Service Quality Gaps in the Life Insurance Sector: A SERVQUAL Analysis of LIC

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Abstract

This study evaluates the service quality of the Life Insurance Corporation of India (LIC) using the SERVQUAL model, focusing on five dimensions: Tangibility, Reliability, Responsiveness, Assurance, and Empathy. The research aims to identify gaps between customer expectations and perceptions, providing insights into LIC's strengths and areas for improvement. Data were collected from 150 respondents through structured questionnaires, and paired sample t-tests were used for analysis.

Findings reveal significant service quality gaps across all dimensions, with the highest gaps observed in Tangibility and Responsiveness, indicating the need for modernization of facilities and proactive customer service. Reliability and Assurance dimensions showed smaller gaps, suggesting LIC's competence in delivering dependable and secure services. The Empathy dimension highlighted the necessity of personalized attention and customer engagement.

The study concludes that while LIC performs relatively well in reliability and assurance, substantial improvements are required in tangibility and responsiveness to meet customer expectations effectively. These findings provide actionable insights for LIC to enhance customer satisfaction and maintain its competitive edge in the evolving insurance landscape.

Keywords: Service Quality, SERVQUAL Model, Life Insurance Corporation, (LIC), Customer Expectations and Perceptions, Tangibility and Responsiveness,

Insurance Sector Analysis

Introduction

Service quality is a critical determinant of organizational success, particularly in customer-centric industries such as insurance. In the context of India, the Life Insurance Corporation of India (LIC) has

historically dominated the life insurance sector, serving millions of customers with diverse financial needs. Established in 1956, LIC operates as a public-sector insurer, holding a substantial share of the market despite the emergence of private competitors (Sharma, 2020). The corporation's enduring success is attributed to its strong brand reputation, extensive distribution network, and trust among policyholders (Verma, 2021).

However, the liberalization of the Indian insurance industry and the entry of private players have intensified competition, compelling LIC to focus on delivering exceptional service quality (Rao & Singh, 2021). Customers today demand prompt, reliable, and personalized service, making service quality a critical differentiator. With increased awareness and expectations, customers evaluate insurers not only based on their financial products but also on the overall service experience (Das & Gupta, 2022).

This study examines the service quality of LIC using the SERVQUAL model, a widely recognized framework for measuring the gap between customer expectations and perceptions. The SERVQUAL model, developed by Parasuraman, Zeithaml, and Berry (1988), assesses service quality across five dimensions: Tangibility, Reliability, Responsiveness, Assurance, and Empathy. By identifying these gaps, the study aims to pinpoint areas where LIC excels and areas requiring improvement.

The significance of this research lies in its potential to guide LIC in refining its service delivery mechanisms. By addressing service quality gaps, LIC can enhance customer satisfaction, strengthen customer loyalty, and maintain its competitive edge in the evolving insurance landscape (Kumar & Mehta, 2020). Furthermore, this research contributes to the broader literature on service quality in the insurance industry, providing insights into the unique challenges faced by public-sector insurers in India.

Review of Literature

Service Quality and SERVQUAL Model

Parasuraman, Zeithaml, and Berry (1988) introduced the SERVQUAL model, which measures service quality by assessing the gap between customer expectations and perceptions across five dimensions. The model has been widely used in various industries, including banking, healthcare, and insurance, to identify service quality deficiencies and devise improvement strategies.

Tangibility in Service Quality

Tangibility refers to the physical facilities, equipment, and materials used to provide services. According to Lovelock and Wirtz (2011), the appearance of facilities and materials significantly impacts customers' perceptions of service quality. Studies in the insurance sector (Sharma, 2019) have found that modern and visually appealing facilities positively influence customer satisfaction.

Reliability in Service Delivery

Reliability, defined as the ability to deliver promised services dependably and accurately, is a cornerstone of service quality (Parasuraman et al., 1988). Empirical research in the insurance industry (Kumar & Mehta, 2020) indicates that customers prioritize error-free and timely service delivery, emphasizing the importance of this dimension.

