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**A STUDY OF SERVICE QUALITY EXPECTED AND
PERCEIVED BY THE CUSTOMERS OF ICICI PRUDENTIAL
LIFE INSURANCE COMPANY**

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Abstract

Present study seeks to ascertain the expected and perceived service quality level along with gaps on the basis of Service Quality model by Sureshchandar et al. (2001) in one of the leading private sector company, ICICI Prudential Life Insurance Company (ICICIPLI). Though collectively, private sector has significantly captured the market share initially, but now a days, most of the private sector companies are struggling for a regular growth in business and market share, and the selected company is one of them. Also the customers often complaints of poor services in life insurance services, which obviously means there is something wrong in customer strategies of these companies. The same is proved in the findings of research, that there exists a significant gap in service quality expected and perceived by the customers of ICICIPLI and it is recommended that company should think strategically to improve its customer services on selected dimensions of service quality so that the business growth rate and market position may improve.

Keywords: Service quality, Perceived service quality and Customer satisfaction

INTRODUCTION

The insurance sector in India has come a full circle from being an open competitive market to nationalisation and back to a liberalised market again. Tracing the developments in the Indian insurance sector reveals the 360 degree turn witnessed over a period of almost two centuries. The new liberal policies permitting the entry of private players and the reform initiatives undertaken by the Insurance Regulatory and Development Authority (IRDA) have

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International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 3 Issue 2 May 2012

helped the industry evolve at a fast pace and emerge as one of the fastest growing industries in the country. People's perception of insurance has also changed from an instrument of saving to a risk-hedging tool. This change has been facilitated by the emergence of a range of new insurance products suiting diverse needs of consumers. The initial years of liberalisation continued to see the Life Insurance Corporation of India (LIC) retaining a dominant position in the market. However, as time went by, private companies like ICICI Prudential Life Insurance and Birla Sun Life Insurance, which were among the first batch of entrants, witnessed great success in securing new business.

Competition between the Life Insurance Corporation of India and the private sector insurers continues to intensify. While innovative products have been underpinning private insurers' premium growth, the threat of losing market share has also led to more aggressive pushes by LIC to stay competitive such as to develop new distribution channels like bancassurance. As a result, though LIC lost significant market share to private companies in the post-liberalisation period, it still retains a commanding position in the life insurance segment. While, most of the product innovations came from the private players initially, LIC joined the race soon in order to protect its turf. While LIC still dominates in segments like endowments and moneyback policies, private insurers have already wrested a significant share of the annuity and pension products market. Such intense competition has resulted in faster premium growth as well as deeper penetration for the entire market.

At the same time, the profile of Indian customer is also evolving. Customers are more actively managing their financial assets, and are increasingly looking to integrated financial solutions that can offer stability of returns along with more comprehensive protection. Insurance has emerged as an attractive and stable investment alternative that offers total protection for life, health as well as wealth. These factors have contributed to changes in demand for insurance products. While traditional life insurance products like individual insurance, whole life insurance and term life insurance continue to remain popular to this day, new products such as single premium, investment-linked, retirement products, variable life and annuity products are on a growth trajectory.

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 3 Issue 2 May 2012

By the discussion it is evident that though collectively, private sector has significantly captured the market share in initially, but now a days, most of the private sector companies are struggling for a regular growth in business and market share, and the ICICIPLI is one them. Also the customer often complaints of poor services in life insurance services, which obviously means there is something wrong in customer strategies of these companies. Also it is well accepted that there is a relationship between service quality and customer satisfaction, customer satisfaction and customer loyalty, customer loyalty and sustainable profitability. So in the light of above construct, this study is purposed to determine the level of service quality delivered as a whole and on selected service quality dimensions in ICICIPLI.

REVIEW OF LITERATURE

Service Quality – A Conceptual Framework

Although service quality is an extensively researched concept but still its discussion is not straightforward. To understand the concept of service quality better, discussion of its components, i.e. service and quality is required.

Services are processes of activities aiming to provide solutions to customers' problems, with most other characteristics of services being consequences of their process nature (Gronroos, 2000; 2001).

The majority of services are first sold and then simultaneously produced and consumed, very often requiring the physical presence of customers (Berry, 1999). The "inseparability" of production and consumption, prevents services from being subject to a predetermined quality control process or marketed in traditional ways (Gronroos, 2000).

