

ASSESSMENT OF SERVICE QUALITY IN INSURANCE INDUSTRY IN SULTANATE OF OMAN

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Abstract:

The study aims to evaluate customer's expectation and perception of quality of service provided by Insurance companies in Oman. It also examines how the demographic factors influence on the expectation and perception of insurance services. Descriptive research design was adopted and simple random sampling was chosen for study. Hundred questionnaires were received from the respondents. Data were refined, tabulated and analyzed. The study identified the phenomena related to assessment of service quality in insurance industry in sultanate of Oman based on SERVQUAL model using seven parameters- tangibility, reliability, responsiveness, assurance, empathy, price and technical quality. Demographic factors influence on Service quality were also identified and reported by using descriptive statistics. Results indicated that there is a huge gap between customers expectation and perception in price, reliability and it is also revealed that there is a relationship between demographic factors and customers expectation and perception of service quality dimensions.

Keywords - customers expectation, customers perception, descriptive statistics, insurance industry, service quality.

Abbreviations – LIC= life insurance corporation, ICICIPLI = ICICI Prudential Life Insurance Company, R.O= Rial Omani.

1. Introduction

Insurance industry is one of the financial sector which support the stimulation and development of the national economic and it is a service industry and the customers expect convenience facilities from insurance industry. In the year 2004 the responsibilities of the insurance sector in Oman was transferred from the Ministry of commerce and industry to the capital market authority in order to develop and restructure the legislative and regulatory of this sector. In order to build loyal and quality customers insurance industry faces number of challenges. The biggest challenge the insurance industry face is meeting customer expectation for fast, better service in a competitive environment. The aim of insurance is to compensate the insurer against loss arising from different types of risks, which he anticipates to his life, property or business as the insurance policies are taken by the insurer to protect themselves and their properties. Customers perception of service quality result from a

comparison of customer expectations with actual service performance. Every dimension of the service quality especially for insurance sector as it is a service industry is important to know the customers mind about the quality of services perceived by them. To determine the importance of service quality dimension from the customers viewpoints SERVQUAL model using five parameters – tangibility, responsiveness, assurance and empathy were used in the present study. To achieve customers expectations, insurance industry should employ strategic plans to provide appropriate products and services to sustain in the market. Service quality has become a most critical component of competitiveness for insurance – sector in Sultanate of Oman.

2. Literature Review

Review of literature was done to report the studies related to service quality in Insurance Industry in Sultanate of Oman. Following studies examined the underlying phenomena respectively in various organizations and sectors. Review provided a foundation to identify the research gap for the present study.

Ahmad,A & Sungip,Z (2008) evaluated customers general expectation and perception of insurers in terms of services offered at the insurance service counter and also examine the relationship between the demographic factor and SERVQUAL mean score with a sample of 319 respondents and showed huge gap for reliability, responsiveness and empathy. Result revealed that reliability has been emerged as the most critical determinant of SERVQUAL measure for service quality. Bala et.al. (2011) examined the dimensionality of SERVQUAL instrument in the life insurance sector with a sample of 337 customers from 3 cities of Punjab and identified deficiencies in the specific areas of service quality where concentrated efforts are required to be made. The findings indicated that the gap scores do not merge into 5 dimensions of service quality rather the perception scores merge into 3 dimensions. Upadhyaya,D & Badlani, M (2011) emphasized the role of technology to improve quality and customer satisfaction in life insurance companies in India with a sample of 206 insurance customers from four major cities of India has been taken to promote a better theoretical understanding and recognition of the complexities to service quality and its measurement with respect to life insurance as customer service is an integral part of life insurance organization. Key success factors in life insurance industry need to be identified in terms of customer satisfaction in order to survive in intense competition and increase the market share.

Dinesh.et.al. (2011) assessed the service offered by the Reliance Life Insurance Company limited in south tamilnadu to compare key service dimensions with their perception and satisfaction and found that the respondents have high perceptual level in servicing aspect of timely reminder of dues and have high satisfaction level of claim admissibility and claim settlement. Professional category respondents have high perceptual level with regards to the financial credential of the company. Sandhu & Bala (2011) measured customers perception towards life insurance service quality among 337 customers from three cities of Punjab and out of factors it is found that proficiency, physical and ethical excellence and functionality have significant impact on the overall service quality of LIC of India. Bodla & Chaudhary (2012) ascertained the expected and perceived service quality level along with gaps on the basis of service quality model in ICICIPLI and found that there exists a significant gap in service quality expected and perceived by the customers of ICICIPLI and recommended that ICICIPLI should strategically improve the few dimensions of service quality to their customers for the growth of business and market position. Murthy & Mohamed (2013) analyzed the quality level provided by LIC to its customers and strives to develop a valid and reliable instrument to measure customer perceived service quality in insurance sector. The result provided a good framework for private insurers to improve their competitive position especially relating to ethical working as high satisfaction with LIC is likely to be a barrier for private players.

