

**IMPACT OF SERVICE QUALITY ON CUSTOMER LOYALTY IN LIFE INSURANCE
SECTOR: THE MEDIATING EFFECT OF CUSTOMER TRUST**

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ABSTRACT

The aims of this article is to analyze the Impact Of Service Quality On Customer Loyalty In Life Insurance Sector with The Mediating Effect Of Customer Trust. The primary data has been collected through structure questionnaire by using google form. A descriptive research design is used and the result of this study is based on 72 respondents collected through purposive sampling technique. Statistical tools such as descriptive statistic, one-way ANOVA, independent t-test, correlation analysis, and regression is used to measure the relationship between the variables. The result of this study shows that service quality and customer trust both has an significant relationship with customer loyalty. The study found that trust had a greater influence on determining customer loyalty than service quality. Also there is no any significant effect of demographic factors on customer loyalty. The findings of this article suggest, the insurance company have to increase the quality of service to make a loyal customer and improve the customer trust by providing various scheme and premium.

Keywords: *Service Quality, Customer Trust, Customer Loyalty, Life Insurance Sector*

1. INTRODUCTION

Insurance is a method of mitigating financial risks. It is a legal contract between the insurance business (insurer) and the individual (insured). A contract in which an individual or entity pays an insurance company for financial protection or compensation of losses incurred as a result of a covered occurrence. In short, insurance can offer peace of mind regarding unforeseen financial risks. Only those insurance firms who believe in providing the maximum value to their consumers can currently survive and sustain their development and profitability (Saha, 2015). The preceding is extremely significant to an insurance transaction in which the insured is promising present-day funds in exchange for a future promised obligation by the insurer (Kueng, 2020). The insurance industry cannot be isolated from a country's economic growth because, theoretically, the relationship between insurance and economic growth can be causal, and different studies have revealed that Asia has the world's fastest growing insurance sector (Fachmi, 2020).

A life insurance policy is a contract between an individual and a life insurance provider in which the insurance company provides financial protection to the policyholder in exchange for a predetermined charge known as the premium. A guarantees that the insurer pays a sum of money to your beneficiaries (such as a spouse or children) if you die. In exchange, you pay premiums during your lifetime. The life insurance industry has been focused on quality, and several beneficial steps have been implemented to improve service quality in this area, but not enough study has been conducted on quality in life insurance (Khurana, 2013) . It is a scheme that makes a payment to a specific beneficiary or group of beneficiaries in the case of the policyholder's demise. Investing in the best life insurance policy early on in life acts as a safety blanket during such eventuality. The insurance provider is obliged to pay the nominee or beneficiary the pre-defined sum assured. Customer satisfaction and loyalty can also be influenced by the extent of the customer's trust in the life insurance industry. Lack of trust owned by customers towards insurance companies will reduce customer satisfaction, thereby impacting customer loyalty (B. M., 2020). Life insurance policies are long-term agreements wherein the policyholder is required to make a fixed periodical payments, it helps the policyholder inculcate the habit of savings. Customer loyalty has not only found its way into the strategy rooms but it also features as a foremost theme of marketing research in most mid to-large size organizations (Srivastava, 2022).

In the context of the life insurance sector, the study establishes customer trust as a mediator in a service quality - customer loyalty relationship. There is a need to investigate the elements that influence consumers' trust in life insurers, since there are more opportunities to prosper, accelerate, and elevate their

commercial activities through the provision of high-quality services to their clients. Trust is a rational process that is intentionally built and maintained over time (Panigrahi, 2018).

Services quality is an important factor in maintaining consumers. Each insurance company always tries and competes to give the best services in order to make the consumers move to other company. Service is essentially an intangible and non-productive action or benefit provided by one group to another (Sadiartha, 2018).

1.1 Research Objective

- To analyze and assess the strength of the relationship between service quality and Customer loyalty.
- To investigate the function and influence of consumer trust as a result of service quality and an initial step to customer loyalty.
- To study the role of consumer trust as a moderator in the relationship between service quality and customer loyalty.

