

7. Reliability Test

Cronbach's alpha (α) scales reliability tests were applied to estimate the reliability of the data used in the study. The reliability coefficient of 0.80 or higher is considered as acceptable in most social science applications **(Cronbach, L.J., 1951).** The reliability test applied on the data collected using interview schedules meant for policyholder's perception and expectation towards service quality dimension for urban area resulted in an Alpha co-efficient of 0.959 and 0.961 and the data collected from rural respondents resulted in an Alpha co-efficient of 0.944 and 0.945. The alpha value of greater than 0.7 is the cut off recommended by **Nunnally (1978)** for the basic research.

8. SERVQUAL gap analysis

Parasuraman, Zeithmal and Berry et al. (1985) developed an instrument for measuring consumers' perception and expectation of Service Quality, known as SERVQUAL, with five dimensions. The dimensions were:

- ❖ **Tangibles –** physical facilities, appearance of personnel and equipment.
- ❖ **Reliability –** ability to perform the promised service dependably and accurately.
- ❖ **Responsiveness –** willingness to help customers and provide prompt service

❖ **Assurance –** ability of the organization's employees to inspire trust and confidence in the organization through their knowledge and courtesy (combination of items designed originally to assess. Competence, Courtesy, Credibility, and Security).

❖ **Empathy –** personalized attention given to customer (combination of items designed originally to assess Access, Communication, and Understanding the customer).

9. PLS (Partial Least Squares) Model

Model Hypothesis:

Null Hypothesis (H0): Fitting of a model is good for the data.

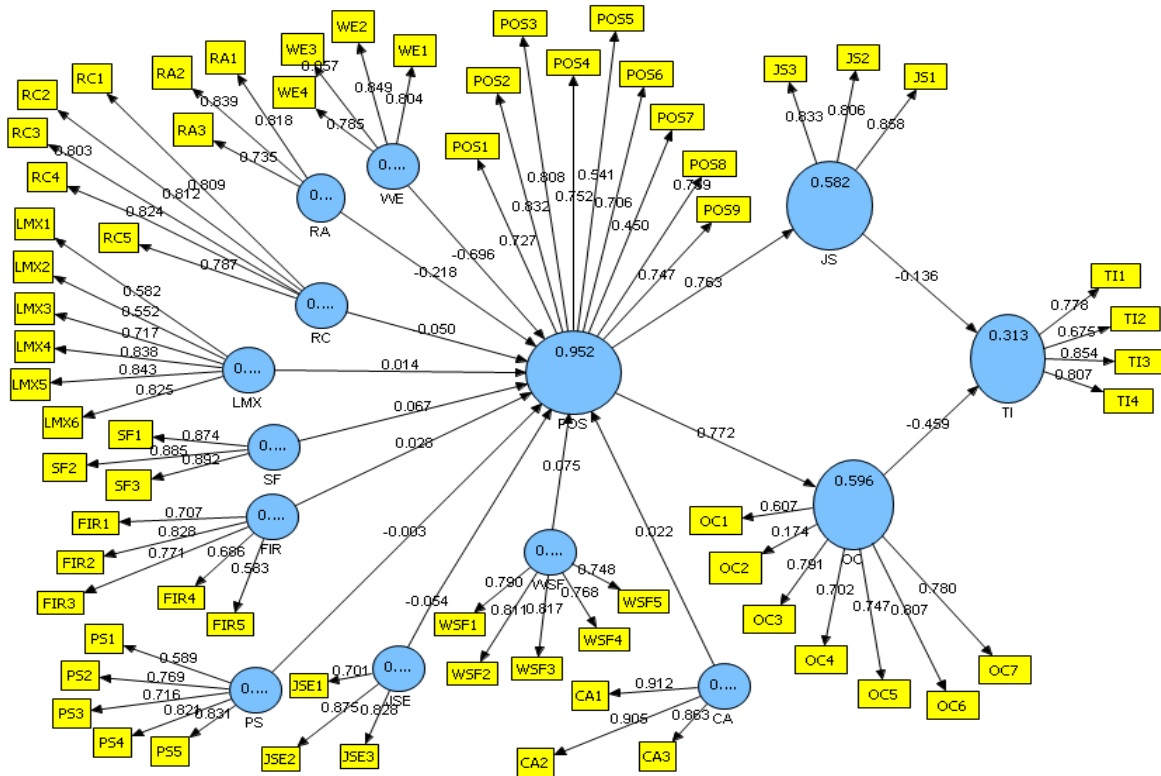**Alternative Hypothesis (H1):** Fitting of a model is not good for the data.