A similar study was conducted to identify the relationship between these two variables by Rajamani, K (2013) determined the relative importance of service quality dimension in insurance sector, to analyze the behavioral intention of 600 customers of the insurance sector

in Virudhunagar district. It is found that customers rated reliability as the important dimension while assessing the service quality. Pashaie,et.al. (2013) evaluated customers general expectation and perception of insurers in terms of services offered at the insurance service counter and also examined the relationship between the demographic factors and SERVQUAL mean score among 319 respondents and result revealed that huge gap for reliability, responsiveness and empathy and reliability emerged as the most critical determinant of SERVQUAL measure for service quality in Iran. Gulati,et.al. (2012) made an attempt to find out gap between expected and perceived satisfaction level of insurance company customers and found that the major differences in customers expectation and perceptions from insurance services and showed dissatisfaction among insurance company customers.

Vikas (2011) presented a study to compare and analyze the service quality perceptions of 210 customers of public and private sector insurance companies and the result revealed that public insurance companies are rated high in overall service quality perceptions as compared to private insurance sector companies and t-test revealed that there is significant difference in the service quality perception of public and private sector insurance companies and it was concluded that customers perceive better quality of service for public sector insurance companies as compared to private sector insurance companies. Sharma & Bansal (2011) focused on developing a valid and reliable instrument to measure customer perceived service quality and comparing these between Indian and Chinese Insurance companies and found that although both the countries are operating in similar service environment but the responses to these service quality components differ from customers of one country to another. Madan (2012) examined the gap between the expectation and perception of customers about the insurance companies using the SERVQUAL model and found that private insurance companies are competing in the market but scored low in reliability dimension.

Literature related to assessment of service quality was primarily based on the study either on public sector or private sector organizations. Some of the study even focused on some specific profession to examine the phenomena and relationships related to the variables as predictor and criterion. Some study focused on identifying organization wide service quality. This study made an attempt to identify and study the underlying phenomena assessment of service quality in Insurance Industry in Sultanate of Oman.

3. Significance of the Study

The study focused on identifying the phenomena related to the assessment of service quality in insurance industry in sultanate of Oman. The insurance sector is one of the important sectors in Sultanate of Oman which supports the development of the national economy of Oman as it provides insurance protection necessary for all activities against any risks. The insurance policy is the contract between the insurer and the insured, which states the risks covered exclusions if any and benefits reimbursed on the happening of the event. The growth of insurance sector is not possible without customers so the sector should try to attract customers by providing good quality service.

4. Objectives of the Study

- a. To assess the service quality in Insurance industry in sultanate of Oman.
- b. To identify the gap between customers expectation and customers perception on service dimensions of insurance industry in Oman.
- c. To determine the importance of demographic factors of customers which affect their perception and expectations.

5. Hypotheses

Ho: There is no significant difference between social demographic factors and dimensions of service quality.

H1: There is significant difference between social demographic factors and dimensions of service quality.

6. Scope of the study

The study investigates the phenomena related to service quality assessment in insurance industry in Sultanate of Oman from an academic point of view. It identifies the type of service quality. The study provided a foundation in exploring the impact of service to the customers which will further help the service organization to create best ideas and draw suitable plans to increase the level of service quality among the customers.

7. Research Methodology

7.1 Research Design

Quantitative research design was employed and Descriptive Research design was used for this research based on adoption of survey method.

7.2 Sampling Design

Simple Random sampling method was adopted for this study.

7.3 Sample Size

The Total Sample Size in the present study was 100 insurance policy holders in Muscat.

7.4 Sample Unit

Sample unit consist of Insurance Policy holders in Muscat, Sultanate of Oman.

7.5 Data Collection Method(s)

Both primary and secondary data were used.

