Factors Influence on Customers' Satisfaction in Government Owned Life Insurance Firm: A Case of Rastriya Beema Sansthan, Nepal

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Authors' contributions

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

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ABSTRACT

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 (Nyaguthii, 2013). The important factor in creating customer satisfaction is the appropriate insurer with customers. Insurers believe the factors such as behavior and dealing effectively with the insured, ability of insurance agents to transmit accurate information, establish long term relationships with customers are the important factors in the success of the insurance industry (Vazifehdust & Farokhian, 2013). Thus, the study

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aims in analyzing the determinants of customer satisfaction in Rastriya Beema Sansthan, an insurance company of developing country Nepal. The study has adopted descriptive and analytical research design. The purposive sampling method is used to collect the primary response from the respondents. The descriptive analysis, correlation analysis and regression analysis have been conducted to analyze the relationship between customer satisfaction with premium, communication, claim settlement, service recovery and service quality in Rastriya Beema Sansthan. The study concludes that the service quality has no impact on customer satisfaction whereas other variables tested have been found significant. The results of the research are expected to hit the policy of Rastriya Beema Sansthan with broadening the scope of the study.

1. INTRODUCTION

Insurance is a means to minimize future uncertainty and financial losses. Acting as a risk transfer mechanism is the primary function of insurance (Holyoake & Weepers, 2002). The concept has been applied in Nepalese context too. Insurance is the pooling of unforeseen losses by transfer of such risks to insurers, who agree to indemnify insured for such losses, to provide other financial benefits on their occurrence, or to render services connected with the risk. An insurance company is an institution which covers the losses against the uncertainties that may happen in future. The insurer is committed to pay a certain amount of money in case insured suffered from losses (Rejda, 2006). The primary function of an insurance company is to compensate individuals and corporations (policyholders) if a pre-specified adverse event occurs, in exchange for premium paid to the insurer by the policyholder [1]. Tse and Wilton (1998) stated that the customer satisfaction as the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product. Satisfaction of customers with product and services of a company is considered as the most important factor leading toward competitiveness and success (Henning, 1997). Customers are the life line for any business so it is important to deal with a great care, otherwise, the failure may bring disaster which can destroy the existence of a company. Success in business is strongly related to customer satisfaction, thus, it is directly proportional to customer satisfaction. If a business is much more challenging and competitive, company's benefits are relatively higher from customer satisfaction [2]. Most of the companies are shifting from product-oriented business to service oriented business in order to pay attention towards customer needs and desires. Nowadays, companies are much more concerned about customer expectations and what they are providing for customers [3]. Insurance is important for the overall economic development; and for this, it is essential to satisfy existing customers through the value-added services. The insurance industry can grow fast only if adequate awareness programs were conducted in every part of the country. People consider insurance as gambling so; proper education regarding insurance and its services should be given. The insurance company should provide the quality service on right time, which led them satisfied. Various literatures have suggested demographic factors, service factors, goodwill factors, product factors, trust factors, agent factors, benefit factors and so on. Nevertheless, the crucial factors on customer satisfaction in Nepalese insurance become a research issue. Thus, the study aimed to analyze the perception of the customers and their relationship with the services provided by Rastriya Beema Sansthan in Nepal.

2. LITERATURE REVIEW

Butler and Francis [4] discovered that prompt claims settlements had positive and significant relationship with insurance performance in terms of customer satisfaction and loyalty. Vazifehdust and Farakhian [5] had concluded that the accessibility, reliability, and responsiveness of insurance services, appearance, and packaging of insurance contracts were positive and thus important in making satisfaction to the customers in an insurance industry. Further, the result had shown the introduction of internet in insurance was not important or low important in making customer satisfaction. Organizations that were fully customer oriented measured customer satisfaction frequently as this was the key to customer retention. A highly satisfied customer had lots of advantage to the organization as customers in those organization generally stayed longer, bought products or services frequently, talked in favor of the company and its products,