Table 1 - Independent Variables

Independent Variables	Un standardized	SE	Standardized	P value	Sig
Factor 1	0.965	0.11	0.219	0.001	<0.001**
Factor 2	0.756	0.086	0.009	0.001	<0.001**
Factor 3	0.952	0.109	0.236	0.001	<0.001**

**** Denotes significant at 1% Level**

Table 2 - Indices

Indices	Values	Suggested Value
CMIN	7687	**Fox (1984)**
P Value	0.104	**Duncan (1975)**
GFI	0.981	**Bollen (1989)**
AGFI	0.927	
CFI	0.257	
RMR	0.079	
RMSEA	0.079	

Inference

From the above table, it's inferred that all arrived P value is greater than 0.05 (greater that 5 % level significant). So the result of the structural equation modeling for the above independent and dependent variables are indicates that fitting of the variable model is good for the data.

Table 3 - Result

CMN = ---------- Df	CMN = 1495.272 Df = 550	1495.272 = ------------ 550	= 2.7186 (arrived value is less than 5)

Table 4 - Item Reliability

Independent variables	Factor Loading	(Factor Loading)^2	Delta (Error)	AVE (Average Variance Expected)
SDS1	0.226	0.051076	0.948924	
SDS2	-0.12	0.0144	0.9856	
SDS3	0.847	0.717409	0.282591	
SDS4	0.906	0.820836	0.179164	
SDS5	0.05	0.0025	0.9975	
SDS6	0.797	0.635209	0.364791	
SDS7	0.759	0.576081	0.423919	0.597498
BLS7	0.814	0.662596	0.337404	
BLS6	0.65	0.4225	0.5775	
BLS5	0.608	0.369664	0.630336	
BLS4	0.719	0.516961	0.483039	
BLS3	0.624	0.389376	0.610624	
BLS2	0.648	0.419904	0.580096	
BLS1	0.858	0.736164	0.263836	0.497548
LS7	0.646	0.417316	0.582684	

LS6	0.537	0.288369	0.711631	
LS5	0.581	0.337561	0.662439	
LS4	0.644	0.414736	0.585264	
LS3	0.668	0.446224	0.553776	
LS2	0.718	0.515524	0.484476	
LS1	0.718	0.515524	0.484476	0.580678
SS7	0.285	0.081225	0.918775	
SS6	0.193	0.037249	0.962751	
SS5	0.045	0.002025	0.997975	
SS4	-0.261	0.068121	0.931879	
SS3	-0.288	0.082944	0.917056	
SS2	-0.679	0.461041	0.538959	
SS1	-0.662	0.438244	0.561756	0.832736
WRS1	0.757	0.573049	0.426951	
WRS2	0.637	0.405769	0.594231	
WRS3	0.567	0.321489	0.678511	
WRS4	-0.298	0.088804	0.911196	
WRS5	-0.09	0.0081	0.9919	
WRS6	-0.116	0.013456	0.986544	
WRS7	0.622	0.386884	0.613116	0.743207

Inference:

The desired value for reliability test is 0.5 and above. Overall reliability of the instrument is above 0.5 indicating good testing norm for item reliability. So the result of the reliability test, which indicates that skills variables, are more reliable for the further study. So the result of the item reliability indicates that fitting of a variable model is good for the data.

Discriminant Validity

Table 5 - Inter Correlation Matrix

	S1	S2	S3	S4	S5
S1	***	0.35	0.09	0.33	0.24
S2	0.35	***	0.015	0.28	0.049
S3	0.329	0.015	***	0.119	0.059
S4	0.163	0.28	0.059	***	0.213
S5	0.074	0.049	0.29	0.193	***

Inference

From the above table, it's inferred that all arrived value is less that average variance expected. So the result of the discriminant validity indicates that fitting of a variable model is good for the data.

