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   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

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   ACKNOWLEDGMENTS

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   APPENDIX/ANNEXURE

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CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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SERVQUAL IN FINANCIAL SERVICES: CASE STUDY OF LIFE INSURANCE CORPORATION OF INDIA

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ABSTRACT

Service sector has produced approximately two-thirds of worldwide GNP from twenty first century (Kara et al.,2005).In the huge service sector, insurance sector is one of the most important entities which has been growing relatively fast in India. In a period of half century or less, the insurance sector in the country has undergone roundabout movement, from being an open competitive market to full nationalization, and then back again to a liberalized market, in which private players and public sector companies are operating on a level playing field. At present there are twenty three players in the Indian life insurance industry out of which Life Insurance Corporation (LIC) is one of the leading public companies, holds largest number of policies in the world to suit different financial requirement of an individual.This study reports an application in the financial services industry of the SERVQUAL model developed by Parasuraman, Zeithaml and Berry.The model is designed to measure those components of service that generate satisfaction within five dimensions. This study identified the existence of gaps between clients' and management perceptions of attributes of the life insurance company, and between client expectation and perception of the services offered. It is argued that the existence of these gaps is a source of dissatisfaction with services provided.

KEYWORDS

Customer satisfaction, Expectations, financial services, Life Insurance, Perceptions, Servqual.

INTRODUCTION TO FINANCIAL SERVICE SECTOR

India's strong financial fundamentals and so-called conventional financial approach helped the country come strong through the world-wide crisis. Financial services, being the back bone of any economy, entail various segments of the industry in its purview. It includes banking, insurance, broking, mutual funds and stock markets to be named as major sub-segments. Indian insurance sector is in top-gear growth wherein the number of life policies in force has increased nearly 12-fold over 2000-2010 and those pertaining to health insurance have increased nearly 25-fold.Data released by the Insurance Regulatory and Development Authority (IRDA) indicates that 23 life insurers mopped US$ 4.1 billion by writing new policies during April-June 2011. For non-life insurers, the gross premium underwritten during April-August 2011 increased by 24 per cent at Rs 23,712 crore (US$ 4.82 billion) as against Rs 19,114 crore (US$ 3.89 billion) in the year-ago period.The total industry premium collection (of both life and non-life companies) for August 2011 grew 34 per cent at Rs 5,065 crore (US$ 1.03 billion) compared with Rs 3,752 crore (US$ 762.73 million) in August 2011, the IRDA said. RDA has recently hinted at mandatory listing of insurance companies. Though the insurance Act doesn't stipulate companies to go public, the regulator might make amendments to it to facilitate capital raising by the players. Initial Public Offer (IPO) guidelines for the insurance sector are also being worked upon. According to the draft guidelines released, only those players that have 10 years of operational experience and strong financial performance would be allowed access to the capital markets.Meanwhile, the Indian government is contemplating on enabling public sector banks to raise lots of additional capital without the central authority losing control over them. For the purpose, the government is considering to form a single holding company to unite 21 state-run banks a it would provide room for innovation in capital infusion.The government is also considering allowing foreign individuals or Qualified Foreign Investors (QFIs), to buy equities directly in stock markets, a senior Finance Ministry official has revealed. In an initiative to highlight India as a major investment hub and attract higher foreign equity, the government has already allowed QFIs to invest up to US$ 13 billion in equity and debt schemes of mutual funds in the infrastructure sector.Indian Financial Services industry is a promising one and holds potential for massive growth in future. Be it in banking, insurance or foreign investments, the country is making its mark in every sub-segment, nationally as well as internationally. For instance, a report by Boston Consulting Group (BCG), an industrial body and Indian Banks Associations (IBA), anticipates that Indian banking industry would stand as the third largest in the world by 2025 wherein its assets size is poised to mark US$ 28,500 billion by 2025 from the asset size of US$ 1,350 billion in 2010.India's life insurance market has grown rapidly over the past six years, with new business premiums growing at over 40% per year. The premium income of India's life insurancemarket is set to double by 2012 on better penetration and higher incomes. Insurance penetration in India is currently about 4% of its GDP, much lower than the developed market level of 6-9%. In several segments of the population, the penetration is lower than potential. For example,in urban areas, the penetration of life insurance in the mass market is about 65%, and it's considerably less in the low-income unbanked segment. In rural areas, life insurance penetrationmin the banked segment is estimated to be about 40%, while it is marginal at best in them unbanked segment. The total premium could go up to $80-100 billion by 2012 from the present $40 billion as higher per capita income increases per capita insurance intensity. The average household premium will rise to Rs 3,000-4,100 from the current Rs 1,300 as will penetration by the existing and new players. India's ratio of life insurance premium to its GDP is around 4 per cent against 6-9 per cent in the developed world. It could rise to 5.1-6.2 by 2012 in tandem with the country's demographic profile. India has 17 life insurers and the state owned Life Insurance Corp. of India dominates the industry with over 70 percent market share, though private players have been growing aggressively.Considering the world's largest population and an annual growth rate of nearly 7 per cent, India offers great opportunities for insurers. Plans to enter the Indian market following deregulation of its insurance sector Foreign holding in Indian insurance companies is limited to 26 per cent. The government wants to increase the cap to 49 percent, but its communist allies oppose such a move. The market is moving beyond single-premium policies and unit linked insurance products which are easier to sell. The agency model is the dominant sales channel accounting for more than 85 per cent of fresh premiums but overall inactivity and attrition is much higher at 50-55 per cent than the global average of 25 per cent.Opportunities include health insurance and pensions, the report said, adding only 1.5-2 percent of total healthcare expenditure in India was currently covered by insurance.A life insurance policy covers one's personal self. Unlike with general insurance, it is not like insuring a vehicle. Having said that, if we consider that India's population is over one billion and growing, we get a picture of the true potential of the life insurance sector in India. That is the kind of potential one is talkingabout in life insurance in India