paid less attention to the competitor's product, and most importantly preferred to share their ideas to the company Keller, [6]. Suneja and Sharma [7] study had come up with factors such as marketing communication, company representative and referrals, which had included various variables as sub-factors. The study had revealed that insurance companies should focus on these factors for making the information search a more effective and easy exercise for customers. The analysis of responses clearly revealed that there existed a significant perceptual difference among customers regarding overall service quality with their respective insurance companies (Gulati, 2012). Study Notes (2013) the obligation of insurance towards the policyholder was the absence of fraud. Nyaguthi [8] found that the customer satisfaction could be enhanced through a convenient working hour and quick delivery services. Similarly, the modern equipment and visually appealing physical features were important that measured the quality of service of the insurance industry. Furthermore, the staffs were averagely courteous, responsive and proactive. The cumulative satisfaction could be evaluated from the customers' perspective, which would be based on the firm's past, current and future performance. The cumulative approach had been described as the overall satisfaction perspective based on the customer's cumulative evaluation response [9]. An improving the service quality was a key for insurance companies as it was considered a competitive advantage in the market. Delivering quality service had meant conforming to customer expectations on a consistent basis [10].

However, the problem with management of service quality in service firms was that quality was not easily identifiable and measurable due to inherent characteristics of services which made them different from goods [11]. Chaudhary and Kaur [12] found that there were six factors customized and timely services, better company reputation, effective service quality, consumer convenience, tangible benefits and healthy consumer client relationship that had positively influenced the consumer perception towards the life insurance policy. Power [13] had stated that the insurance, customers wanted their billing problems, policy questions or claim resolved efficiently. Basaula [14] had carried the research related to customer satisfaction towards claim settlement in Nepal. The research revealed that the customers were encouraged to repurchase the policy if the insurance company was able to

provide an innovative product that met the changing needs and demands of customers. There was direct relationship between fast claim settlement and the sales and marketing of insurance products. Chattha [15] found that individual agent was the most preferred channel of customers for buying life insurance policies. Sneha [16] stated that a high level of financial illiteracy had led to significant information in the market, insurance agents were the most important source of information to take investment decision and subjective norms had a significant effect on the decision, investment in insurance was taken as an alternative option and social influence was also found to affect the choice of policies. Dharani et al., [17] concluded that the demographic factors of the people had played a major and pivotal role in deciding the investment of life insurance policies. The insurance penetration would be growing with more completion among the players in the insurance sector in the post Covid -19 period [18].

In Nepalese context, few studies related to insurance industry had been conducted. The consumers had the right to be protected from the sale and supply of goods and services and also had the right to be informed about the prices, attributes, quality, quantity etc. related to consumer goods and services Consumer Protection Act, [19]. Thapa and Neupane [20] argued that the insurance business started to flourish in Nepal because many industries were established and the people really became aware of the businesses. As a result, many people were involved in it which ultimately had contributed to the national development. The insurance companies had stopped the flow of capital outside the country. In this manner, insurance companies were playing a vital role in the country as far as the development of insurance business [21]. The insurance industry had grown rapidly in Nepal. It was because the insurance as an important part of the overall financial system. The study revealed that net premium collection during had been increasing and its contribution was also increasing gradually in Gross Domestic Products (GDP) Vaidya, [22]. Risal, et al., [23] concluded that the life insurance companies were not sincere in solving the problems and developing healthy customer relationship. The policyholders were not satisfied with the employees' and agents' attitude in guiding the issue settlement. Based on available reviewed literatures, the relationship between premium collection, communication, claim settlement, service quality

and service recovery were found diverse relationship with customer satisfaction. The analysis had suggested the positive as well as negative impact on customer satisfaction [24]. Thus, the study had addressed the similar issues in Nepalese context based on the study on government owned life insurance company.