Being very often produced during service employee-customer encounters (Drew-Rosen et al., 2003), services are "heterogeneous" as the performance of humans, whether employee of customer, is not same all different service encounters. Services are heterogeneous even when delivered through automated channels due to varying customer behaviour in interacting with automated and information technology using electronic machines of this new era tech world.

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 3 Issue 2 May 2012

Although certain tangible elements may be included, the essence of services is “intangibility” (Zeithaml et al., 1990) that leads customers to perceive services in subjective and often highly abstract ways (Gronroos, 2000). Services are perceived as performances, and these performances are “what” the service provides and “how” it is delivered, depending on front-line employees’ interactions with customers, the organization and its facilities. A number of “peripheral” services facilitate the offering of the core service (Gronroos, 2000).

Fitzsimmons and Fitzsimmons (2001) define a service bundle as a package of goods and services consisting of supporting facilities, facilitating goods, and expICICIPLIt services.

The American Society for Quality (www.asq.org/), in line with Feigenbaum (1983), define quality as “a subjective term for which each person has his or her own definition” while the international standard ISO 8402 (1994) defines quality as “the totality of characteristics of an entity (product, service, process, activity, system, organization, person) that bear on its ability to satisfy stated and/or implied needs”.

Intangibility implies that the criteria for a flawless service are not only less specific than the criteria for a defect-free tangible good (Berry and Parasuraman, 1991) but also exceptionally complex and not very difficult to realise. Marketers view service quality as the level needed to make the service acceptable in the market place and try to ascertain certain standard of service quality prior to delivery of service to customers.

On the other hand, customers make “during” and “after use” evaluations (Marwa, 2005) comparing the service delivered to them with their previous experiences (Gro“nroos, 1982, 1984; Lehtinen and Lehtinen, 1982; Lewis and Booms,1983). The result of this comparison is perceived service quality (Gro“nroos, 1982; 1984; Takeuchi and Quelch, 1983; Parasuraman et al., 1985; 1988). Hence, services must conform to the wishes of customers rather than to any predetermined set of specifications (Berry et al., 1988). As Lewis (1993) put it, “there is no other fact or reality about service quality but what customers perceive about a service”.

Service Quality Assessment

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 3 Issue 2 May 2012

Accepting the definition of perceived service quality as the result of comparing actual service delivery with prior experience (Groenroos, 1982; 1984; Lehtinen and Lehtinen, 1982; Lewis and Booms, 1983; Parasuraman et al., 1985), researchers have generally followed two main theoretical perspectives. The Nordic (European) (Groenroos, 1982, 1984) perspective views service quality as having two dimensions: “technical” and “functional” quality, reflecting the service outcome and the service process respectively. Customers’ perceptions of these two dimensions are filtered through the service firm’s image.

The American model defines service quality as the discrepancy between expected and perceived service through five core components:

Reliability – performing the promised service dependably and accurately;

Responsiveness – helping customers and providing prompt service;

Assurance –inspiring trust and confidence;

Empathy – providing caring, individualized attention to customers; and

Tangibles – the tangible elements of service (Parasuraman et al., 1988).

Although the American model dominates the literature there is no unanimity between researchers on which of the two, or some other, better reflects perceived service quality (Brady and Cronin, 2001).

Another service quality model which was used by Sureshchandar et al. (2001) have stated that the customer’s perceived quality depends upon five factors:

- (1) Core service.
- (2) Human elements of service delivery.
- (3) Non-human element of service delivery.
- (4) Tangibles of services.
- (5) Social responsibility.

The core service refers to the essence of a service. In a service sector the service features offered are as important as how they are delivered.

Human element of service delivery refers to all aspects (reliability, responsiveness,

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 3 Issue 2 May 2012

assurance empathy, moments of truth, critical incident and recovery) that will fall under the domain of the human element in the service delivery.

The non-human element in the service delivery is in contrast to the human element. Service delivery processes should be perfectly standardized, streamlined, and simplified so that customers can receive the service without any hassles.

The tangible of the service facility refers to the equipment, machinery, employee appearance, etc., or the man-made physical environment, popularly known as the “servicescapes”.

The social responsibility is the obligation of organization management to make decision and take actions that will enhance the welfare and interests of society as well as the organization. When an organization shows enough evidence on its Social responsibility it is natural to attract more customers.

Acknowledging the importance of the model used by Sureshchander et.al (2001), present study has also followed the same model and dimensions with certain customised sub dimensions. These sub dimensions were selected after a thorough study and critical evaluation of service factors regarding life insurance sector in India.

