Effect of Customer Perception on Customer Satisfaction in LIC Life Insurance

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Abstract

Services sector is the fastest growing sector in India and is projected to have high growth in future. A major contributor among huge service sector is the insurance sector which plays an important role in enhancing financial intermediation, creating liquidity and mobilizing savings in the country. This paper is to investigate the relationship between the perception of customers and satisfaction. Samples size for this study is 236. These sample respondents are selected by systematic random sampling technique. The data analysis procedure is conducted through survey questionnaire method. Responses are coded and data entered statistical package for social science (SPSS). Descriptive statistics, multiple regression and correlation statistical tools were used to analysis of variance between determinants, the statistically significant differences and relationship between variables. It is found to be price and product value are positively influence the customer satisfaction.

Key words: Customer perception, Customer satisfaction, LIC life insurance

Introduction

In today's era everyone wants safety and protection. Insurance is an umbrella to protect from risk. Insurance is defined as sharing of the losses of unfortunate among those who are exposed to the same level of risks, suffering and destruction of damage to their properties which are likely to be caused by perils like accident, fire, theft and etc. Insurance is the type of investment which gives the financial security, against any uncertainties. Insurance industry is growing industry which started from LIC life insurer and GIC non life insurer companies and due to rise in demand the private sector was allowed into insurance business. Foreign companies can serve in Indian market by joint venture with any Indian companies. However, foreign ownership was restricted not to exceed 26 per cent of foreign investment. The insurance industry in India is regulated by The Insurance Regulatory Development Act (IRDA), which has the object of ensuring effective administration, supervision, regulation and control the business of insurance in India. The insurance industry of India consists of 57 insurance companies of which 24 are in life insurance business and 33 are non-life insurers. Life Insurance Corporation (LIC) is the sole public sector company among the life insurer. There are six public sector insurers among non-life insurers in India. General Insurance Corporation of India (GIC Re) is the sole re- insurer in India. Brokers, surveyors and third party administrators servicing health insurance claims and agents (individual and corporate) are the other stakeholders in the Indian Insurance market. Insurance provides various benefits to

individuals, families, organizations and the country as whole. The insurance sector in India has become an open competitive market where there are many insurance companies serving different types of insurance products and services.

Presently, there are 36 crore life insurance policies in India making it the biggest player in the world for life insurance. India's insurable population is anticipated to touch 75 crore in 2020. India was ranked 10th among 147 countries in the life insurance business in financial year 2013 with a share of 2.03 percent. The life insurance industry in India is projected to increase at a compound annual growth rate (CAGR) of 12-15 percent in the next five years. The industry has the potential to top the US$ 1 trillion mark over the next seven years (IBEF, 2014). According to Insurance Regulatory & Development Authority (IRDA), insurance services sector grew by 8.6 percent and the total premium for the life insurance sector was Rs. 2.87 lakh crore (IRDA Annual Report 2012-13). With most life insurance companies offering similar policies, product differentiation is tough in increasingly competitive market. As a result, Insurance companies in India are now moving from a product centred approach to a customer-centred strategy. The focus is on enhancing customer satisfaction through improved service quality which leads to improved customer retention, loyalty and profitability. In order to survive and thrive in the competitive insurance industry, life insurers are actively engaged in developing new strategies for customer satisfaction through proper improvement of service quality.

Many insurance products are been introduces in order to capture the targeted market and get more profit. The services companies which were meant to give service are now focusing on profit. What they want from the insurance company in terms of product and services, whether agents are being trained to understand the needs of a client. This research is trying to investigate, identifying and analyzing the factors which influence the customer perception towards life insurance of LIC, how the clients make decision. What are the factors being consider before purchasing any life insurance policy. This research will help private and public insurance company to identify the customer satisfaction and will help in introducing correct product and services in market.

Research Methodology

The objective of this paper is to investigate the relationship between of customers perceptions and customer satisfaction on LIC life insurance, Chengalpattu, District, Chennai, India. Various literatures and reviews are collected and identified the variables. Seven dimensions of customer perceptions have been adopted for this study. This tool consists of 34 statements which are classified as seven dimensions namely, price, product line, service quality, convenience, organisational image, product value and social status. For customer satisfaction Johnson (1998) is used a nine items scale to measure the customer satisfaction. This tool is considered for this study. The required samples size for this study is 236. These sample respondents are selected by systematic random sampling technique. The data analysis procedure is conducted through survey questionnaire method. Responses are coded and data entered statistical package for social science (SPSS). Descriptive statistics, multiple

regression and correlation statistical tools were used to analysis of variance between determinants, the statistically significant differences and relationship between variables.

Result and Analysis

Table-4.8: Respondent's opinion about customer satisfaction of the LIC life insurance

Satisfaction	Mean	SD
Did the right thing	3.97	1.02
Satisfying experience	3.79	0.98
Satisfied with my decision	4.09	1.09
Choice to use the brand	4.04	1.20
Satisfying needs	3.74	1.10
Recent experience	3.85	0.97
Met my expectations	3.98	1.10
Buy on next opportunity	3.34	1.09
One and only brand	3.04	1.09

Source: Primary data computed.

In the beginning point, customer's satisfaction is built when the customer has full confidence and satisfaction on the brand. It fulfils promises, so, customer will not move to the competitor brand product.

Table-1 shows the respondent's opinion about customer satisfaction of the LIC life insurance. Did the right thing, satisfying experience, satisfied with their decision, choice to use the brand, the brand satisfying needs, recent experience, met their expectations, buy on next opportunity and one and only brand are the various statements have been used to measure the customer satisfaction. Respondent's opinions are collected for five point scales in each statement. Then mean and standard deviation is calculated for each statement. From the mean score, it is noted that majority of the respondents have given their importance to satisfied with their decision (4.09). The corresponding standard deviation value also noted that there is no much deviation within the group of respondents.

