

IMPACT OF SERVICE QUALITY IN THE GROWTH AND DEVELOPMENT OF INDIAN INSURANCE SECTOR

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Abstract

In today's ruthlessly competitive marketplace, the quality of the service provided is a crucial success factor. Providing high-quality service is crucial for every business to thrive in the current economic climate. Whether it's health or life insurance, these companies are making their mark with groundbreaking innovations, high-quality services and processes, affordable rates, policyholder protections, and more. These factors all have an impact on how customers see the services a company provides. The aim of this review to understand how the quality of the service impacts the growth and development of the Indian insurance sector. To attain this goal, several past researchers were reviewed and presented. With the help of this review, it was brought to conclusion that service quality plays a huge role in the growth and development of Indian insurance sector.

Keyword: Indian insurance sector, service quality, growth and development, IRDA.

I. INTRODUCTION

With a population of nearly 1.3 billion, India has one of the world's largest and fastest-growing economies [1]. Rising awareness of the need of insurance and rising disposable incomes are driving the industry's fast expansion; the market is projected to reach \$280 billion by 2025, a compound annual growth rate (CAGR) of 12 percent to 15 percent [2]. The government of India has instituted a number of regulations meant to spur development and experimentation in the country's insurance market. [3]

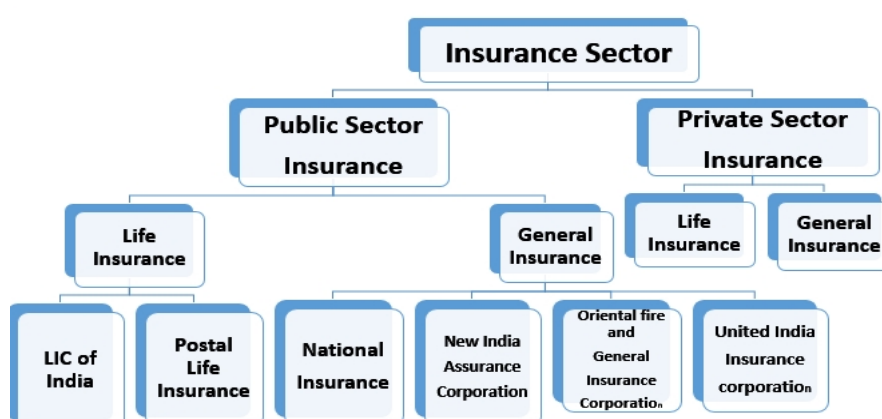


Figure 1 Types of insurance sector

Source: https://www.drishtiiias.com/images/uploads/1603712025_image0.png

1.1. Sector Composition

Public sector organizations and private sector firms are the two main players in India's insurance market. The Indian government owns the public sector enterprises, which have been in business for decades. Seven government-backed insurance agencies. Since 2000, when private enterprises were finally given the green light to operate in India, the country has seen a surge in both innovation and competitiveness. There is just one major re-insurer in India, and that is the "General Insurance Corporation of India". "Agents, brokers, surveyors, and third-party administrators" who handle health insurance claims are also involved. [4]

Despite just 3% of the population being covered by life insurance policies, it is the most important part of the Indian insurance business, accounting for around 75% of the overall market share [5]. The automotive insurance market is the biggest, followed by the health insurance market. Only 10% of Indians have medical coverage at the moment. In India, the majority of the population (55%) falls between the prime insurance-buying years of 20 to 59. [6]

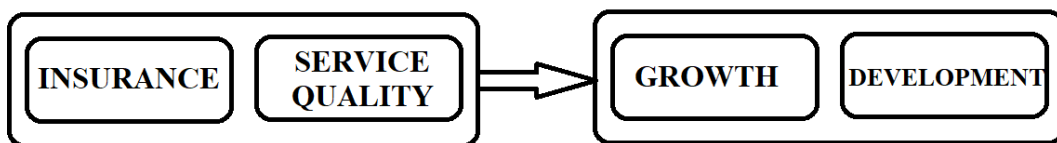
IRDAI, or the Insurance Regulatory and Development Authority of India, was set up in 1999 to oversee the industry. [7]



Figure 2 The Insurance Regulatory and Development Authority of India

1.2. Role of service quality in Indian insurance sector

When it comes to the insurance market, service quality is the single most important factor in determining whether or not a consumer will renew their policy [8]. It's a major factor in regulating the competitive landscape, which in turn affects market share and profitability [9]. Therefore, life insurance firms' continued existence and success in the market rests on their capacity to adapt to the demands of transformation and engage with its results. [10]



The importance of high-quality service cannot be overstated in the Indian insurance industry. Some salient aspects about the importance of service quality in India's insurance sector are as follows [11]:

1. **Customer Satisfaction:** There is a strong correlation between service quality and satisfied customers. Customers are more likely to remain with an insurance provider that consistently exceeds their expectations. As a result, your client retention and loyalty will rise, as will your good word of mouth. [12]

2. **Customer Retention:** Customer retention is crucial in the insurance business because of the high level of competition. Quality customer service is a cost-effective way for insurance firms to increase retention rates and strengthen relationships with existing clientele. This has the potential to create lucrative, long-term partnerships with existing clients. [13]