OBJECTIVES OF THE STUDY

- (i) To assess the overall service quality expected and service quality perceived in ICICI Prudential Life Insurance Company.
- (ii) To assess the gap of service quality expected and perceived in ICICI Prudential Life Insurance Company.
- (iii) To assess the service quality gaps of selected service quality dimensions in ICICI Prudential Life Insurance Company.
- (iv) To give practicable suggestions so that the service quality in ICICI Prudential Life Insurance Company may be improved.

HYPOTHESES

H₀₁. There is no significant difference in service quality expected and perceived in ICICI Prudential Life Insurance Company.

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 3 Issue 2 May 2012

- H₀₂. There is no significant difference in service quality expected and perceived on core product dimension in ICICI Prudential Life Insurance Company.
- H₀₃. There is no significant difference in service quality expected and perceived on human element dimension in ICICI Prudential Life Insurance Company.
- H₀₄. There is no significant difference in service quality expected and perceived on systemization of service dimension n in ICICI Prudential Life Insurance Company.
- H₀₄. There is no significant difference in service quality expected and perceived on tangibles of service dimension in ICICI Prudential Life Insurance Company.
- H₀₅. There is no significant difference in service quality expected and perceived on social responsibility dimension in ICICI Prudential Life Insurance Company.

RESEARCH METHODOLOGY

Though there is no dearth of literature in the field of service quality but still there is very less literature available regarding use of service quality in life insurance industry, so the present study is both exploratory and descriptive in nature and is empirical one. Apart from using all kind of literature available, a survey of customer was conducted during period of 2010-2011. The population of the survey consist of all the customers of ICICI Prudential Life Insurance Company residing in State of Haryana, Capital of India- Delhi, and U.T of Haryana and Punjab- Chandigarh.

A sample of 180 respondents was selected randomly, choosing 60 each from selected geographical limits and their responses are measured on a customised schedule based on Service Quality Model by Sureshchander et.al (2001) in Seven Point Likert Scale. This model measures service quality on five dimensions; Core service, Human elements of service delivery, Non-human element of service delivery, Tangibles of services and Social responsibility of service quality which were incorporated in self structured schedule with certain tested life insurance services specific sub dimensions. Further data have been organized, tabulated, analysed and interpreted with the help of selected model and appropriate statistical techniques. The analytical techniques used among others include Mean, Standard Deviation, Correlation, t-test, and ANOVA.

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 3 Issue 2 May 2012

DATA ANALYSIS AND INTERPRETATION

Service Quality Expected

To measure expected service quality level of the customer of ICICIPLI, all respondents of the selected sample were simply asked to show the extent to which they think life insurance companies should possess selected service quality dimensions. And further, it is clearly stated to the respondents that the researcher is keenly interested in knowing the ranking of their expectation about services of ICICIPLI on the same selected dimensions of service quality on seven- point likert scale given in survey schedule.

The expected service quality responses of selected respondents are explained by mean, standard deviation values tabulated in Table 1.0. The average expected service quality score for the 180 respondents is assessed 6.8824 which is certainly very high and falls in strongly agree region of scale which also means customers of the selected company expect very service quality.

Table 1.0*
Service Quality in ICICI Prudential Life Insurance Company

Summary Variables	Mean	Std. Deviation
Expected Service Quality	6.8824	.13350
Perceived Service Quality	4.5119	.35292
Gap in Service Quality	-2.3705	.38153

* Source: Customer Survey by the Author (2011-12).

Service Quality Perceived

To measure perceived service quality by the customer of ICICIPLI, all respondents were simply asked to show the extent to which they feel or experience about their life insurance company. And further, it is clearly stated to the respondents that the researcher is keenly interested in knowing the ranking of their perception about their life insurance company on the same selected dimensions of service quality on seven- point likert scale on given in survey schedule. It is important to mention here that the dimensions are same as used in measuring customer service quality expectation.

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 3 Issue 2 May 2012

The perceived service quality scores of selected respondents tabulated above in Table 1.0. The average expected service quality score for the 180 respondents is assessed 4.5119 which is comparatively quite low to service quality expected and falls in region middle of neutral and somewhat agree of response which means, customers are least agree with the service quality level they are perceiving. It can also be said that customer service quality delivery level of ICICIPLI which is very low and they are nowhere close to expected service quality level.

Service Quality Gap

To measure customer service quality gap, responses of selected customer respondents on expected service quality are subtracted from responses on perceived service quality. Average gap scores of the respondents are given above in Table 1.0.