REVIEW OF LITERATURE

Service quality is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed (Gronroos, 1984; Parasuraman et al., 1985, 1988). A number of experts define service quality differently. Parasuraman et al. (1985) define it as the differences between customers, expectation of services and their perceived service. If the expectation is greater than the service performance, perceived quality is less than satisfactory and hence, customer dissatisfaction occurs. Lewis and Mitchell (1990), Dotchin and Oakland (1994), and Asubonteng et al. (1996) define service quality as the extent to which a service meets customers, need and expectation. The SERVQUAL approach has been applied in service and retailing organizations (Parasuraman et al., 1988; Parasuraman et al., 1991). Service quality is a function of prepurchase customers, expectation, perceived process quality, and perceived output quality. Parasuraman et al. (1988) define service quality as the gap between customers, expectation of service and their perception of the service experience. Based on Parasuraman et al. (1988) conceptualization of service quality, the original SERVQUAL instrument included 22 items. The data on the 22 attributes were grouped into five dimensions: tangibles, reliability, responsiveness, assurance, and empathy. Numerous studies have attempted to apply the SERVQUAL. This is because it has a generic service application and is a practical approach to the area. This instrument has been made to measure service quality in a variety of services such as hospitals (Babakus & Glynn 1992), hotels (Saleh & Rylan 1991), travel and tourism (Fick & Ritchie 1991), a telephone company, two insurance companies and two banks (Parasuraman et al. 1991). In this study, the researcher uses SERVQUAL approach as an instrument to explore customer's expectations and perceptions levels of service quality towards the front office staff at the hotel. SERVQUAL dimensions.Previously, Parasuraman et al. (1985) identify ten determinants for measuring service quality which are tangibility, reliability, responsiveness, communication, access, competence, courtesy, credibility, security, and understanding/knowledge of customers. Later these ten dimensions were further purified and developed into five dimensions i.e. 12 tangibility, reliability, responsiveness, assurance and empathy to measure service quality, SERVQUAL (Parasuraman et al., 1988). These five dimensions identified as follows:

Tangibility: The physical evidence of front office staff is including a personality and appearance of personnel, tools, and equipment used to provide the service.

Reliability: The ability involves performing the promised service dependably and accurately. It includes doing it right the first time1, which is one of the most important service components for customers. Reliability also extends to provide services when promised and maintain error-free records.

Responsiveness: The front office staff are willing to help customers and provide prompt service to customers such as quick service, professionalism in handling and recovering from mistakes.

Assurance: Assurance refers to the knowledge and courtesy of employees and their ability to convey trust and confidence including competence, courtesy, credibility and security.

Empathy: Empathy refers to the provision of caring and individualized attention to customers including access, communication and understanding the customers.

