

# Customer perception: lic life insurance corporation



This research project proved very beneficial for me it provides a practical knowledge about the customer expectations and the service organizations working how they manage the customer desires. I am happy that a I get a chance to to the study such meaning full topic which provide me a practical knowledge..

Really, this Project work was quite interesting, inspiring, satisfying, knowledge, gaining and academically rewarding.

Researcher

## **INTRODUCTION OF THE RESEARCH TOPIC**

A life Insurance Industry in India is on the rise with less than of the insurable population being insured, the potential for the growth of the industry is inevitable. With increase number of player in the market the going will be tough but surely it will be rewarding for those who will be align their products with customer expectations. Identifying the gap is the customer expectations and the real services of the life insurance services of the LIC products. In business and economics gap analysis is a business assessment tool enabling a company to compare its actual performance with its potential performance. At its core are two questions:-

Where it is?

Where it want to be?

This goal of the Gap Analysis is to be identifying the gap between the optimized allocation and integration of the inputs and the current level of allocation. This helps provide the company with insight into areas which

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could be improved. The gap analysis process involves determining and approving the variance between business requirement and current capabilities Gap Analysis naturally flows from benchmarking and other assessments once the general expectations of performance in the industry is understood, it is possible to compare that expectations with the level of performance at which the company currently function as. This comparison becomes the gap analysis. Such analysis can be performed at the strategic or operations level of an organization.

Gap Analysis is a formal study of what a business is doing currently and where it want to be go in the future. it can be conducted in different perspective, as follows:-

Organization (Human Resource)

Business Direction

Business Process

Information Technology

Gap Analysis is provides a foundation for measuring investments of time, money and human resources required to achieve a particular outcome “ Gap Analysis” has also been used as a means for deification of now will a product or solution meets a targeted need or set of requirements. In this case “ Gap” can be used as a ranking of “ Good” “ Average” “ Poor”.

## **1. 1 COMPANY PROFILE – LIFE INSURANCE CORPORATION OF INDIA**

The story of insurance is probably as old as the story of mankind. The same instinct that prompts modern businessmen today to secure themselves against loss and disaster existed in primitive men also. They too sought to avert the evil consequences of fire and flood and loss of life and were willing to make some sort of sacrifice in order to achieve security. Though the concept of insurance is largely a development of the recent past, particularly after the industrial era – past few centuries – yet its beginnings date back almost 6000 years.

Life Insurance in its modern form came to India from England in the year 1818. Oriental Life Insurance Company started by Europeans in Calcutta was the first life insurance company on Indian Soil. All the insurance companies established during that period were brought up with the purpose of looking after the needs of European community and Indian natives were not being insured by these companies. However, later with the efforts of eminent people like Babu Muttylal Seal, the foreign life insurance companies started insuring Indian lives. But Indian lives were being treated as sub-standard lives and heavy extra premiums were being charged on them. Bombay Mutual Life Assurance Society heralded the birth of first Indian life insurance company in the year 1870, and covered Indian lives at normal rates. Starting as Indian enterprise with highly patriotic motives, insurance companies came into existence to carry the message of insurance and social security through insurance to various sectors of society. Bharat Insurance Company (1896) was also one of such companies inspired by nationalism. The Swadeshi

movement of 1905-1907 gave rise to more insurance companies. The United India in Madras, National Indian and National Insurance in Calcutta and the Co-operative Assurance at Lahore were established in 1906. In 1907, Hindustan Co-operative Insurance Company took its birth in one of the rooms of the Jorasanko, house of the great poet Rabindranath Tagore, in Calcutta. The Indian Mercantile, General Assurance and

Swadeshi Life (later Bombay Life) were some of the companies established during the same period. Prior to 1912 India had no legislation to regulate insurance business. In the year 1912, the Life Insurance Companies Act, and the Provident Fund Act were passed. The Life Insurance Companies Act, 1912 made it necessary that the premium rate tables and periodical valuations of companies should be certified by an actuary.

The first two decades of the twentieth century saw lot of growth in insurance business. From 44 companies with total business-in-force as Rs. 22. 44 crore, it rose to 176 companies with total business-in-force as Rs. 298 crore in 1938. During the mushrooming of insurance companies many financially unsound concerns were also floated which failed miserably. The Insurance Act 1938 was the first legislation governing not only life insurance but also non-life insurance to provide strict state control over insurance business. The demand for nationalization of life insurance industry was made repeatedly in the past but it gathered momentum in 1944 when a bill to amend the Life Insurance Act 1938 was introduced in the Legislative Assembly. However, it was much later on the 19th of January, 1956, that life insurance in India was nationalized. About 154 Indian insurance companies, 16 non-Indian companies and 75 provident were operating in India at the time of

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nationalization. Nationalization was accomplished in two stages; initially the management of the companies was taken over by means of an Ordinance, and later, the ownership too by means of a comprehensive bill. The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India was created on 1st September, 1956, with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost.