Responsiveness and Customer-Centric Services

Responsiveness reflects the willingness of service providers to assist customers and address their concerns promptly. Bitner et al. (1994) highlighted that responsiveness is particularly critical in service recovery situations. In the context of LIC, the lack of proactive communication and slow responses have been identified as areas needing improvement (Rao & Singh, 2021).

Assurance and Trust

Assurance encompasses the knowledge, courtesy, and ability of employees to instill trust and confidence among customers. Studies by Al-Hawari (2008) underscore the importance of assurance in financial services, where trust plays a pivotal role. LIC's performance in this dimension is crucial, given the trust-based nature of its offerings.

Empathy in Customer Service

Empathy involves providing individualized attention to customers. Research by Anderson and Srinivasan (2003) suggests that personalized service enhances customer loyalty. However, studies on LIC (Das & Gupta, 2022) indicate that the organization needs to improve its customer engagement practices to strengthen emotional connections with its clientele.

Gaps in LIC's Service Quality

Several studies (Sharma, 2020; Verma, 2021) have identified significant gaps in LIC's service quality, particularly in tangibility and responsiveness. These gaps highlight the need for modernization of facilities and proactive customer service to align with contemporary expectations.

Research Methodology

Research Design

This study employs a descriptive research design to examine the gap between customer expectations and perceptions regarding service quality in LIC. The SERVQUAL model has been adopted to assess five dimensions of service quality: Tangibility, Reliability, Responsiveness, Assurance, and Empathy. This design allows for a detailed analysis of service quality gaps and provides actionable insights.

Research Objectives

The primary objective of the study is:

To analyze the gap between customer expectations and perceptions in five dimensions of service quality.

Research Hypotheses

The following null hypotheses were tested:

1.   **H01**: There is no significant gap between customer expectations and perceptions in the tangibility dimension.

2.   **H02**: There is no significant gap between customer expectations and perceptions in the reliability dimension.

3.   **H03**: There is no significant gap between customer expectations and perceptions in the responsiveness dimension.

4.   **H04**: There is no significant gap between customer expectations and perceptions in the assurance dimension.

5.   **H05**: There is no significant gap between customer expectations and perceptions in the empathy dimension.

Sampling Techniques

A purposive sampling technique was used to select customers of LIC who were willing to participate in the study. This method ensured that the sample included individuals with sufficient experience of LIC's services to provide informed feedback.

Sample Size

The study was conducted with a sample size of 150 respondents. This sample size was deemed adequate for conducting paired sample t-tests and other statistical analyses to derive meaningful insights.

Data Collection

The data was collected using a structured questionnaire based on the SERVQUAL model. The questionnaire consisted of paired items to measure both expectations and perceptions of service quality across the five dimensions:

1. Tangibility
2. Reliability
3. Responsiveness
4. Assurance
5. Empathy

Primary data was collected through personal interviews and online surveys, ensuring broad representation.

Statistical Tools

The following statistical tools were utilized for data analysis:

1. **Paired Sample T-Test**: To measure the gap between customer expectations and perceptions for each dimension of service quality.
2. **Descriptive Statistics**: To summarize the mean, standard deviation, and significance values of the service quality gaps.
3. **Charting Tools**: To visually represent the service quality gaps across the five dimensions.

These tools facilitated a comprehensive analysis of the data and helped identify significant areas for improvement.