2. LITERATURE REVIEW

Relevant research have undergone through examination and are presented to first elaborate the literature framework. Conceptual foundation for each of the three components looked at in the research. The relationship between them is then examined from the standpoint of service businesses in general and the life insurance industry in particular.

2.1 Service Quality

The study reveal that Service quality is a great differentiator and the most powerful competitive weapon for the service-oriented organization as it is an influential antecedent and predictor of the continuity exchange relationship between the customers and their service provider (Berry, 1988). According to the Grönroos (1984), the proposes to develop a service quality model, based on test of a sample of business executives, which describes how the quality of services is perceived by customers. According to the SERVQUAL scale, service quality can be measured by identifying the gaps between customers' expectations of the service to be rendered and their perceptions of the actual performance of the service (Bala, 2011).

According to the Alexandris (2002), the study was to investigate the degree to which behavioral intentions could be explained by service quality dimensions. Khurana (2013) suggest that the perceived service quality is a factor upon which the customer can distinguish between otherwise identical insurance products. Walker (2000) suggested that expectations act as standards or reference points for service evaluation and thus, agents need to understand customer expectations of their services.

2.2 Customer Trust

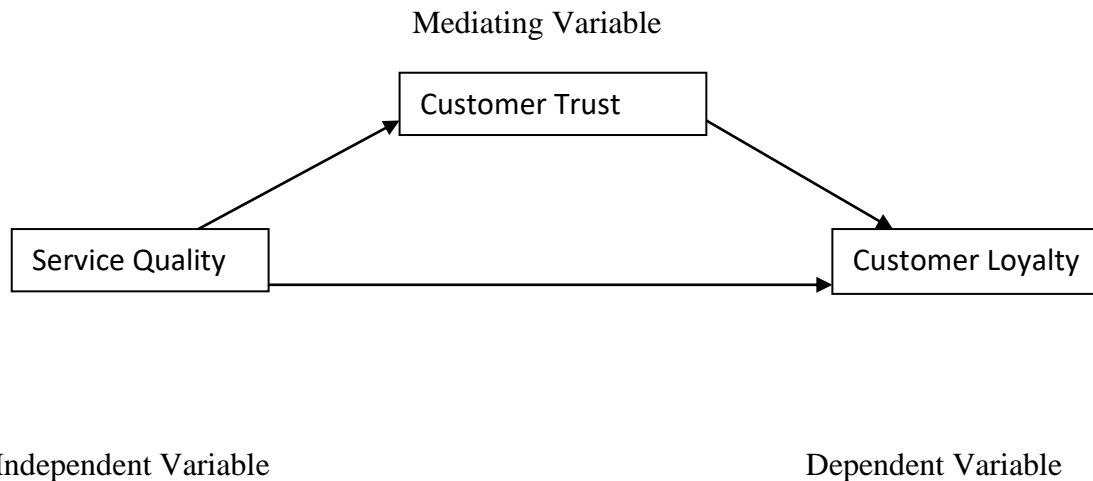
Trust is recognized as an essential tool for the success of any industry. The study discovered that service quality had an important role in shaping trusted feelings among insurance customers, and the research also revealed that trust had a greater impact on the determination of customer loyalty than service quality (A. B., 2020). According to the Swan, (1999) trust has a moderate but beneficial influence on the development of positive customer attitudes, intentions, and behavior. The most frequently used measure of trust has been a multi-item scale designed to measure trust in terms of two or more trust components, that is attributes or behaviors of the salesperson. . There is a need to understand the factors which affect the customer's trust in life insurers which need to be explored because of the increased opportunities to succeed, accelerate, and uplift their business activities through the provision of best-quality services to their customers. Iglesias, (2018) reveals that CSR influences customer loyalty both directly and indirectly through co-creation and customer trust. Structural equation modeling was used to test the hypothesized relationships simultaneously. In business trust is viewed as one of the most relevant antecedents of stable and collaborative relationships (Akbar, 2009).