SERVQUAL instrument is an invaluable tool for organizations to better understand what customer's value and how well their current organizations are meeting the needs and expectations of customers. SERVQUAL provides a benchmark based on customer opinions of an excellent company, on your company, on the importance ranking of key attributes, and on a comparison to what your employees believe customers feel. Quality is one of the competitive priorities which have migrated from the literature of manufacturing strategy to the service arena (Pariseau and McDaniel, 1997). In the service sector, the quality of service, one of the most dominant themes of research in services, has become a strategic instrument for firms since 1990s (Fisk *et al.,* 1993; Donnelly *etal.,* 1995). Customer perceives services in terms of its quality and how satisfied they are overall with their experiences (Zeithaml, 2000). According to Timmers and Van Der Wiele (1990), satisfying the customer is not enough: there is a compelling need to delight the customer if a competitive advantage is to be achieved. The key to sustainable competitive advantage in today's competitive environment lies in delivering high-quality service that result in satisfied customers (Shemwell *et al.,* 1998). In fact, service quality has become a great differentiator, the most powerful competitive weapon which many leading service organizations possess (Berry *et al.,* 1985).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. But in the subsequent study of Parasuraman *et al. (*1988), these ten dimensions were condensed into five viz., tangibles, reliability, responsiveness, assurance, and empathy. This led to the development of a 22-item SERVQUAL scale for measuring service quality. It is the most frequently used model to measure service quality (Mattson, 1994) and made to be used by services organizations or industries to improve service quality (Parasuraman *et al.,* 1988). Obviously, the SERVQUAL instrument has been used to measure service quality in various service industries which included health sector (Babakus and Boller, 1992; Carman, 1990; Bowers *et al.,* 1994; Headley and Miller, 1993; Lam, 1997;Kilbourne *et al.,* 2004); retailing (Teas, 1993; Finn and Lamb, 1991; Tsai and Huang, 2002; Naik *et al.,* 2010);banking (Lam, 2002; Zhou *et al.,* 2002); hospitality (Mey *et al.,* 2006; Spreng and Singh, 1993); sports (Kouthouris and Alexandris, 2005); telecommunications (Van Der Wal *et al.,* 2002); and information system (Jiang *et al.,* 2002; Carr, 2002). In addition, there have been several contextual studies (Stafford *et al.,* 1998; Leste and Vittorio, 1997;Westbrook and Peterson, 1998; Mehta *et al.,* 2002; Evangelos *et al.*, 2004; Goswami, 2007; Gayathri *et al.,* 2005;Siddiqui *et al.,* 2010) regarding the insurance industry.Additionally, a review of the relevant literature also reveals that the principal focus of service quality research has been twofold: First, the identification of service quality dimensions being of primary interest to researchers(Parasuraman *et al.,* 1985,1988, 1991b); and second, the development of measurement instruments of service quality being the focus of subsequent research efforts (Parasuraman *et al.,* 1988, 1991a, 1993; Cronin and Taylor, 1992, 1994;Asubonteng *et al.,* 1996, Buttle, 1996). Numerous researchers have confirmed the applicability of five dimension model in different sectors in different countries (e.g. Gabbie and Neill, 1996; Bojanić and Rosen, 1994; Mehta and Durvasula, 1998; Lam and Zhang, 1999); however in some studies the five dimension model was not confirmed (e.g.Carman, 1990; Babakus and Boller, 1992; Brown *et al.,* 1993; Ryan and Cliff, 1996; Zhao *et al.,* 2002; Wang *et al.,*2004; Jain and Gupta, 2004; Evangelos *et al.*, 2004). In the various other significant studies, the SERVQUAL scalehas been presented in different dimensions – single-dimensional (Babakus *et al.*, 1993; Lam, 1997), two-dimensional(Babakus and Boller, 1992; Nadiri and Hussain, 2005; Karatepe and Avci, 2002; Ekinci *et al.,* 2003; Evangelos *et al.*,2004), three-dimensional (Mei *et al.,* 1999), four-dimensional (Gagliano and Hathcote, 1994; Kilbourne *et al.,* 2004),six-dimensional (Headley and Miller, 1993), seven-dimensional (Freeman and Dart, 1993), nine-dimensional(Carman, 1990), and nineteen-dimensional (Robinson and Pidd, 1998) construct. Besides, a number of researchers in different contexts have reported different dimensions for expectations, perceptions, and gap scores (Arasli *et al.,* 2005; Zhao *et al.,* 2002; Parikh, 2006). In summing up, Babakus and Boller (1992) commented that "the domain of servicequality may be factorially complex in some industries and very simple and uni-dimensional in others". In effect, authors claim that the number of service quality dimensions is dependent on the particular service being offered. Dotchin and Oakland (1994) states that dimensionality of SERVQUAL depends on the context in which it is applied and cannot be generalized in all and any service industry. Similarly, Brown *et al.* (1993) suggested that SERVQUAL has to be modified and adapt-based on the industry, the business and the location. Ozer (1999) recommends the development of industry-specific quality measurements for a better fit to the nature of the industry. As a result,numerous studies in different service sectors have sought to develop industry-specific service-quality scales. Forexample, several scales have been replicated, adapted and developed to measure services by taking SERVQUAL as abase, viz., SERVPERF (Cronin and Taylor, 1992, 1994) for hotels, clubs and travel agencies; DINESERV (Stevens *etal.,* 1995) for food and beverage establishments; LODGSERV (Knutson *et al.,* 1990) for hotels; SERVPERVAL(Petrick, 2002) for airlines; SITEQUAL (Yoo and Donthu, 2001) for Internet shopping; E-S-QUAL (Parasuraman *etal.,* 2005) for electronic services; SELEB (Toncar *et al.,* 2006) for educational services; HISTOQUAL (Frochot andHughes, 2000) for historic houses; LibQUAL (Cook *et al.,* 2002) for library ; and ECOSERV (Khan, 2003) for ecotourism.