3. **Brand Reputation:** Insurance firms' credibility often hinges on the level of service they provide. Companies may strengthen their favorable brand image by continually providing excellent service. A reputable business may gain confidence from consumers and a foothold in the industry via word of mouth. [14]

4. **Service Differentiation:** Quality of service provided may set insurance providers apart in a competitive industry. Companies may differentiate themselves and attract more clients by providing excellent service, which includes things like providing timely claim settlements, easy access to information, and individualized help. [15]

5. **Customer Complaint Handling:** In the insurance industry, handling consumer complaints efficiently is crucial. Effective complaint management systems are often in place at insurance businesses that place a premium on service quality. To keep their customers happy and loyal,

they may quickly respond to and rectify any issues they may have. [16]

6. **Business Growth:** The insurance industry places a premium on responsiveness to consumer concerns. Service-oriented insurance providers often have well-developed channels for receiving and responding to customer complaints. This allows them to quickly respond to and resolve consumer complaints, boosting both happiness and loyalty. [17]

1.3. **GROWTH DRIVERS**

Following are the growth drivers of the Indian insurance sector [18]:

- Service quality and offers
- Favourable Demographics
- Wide middle-class expansion
- Digital behaviour patterns
- Pandemic-related shift in demand patterns
- Government Initiatives

2. **LITERATURE REVIEWS**

The article explores how consumers' perceptions of service quality influence their decisions to buy life insurance. The life insurance business is still struggling to expand despite the booming economy and promising new developments. Service quality may be enhanced by enhancing both the service's design and its execution. To learn more about consumers' propensity to buy life insurance, we used a non-probability sampling strategy including a personally delivered survey questionnaire with a total of 215 samples as the unit of analysis. Based on the results of the structural model, it was determined that an inability to solve problems and provide concrete examples is the primary barrier to improving service quality and hence boosting customer satisfaction. All quality functions should be aligned with boosting competitive advantage and meeting corporate goals, as shown by the framework's verification process. [19]

Insurance-only firms have expanded into sectors that were previously off-limits due to rising competition from their "non-insurance" financial services industry counterparts. Customers who were formerly able to clearly differentiate between insurance, banking, and brokerage firms are now confused by the industry-wide trend toward consolidation. Insurance businesses and their sales reps have had to reconsider their old approaches to gaining and maintaining clients in a deregulated sector that has essentially encroached on all financial service providers.

Agents need to examine their own customer service practices to ensure their success. [20]

The study's overarching goal is to pinpoint the variables that consumers in India's life insurance market say have the most bearing on the quality of service they get. After completing the data mining procedure (including factor analysis), six variables were selected as the 'Factors Influencing of Service Quality Perception in the Indian Life Insurance Sector. [21]

Customers' perceptions of service quality were collected using a modified SERVQUAL questionnaire, and the relationships between "service quality, customer satisfaction, and future behavior" in the Indian life insurance market were examined using exploratory factor analysis. The relation among "service quality, customer happiness, and future actions" was investigated using structural equation modeling. [22]

The study was done to learn which forms of general insurance are most popular in India and why consumers of one company tend to switch to another. Without a brand name to rely on, customers are less confident in their purchasing decisions, and they place a higher weight on the features and benefits of insurance policies (Association, value, behavior etc.). The positioning strategies of various insurance products may have aspects identified via factor analysis. In addition, it's important to understand what leads customers to choose certain insurance product brands. In the end, the null hypothesis was supported since there is a clear correlation between customer choices and the premiums charged by various insurance providers. [23]

The purpose of this research is to examine the quality of service provided by Life Insurance Corporation in a rural area of the Coimbatore municipality. Customers' demographics, decision-making processes, and levels of contentment may all be gleaned through this research. In addition, the purpose of this research was to learn how LIC's policyholders rate their own level of service knowledge and satisfaction. In order to retain prospective clients, obtain a competitive edge, expand its market share and profitability, and maintain its sustainability,

particularly in emerging nations like India, LIC must concentrate on the recommended improvements to the quality of its services. [24]

The goal of this article was to determine which SERVQUAL criteria most strongly influence consumers'

propensity to buy life insurance products in Malaysia. Primary data were collected in the form of a self-administered questionnaire from the Klang valley in Malaysia. A total of 215 valid answers were gathered in a cross-sectional survey using a convenience sample method. Data was analyzed using descriptive statistics, as well as exploratory and confirmatory factor analysis. The results showed that purchase intent is influenced by SERVQUAL variables, which in turn are influenced by customer satisfaction and trust. On the other side, this article discovered that clients' willingness to buy life insurance products rises when agents demonstrate problem-solving abilities and helpfulness. [25]

Understanding "The Indian Life Insurance Sector in Present Scenario" is the primary goal of this study. This study analyzes the structure and evolution of life insurance in light of market share and against several performance metrics. In the aftermath of rapid expansion spurred by new products and strategies for distribution, the life insurance sector now faces challenges in the areas of product development, market behavior, customer complaints, and the need to correct course to ensure its long-term viability. [26]