Here, the customer service quality gap score is assessed -2.3705, which is considered very high and as this gap is in negative zone which means there is an acute shortfall from life insurance service providers in delivering expected service quality.

Service Quality on Selected Dimensions

Core Product in Service Delivery

The expected service quality score of the respondent tabulated in Table 2.0 is 6.9129 which is very close to the strongly agree region which means that expectations of customers are very high about core product sub dimensions of service quality. Also core product expected service quality score is highest of all the selected five dimensions. This also hints that core product of life insurance service providers is topmost priority of the customers. Further the weighted expected quality score of 189.0143 on core product dimension, which is also very high and highest in all dimensions, confirm the interpretations made on the basis of unweighted score and again this dimension comes out as a priority of ICICIPLI customers.

The perceived service quality score of the respondents tabulated in Table 2.0 is 4.8900 which is very close to somewhat agree level. This means customer are somewhat agree of service quality perception on core product dimension. If compared with scores of other dimensions, core product dimension score is highest and this means customers of

**International Journal of Computing and Business Research
(IJCBR)**

ISSN (Online) : 2229-6166

Volume 3 Issue 2 May 2012

ICICIPLI are getting comparatively better service quality level on their topmost priority. Further the weighted perceived quality score of 133.7429 on core product dimension, which is also very high and highest in all dimensions, confirm the interpretation made on the basis of unweighted score.

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 3 Issue 2 May 2012

The service quality gap score of the respondents tabulated in Table 2.0 is -2.0229 which is quite high but comparatively this score is lowest in all dimensions which mean company is comparatively doing better on core product in service front.

Human element in service delivery

The expected service quality score of the respondent tabulated in Table 2.0 is 6.8967 which is very close to the strongly agree region which means that expectations of customers are very high about selected subdimensions or say variables of service quality. Also the human element expected service quality score is second highest of all the selected five dimensions. This also hints that core product of life insurance service providers is second topmost priority of the customers. Further the weighted expected quality score of 157.9944 on this dimension, which is also quite high and second highest of all dimensions, confirm the interpretations made on the basis of unweighted score and again this dimension comes out as one of topmost priority of ICICIPLI customers.

The perceived service quality score of the respondents tabulated in Table 2.0 is 4.5656 which is in middle of neutral and somewhat agree response level. This means customer are least agree or somewhat disagree of the perceived level of service quality on this dimension. If compared with scores of other dimensions, human element dimension scores comes at third place after tangibles of service which come second place in scores of perceived service quality and this means customers of ICICIPLI are getting poor services on human fronts on their second topmost priority. Further the weighted perceived quality score of 104.3556 on this dimension, which is also very low, confirm the interpretation made on the basis of unweighted score.

The service quality gap score of the respondents tabulated in Table 2.0 is -2.3311, which is quite high and comes as third lowest score but when weightings are applied it becomes second highest score, which is a matter of great concern for the company. So company require to substantial improvement of service quality on human element front.

Systemisation of Service Delivery

The expected service quality score of the respondent tabulated in Table 2.0 is 6.8557

**International Journal of Computing and Business Research
(IJCBR)**

ISSN (Online) : 2229-6166

Volume 3 Issue 2 May 2012

which is close to the strongly agree region which means that expectations of customers are very high about selected subdimensions of service quality. Though the expected service quality score is lowest in the selected five dimensions but difference is very small and at same strongly agree region. Further the weighted expected quality score is 129.5429 on this dimension, which is also quite high but comes at middle most place in all of the dimensions.

The perceived service quality score of the respondents tabulated in Table 2.0 is 4.3186 which is close to neutral response level. This means customer are neither agree or nor disagree of the perceived level of service quality on this dimension and they are not certainly agree that ICICIPLI is providing service quality on this dimension. Further the weighted perceived quality score of 81.5429 on this dimension, which is also very low, confirm the interpretation made on the basis of unweighted score.

The service quality gap score of the respondents tabulated in Table 2.0 is -2.5371, which is quite high and comes as second highest score but when weightings are applied it becomes third highest score, which is a matter of great concern for the company. So the selected company require to substantial improvement of systemisation of service front.