2.3 Customer Loyalty

Customer loyalty refers to a customer's readiness to do business with a firm again and again. Customer loyalty is the sum of a customer's contentment and emotional attachment to the company or brand. Both of these components of customer loyalty are heavily influenced by how a company views its customers and the sincerity with which it serves them (A. K., 2018).The need of incorporating an attitudinal component of loyalty has been emphasized by Bandyopadhyay (2007) who revealed that situational factors like unavailability of stock, individual factors like resistance to change and socio-cultural factors like social bonding differentiate behavioral loyalty from attitudinal loyalty. When a customer is committed to a particular brand, they are not readily fluctuate by availability or pricing. They are willing to pay more as long as they receive the same high-quality product or service that they are accustomed to and enjoy.Rai, (2022) revealed that customer loyalty has not only made its way into strategy rooms, but it is also a major

theme of marketing research in most mid-to-large-sized firms. It has evolved into an all-important managerial concern and some people are obsessed with strategy. Aside from the intense Competing forces at work in the background, contemporary customer service orientation of the company has also established a client platform. The heart of marketing will be loyalty. Activity in a variety of industries, particularly ones that deal with services.

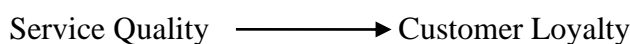
3. CONCEPTUAL FRAMEWORK



4. HYPOTHESIS

The concepts presented above serve as a foundation for developing relational models involving service quality, customer trust, and customer loyalty that depicts both the causal and these structures are subject to directional flow. The Relationships between the major constructs emerge three distinct path, each of which is discussed in the parts that follow.

Path1: The service quality-Customer loyalty Relationship



H1: There exist a significant relationship between service quality and customer loyalty.

Path2: The service quality-customer trust relationship

Service Quality —————> Customer trust

H₂: Customer trust is significantly influenced by service quality

Path3: Customer Trust - Customer Loyalty Relationship

Customer Trust —————> Customer Loyalty

H₃: Customer trust has a significant positive influence on customer loyalty.

H₄: The relationship between service quality and Customer loyalty is largely mediated by Customer trust

5. RESEARCH METHODOLOGY

The research method and tools employed in this study are detailed in the following sections

5.1. Population and Sample

The number of respondents is unclear because there is no reliable source of information from which to gather this information. To choose a representative subset (sample) from a larger population, a purposive sampling approach is used. The questionnaire is sent at random using digital means. The study comprised the distribution of questionnaires to a certain set of people, and I obtained 72 responses from the participants. The study is based on the data gathered from these 72 consenting participants in the survey, who contributed significant insights into the subject under inquiry. The responses received from this group serve as the basis of our research and as the primary data for our analysis and findings.

5.2 Types and Source of Data

The study was collected from primary source of data using a structured questionnaire. The questionnaire included 27 items on a 5-point Likert Type scale and ranged from 1 (Strongly Disagree) to 5 (Strongly Agree) which measured the WPS.

5.3 Data Analysis

A Descriptive Statistics was used to summarize the data collected from the questionnaire. The study also use Inferential Statistics, including correlation, regression analysis, to examine the relationship between Service Quality, Customer Trust and Customer Loyalty. The statistical software package Statistical Package for Social Sciences (SPSS) was used to analyze the data.