- Primary data: The data were collected from the Questionnaire of Parasuraman et.al.(1988) . Part I of the Questionnaire seeks information about the demographic features of the respondents such as gender, age, income and academic qualification. Part II of the Questionnaire is about Customers expectation. Part III of the Questionnaire is about Customers perceptions. Seven dimensions has been studied for Customers expectation and Customers perception i.e Tangibility, Reliability, Responsiveness, Assurance, Empathy, Price and Technical Quality.
- Secondary data: The data were collected through the following sources:
 1. Internal sources.
 2. Books and Journal research articles
 3. Internet.
 4. Other official sources and records.

8. Data Analysis Method

The data collected from the sample was analyzed by using descriptive statistics from the statistical tools. Independent sample tests (t-test) were used to determine the relationship between gender and nationality with the service quality dimensions. Analysis of variance (ANOVA) were used to test the variables relationship between the social demographic profile of respondents and service quality dimensions. In order to find out the service quality gap of each variable dimension for perception and expectation mean were calculated.

9. Results and Discussion

Table 1: Profile of respondents

GENDER		Frequency (%)	NATIONALITY		Frequency (%)
Male		69	Omani		79
Female		31	non -Omani		21
Total		100	Total		100
AGE		Frequency (%)	ACADAMIC QUALIFICATION		Frequency (%)
18-25 years		21	Diploma		31
25-35 years		36	Bachelor		45
35-45 years		28	Masters		19
above 45 years		15	PHD		5
Total		100	Total		100
INCOME		Frequency (%)			
less than 350 R.O		10			
350-500 R.O		16			
500-750 R.O		27			
above 750 R.O		47			
Total		100			

The profiles of the respondents are shown in table 1 and it showed that out of 100 respondents 69% of the respondents were male and 31% were female. In terms of age, 36% of respondents are in between 25-35 years of age and 15% of respondents are above 45 years. 79% of respondents are Omani and 21% of the respondents are non-Omani. 45% of respondents have bachelor's degree. In terms of Income, 47% of respondents earns above 750 R.O per month.

Table 2: Independent sample test of Gender and Nationality with desired service quality assessment

Variables		Dimensions Mean						
		Tangibles	Reliability	Responsiveness	Assurance	Empathy	Price	Technical Quality
Gender	Male	3.71	3.49	3.55	3.53	3.41	3.46	3.39
	Female	3.67	3.68	3.66	3.61	3.68	3.71	3.60
Sign		0.66	0.19	0.20	0.46	0.17	0.02*	0.03*
Nationality	Omani	3.62	3.46	3.52	3.46	3.40	3.39	3.37
	Non - Omani	3.97	3.86	3.81	3.94	3.84	4.10	3.80
Sign		0.34	0.00*	0.01*	0.01*	0.00*	0.00*	0.00*

Table 2 indicated the analysis of independent sample test in determining the difference of service quality dimensions among gender and nationality of respondents in assessing desired quality and found that male and female expectations in price and technical quality is different and tangibility is significantly different among Omani and Non Omani nationals.

Table 3: One way ANOVA of social demographic and desired service quality

Variables		Dimensions Means						
		Tangibles	Reliability	Responsiveness	Assurance	Empathy	Price	Technical Quality
Age	18-25 years	3.76	3.90	3.90	3.73	3.71	3.76	3.76
	25-35 years	3.72	3.50	3.51	3.49	3.44	3.61	3.38
	35-45 years	3.56	3.21	3.35	3.35	3.26	3.04	3.16
	above 45 years	3.80	3.78	3.76	3.87	3.77	4.00	3.78
Sign		0.55	0.01*	0.05*	0.15	0.10	0.03*	0.03*
Academic Qualification	diploma	3.63	3.63	3.61	3.51	3.65	3.61	3.60
	Bachelor	3.76	3.54	3.65	3.63	3.43	3.60	3.44
	Masters	3.61	3.37	3.34	3.37	3.36	3.21	3.22
	PHD	3.87	3.70	3.72	3.93	3.63	3.80	3.65
	Sign	0.70	0.68	0.45	0.46	0.54	0.57	0.44
Income	less than 350 R.O	3.90	3.95	3.94	3.80	4.03	4.00	3.95
	350-500 R.O	3.71	3.69	3.64	3.58	3.56	3.44	3.67
	500-750 R.O	3.70	3.65	3.63	3.58	3.62	3.70	3.56
	above 750 R.O	3.65	3.35	3.46	3.48	3.29	3.38	3.22
Sign		0.70	0.08	0.29	0.72	0.03*	0.37	0.03*

The analysis of variance in determining the service quality dimensions by the age, academic qualification and income is shown in Table 3. The p-value for reliability, responsiveness, price and technical quality indicated significance difference in age of the respondents, the p-value for academic qualification is greater than 0.05 for all dimensions and the p-value of income for empathy and technical quality indicates significant difference at significance level of 0.05.