LIC had 5 zonal offices, 33 divisional offices and 212 branch offices, apart from its corporate office in the year 1956. Since life insurance contracts are long term contracts and during the currency of the policy it requires a variety of services need was felt in the later years to expand the operations and place a branch office at each district headquarter. Re-organization of LIC took place and large numbers of new branch offices were opened. As a result of re-organization servicing functions were transferred to the branches, and branches were made accounting units. It worked wonders with the performance of the corporation. It may be seen that from about 200. 00 corers of New Business in 1957 the corporation crossed 1000. 00 cores only in the year 1969-70, and it took another 10 years for LIC to cross 2000. 00 crore mark of new business. But with re-organization happening in the early eighties, by 1985-86 LIC had already crossed 7000. 00 crore Sum Assured on new policies.

Today LIC functions with 2048 fully computerized branch offices, 100 divisional offices, 7 zonal offices and the corporate office. LIC's Wide Area

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Network covers 100 divisional offices and connects all the branches through a Metro Area Network. LIC has tied up with some Banks and Service providers to offer on-line premium collection facility in selected cities. LIC's ECS and ATM premium payment facility is an addition to customer convenience. Apart from on-line Kiosks and IVRS, Info Centres have been commissioned at Mumbai, Ahmadabad, Bangalore, Chennai, Hyderabad, Kolkata, New Delhi, Pune and many other cities. With a vision of providing easy access to its policyholders, LIC has launched its SATELLITE SAMPARK offices. The satellite offices are smaller, leaner and closer to the customer. The digitalized records of the satellite offices will facilitate anywhere servicing and many other conveniences in the future. LIC continues to be the dominant life insurer even in the liberalized scenario of Indian insurance and is moving fast on a new growth trajectory surpassing its own past records. From then to now, LIC has crossed many milestones and has set unprecedented performance records in various aspects of life insurance business. The same motives which inspired our forefathers to bring insurance into existence in this country inspire us at LIC to take this message of protection to light the lamps of security in as many homes as possible and to help the people in providing security to their families.

## **1. 2 OBJECTIVE OF THE STUDY**

This research is conducting for knowing the customer perceived satisfaction towards the service quality of LIC. LIC is the first Insurance Company of India. It is presently enjoying a huge market share of Insurance. So with the help of Gap Model the emphasis on the research is to know the gap of perceived

Service Quality and the actual Service Quality of the LIC. The objective of this research may be as follows:-

To know whether customer is satisfied by the service quality of LIC.

To know whether organization service quality is up to the mark according to the customer expectations.

To know the gap between perceived customer satisfaction and the customer expectations towards the service quality of LIC.

To know whether good service is provided by the LIC to its customers, organization is able to full fill customer needs easily.

To search the factors this exceeds customer expectations.

To know how LIC can may reach or exceed customer expectations.

### **1. 3 IDENTIFY THE RESEARCH QUESTION**

When any type of the research is being done, then research problem must be cleared. It is said if the problem is clear, it means half problem is solved.

The main problem is this type of study is that is quite hard task to measure the accurate gap between customer expectations and the various life insurance services of LIC. Actually the gap analysis usually arises due to the differences between adequate and desired service lower the zone of tolerance. So for conducting this type of study usually these problems are arises:-

Not know what customer expect actually.



It is hard to convince the customers to give fair response.

It is practically hard to measure the gap of customer expectations and the service quality provided by LIC, it may be differ for every customer.

Customer may have serious expectations that may be either higher or lower than the standards set by the organization

## **1. 4 LIMITATIONS**

Some limitations arise because in this research customer preferences are and the gap is calculated in mathematical term. Yet it is really not possible to calculated customer expectation in mathematical term.

It depend customer willingness to give good and fair response then we can say concretely the result is good.

Results of this study and findings are applicable only for Bareilly city and nearby areas. The results may be different of this study in another place.

One of the limitation of this study is that of time limitation due to which it is not possible to do the detailed study.

The sample size was taken only 50; it is difficult to say anything concretely.

## **1. 5 RESEARCH METHODOLOGY USED IN THE STUDY**

Research methodology is a description explanation and justification of various methods of conducting research.