Data Analysis

Analyze Gap between Customers' Expectations and Perceptions of Five Dimensions of Service Quality: LIC

Tangibility Dimension

Table 1 : Paired Samples Statistics to test the Service Quality Gap for Tangibility

Statements	Pair	Paired Differences		T	Df	P
		Mean	Std. Deviation			Value
T1	E1 & P1	-2.04	.93073	-5.878	149	.000
T2	E2 & P2	-1.49	.99493	-6.073	149	.000
T3	E3 & P3	-.79	.93885	-6.957	149	.000
T4	E4 & P4	-.48	.94635	-6.212	149	.000

Source: Primary Data

Paired sample t-test has been used to analyze the gap between expectations and perception of service quality dimensions of the customers of LIC. The SERVQUAL model has been adopted in this part to study the perceived gap in the five dimensions of service quality. A gap is found between the four

statements taken under the tangibility dimension. Table 1 shows that the highest gap is -2.04 for the statement T1 i.e. "company have modern looking equipment and building" and the lowest gap is -0.48 for the statement T4: "Material associated with the insurance services like brochure, pamphlet, policy document etc. are visually appealing". This implies that the customers are relatively more satisfied with the visual appearance of printed documents among the other statements of tangibility dimension. In the Table 1, it has been examined that gap between expectation and perception of the customers with respect to tangibility was significant ($p < .05$).

Reliability Dimension

Table 2 : Paired Samples Statistics to test the Service Quality Gap for Reliability

Statements	Pair	Paired Differences		t	df	P value
		Mean	Std. Deviation			
R1	E5 & P5	-.55	1.02018	-6.643	149	.000
R2	E6 & P6	-.69	1.00966	-8.410	149	.000
R3	E7 & P7	-.52	.95341	-6.680	149	.000
R4	E8 & P8	-.62	1.00031	-7.673	149	.000
R5	E9 & P9	-.63	.99270	-7.814	149	.000

Source: Primary Data

It is found in Table 2 that there is a gap between the five statements taken under the reliability dimension. The highest gap is .69 for the statement R2 i.e. "company shows sincere interest in solving the problem" and the lowest gap is 0.52 for the statement R3: "Company perform service right at the first time". It is evident from Table 2 that customers were relatively satisfied with LIC in terms of performing right services at the first instance in the reliability dimension. From the above results, it has been examined that gap between expectation and perception of the customers is significant in terms of Reliability, because all significance values are less than the level of significance (0.05).

Responsiveness Dimension

Table 3 : Paired Samples Statistics to test the Service Quality Gap for Responsiveness

Statements	Pair	Paired Differences		T	Df	P value
		Mean	Std. Deviation			
RE1	E10& P10	-.51	4.16441	-.588	149	.009
RE2	E11 &P11	-1.65	.92058	-8.603	149	.000
RE3	E12 &P12	-1.79	1.0335	-9.322	149	.000
RE4	E13 &P13	-.75	1.09873	-8.397	149	.000

Source: Primary Data

It can be seen from the Table 3, the statement RE3 has the highest mean score (1.79) among the four pairs of responsiveness dimension. This means that LIC staff is not always willing to help the customers. The statement dealing informing the customers regarding when the services will be performed had the lowest mean score (0.51). This shows that the customers of LIC are relatively satisfied with information that they are receiving regarding the services with respect to other dimensions of Responsiveness. In the Table 3, it has been examined that gap between expectation and perception of the customers is significant in terms of Responsiveness in LIC because all significance values are less than the level of significance (0.05).Assurance Dimension

Table 4 : Paired Samples Statistics to test the Service Quality Gap for Assurance

Statements	Pair	Paired Differences		T	df	P value
		Mean	Std. Deviation			
A1	E14 & P14	-.70	1.04753	-8.184	149	.000

A2	E15 & P15	-.58	.95024	-7.476	149	.000
A3	E16 & P16	-.68	.92784	-9.064	149	.000
A4	E17 & P17	-.61	1.10391	-6.805	149	.000

Source: Primary Data

It can be seen from the above table 5, the statement A1 has the highest mean score (.70) among the four pairs of assurance dimension. This means that customers are dissatisfied with the behavior of employees. The gap of expectation and perception is lowest for the statement A2 (0.58): "Feeling of safety, security & reliability in the transactions of the LIC". It means that customers are relatively satisfied with the security & reliability in the transactions of the LIC. It is evident from Table 5 that there is a significant gap between expectation and perception of the customers in terms of Assurance in LIC because all significance values are less than the level of significance (0.05).