10. Results and Implications

10.1 Profile of the Sample Respondents

Educational Qualification		Expect any guidance from staff				
		Not at all	Rarely	Occasionally	Always	Total
Post Graduate	Count	23	52	176	31	282
	Expected Count	26.9	65.2	154.8	35.1	282.0
Graduate	Count	13	42	59	18	132
	Expected Count	12.7	30.5	72.4	16.4	132.0
Less than Graduate	Count	7	10	12	8	37
	Expected Count	3.4	8.3	19.8	4.5	36.0
Total	Count	43	104	247	57	451
	Expected Count	43	104.0	247.0	56.0	451

The profile of the respondents related to the study is presented in two parts. Part I deals with distribution of respondents based on their socio-economic status and Part II deals with the distribution of respondents based on life insurance policies purchased from the Life Insurance Corporation of India.

10.2 Socio-Economic profile of the respondents

Variable	Very Poor		Poor		Average		Good		Very Good		F	Sig
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Poor service quality	30.50	11.12	38.22	9.05	37.27	10.23	39.27	9.84	41.62	13.15	3.053	.017
Lack of approachability	22.75	7.11	24.81	5.23	23.47	6.12	24.59	5.95	27.53	6.12	4.154	.003
Poor infrastructure	22.75	6.02	20.51	4.87	19.46	6.40	21.08	5.32	22.18	6.59	2.862	.023
Poor social commitments	17.62	7.76	20.38	4.49	18.34	15.20	19.73	4.71	20.80	6.81	3.156	.014
Poor convenience factor	12.00	2.27	9.24	2.85	9.21	3.18	10.04	2.67	10.04	3.97	3.173	0.014

Majority of the respondents (70.80 percent) were male and 29.20 percent were female in urban segment whereas in rural segment, 61.40 percent were male and 38.60 percent were female respondents. Of the total respondents, 67 percent were male and 33 percent were female who were all invested in the life insurance policies of Life Insurance Corporation of India. The gender specific life

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insurance holding, specifically by men is higher in both rural and urban area in all types of insurance **(NCAER, 2011).** Need for life insurance is higher among married respondents as revealed by74.70 percent of the respondents from urban area and 66.40 percent in rural area were married and in all, 67percent of the respondents were married and 33 percent of them were unmarried.

10.3 Distribution of respondents based on life insurance policy holdings
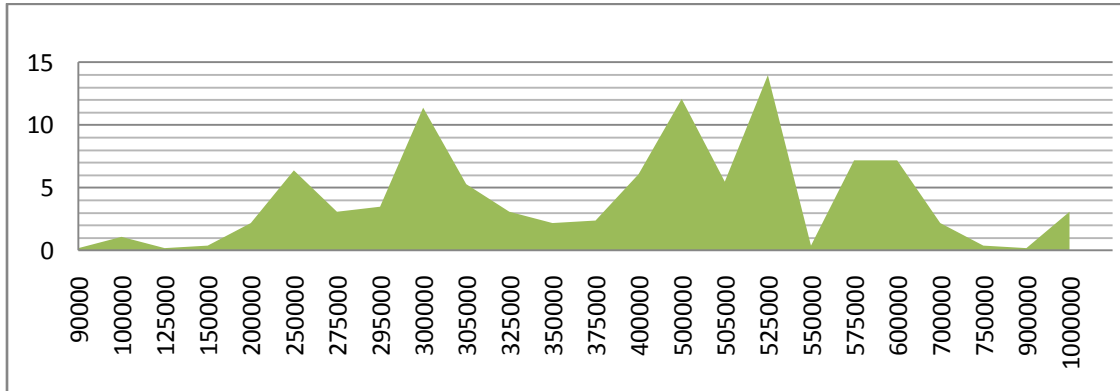
The sum assured is the amount of money an insurance policy guarantees to pay up before any bonuses are added. In other words, sum assured is the guaranteed amount the policyholder will receive, also known as the cover or the coverage amount and is the total amount for which an individual is insured. About 55 percent of the respondents have assured their life between `1, 00,000 and `3, 00,000.
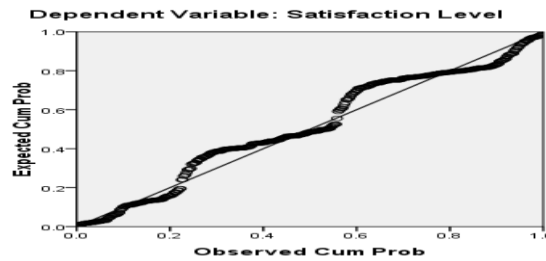
10.4 Investment Preferences of the Respondents