## **1. 5. 1 TYPE OF RESEARCH USED IN THE STUDY**

### **CONSUMER RESEARCH**

Consumer research is a unique subset of marketing research, which merits the utilization of specialized research methods that collect customer data and also enhance the company's relationship with its customers.

Really, marketing research comprises a form of applied sociological study, which concentrates on understanding the behaviors, whims and preferences, mainly current and future, of consumers in a market based economy.

### **SAMPLING**

The sampling plan for the study decides the work area that is the population, which has to be surveyed. A Brief idea about the sampling for this research consisting of its different parameters is given below:

## **TYPE OF SAMPLING METHOD USED IN THE STUDY**

### **JUDGEMENTAL SAMPLING**

In this type of the sampling the researcher uses his judgment to select population members who are good source for accurate information.

### **SAMPLING UNIVERSE**

This study is conducted in Bareilly and near by areas. So it will be true for Bareilly region as follows.

### **SAMPLE SIZE**

In this study sample size is of 50 peoples. Due to the shortage of time and un-availability of expert team the research size is taken short so that the research can be done easily.

## **1. 6 METHOD OF DATA COLLECTION**

The research was carried out through surey method with the help of a QUESTIONNAIRE consisting of rank method question. due to flexibility , questionnaire method is ideally suited for collection of primary data.

## **HYPOTHESIS OF THE STUDY**

Hypotheses are the assumption that guides the research activity towards the ultimate finding based on the hypothesis. The researcher will go through the research activity including data collection analysis and then researcher will attain and ultimate conclusion. This research also has two hypotheses relating to customer satisfaction and service quality in respect of private banks.

The moderator hypothesis is supported if the interaction is significant and although, there may also be significant main effects for the predictor and moderator, these are not directly relevant to testing the moderator hypothesis (Baron and Kenny, 1986; P 1174) According we report only the significant, interaction path co-efficient. The analyses revealed only two significant effects of moderation.

Service failure moderated the effect of functional quality on overall satisfaction, and

Communication moderated the effect of functional quality on functional satisfaction.

H1 - The service quality has mainly depended on the tangible, reliability, responsiveness, assurance and empathy with customer satisfaction.

H2 -The service quality has an impact on customer satisfaction.

## **1. 8 AN ACTION PLAN**

It is important to formulate an action plan to do the research. It is considered mainly six main steps for a scientific research such as; the research question, hypothesis, methodology, literature review, data collection and analysis, conclusion with recommendations. This study followed an action plan with a time table.

18/02/2010- Identify the research question or hypothesis

19/02/2010- Formulate the methodology

20/02/2010 – Refer the literature review

20/02/2010 – Data collection and analysis

23/11/2010 – Presentation of findings

## **Task 02**

### **2. 1 LITERTATURE REVIEW**

#### **2. 1. 1 SERVICE QUALITY- DEFINITIONS**

Asubonteng (1996) said that it can be defined as “ the difference between customers expectations for service performance prior to the service encounter and their perceptions of the service received”

Gefan(2002) referred that “ Service quality as the subjective comparison that customers make between the qualities of the service. That they want to receive and what they get”

Parasuraman et al (1985, 1988) said that “ Service quality is determined by the differences between customer’s expectations of the services provider’s performance and their evaluation of the services the received”

## **2. 1. 2 CUSTOMER VALUE**

Any promise is that customers will buy from the bank that they perceive offers the highest customers delivered value.

The customer delivered value is the difference between total customer value and total customer cost. The total customer value is the bundle of benefits customers expect from a given product or service. Total customer cost is the bundle of costs customers expect to incur in evaluating, obtaining, using and disposing of the product or service.

The researchers found five determinants of service quality. These are as follows.

01. Reliability: the ability to perform the promised service dependably and accurately
02. Responsiveness: the willingness to help customers and to provide prompt service.
03. Assurance convey: the knowledge & courtesy of employees and their ability to trust and confidence.
04. Empathy: the provision of caring individualized attention to customers.
- 05 Tangibles: the appearance of physical facilities equipment, personal & Communication materials

## **Figure 1: Service quality model**

Service delivery

(Including pre and past contacts)

External

Communications

To consumers

Translation of perception into service quality

Management perception of consumer expectation

Word of mouth Communication

Personal

Needs

Past

Experience

Expected services

Perceived services

Gap 05

Gap - 01 Gap 04

Gap - 03

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Gap -02

Gap – 04

(Source: – A parasuraman, Valarie, A Zeithamal and Leonard Berry, Journal of Marketing, fall 1985)

### **2. 1. 3 DEFINITION OF CUSTOMER SATISFACTION**

Kotler said that “ Satisfaction is a person’s feelings of pleasure or disappointment resulting from comparing a product’s perceived performance (or out come) in relation to this or her expectations” (Kotler, 2000, p 36)

Hount said that “ Satisfaction is a function of customer’s belief that he or she was treated fairly” (Hount 1991)

### **2. 1. 4 METHODS OF TRAKING AND MEASURING CUSTOMER STATIFACTION**

Marketing concepts and tools describe how companies can track customer satisfaction. Companies use the following methods to measure how much customer satisfaction they are creating.