RESEARCH METHODOLOGY

The study was conducted on LIC customers in Srinagar, for choosing the sample, non-probabilistic convenience sampling technique was used. A sample of 450 customers was taken up who were approached personally at their work places. Out of the total, 337 responses (75 percent) were found to be valid and used for the purpose of analysis. SERVQUAL – 22 item scales as proposed by Parasuraman *et al.* (1988) has been employed for collecting data regarding the customers' perceptions and expectations of various service attributes. The discrepancy between perception and expectation (termed the P-E or gap) is a measure of service quality. Respondents were asked to indicate their perceptions and expectations level for each of the 22 items in the questionnaire using a seven-point Likert scale (ranging from 1 indicating 'very strongly disagree' to 7 indicating 'very strongly agree'.

RELIABILITY TEST

Overall reliability of the perception (0.9110), expectations (0.7842), and gap(P-E) (0.8701) scales were also quite high and hence deemed acceptable (Nunnally and Bernstein, 1994; Hair *et al.,* 2010).

GAP ANALYSISOF THE STUDY (EXPECTATION PERCEPTION GAP)

In the present study the gap scores for individual items were analyzed using the Weighted Average Scores (WAS) for all the 16 items to identify areas where quality improvement by LIC is needed the most.As expected (Parasuraman *et al.,* 1985, 1988), the results (shown in Table 6) revealed that in all the attributes of service quality of LIC, the gap scores are negative. Levy and Weitz (2005) posit that customers are satisfied when the perceived service meets or exceeds their expectations. They are dissatisfied when they feel the service falls below their expectations. From Table 1, it is clear that negative gaps were found in all 16 items indicating that customers'expectations were in excess of their perceptions. In other words, service quality of LIC at an overall level falls far below the customer expectations. This can be interpreted as a gap between what was expected and perceived, thus,representing a failure in service delivery and service quality at all the levels. By analyzing the 'gaps', insurer has the opportunity to take the appropriate actions to improve the quality of their services, giving priority to items with the largest gap scores.Table 1 indicate that the maximum gap (-2.15) among all the items was found to be in item 15 in the area of being neat and professional. The next high gap (-2.02) existed in item 14 in the area of visually appealing materials and facilities.The third substantial gap (-1.97) existed in item 16 in the area of modern equipment, fixtures & facilities. The higher negative scores indicate that those attributes may not be available or at the most be inadequate to users even if available. Besides, biggest gaps call for the need for immediate attention by service provider to make improvements in these areas.The lowest gap (-1.51) was found to be in item 3 which shows that agents fail to make customers feel safe and secure in their transactions. The attributes with lowest negative value can, however, in no way be ignored by service provider.Therefore, in order to reduce the gap, LIC must have to provide excellent training, education & awareness to its staff to provide excellent services to the customers by building a relationship of trust. Eventually the lack of proper factor structure as revealed by the analysis of data, the weighted average scores of the items of gap scale points out to the need for considerable improvements in the LIC service quality in all aspects.

SUGGESTIONS

The results show that most of the items proposed under five dimensions by Parasuraman *et al.* (1988) are relevant in measuring life insurance service quality in the Indian context and there are not major reliability problems .In the critical moments of truth, only those organizations which will be in position to enhance quality in their end products will sustain and maintain their position (Brown *et al.,* 2005). Therefore, LIC must have to focus on quality improvement strategy to remove the quality flaws by giving the first priority to the items with biggest gaps and subsequently to the items with lowest gaps. However, SERVQUAL instrument is moving around the human element of service delivery (which consists of assurance, reliability, responsiveness & empathy) and tangibles attributes (Sureshchandar *et al.,* 2001), so, LIC should ensure that agents & employees are well trained and understand the needs of customers and provide services accordingly that the organization is supposed to provide for its customers. Besides, in a competitive environment, by performing on differential strategies aimed at improving the service quality, LIC will be able to add value to their relationship with the current and prospective customers.