Table 4: Independent sample test of the Gender and Nationality with actual service quality.

Variables		Dimensions Mean						
		Tangibles	Reliability	Responsiveness	Assurance	Empathy	Price	Technical Quality
Gender	Male	2.43	2.04	2.21	2.21	2.16	1.83	2.24
	Female	2.24	2.13	2.11	2.28	2.08	1.84	2.16
Sign		0.07	0.38	0.14	0.13	0.22	0.98	0.09
Nationality	Omani	2.38	2.07	2.23	2.26	2.15	1.87	2.19
	Non - Omani	2.30	2.06	2.02	2.14	2.07	1.67	2.32
Sign		0.95	0.36	0.21	0.51	0.93	0.86	0.55

Table 4 revealed Independent sample test of the Gender and Nationality with actual service quality and found that the p-value of gender and nationality are greater than

0.05 for all dimensions. Gender and Nationality are not influenced on the service quality of insurance sector.

Table 5: One way ANOVA of social demographic and actual service quality

Variables		Dimensions Means						
		Tangibles	Reliability	Responsiveness	Assurance	Empathy	Price	Technical Quality
Age	18-25 years	1.97	1.89	2.00	2.10	1.89	1.48	2.08
	25-35 years	2.47	2.09	2.27	2.12	2.23	1.97	2.29
	35-45 years	2.49	2.23	2.18	2.36	2.20	1.96	2.21
	above 45 years	2.44	1.93	2.24	2.47	2.10	1.73	2.23
Sign		0.15	0.26	0.51	0.30	0.22	0.13	0.70
Academic Qualification	diploma	2.12	1.85	1.93	2.04	1.90	1.65	1.92
	Bachelor	2.39	2.08	2.27	2.24	2.15	1.73	2.31
	Masters	2.53	2.32	2.34	2.42	2.36	2.32	2.37
	PHD	3.07	2.30	2.36	2.60	2.49	2.00	2.65
Sign		0.11	0.06	0.07	0.23	0.03*	0.03*	0.01*
Income	less than 350 R.O	1.90	1.70	1.74	1.90	1.91	1.50	1.88
	350-500 R.O	2.17	1.98	2.11	2.17	1.96	1.75	2.13
	500-750 R.O	2.28	2.01	2.17	2.06	2.10	1.67	2.13
	above 750 R.O	2.58	2.20	2.31	2.43	2.26	2.02	2.37
Sign		0.09	0.12	0.09	0.09	0.20	0.16	0.09

Table 5 indicates the analysis of variance in defining the difference of actual service quality dimensions supposed by the age, academic qualification and income and found that all dimensions p-value is greater than 0.05 in age and income. The p-value of academic qualification for empathy, price and technical quality indicate significant difference less than 0.05.

Table 6: Means of customer perception and expectation for the Actual and Desired service Quality on Five Dimensions

Dimensions	Customers Perception	Customers Expectation	Gap
Tangibles	2.37	3.70	1.33
Reliability	2.06	3.55	1.48
Responsiveness	2.18	3.58	1.40
Assurance	2.23	3.56	1.32
Empathy	2.13	3.50	1.36
Price	1.83	3.54	1.71
Technical Quality	2.22	3.46	1.25

Table 6 revealed the Mean of customer perception and customer expectation for the Actual and Desired service quality and it is found that Tangible score highest on expectation 3.70 and 2.37 on perception and there is a huge gap in price dimension 1.71

for customer perception and customer expectation which showed that the actual price is higher than the customers expectation of insurance industry in Oman.

10. Conclusions:

The purpose of the study was to evaluate the customer's expectation and perception towards the current performance of services provided by Insurance Industries in Oman. From the analysis it is found that the customers feel gap in between their expectation and actual services provided by the insurance companies in price and reliability. It is also revealed that there is a relationship between demographic factors and customers expectation and perception of service quality dimensions. When customer takes any insurance policy they highly expect their insurance service providers to be reliable and trusted in all matters and thus in turn affect customers satisfaction of the insurance service that provided from the companies.

11. Directions for future study

- I. Further study can be done on a large sample size for better understanding of service quality provided by Insurance Industry in Sultanate of Oman.
- II. The research can be conducted on other service industries of sultanate of Oman.
- III. Comparative study can be done for National and International insurance companies in Sultanate of Oman.

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