#### **Complaint and suggestion systems**

A customer – centred organization makes it easy for its customers to deliver suggestions and complaints. Many restaurants and hotels provide forms for guests to report like or dislike. Companies are also adding web pages and e - mail to facilitate two – way communication. These information flows provide companies with good ideas and enable them to act quickly to resolve problems.

## **Customer satisfaction surveys**

Studies show that although customers are dissatisfied with one out of every for purchases, less than five percent of dissatisfied customers will complain. Most customers will buy less or switch suppliers complaint levels are thus not a good measure of customer satisfaction, responsive company's measure customer satisfaction directly by conduction periodic surveys they send questionnaires or make telephone calls to a random sample of recent customer. They also solicit buyer's views on their competitors' performances.

## **Lost customer analysis**

Companies should contact customers who have stopped buying or who have switched to another supplier to learn why this happened. It is necessary to monitor the customer loss rate. If it is increasing this clearly indicates that the company is failing to satisfy customers,

## **2. 1. 5 RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER SATISFACTION**

Spreng and Mackoy (1996) had also found the path coefficient between service quality satisfactions to be significant (Lee et al 2000) wood side (1989) had found similar empirical evidence. The findings of Lee et al (2000), who have studied customers of an entertainment park and an aerobic school also supports this argument.

The Lock of consensus in the causality between these two constructs has been caused mainly by the use of the constructs at different levels by researchers (Lee et al 2000) those who argue that satisfaction is an antecedent of perceived service quality have treated perceived quality as a



global construct while treating satisfaction as an encounter (or transaction) specific construct. The majority of those who have found perceived service quality to be an antecedent rather than a transaction specific construct.

Further some researchers have argued that perceived quality could also play a role at transaction level. at this level, it is found to be an antecedent of satisfaction with the transaction (Rust and Oliver, 1994) what is evident from the foregoing discussion is that “ When the level of aggregation of both constructs is identical, there is less dispute that quality is an antecedent to satisfaction” (Roest and Pieters, 1997)

## **TASK – 3**

### **3.0 OBSERVATION, ANALYSIS & FINDINGS**

The researcher took 50 peoples. They were filled the following questionnaire.

The questionnaire was set up as following format. ie. The answer should be select between 1 - 5.

5 - Excellent

4 - Very good

3 - good

2 - Fair

1 - Not bad

Q1. Do you think that LIC is a Trustful Insurance Company?

### **3. 1 SUGGESTIONS**

According to the consumer response and findings of the study it is found that LIC is working well to meet customer expectations. But some areas needed to important. So few suggestions can be give to enhance customer satisfaction.

LIC have to emphasize on consumer trust. Because trust is everything for consumer. More trust more consumers.

LIC services must be easily accessible consumer so that less effort by done consumer to get LIC services.

Toll free no facility makes good customer satisfaction so that they can get any information easily.

LIC agent has to hear the consumer complaint and try to resolve it quickly so that enhances customer satisfaction.

LIC agents have to provide every information to consumers so that consumer feels comfort that he is investing at right services.

LIC agents have to prefer consumer schedule to that consumer may comfort to meet agent.

Recovery of fund after maturity must be easy.

Consumer problems and queries must be solved quickly.

LIC agents and employees have to cooperate the consumers.

Few new features regarding the safety and security may improve more customer satisfaction.

### **3. 2 CONCLUSION**

LIC is already a leading company of Insurance in India. The consumer responses in the project report also indicate that LIC is a capable insurance company justifying with its consumers in real manner. It is found in the study most of the consumers are satisfy with the LIC services. LIC is providing adequate service which really consumer wants. But there are some areas where LIC need to improve so that it may meet the customer objectives easily. We know very well every customer have their own view regarding thing, LIC services is one of them. In conclusion it is cleared that there is a low gap between customer expectation and the LIC offered facilities. But it does not mean that LIC is perfect, at many areas gap is found and LIC need to improve in that areas. There is also a limitation of the study because 50 responder is not enough to decide anything. It depends fully responder honesty also their response