3. METHODOLOGY

This study had adopted the descriptive and analytical research design in order to describe the characteristics of a population or phenomenon to test hypotheses or to answer questions concerning the current status. The population of the study was RBS customers in Kathmandu valley. Regarding the sample size, two hundred questionnaires were distributed. There were 150 valid survey responses among completed survey forms. So, the researchers had used the purposive sampling method by performing the survey and the respondents had been taken as household, self-employed, private service, public service and students. Simple and direct questions were included in the close ended and open-ended questionnaire in order to avoid any confusion on the part of respondents. These scenarios were very much similar to the situations faced by the customers in RBS service. These data were in raw form and requires further processing. The collected data were statistically analyzed through IBM SPSS. Data analysis was carried out through proper statistical and financial tools to accomplish the objective of the study. Based on prior hypothesis generated through review of literatures, the hypothesis has been formulated as under;

Hypothesis

H1: There is significant relation between premium collection and customer satisfaction.
H2: There is significant relation between communication and customer satisfaction.
H3: There is significant relation between claim settlement and customer satisfaction.
H4: There is significant relation between service quality and customer satisfaction.
H5: There is significant relation between service recovery and customer satisfaction.

Model Specifications;

$$CSAT = B_0 + B_1(P) + B_2(C) + B_3(CS) + B_4(SR) + B_5(SQ) + e$$

Where,

CSAT = Customer satisfaction
Premium=P
Communication=C
Claim settlement =CS
Service recovery= SR
Service quality =SQ
B0= Constant
e = Error Term

4. RESULTS

4.1 Demographic Profile Analysis

The major components used in the study were gender, age, educational level, type of insurance held, occupation and income level. On the basis of gender, the study found that more than fifty percentage respondents were female whereas rest were male. The questionnaires were distributed categorizing them into five different age groups. Considering the educational background of the respondents, it was evidenced that most of the customers who subscribed to insurance in Nepal were the educated populates in society. The study had collected the information on the basis of their occupation, majority of respondents were from private service 60(40%) likewise 39(26%) from public service. The minorities of respondents were from household 9(6%). Out of 150 respondents, majority of the respondent preferred to purchase life insurance product while minorities of respondent chosen the non-life insurance product. The majorities of the respondents were from an income group of 75000- 100000, 43 (28.7%). Similarly, minorities of respondents were from the income group up to 20000, 18 i.e., 12 percentages out of the total respondents.

4.2 Descriptive Analysis

The results had shown that, the service quality had highest value 3.25 mean and 0.0529 standard deviation whereas claim settlement had lowest value 3.12 mean and 0.0141 standard deviation.

4.3 Correlation Analysis

This study had found a positive relation between service recovery and customer satisfaction with a correlation coefficient value of 0.682**. Likewise, the relationship between claim settlement and customer satisfaction was found positive with a correlation coefficient value of (r= 0.763**).

Finally, service quality and customer satisfaction had positive correlation of 0.677**. The positive association among the variables had implied that as one variable improved in performance, it had influenced the other to equally improved in the life insurance industry. The significant positive relationship of premium with communication, service recovery, claim settlement and service quality have been found in the analysis. The positive significant relationship of communication with service recovery, claim settlement and service quality have been found in the study. The positive significant relationship between service recovery with claim settlement and service quality have been found in the analysis. The study has found significant positive relationship between the claim settlement and service quality.

4.4 Regression Analysis

Model Summary

R	R square	Adjusted R square	Std. Error of the Estimate
0.873	0.762	0.754	1.44

$$Y = 1.5272 + 0.577X1 + 0.207X2 + 0.135X3 + 0.284X4 + (-0.138) X5 + E$$

t-value   (2.757)   (6.949)   (2.226)
(1.032)   (2.731)   (-2.220)

F statistics=92.448; P-value= 0.000

Where,

Y represents Customer Satisfaction,
X1 is Premium, X2 is Communication,
X3 is Service Recovery,
X4 is Claim settlement, and
X5 is Service Quality.

The result of the regression analysis had shown that the premium, communication, claim settlement and service quality was significant at five percentages significance level. These mentioned variables had a positive and significant relation with the customer satisfaction. As service quality had negative beta value but it had indicated negative effects on customer satisfaction. There was significant impact of premium on customer satisfaction. Thus, higher the beta the most important factors of influenced for satisfaction. The model represented customer satisfaction which shown that F-value of 92.448 and significant at five percentages level of significance. This implied that the research model was a good-fit in explaining the customer satisfaction in Nepalese insurance industry.