6. RESULTS AND FINDINGS

6.1 Descriptive Analysis

Table 1: Demographic profile of the Respondents

Demographic	Category	N	Percentage(%)
Gender	Male	42	58.3
	Female	30	41.7
Age	20-25	58	80.6
	25-30	14	19.4
Education	+2 level	3	4.2
	Bachelor's	49	68.1
	Master's	20	27.8
Marital Status	Married	11	15.3
	Unmarried	61	84.7
Occupation	No Occupation	2	2.8
	Student	51	70.8
	Teacher	4	5.6
	Engineer	3	4.2
	Accountant	3	4.2
	Businessman	1	1.4
	Other	8	11.1

There was a sum of 72 respondents in this review, of which 58.3% are male and 41.7% are females. A greater part of the respondents, that is, 80.6% are in the age scope of 20-25 and 19.4% age group lies between 25-30. Most of the respondents education level 68.1% consist of Bachelor level, followed by 27.8% of Master Level and 4.2% of +2 level. Here, most of the respondent marital status 84.7% consist of

unmarried and 15.3% married. The vast majority of the respondents are students (70.8%) while other (11.1%) and Teacher (5.6%), Engineer (4.2%), Accountant (4.2%) while No occupation (2.8%) and Businessman (1.4%).

6.2 Reliability Test

Table 2: Reliability Statistics

Variables	Mean	Std. Deviation	Cronbach's Alpha
Service Quality(SQ)	3.50893571	1.195797143	0.963
SQ1	3.5556	1.23207	
SQ2	3.2917	1.23833	
SQ3	3.3194	1.17277	
SQ4	3.5972	1.12162	
SQ5	3.6528	1.17677	
SQ6	3.5556	1.14927	
SQ7	3.6389	1.1421	
SQ8	3.6528	1.12788	
SQ9	3.5139	1.19851	
SQ10	3.5278	1.12553	
SQ11	3.5	1.26714	
SQ12	3.5	1.22187	
SQ13	3.3333	1.28917	
SQ14	3.4861	1.27813	
Customer Trust(CT)	3.50695	1.239201667	0.938
CT1	3.375	1.27199	
CT2	3.5417	1.19786	
CT3	3.6944	1.17052	
CT4	3.5556	1.2659	
CT5	3.3889	1.28431	
CT6	3.4861	1.24463	
Customer Loyalty(CL)	3.5357	1.259997143	0.946
CL1	3.4722	1.29975	

CL2	3.5694	1.20826
CL3	3.4861	1.35307
CL4	3.625	1.14372
CL5	3.4722	1.24439
CL6	3.5972	1.21794
CL7	3.5278	1.35285

Table 2, shows that the Cronbach’s Alpha on every variables (service Quality, Customer Trust, Customer Loyalty) ranged from 0.938 to 0.963. Out of dependent factors, mean of perceived usefulness (3.5357) was accounted for to be the best influencer on adoption of life insurance, trailed by Service Quality (3.50893571) and Customer Trust (3.50695). Since, the value of Cronbach’s Alpha value of all variable is more than 0.7. This indicates that the questions that were designed for collecting data are very good and they shall give the desired output our research objective.

6.3 Bivariate Analysis

Table3: Independent T-test

Gender	N	Mean	Std. Deviation	Std. Error Mean	F	Sig
Male	42	3.7381	1.12747	.17397	1.602	0.21
Female	30	3.3000	1.34293	.24518		

Table 3, shows that T-test for equality of means was accounted for to be insignificant ($0.21 > 0.1$) and it was presumed that there was a difference of expectation to take on life insurance with regard to gender of respondent. In light of the mean, Male showed a more intention toward purchase of life insurance when contrasted with females ($3.7381 > 3.3000$).

Table 4: One way ANOVA

Construct	Age Group	N	Mean	Std. Deviation	sig.
Customer Loyalty	20-25	58	3.4458	1.13628	0.158
	25-30	14	3.9082	0.84906	
	Total	72	3.5357	1.09659	

Observing Table 4, one way ANOVA test shows that the Customer Loyalty of age of (25-30) are higher than other age groups (20-25) i.e (3.9082>3.4458) of insurance Customer and Since, 0.158>0.1, which means that the Customer Loyalty of the respondent has no significant relationship with age.

