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A Study of Demographic Variables and Their Impact on Customer Satisfaction in Selected Private Life Insurance Companies

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Abstract:

Customer's needs and requirements have been changed substantially over the last few decades. With the increase in complexities of life, the requirements of customers have also become complex and diverse. Customers not only buy the products but also the bundle of needs and emotions. Companies should plan and offer products which can assist their customers in fulfilling their exact set of needs. Hence, insurance companies must move from selling insurance to changing need identification and offering suitable products to satisfy those. The major purpose of this paper is to study the impact of demographic variables on customer satisfaction in selected private life insurance companies, namely, ICICI Prudential, Bajaj Allianz, HDFC Standard Life and SBI Life.

Keywords: Customer Satisfaction, Life Insurance, Demographic variables and Risk.

1. Introduction

Insurance is not a commodity. It is a promise to perform in future in return for a present monetary consideration. Such a promise is made in an environment when the customer is absolutely not sure whether the promise will be fulfilled if and when the need arises. But then, if and when the need comes, it is already late for him to evaluate the customer service standards in the insurer. Insurance being an intangible product, the 'technical quality of the service' depends upon its reliability. Over the last few years, developments in the insurance sector have resulted in a paradigm shift in the way the business is conducted. In a free market scenario, the customer has a choice from whom to buy. He exercises this choice based on perceptions formed through his experiences. Customer servicing today has become the focal point of insurance companies. It is an area where the new companies are clearly ramping up by bringing in their best practices and operational efficiencies by appropriate use of technology. There is a greater sensitivity in dealing with the customers. The demographic variables like age, gender, marital status, income level etc. play a vital role in affecting customer satisfaction.

2. Review of Literature

To ascertain the variables which influence the policyholders' satisfaction on the services of private life insurers in India, the following studies have been appraised.

➤ Gautam and Kumar (2012) attempt to illustrate the attitudes of Indian consumers towards the insurance services by collecting the responses of consumers through structured questionnaire on five point Likert scale. A total 377 responses were collected to assess the level of awareness about the insurance services and their attitude towards insurance services. Findings of the research show that basic socio demographic and economic variables have significant impact on consumers' attitudes towards insurance services in Indian scenario.

➤ C. Meera and D. M. Eswari (2011), explored a study on customer satisfaction towards cross selling of insurance products and supplementary services in Coimbatore district, centers around the dependent variable customer usage behavior and their relationship with the related independent variables such as Age, Gender, Marital status, Education, Occupation, Family Income, No. of years banking and Frequency of Visit to bank. Statistical tools ANOVA and Garrett ranking were used and revealed that cross selling of insurance product is not influenced by age of respondent but have strong opinion on cross selling of insurance product is associated with education (UG), occupation (Business), and frequency of bank visit.

➤ Lester (2010) concluded that life and non-life premiums are very low relative to expected levels given per capita income and demographic characteristics, and examine the causes of such poor performance.

➤ Hansanbanu, and Nagajyothi, (2007) examined that there is significant relationship between age, educational qualification, gender, occupation and income of respondents and their level of investment with taking LIC policies and in their study they also found that there is no significant relationship between marital status, family type and family size and their investment in insurance sector.

3. Research Methodology

3.1. Objectives of the Study

1. To study the impact of demographic variables on customer satisfaction in selected companies.
2. To evaluate the level of satisfaction of customers of the selected companies.

3.2. Research Design

The research design used in the study is of Descriptive in nature. The adopted research was descriptive in nature as it describes the determinants of policyholder decision making in general and policyholder behavior more particular. This descriptive study was undertaken in order to ascertain and describe the characteristics of the variables of interest such as age, educational level, profession, gender and such other characteristics.

3.3. Population and Sample Design

For the purpose of the study, the population consists of all the policyholders of ICICI Prudential, HDFC Life, and SBI Life Insurance & Bajaj Allianz Life Insurance in North India. Since, it is not possible to have the data regarding total number of policyholders of the selected companies in North India that comprises of many states; the population becomes infinite in nature. The following formula has been used for determining sample size in case of infinite population:-

$$SS = \frac{Z^2 \cdot (p) \cdot (1-p)}{C^2}$$

SS = Sample Size

Z= Standard Variate at a given Confidence Level (e.g., 1.96 for 95% Confidence Level)

P = Expected True Proportion (½ or 0.5)

C = Desired Confidence/Precision level expressed as decimal (e.g., 0.04 = +/- 4 percentage points)

$$SS = \frac{1.96 \cdot 1.96 \cdot 0.5 \cdot (1-0.5)}{0.04^2} = 600$$

600 policyholders were approached / contacted for this survey from 16 different branches of the selected companies i.e., four branches of each company from each city, (see Annexure 1). These branches have been selected on the basis of maximum number of customer base in the city. However, 46 did not submit the questionnaires, while 39 were rejected on account of incomplete information. Hence, 515 questionnaires were found to be complete in all respects. So, the sample, thus collected individually from the four capital cities of North India is as follows:-

→ New Delhi (135), Jaipur (127), Lucknow (129), Chandigarh (124).