Empathy Dimension

Table 6: Paired Samples Statistics to test the Service Quality Gap for Empathy

Statements	Pair	Paired Differences		t	Df	P value
		Mean	Std. Dev.			
E1	E18 & P18	-.80	1.11906	-8.683	149	.000
E2	E19 & P19	-.64	1.05092	-7.459	149	.000
E3	E20 & P20	-.76	.97991	-6.916	148	.000
E4	E21 & P21	-.78	.94741	-10.083	149	.000
E5	E22 & P22	-.79	1.00533	-9.665	149	.000

Source: Primary Data

As shown in Table 6, the statement E1 has the highest mean gap score (.80) among the five pairs of empathy dimension. This means that LIC fail to conduct regular meetings with their customers. The statement E2

scored the lowest mean difference (0.64) which shows that the customers were satisfied with the operating hours of the company. It can be seen from the above table that there is a significant gap between expectation and perception of the customersin terms of Empathy in LIC because all significance values are less than the level of significance (0.05).

A paired sample T-test has been applied upon the data as shown in Table no.: 7 given below, which compared the following pairs:

- Expected and Perceived level of Tangibility (EX-TAN and PE-TAN).

- Expected and Perceived level of Reliability (EX-REL and PE-REL).

- Expected and Perceived level of Responsiveness (EX-RES and PE-RES).

- Expected and Perceived level of Assurance (EX-ASS and PE-ASS).

- Expected and Perceived level of Empathy (EX-EMP and PE-EMP).

Table 7: Paired Sample t-Test (LIC – Service Quality Dimensions)

Pairs	Paired Differences		t	df	P Value
	Mean	SD			
Pair 1 EX-TAN and PE-TAN	1.20	.6804	9.872	149	.000
Pair 2 EX-REL and PE-REL	.60	.4764	11.672	149	.000
Pair 3 EX-RES and PE-RES	1.17	.5481	12.588	149	.000
Pair 4 EX-ASS and PE-ASS	.64	.5796	12.806	149	.000
Pair 5 EX-EMP and PE-EMP	.75	.5429	13.915	149	.000

Source: Primary Data

In the above table: 7, it has been examined that gap exists between the expectation and perception of the customers in LIC**.** Further it is found that the maximum gap exists in Tangibility dimension with relatively highest gap score of 1.20 followed by Responsiveness dimension with gap score of 1.17. The Reliability dimension with gap score of .60, shows thatthere is a least gap in terms of reliability of LIC. Moreover the research found that service quality gap in LIC is significant with respect to all the dimensions namely tangibility, reliability, responsiveness, assurance, convenience and empathy because all significance values

are less than the level of significance (0.05).
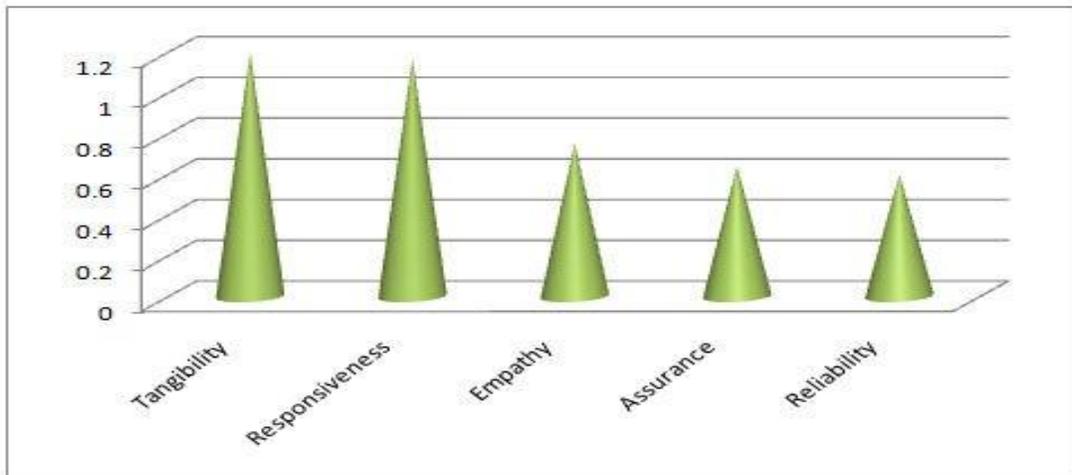
Chart 1 Service Quality Gap: LIC