Table 5: Correlation Coefficient

	SQ	CT	CL
SQ	1	.908**	.937**
CT		1	.910**
CL			1

** Correlation is significant at the 0.01 level (2-tailed).

Correlation was used to test the discriminant validity of the variables. Table 5, shows that the correlation coefficient for the variables 3 are revealed to be significant at 0.01 level of confidence interval and ranged from 0.910 to 0.937. Since the correlation coefficient was significant.

Table 6: Test of presence of multicollinearity

	Collinearity Statistics	
	Tolerance	VIF
	0.175	5.705
	0.175	5.705

Table 6, shows that the VIF of all the independent variables is less than 10, which means that there is no such collinearity among the independent variables used in the data.

6.4 Overall test of significance

Table 7: Overall test of significance

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	74.907	1	74.907	500.805	.000 ^b
	Residual	10.470	70	.150		
	Total	85.378	71			

a. Dependent Variable: CL

b. Predictors: (Constant), SQ

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	68.563	1	68.563	329.355	.000 ^b
	Residual	14.572	70	.208		
	Total	83.135	71			

a. Dependent Variable: CT

b. Predictors: (Constant), SQ

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	70.734	1	70.734	338.132	.000 ^b
	Residual	14.643	70	.209		
	Total	85.378	71			

a. Dependent Variable: CL

b. Predictors: (Constant), CT

Table 7 shows that the p value is 0.00 this value is less than 0.05. Thus, there are significant differences in between the independent variable Service Quality, mediating variable Customer Trust and Dependent Variable Customer Loyalty.

Table 8: Regression Analysis

Hypothesis	Constant	Relationship	Beta	Standard error	t-value	p-value
H1	-0.136	SQ-CL	1.046	.047	22.379	.000
H2	-0.005	SQ-CT	1.001	0.055	18.148	.000
H3	0.301	CT-CL	0.922	0.05	18.388	.000

- The p-value of SQ-CL is less than 0.05, it shows a significant relationship between service quality and customer loyalty. And the beta of 1.046 implies that one unit increase in service quality leads to 1.046 unit increase in customer loyalty.
- The p-value of SQ-CT is less than 0.05, it shows a significant relationship between service quality and customer Trust. And the beta of 1.001 implies that one unit increase in service quality leads to 1.001 unit increase in customer trust.
- The p-value of CT-CL is less than 0.05, it shows a significant relationship between customer trust and customer loyalty. And the beta of 0.922 implies that one unit increase in service quality leads to 0.922 unit increase in customer loyalty.

Thus the determinants of customer loyalty can be summarized by the following equation:

Model 1

$$\text{Customer loyalty} = -0.136 + 1.046 (\text{Service quality}) + U$$

Model 2

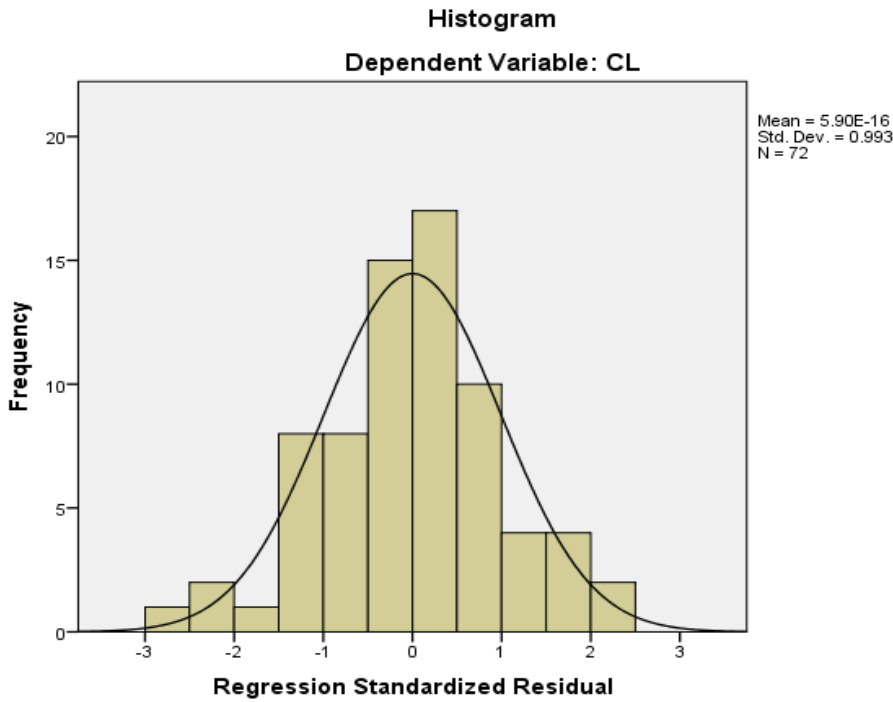
$$\text{Customer Trust} = -0.005 + 1.001 (\text{Service Quality}) + U$$