The primary goal of this research is to identify the factors that influence client loyalty in the life insurance industry. The second objective is to identify the order of service aspects that best predicts customer retention. The analysis made use of a mix of structural equation modeling and a neural network model, which is an example of the multi-analytic technique. Six characteristics of service—response time, service accessibility, service tangibility, dependability, assurance, and empathy—were shown to be significantly and positively associated with customer loyalty intentions using structural equation modeling. The neural network analysis revealed that dependability is the most important factor in determining a client's continued patronage, followed by promptness, confidence, concreteness, empathy, and service accessibility. [27]

In this article, we take a look at how policyholders feel certain life insurance firms are doing in terms of service quality. Using an interview schedule and a standardized questionnaire, data were obtained from 163 clients of chosen insurance firms. Data analysis included a gap analysis as well as multi-regression. The results suggest that the service gap is greatest along the dependability dimension of service quality and is lowest along the responsiveness dimension of service quality. Employees in the insurance industry placed a premium on speed of response and confidence in the organization. According to the results of the survey, in order

to retain and acquire new clients, life insurance providers should close the service gap by providing high-quality services. [28]

This paper's primary objectives are to (1) identify key service quality aspects in the life insurance sector and (2) examine how various customer groups' perceptions of service quality vary with respect to demographic characteristics. A total of 627 clients across three locations were polled using a standardized questionnaire from five different life insurance providers. According to the study's findings, the two most influential factors in customers' levels of satisfaction with their life insurance providers are the speed with which their inquiries are answered and the level of confidence they have in the company's ability to keep its promises. All aspects of service quality, outside tangibles and empathy, are seen differently by people of various ages. Customers of both sexes have an equal opinion on the quality of the service they get. Overall, respondents' opinions on the quality of services varied greatly depending on their income. However, neither the consumer's occupation nor marital status had any impact on their assessment of the service's overall quality or their level of satisfaction. [29]

Since life insurance is a service rather than a tangible item, consumers have a more difficult time gauging its quality. The Indian market for life insurance is similarly characterised by unadulterated competition. Each service provider works diligently to please its clientele by meeting or exceeding the latter's high expectations, but those standards only rise with time. In this research, we investigate how various aspects of service delivery affect patron happiness. Using a random number table, we were able to choose a sample of 200 clients from among the 10 life insurance firms operating in the state of Haryana. Factor analysis was used to examine the consumers' responses. Service quality and customer satisfaction in the life insurance market were analyzed using multiple regressions. According to the results, customer satisfaction is most affected by the service provider's ability to meet their expectations and their assessment of the service's tangibility, assurance, expertise, and trustworthiness. That implies consumers are more alert to claims made about these factors. [30]

The study's primary objective was to identify the role that participants' levels of contentment had in their experiences with health insurance providers. Using statistical techniques for both description and verification. One hundred people were polled using a questionnaire and a piece of equipment called a Structural Equation Modeling Partial Least Square

(SEM-PLS). Quality of service, as measured by metrics like tangibility, dependability, responsiveness, empathy, and guarantees, is shown to be a major contributor to participant satisfaction. The findings are meant to serve as a benchmark for health insurance providers to use in their efforts to boost customer satisfaction. [31]

The unique modern trend of creating synergy between financial institutions (banks) and insurance providers (insurers) is the primary subject of the research. Business service quality is very important for the development and expansion of the service industry. Customer happiness must come first. In the past, when the service sector's impact on the economy was less, only individual items were evaluated for quality. With the rise of the service economy comes a greater need for accurate assessments of service quality. Quality of service is crucial for achieving client happiness. The purpose of this research is to analyze consumer opinions about the quality of bancassurance services provided by Indian banks, with a focus on Delhi (NCR). [32]

The primary goal of the research was to compare the opinions of policyholders by gender, location, and marital status on the quality of service they received from their insurance providers. The research used a survey approach. Eight hundred policyholders in Ariyalur district make up the sample. The method of simple random sampling was adopted. The data was gathered using a self-made instrument the researcher (2019) created to measure policyholders' perceptions of service quality. The t-test and the F-test were used as the statistical method of choice. The research found that tangibles, dependability, responsiveness, assurance, empathy, and impression of service quality did not vary significantly amongst male, female, and transgender insurance holders. [33]

3. CONCLUSION

The insurance industry in India has made great efforts in recent years toward providing superior service to policyholders. Indian insurers understand the value of making their consumers their first priority. As a result of their efforts, they now provide prompt and individualized service to their clients. The insurance sector needs strategic strategies to provide appropriate and personalised goods and services if it is to meet client expectations. In order to better compete in both domestic and international markets, businesses must first understand what consumers want and how satisfied they are with current offerings. Insurance firms now provide a broad variety of coverage options to appeal to a wider audience and better satisfy their demands. Customers

may choose the policies that work best for them in this way. More and more insurance companies are using methods that increase transparency, giving clients a better understanding of their coverage. In addition, we have improved our processes for receiving input from customers and resolving complaints. There is always space for development, and the insurance industry in India has made strides in that direction. Improved services for policyholders may result from insurers' ongoing investments in technological personnel training and customer-centric initiatives.

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