Table 2.0*
Dimensionwise Service Quality (Unweighted) in ICICI Prudential Life Insurance Company

Summary Measures	Core Product	Human Element	Systemisation	Tangibles	social responsibility
Expected Service Quality	6.9129	6.8967	6.8557	6.8800	6.8667
Perceived Service Quality	4.8900	4.5656	4.3186	4.6720	4.1133
Service Quality Gap	-2.0229	-2.3311	-2.5371	-2.2080	-2.7533
Weighted Expected Service Quality	189.0143	157.9944	129.5429	120.7500	91.2833
Weighted Perceived Service Quality	133.7429	104.3556	81.5429	81.7200	54.7750
Weighted Service	-55.2714	-53.6389	-48.0000	-39.0300	-36.5083

**International Journal of Computing and Business Research
(IJCBR)**

ISSN (Online) : 2229-6166

Volume 3 Issue 2 May 2012

Quality Gap					
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* Source: Customer Survey by the Author (2011-12).

Tangibles of Services

The expected service quality score of the respondent tabulated in Table 2.0 is 6.8800 which is close to strongly agree region. This means customers of ICICIPLI have accepted that selected dimension is very important in providing service quality and they have high expectation from life insurance providers. Further the weighted expected quality score of 120.7500 on this dimension, which is also quite high and confirm the interpretation made on the basis of unweighted scores.

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 3 Issue 2 May 2012

The perceived service quality score of the respondents tabulated in Table 2.0 is 4.6720 which is close to somewhat agree response level. This means customer are somewhat agree of the perceived level of service quality on tangibles of services dimension or say they are bit agree that ICICIPLI is providing service quality on this dimension.

The service quality gap score of the respondents tabulated in Table 2.0 is -2.2080, though it is very high but it is second lowest gap after core product dimension which mean company is doing comparatively better on this front. The weighted score also confirm the same.

Social Responsibility

The expected service quality score of the respondent tabulated in Table 2.0 is 6.8667 which is very close to strongly agree region. This means customers of ICICIPLI have accepted that selected dimension is very important in providing service quality and they have high expectation from life insurance providers. Further the weighted expected quality score of 91.2833 on this dimension, which is also quite high but lowest of all dimensions which means this dimension comes at lowest in expected service quality on importance weights rankings.

The perceived service quality score of the respondents tabulated in Table 2.0 is 4.1133 which is close neutral response level. This means customer are least agree of the perceived level of service quality on this dimension or say they are somewhat disagree that ICICIPLI is performing in a socially responsible way. Further the weighted perceived quality score of 54.7750 on this dimension, which is also very low, and confirms customer give very low weightings to service quality perception on social responsibility front.

The service quality gap score of the respondents tabulated in Table 2.0 is -2.7533, which is quite high and comes as highest score but when weightings are applied it becomes lowest score, which means customers found social responsibility as their lowest priority. But

**International Journal of Computing and Business Research
(IJCBR)**

ISSN (Online) : 2229-6166

Volume 3 Issue 2 May 2012

irrespective of this fact company need to improve service quality on this front a lot.

Service Quality Weights

To measure the customers comparative importance of selected service quality dimensions, they were simply asked to allocate 100 points among selected dimension of service quality according to their priority of significance to them.

**International Journal of Computing and Business Research
(IJCBR)**

ISSN (Online) : 2229-6166

Volume 3 Issue 2 May 2012

Table 2.1*

Dimensionwise Service Quality Weights in ICICI Prudential Life Insurance Company

Summary Variables	Core Product	Human element	Syestemisation	Tangibles	Social Responsibility
Mean (Weights**)	27.3500	22.9000	18.9000	17.5500	13.3000
Std. Deviation	3.13461	3.70503	2.52062	3.44473	3.03348

* Source: Customer Survey by the Author (2011-12).

** Weights are assigned by the respondents out of 100.

Average score are tabulated in Table 2.1 which clearly shows that Core Product in Service with score of 27.3500 is the topmost priority of ICICIPLI customers, second topmost priority is Human Element in Service with score of 22.9000, Systemisation of Service is middlemost priority with score of 18.9000, Tangibles of Service is second lowest dimension with score of 17.5500 and lowest in list come Social Responsibility with a weighting of 13.3000 of life insurance provider.

HYPOTHESIS TESTING

To test the drawn hypothesis Paired t Test was applied on averages of collected responses of ICICIPLI customers and output of the analysis is exhibited in Table 3.0. The output gives T value, degree of freedom, significance level and 95% confidence interval for the mean.