Choice to use the brand secured the mean value of (4.04) in the customer satisfaction, followed by met their expectations (3.98) and also did right things (3.97). Also there is no much deviation value within the group of respondents. Use of experience secured the mean value of 3.85 followed by satisfying experience (3.79), satisfying needs (3.74), buys next opportunity (3.34) and only brand which is purchased and used (3.04). In corresponding standard deviation value is noted that there is no deviation within the group of respondents. Among these statements satisfied with their decision obtained the highest value than other satisfaction related statements. Thus the customers are satisfied with their purchase decisions of their LIC life insurance.

Satisfaction is traditionally considered as an overall affective response resulting from the use of a product or service (Oliver 1981). It is believed to have a direct influence on customer loyalty (Mittal and Lassar, 1998; Oliver, 1997) and repurchase behaviors (Kumar, 2002; Mittal and Kamakura, 2001).

Table-2: Relationship between Customer's Perception and Customer Satisfaction

Customer perception factors	Customer satisfaction	
	r-value	p-vlaue
Price	0.460	0.001*
Product line	0.401	0.001*
Service quality	0.396	0.001*
Convenience	0.379	0.001*
Organisational image	0.355	0.001*
Product value	0.417	0.001*
Social status	0.344	0.001*

Source: Primary data computed; * Significant @ 1% level.

Relationship between customer's perception and customer satisfaction towards LIC life insurance is displayed in table-2.

H_0: There is no relationship between customer's perception and customer satisfaction.

In order to examine the above hypotheses, Pearson correlation is employed. From the r values, it is inferred that the study variables have relationship with itself, because r values are significant and also positive. Hence the stated hypothesis is rejected. Customer's opinion that various perceptions such as price, product line, service quality, convenience, organisational image, product value and social status have high relationship with customer satisfaction.

It is observed that among various customers' perceptions, price has secured the highest r-value of 0.460 with customer satisfaction followed by product value (0.417), product line (0.401), service quality (0.396), convenience (0.379), organisational image (0.355) and social status (0.344). It is observed that price, product value and product line are highly influencing the customer satisfaction.

It is inferred that price, product line, service quality, convenience, organisational image, product value and social status are positively related with the customer satisfaction. Price, product value and product line have the higher level of relationship with customer satisfaction, whereas service quality, convenience, organisational image and social status have least level of relationship with customers satisfaction.

Table-3: Effect of Customer's Perceptions and Customer Satisfaction

R- value	R- Square value	Adjusted R Square value	F- value	P-value
0.854	0.607	0.598	32.867	0.001*

Customer perceptions	B-value	Std. Error	Beta value	t- value	P-value
(Constant)	0.832	0.168	-	4.943	0.001*
Price	1.502	0.201	1.164	7.473	0.001*
Product line	-0.482	0.163	-0.392	-2.966	0.003**
Service quality	0.149	0.261	0.120	0.569	0.569 (NS)
Convenience	-0.299	0.147	-0.261	-2.031	0.043**
Organisational image	-0.421	0.132	-0.353	-3.182	0.002**
Product value	0.827	0.136	0.763	6.092	0.001*
Social status	-0.728	0.160	-0.624	-4.552	0.001*

Source: Primary data computed; * Significant @ 1% level; ** Significant @5% level; NS: Non significant

Table-4.33 explains the effect of customer's perceptions and customer satisfaction. Here, customers perceptions are classified as price, product line, service quality, convenience, organisational image, product value and social status. Perceptions are treated as independent variable and customer satisfaction are treated as dependent variable.

H_0: Customer perceptions do not have influence on customer satisfaction

Regression analysis is applied to identify the strongest predictor of perceptions on customer satisfaction. The measure of strength of association in the regression analysis is given by the co-efficient of regression determination denoted by R square value is 0.607. The adjusted R square value is to be 0.598 which display that 59.8 percent of the influence on the level of customer satisfaction. The F-value is 32.867 and P-value is 0.001 which is significant at one percent level. Hence above stated hypothesis is rejected. It is inferred that the customers perceptions are significantly influence the customer satisfaction. The corresponding P-value of these perceptions is significant. So these perceptions significantly influence on customer satisfaction. The extent of customer satisfaction is expressed by following equation.

Customer satisfaction = 0.832 (Constant) + 1.502 (price) + 0.827 (product value) − 0.299 (convenience) − 0.421 (organisational image) − 0.482 (product line) − 0.728 (social status)

The equation is explained that the price and product value have positive impact on customer satisfaction. Whereas product line, convenience, social status and organisational

image have negative impact on customer satisfaction. To increase one unit of customer satisfaction, price increased by 1.502 and product value increased by 0.827. However convenience decreased by 0.299, organisational image decreased by 0.421, product line decreased by 0.482, and social status decreased by 0.728. Where other factors remain constant. It is found to be price and product value are positively influence the customer satisfaction. However convenience, organisational image, product line and social status have negatively significantly impact on customer satisfaction.

Conclusion

Customer service is an integral part of Life insurance organization. It is necessary to identify the key success factors in life insurance industry, in terms of customer satisfaction so as to survive in intense competition and increase the market share. This concluded that customer perceptions determinants are positively and negatively influence the customer satisfaction and the price, product line, service quality, convenience, organisational image, product value and social status are positively related with the customer satisfaction.

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