Model 3

$$\text{Customer Loyalty} = 0.301 + 0.922(\text{Customer Trust}) + U$$

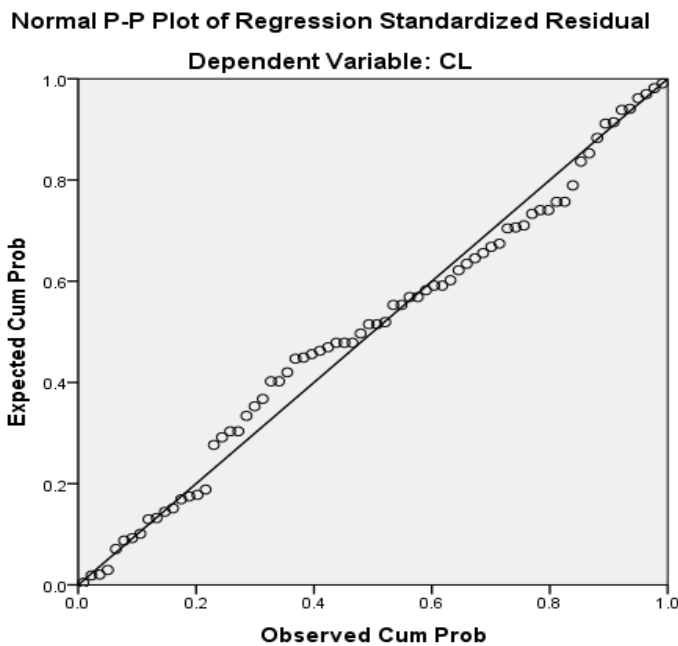
6.5 Test of Normality of Residuals

Figure 1: Test of normality of residuals



The Histogram with Normal curve shows that the residual are normally distributed.

Figure 2: P-P plot of Standarized Residuals



The figure shows that there is no such huge deviation of residuals from line. It indicates that the residuals are approximately normally distributed. Though the test of the normality of other residuals are not shown in the paper, but they are tested and are normally distributed.

7. CONCLUSION

The purpose of this study was to look into the role of trust as a moderator in the relationship between service quality and customer loyalty among insurance clients. According to the findings of the study, service quality has a significant relationship with customer loyalty. The study discovered that service quality was critical in shaping trust among Life insurance customers. The study outcome showed that service quality has a significant relationship with customer trust. According the study of this paper, Customer trust has a significant relationship with customer loyalty.

The study revealed that there is no any association between the demographic variables and Dependent variables. The article presents a research study on the mediating influence of customer trust in the link between service quality and customer loyalty in the life insurance sector. The study found that trust had a greater influence on determining customer loyalty than service quality. The finding of this article suggest that the insurance company have to increase the quality of service to make a loyal customer and improve the customer trust by providing various scheme and premium in time and ask about their personal situation of their life by calling them and get the feedback which help to increase customer loyalty.

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