The results in Table 7 show that the gaps are different in the five dimensions. Chart 1 shows that reliability and assurance dimension has the smallest gap and tangibility and responsiveness dimension has the largest gap. It implies that LIC is performing better in terms of reliability and assurance dimension and they require concentrating on tangibility and responsiveness issues.

Findings

The findings of the analysis presented in the document are as follows:

1.   **Tangibility Dimension**:

o   The largest gap is -2.04 for the statement "Company has modern-looking equipment and building."

o   The smallest gap is -0.48 for "Materials associated with insurance services like brochures and policy documents are visually appealing."

o   Overall, the gap between customers' expectations and perceptions is significant ($p < 0.05$).

2.   **Reliability Dimension**:

o   The highest gap is -0.69 for "Company shows sincere interest in solving the problem."

o   The smallest gap is -0.52 for "Company performs service right the first time."

o   The gap for this dimension is significant ($p < 0.05$), indicating a performance issue.

3. **Responsiveness Dimension**:

o   The largest gap is -1.79 for "LIC staff is not always willing to help the customers."

o   The smallest gap is -0.51 for "Providing customers with information about when services will be performed."

o   This dimension also has a significant gap ($p < 0.05$).

4. **Assurance Dimension**:

o   The largest gap is -0.70 for "Customers are dissatisfied with the behavior of employees."

o   The smallest gap is -0.58 for "Feeling of safety, security, and reliability in LIC transactions."

o   A significant gap exists ($p < 0.05$), though it is relatively smaller.

5. **Empathy Dimension**:

o   The highest gap is -0.80 for "LIC fails to conduct regular meetings with their customers."

o   The smallest gap is -0.64 for "Satisfaction with the operating hours of the company."

o   This dimension, too, shows a significant gap ($p < 0.05$).

6. **Overall Service Quality Gap**:

o   The maximum gap is observed in the Tangibility dimension (1.20), followed by Responsiveness (1.17).

o   Reliability has the smallest gap (0.60).

o   All service quality gaps across dimensions (Tangibility, Reliability, Responsiveness, Assurance, and Empathy) are significant ($p < 0.05$).

Implications:

•   LIC performs better in Reliability and Assurance but needs to improve significantly in Tangibility and Responsiveness to meet customer expectations effectively.

Conclusion

The study concludes that there are significant gaps between customer expectations and perceptions across all five dimensions of service quality in LIC. The largest gaps were observed in Tangibility and Responsiveness, highlighting the need for LIC to modernize its facilities and adopt a more customer-centric approach. Smaller gaps in Reliability and Assurance indicate strengths in delivering dependable services and ensuring trust and security in transactions.

However, areas such as employee behavior, proactive communication, and personalization require immediate attention. The Empathy dimension revealed gaps in customer engagement, emphasizing the need for LIC to build stronger emotional connections with its clientele.

By addressing these gaps, LIC can significantly enhance customer satisfaction, loyalty, and competitiveness. The insights from this study can serve as a roadmap for LIC to align its services with customer expectations and strengthen its position in the dynamic insurance sector. Future research could expand the scope to include private players, providing a comparative analysis of service quality across the industry.

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