	Mean	SD	Mean	SD	T	Sig.
Customized satisfaction	13.22	2.94	14.85	2.74	-4.438	.000*
Convenient Factors	10.89	2.72	11.87	1.96	-3.540	.000*
LIC Services	14.76	2.88	15.09	2.65	-.921	.358

Investment is the purchase of a financial product or other item of value with an expectation of favourable future returns**. (Aparna Samudra, 2012).** The Reserve Bank of India classified the household savings into two basic heads namely Financial assets like investments in shares and mutual funds, insurance, bank deposits etc. and Physical assets i.e., in real estate and gold. The study analyses the investment preferences of the urban, rural respondents in order to understand their preferences for life insurance as an avenue for savings.

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10.5 Attractive Features of LIC in comparison with Private Insurance

The rural respondent's observation were high motivation from agents (5.80) was the most attractive feature and it was ranked in the first place. Customer service (5.70) and trust in management (5.61) were assigned the second and third ranking. Rural population was influenced with non-product related factors such as: credibility of agent, company's reputation, trust, customer services, and company goodwill and money back guarantee attracts many people for life insurance **(Athma et al., 2007).**

10.6 Reasons for Investing in Life Insurance Policies

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	152.033	13	11.695	9.962	.000[a]
Residual	518.906	442	1.174		
Total	670.939	455			

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	1.037	.382		2.713	.007
Solving Customers Problems	.078	.050	.083	1.555	.121
Customers Information	.091	.057	.084	1.595	.111
Customer Service	.095	.051	.101	1.852	.065
Pay premium on date	.071	.059	.065	1.205	.229
Customer security	.059	.049	.062	1.216	.225
Shorter Waiting Time Or Fast Service Turnaround	.132	.059	.120	2.225	.027
Advertisement and Records	.072	.052	.080	1.383	.167
Salesperson /Representatives communication or Explanation	.004	.060	.003	.065	.948

Compliance of the Service Demanded	.006	.080	.004	.077	.939
Competitive Pricing	.142	.059	.123	2.388	.017
Employee Competence	-.049	.064	-.039	-.765	.445
Range of Services	-.035	.063	-.030	-.552	.581
Rely and Flexible Payment Schedule	.042	.056	.043	.739	.460

Dependent Variable: Overall Satisfaction Level on Life Insurance Corporation of India

From the rural respondents' view the prime reason for investing in life insurance policies, were risk coverage (8.50), tax benefit (7.34) and health insurance cover (6.96) and bonus (6.62). Whereas the overall respondents' view on the reasons for investing in life insurance policies were risk coverage (8.39), tax benefit (7.40) and loan facility (7.03). According to **Rajani Levaku and Mohan Reddy (2013),** the real growth in life insurance will occur when customers realize the true value of life insurance beyond tax saving. Insurance was still viewed as tax saving device and risk coverage becomes a secondary objective of investing **(Malick T.V. et al., 2011).**

10.7 Purpose of Repeated Investment in LIC

The urban respondents assured their life with LIC through various types of policies in order to fulfil their various financial needs. The first life assurance policy was primarily for tax benefit (41.50 percent) and risk coverage (14.76 percent). The second life insurance policy was also for tax benefits (43.93 percent) and savings (11.21 percent). The third policy also for tax benefits (12.90), risk coverage (12.90 percent), old age needs (12.90 percent) and for investment (11.29 percent). People mostly they prefer retirement policy plans **Panchanatham N. et al., (2008).**

11. Conclusion

Life insurance is a customer based business where retention of existing customers is the biggest challenge in present day market competition. The most challenging task of insurance marketing is to understand the consumer behaviour. The creativity in the promotional measures is the need of the hour which would help insurance organizations in informing and sensing the users in a right fashion. The advertisement, public relations, sales promotion, word-of-mouth communication and telemarketing need due care and the personal selling requires an intensive care. It is right to mention that the business of insurance is based on the skill and excellence of agents and this makes a strong advocacy in favour of personal selling. The agents and the front-line staff need to show their excellence in the process of

offering. LIC is increasingly adopting a total marketing approach to product development, innovation, research and communication. By seeking methods to allow consumers to influence the Life Insurance Corporation of India to have the products, prices, promotions and operations that consumers will buy, and the company are more likely to satisfy the customers and create brand loyalty.

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