4.5 Concluding Remarks

The respondent profile analysis had shown that there were more female respondents than male respondents. The age of the respondents could have big impact on their views and reaction regarding insurance services. In terms of age, the majority of respondents were in between 20-40 years which accounted 52.70 percentages followed by below 20 years which constituted 12 percentages. The results had shown that, most of the respondents were educated and had public and private service holders. The majority respondent had very high-income level who had taken the insurance service through this analysis concluded that low income generating people were far from the insurance service. The results had shown that customers were satisfied with the product of RBS were premium, communication, and claim settlement in compared to service recovery and service quality. The t-test results had indicated that the premium, communication, service recovery and claim settlement had shown significant value of p (p<0.05) where service quality found to be insignificant at five percentages level of significance. The hypotheses testing found that H1, H2, H3, and H4 had positive and significant impact whereas H5 had no statistical significance. The finding had shown that the majority of respondents wanted to continue using their insurance service rather than switching. They had considered their service operator as the first choice among other inside the Kathmandu Valley though having problems with the customer cared service. Thus, RBS should improve their service quality to sustain the existing customers.

Table 1. Descriptive results

	Mean	Std Deviation
Premium	3.195	0.0239
Communication	3.2	0.0638
Service Recovery	3.12	0.0141
Claim Settlement	3.187	0.0709
Service Quality	3.25	0.0529

Table 2. Correlation matrix

	Customer Satisfaction	Premium	Communication	Service Recovery	Claim Settlement	Service Quality
Customer Satisfaction 1						
Premium	0.849**	1				
Communication	0.804**	0.857**	1			
Service Recovery	0.682**	0.706**	0.751**	1		
Claim Settlement	0.763**	0.777**	0.828**	0.772**	1	
Service Quality	0.677**	0.767**	0.817**	0.742**	0.815**	1

Table 3. Impact analysis on the factors influencing customer satisfaction in rastriya beema sansthan, Nepal

Model	Beta Coefficient	Std.Error	t	Sig.
(Constant)	1.5272	0.570	2.757	0.007
Premium	0.577	0.083	6.949	0.000
Communication	0.207	0.093	2.226	0.028
Service Recovery	0.135	0.130	1.032	0.304
Claim Settlement	0.284	0.104	2.731	0.007
Service Quality	-0.138	0.062	-2.220	0.280
F-Statistic	92.448			0.000

Table 4. Testing of hypothesis

Hypothesis	Results
H1 Premium have significant relation with customer satisfaction	Accepted
H2 Communication has significant with customer satisfaction	Accepted
H3 Service recovery have significant relation with customer satisfaction	Accepted
H4 Claim settlement have significant relation with customer satisfaction	Accepted
H5 Service quality has significant relation with customer satisfaction	Rejected

5. DISCUSSIONS, CONCLUSIONS AND IMPLICATIONS

Insurance is an agreement between insured and the insurer. As per agreement, the insured pays premium to the insurer in installments while the insurer promises to offer financial security from the risks involved. The insurer, then, invests in industrial and financial institutions as per the provisions made in investment guidelines of Nepal Insurance Authority. This study related to customer satisfaction in Nepalese insurance industry in order to understand the level of customer satisfaction. The study analyzed five factors such as premium, communication, service recovery, claim settlement and service quality to find out level of customer satisfaction in an insurance sector. The premium, communication, service recovery, claim settlement had a positive relationship but service quality had inverse relationship with the customer satisfaction. Based on this, the insurance company can be alert when providing an insurance service to the customers. This study limited the within some area of Kathmandu valley. In order to get precise picture on customer satisfaction towards insurance, it is suggested to distribute the questionnaire around the country. From the findings, insurance company should also improve in service quality and for this the management should provide sufficient training and used modern tools and technology so that an employee or agent won't get problem to response their customer queries on time. The Government has to keep the life insurance in its first priority and manage an environment so that every people of Nepal feel safe by doing life insurance. It means government has to purchase the life insurance policies for its each and every citizen making mandatory.

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COMPETING INTERESTS

Authors have declared that no competing interests exist.

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