LIMITATIONS AND FURTHER RESEARCH

The conclusion drawn from the results of this study should be viewed under the following limitations. Firstly, this study was carried out mainly in SRINAGAR; therefore, the results obtained may not be pertinent to the country as a whole.Second,the present study has been conducted by taking a sample of 337 customers of LIC (a public company), ignoring the private life insurance companies. This cannot lead to the generalizability of the findings and the results may not be implied conclusively to the whole life insurance industry. Additional studies are recommended to fill this gap. These limitations may decrease the ability of generalizing the results of this study to other life insurance companies' settings. Therefore, the conceptual and methodology limitations of this study need to be considered when designing future research.

CONCLUSION

The findings of the present study indicate that SERVQUAL instrument is not applicable to the Indian life insurance sector; therefore, further research is imperative to understand and improve life insurance service quality in India. Few statements which showed reliability problems should be restated or substituted by more relevant statements and a separate instrument may also be developed to measure service quality for the life insurance industry. Although, SERVQUAL dimensions cover only human element of service delivery and tangibles facet of the service, the concept of service quality does not confine to the realms of these factors, but also encompasses other critical factors namely, service product or the core service, systematization of the service delivery, and social responsibility (Sureshchandar *et al.,* 2001). Therefore, in future these critical factors might also be considered to measure service quality in the life insurance industry.Results of averages computed on gap scores indicate negative gaps in all items of service quality which revealed that expectations of customers were more than their perceptions. The negative gaps indicate that the service quality level was unsatisfactory. Accordingly, maximum gap was found in respect of tangibles items followed by responsiveness, assurance, empathy, and reliability items. The greatest negative scores have made it necessary for LIC to take corrective measures and focus on quality improvement to increase its effectiveness and to compete successfully in the life insurance industry. For that reason, quality improvement strategy should be opted in the order of the highest to the lowest gaps. Conversely, failing to make improvement will widen the gaps and which will result in customer dissatisfaction towards service quality of LIC. Overall, this study also found that the gap (P-E) model as proposed by Parasuraman *et al.* (1988) did not perform as well as the perception based performance (P) model of Cronin and Taylor (1992) in terms of reliability, explained variance and its factor structure. In addition, suggested improvements in the service quality are required to be focused by LIC to retain potential customers, gain a competitive advantage, increase its market share & profitability, and to ensure its sustainability especially in the developing countries like India. Moreover, the continuous examination of customers' perceptions and expectations is needed in order to know about what actually the customers want, in that way, up-to-date measures are needed to be employed, basing them on the customers' stated needs and demands to improve the service quality.

TABLES

TABLE 1

DIMENSION	TOTAL NO.ITEMS	PERCEPTION (P)	EXPECTATIONS (E)	GAP(P-E)
ASSURANCE	04	0.7148	0.4548	0.6452
RELIABILITY	03	0.7390	0.2928	0.6655
EMPATHY	03	0.7084	0.5033	0.4905
RESPONSIVNESS	03	0.8134	0.5252	0.7384
TANGIBLE	03	0.8218	0.4208	0.6872
OVERALL (16 ITEMS)		**0.9110**	**0.7842**	**0.8701**

TABLE 2

SR.NO.	ITEMS/STATEMENTS	GAP SCALE(WAS)
1	Agents and employees who have the proper knowledge and competence to answer customers ' specific queries and requests	-1.84
2	Agents and employees who instills confidence in customers by proper behavior	-1.58
3	Making customers feel safe and secure in their transactions	-1.51
4	Appropriate behavior of the concerned staff	-1.87
5	Providing promised services as per the set schedule	-1.67
6	Providing services right the first time	-1.70
7	Showing sincere interest in solving customers problems	-1.72
8	Giving caring and individual attention to customers by having customers best interest's at heart	-1.83
9	Agents and employees who understand the specific needs of their customers	-1.64
10	Having convenient operating hours and days of the branches for the customers	-1.72
11	Apprising the customers of the nature and schedule of services available in the organization	-1.66
12	Willingness to help customers and the readiness to respond to customers requests	-1.92
13	Providing prompt service to customers	-1.62
14	Visually appealing materials and facilities associated with the service	-2.02
15	Staff appeared neat and professional	-2.15
16	Modern looking updated equipment, fixtures , and facilities	-1.97

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