So, the sample size used for the research was 515. The sampling method incorporated is Non-Probability Convenient Sampling Method. Only those policyholders were contacted who had the policy for at least 3 years.

3.4. Methods of Data Collection

Both primary and secondary data have been used for research. Primary data was collected from policyholders through electronic questionnaire while the secondary data was collected from books, magazines, news papers, journals, IRDA annual reports, statistical abstracts and websites of the insurance companies and so on.

3.5. Hypotheses of the Study

1. There is no significant association between age and customer satisfaction
2. There is no significant association between gender and customer satisfaction
3. There is no significant association between marital status and customer satisfaction
4. There is no significant association between income level and customer satisfaction

3.6. Testing of Hypotheses

1. H₀ : There is no significant association between Age and Customer Satisfaction

		Customer Satisfaction					Total
		Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	
Age Group	21-30 Years	54	48	5	6	2	115
	31-40 Years	84	101	11	22	4	222
	41-50 Years	50	60	12	8	7	137
	51-60 Years	15	10	1	0	2	28
	Above 60 Years	5	5	2	1	0	13
Total		208	224	31	37	15	515

Table 1: Cross tabulation Between Age Group and Customer Satisfaction

	Customer Satisfaction	Age Group
Chi-Square	416.990	283.359
df	4	4
Asymp. Sig.	.000	.000

Table 2: Chi Square Test Statistics

SPSS Output at 0.05 level of significance

The p value (.000) is less than 0.05 which clearly indicates that null hypothesis is rejected, hence there is a significant association between Age and Customer Satisfaction.

2. H0: There is no significant association between Gender and Customer Satisfaction.

		Customer Satisfaction					Total
		Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	
Gender	Male	129	135	23	25	11	323
	Female	79	89	8	12	4	192
Total		208	224	31	37	15	515

Table 3: Cross tabulation Between Gender and Customer Satisfaction

	Customer Satisfaction	Gender
Chi-Square	416.990	33.322
df	4	1
Asymp. Sig.	.000	.000

Table 4: Chi-Square Test Statistics

SPSS Output at 0.05 level of significance

The p value (.000) is less than 0.05 which clearly indicates that null hypothesis is rejected, hence there is a significant association between gender and Customer Satisfaction.

3. H0: There is no significant association between Marital Status and Customer Satisfaction.

		Customer Satisfaction					Total
		Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	
Marital Status	Single	36	34	2	4	3	79
	Married	172	190	29	33	12	436
Total		208	224	31	37	15	515

Table 5: Cross tabulation Between Marital Status and Customer Satisfaction

	Customer Satisfaction	Marital Status
Chi-Square	416.990	247.474
df	4	1
Asymp. Sig.	.000	.000

Table 6: Chi Square Test Statistics

SPSS Output at 0.05 level of significance

The p value (.000) is less than 0.05 which clearly indicates that null hypothesis is rejected, hence there is a significant association between Marital Status and Customer Satisfaction.

4. H0: There is no significant association between Income level and Customer Satisfaction.

		Customer Satisfaction					Total
		Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	
Annual Income	Rs. 1,00,000 to 3,00,000	6	6	2	2	1	17
	Rs. 3,00,001 to 5,00,000	136	144	20	25	8	333
	More than Rs. 5,00,000	66	74	9	10	6	165
Total		208	224	31	37	15	515

Table 7: Cross Tabulation between Annual Income and Customer Satisfaction

	Customer Satisfaction	Annual Income
Chi-Square	416.990	291.231
df	4	2
Asymp. Sig.	.000	.000
SPSS Output at 0.05 level of significance		

Table 8: Chi Square Test Statistics

The p value (.000) is less than 0.05 which clearly indicates that null hypothesis is rejected, hence there is a significant association between Income Level and Customer Satisfaction.

4. Limitations of the Study

1. For the sake of convenience, the study is confined to only four capital cities of North India namely, Jaipur, Lucknow, Chandigarh & Ahmedabad. Similarly, only top four private life insurance companies have been selected for the study, on the basis of premium collection up to March, 2015.
2. The results of the proposed study is based on the information given by the Life Insurance Policyholders, being individuals, such information is based on an element of bias.

5. Conclusion & Scope for Further Research

Customer service is an integral part of any life insurance company. It is necessary to identify the key success factors in the life insurance industry, in terms of customer satisfaction, so as to survive the intense competition and increase insurance penetration. There was a time where customers were less critical and vocal if not satisfied when dealing with a business. This is not the case today. Today customers are becoming increasingly more demanding, less tolerant and very critical when not having their expectation met. The private life insurance companies have to focus on satisfying the different requirements of the customers and at the same time help in retaining them. Product attributes of the insurance policy, overall service experience affects customer satisfaction. The demographic pattern suggests few important factors which need to be catered well in order to keep the investors satisfied. The present study is only confined to the four capital cities of North India. Further studies can be conducted in other cities also. Similarly, research can be conducted on various other private life insurance companies on different other aspects which are not covered in this study. Also, the research can be undertaken to assess customer satisfaction in general insurance companies.

6. References

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