Table 3.0*
Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	CPE – CPP	2.0229	.43536	.04354	1.9365	2.1092	46.464	179	.000
Pair 2	HEE – HEP	2.3311	.85543	.08554	2.1614	2.5008	27.251	179	.000

**International Journal of Computing and Business Research
(IJCBR)**

ISSN (Online) : 2229-6166

Volume 3 Issue 2 May 2012

Pair 3	SSE - SSP	2.5371	.60817	.06082	2.4165	2.6578	41.718	179	.000
Pair 4	TSE - TSP	2.2080	.89755	.08975	2.0299	2.3861	24.600	179	.000
Pair 5	SRE - SRP	2.7533	.54509	.05451	2.6452	2.8615	50.511	179	.000

* Source: Customer Survey by the Author (2011-12).

Here

E = Expected Service Quality

P= Perceived Service Quality

CPE= Core Product Expected Service Quality

CPP= Core Product Perceived Service Quality

HEE= Human Element Expected Service Quality

HEP= Human Element Perceived Service Quality

SSE= Systemisation of Service Expected Service Quality

SSP= Systemisation of Service Perceived Service Quality

TSE= Tangibles of Service Expected Service Quality

TSP= Tangibles of Service Perceived Service Quality

SRE= Social Responsibility Expected Service Quality

SRP= Social Responsibility Perceived Service Quality

H₀₁. There is no significant difference in service quality expected and perceived in ICICI Prudential Life Insurance Company.

Results of Paired t Test

t value of 46.464 for 179 degree of freedom (df) is highly significant as significant value is 0.000. Therefore, null hypothesis is rejected. Thus there is significant difference in service quality expected and perceived by the customers of ICICIPLI.

H₀₂. There is no significant difference in service quality expected and perceived on core product dimension in ICICI Prudential Life Insurance Company.

t value of 27.251 for 179 degree of freedom (df) is highly significant as significant value is 0.000. Therefore, null hypothesis is rejected. Thus there is significant difference in service quality expected and perceived by the customers of ICICIPLI on

International Journal of Computing and Business Research (IJCBR)

ISSN (Online) : 2229-6166

Volume 3 Issue 2 May 2012

core product dimension of service quality.

H₀₃. There is no significant difference in service quality expected and perceived on human element dimension in ICICI Prudential Life Insurance Company (ICICIPLI).

t value of 41.718 for 179 degree of freedom (df) is highly significant as significant value is 0.000. Therefore, null hypothesis is rejected. Thus there is significant difference in service quality expected and perceived by the customers of ICICIPLI on core human element dimension of service quality.

H₀₄. There is no significant difference in service quality expected and perceived on systemization of service dimension in ICICI Prudential Life Insurance Company.

t value of 41.718 for 179 degree of freedom (df) is highly significant as significant value is 0.000. Therefore, null hypothesis is rejected. Thus there is significant difference in service quality expected and perceived by the customers of ICICIPLI on systemization of service dimension of service quality.

H₀₄. There is no significant difference in service quality expected and perceived on tangibility of service dimension in ICICI Prudential Life Insurance Company.

t value of 24.600 for 179 degree of freedom (df) is highly significant as significant value is 0.000. Therefore, null hypothesis is rejected. Thus there is significant difference in service quality expected and perceived by the customers of ICICIPLI on tangibility of service dimension of service quality.

H₀₅. There is no significant difference in service quality expected and perceived on social responsibility dimension in ICICI Prudential Life Insurance Company.

t value of 50.511 for 179 degree of freedom (df) is highly significant as significant value is 0.000. Therefore, null hypothesis is rejected. Thus there is significant difference in service quality expected and perceived by the customers of ICICIPLI on social responsibility dimension of service quality.

CONCLUSION

In ICICI Prudential Life Insurance Company, there is found high negative service quality gap, which is certainly not a good sign for the company's ambitions. Customers of the

**International Journal of Computing and Business Research
(IJCBR)**

ISSN (Online) : 2229-6166

Volume 3 Issue 2 May 2012

company do not perceive the expected service quality levels. Company's service quality delivery gap is comparatively high on human element, social responsibility and systemization of service fronts which is a matter of concern for the company. Only respite for the company is customer perception on core product and tangibles of service front where customer service quality gap is comparatively better. So lesson here is that there is lot to do for the customers by the company and to improve customer service more efforts must be put to improve service quality on all selected dimensions. Another lesson which all life insurance service providers can take is; customers of life insurance services has very high service quality expectations and to meet these expectations, certainly required more improved customer service quality strategies.

**International Journal of Computing and Business Research
(IJCBR)**

ISSN (Online) : 2229-6166

Volume 3 Issue 2 May 2012

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