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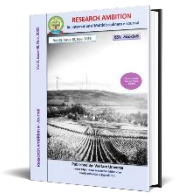

Comparing Service Quality: An In-depth Analysis of LIC and HDFC Life Insurance Companies

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KEYWORDS

HDFC Life, Life Insurance Corporation (LIC), Life Insurance Industries in India, Comparative Study, Competition in Insurance Industries.

ABSTRACT

The objective of this study is to compare two leading life insurance providers in India: Life Insurance Corporation (LIC) and HDFC Life. India's fast-growing economy has made it most attractive insurance market globally. The study examines the five key dimensions of service quality provided by life insurance companies: responsiveness, reliability, tangibility, assurance, and empathy, which are crucial in shaping customer satisfaction and loyalty. By utilizing customer perceptions and experiences, the research aims to illuminate strengths and weaknesses of each company, providing valuable insights for strategic improvements in service delivery. The study analyzed trends and applied t-tests to test the significance of the hypothesis. A sample of 600 respondents from Himachal Pradesh was taken. The present study's thorough examination of service quality provides a deeper understanding of customer expectations in the life insurance sector. It offers practical recommendations for both LIC and HDFC Life to enhance their service quality and maintain a competitive edge in the industry.

INTRODUCTION

Life insurance is a crucial financial tool that offers protection and financial security to policyholders and their family members. In the competitive insurance industry, service quality shapes customer experiences and perceptions of providers. Service quality includes the overall excellence of services provided by companies and is an essential factor for determining customer satisfaction, loyalty, and long-term relationships. In context of life insurance, ensuring high service quality is essential not only for meeting regulatory standards but also for establishing trust and credibility with policyholders. Life insurance industry in India is highly competitive, and providers must provide exceptional service quality to establish lasting customer satisfaction. Life Insurance Corporation of India has been a solid financial institution in the country for over six decades. It was established in 1956 with the aim of offering financial security and life insurance coverage to people from all walks of life. LIC, being a government-owned company, holds a significant market share as the largest life

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insurance provider in India. It is known for its customer-centric values, financial prudence, and social responsibility. Over the years, LIC has expanded its span of Life insurance policies to meet changing needs of a growing population. It has also played a crucial role for promoting a culture of saving money and insurance in the country. HDFC Life is a prominent entity in India's insurance sector, known for financial expertise, innovation, and customer-centric values. It was established in 2000 as a partnership between Housing Development Finance Corporation Limited Life (HDFC) and Standard Life Aberdeen plc, a renowned global investment company. As a private life insurance company, HDFC Life has swiftly emerged as a dynamic player with a comprehensive suite of insurance solutions, agility, and a forward-thinking approach. The company is committed to offering financial protection and promoting a culture of prudent financial planning that aligns with the evolving needs of a diverse. This study compares two industries: Life Insurance Corporation (LIC) in India and HDFC Life. This research examines the key dimensions of service quality, including tangibility, responsiveness, reliability, assurance, and empathy, and their impact on customer perception, preference, and loyalty. Service Quality (SQ) comprises multiple dimensions that contribute to overall perception. Parasuraman, Zeithaml, and Berry developed the widely accepted SERVQUAL model for understanding service quality. According to this model, there are five critical dimensions of service quality (SQ), often referred to as the RATER model, which stands for:

1. **Reliability:** It refers to the ability of a service provider to offer precise and reliable services.
2. **Assurance:** It refers to the competence, credibility, courtesy, and ability to instil confidence in their customers.
3. **Tangibility:** The physical appearance of equipment, facilities, and communication materials.
4. **Empathy:** The Service provider's ability to understand and provide individual attention to the policyholders.
5. **Responsiveness:** The willingness and ability of a service provider to promptly assist their customers and provide timely services to them.

These dimensions collectively capture the various aspects of customer's interaction with the service provider and influence their overall perception of service quality.

REVIEW OF LITERATURE

Suresh (2006) found that branding is the new challenge in financial services. Brand equity's most trusted brand survey of 2005 showed that out of 150 top brands of 2005, only seven brands were there for financial services. The brand-building exercises done by LIC were value-added services, CRM, and corporate advertising, targeting both rural and urban segments. Rao (2012) conducted a study on service quality provided by LIC (Life Insurance Corporations) of India and Private life insurance companies to identify the various types of issues faced by the policyholders of LIC (Life

Insurance Corporations) of India and private life insurance companies. 120 customers from the Srikakulam District of Andhra Pradesh were selected as sample for the study. A well-designed structured questionnaire was developed to analyze the customers. The present study concluded that customers drive change in the life insurance industry. Success requires providing insurance solutions instead of products. Padhi and Satpathy (2013) analyzed the "Performance of LIC of India after liberalization", and it was determined that in the year 2000, the liberalization of the Indian economy had been ongoing since 1991. Nationalizing the insurance industry was considered a failure because it had a negative impact on industry expansion, geographic coverage, and the regulations and procedures implemented. Despite its potential, the insurance industry needed to extend its services outside metropolitan areas and improve their consistency with international standards. Nationalization led to inefficiency and sluggishness, as there was no competition and business was conducted, leading to a static market. The industry's potential contributions to the country's economic growth in terms of its impact on GDP and its ability to provide long-term capital for economic development were not being realized. Pattan and Khandelwal (2018) examined the cost-effectiveness through the present study, "Comparative Study of Cost Effectiveness of Public and Private Insurance Companies of India", and concluded that The Indian life insurance market was opened to private players, creating competition for public corporations, Life Insurance Corporation of India. The presence of this rival harmed LIC's insurance business. This study aimed to compare companies based on their cost-effectiveness ratios. Cost efficiency is measured by the ratio of inputs to monetary outcomes (unit). The cost of inputs is in the numerator, while the output's unit is in the denominator of cost-effectiveness analysis. The study showed that LIC remains India's most cost-effective life insurance company. Patel and Dwivedi (2022) conducted "A Comparative Study on the Long-term Soundness and Profitability of Selected Private Life Insurance Sectors in India" and found that Since deregulation in August 2000, private life insurance companies have successfully entered and established themselves in the insurance market. This study aims to evaluate the financial stability and relative profitability of three major private life insurance companies that make up more than 50% of the gross direct premiums in the industry. After analyzing the results, it's evident that HDFC LIFE has a high ROI in comparison to its total revenue, shareholder funds, and overall assets. SBI LIFE has been efficiently operating its assets and improving its long-term sustainability, as evidenced by ratios of total liabilities, proprietary funds, and policyholders' liabilities to total assets. John and Elavarasan (2023) assessed the impacts of perceived service quality of the insurance sector in Bangalore city, focusing on private and public sector life insurance companies. SERVQUAL was used to measure service quality (SQ) with five essential dimensions, namely Responsiveness, reliability, assurance, tangibility and empathy. The present study involved 500 respondents and

covered five leading insurance companies. The findings revealed that customer expectations in terms of service quality were generally high across all five dimensions. The results may guide these companies in developing strategies to address specific areas of concern and improve overall customer experience in the life insurance sector.

RESEARCH METHODOLOGY

The primary purpose of present research is to analyze the service quality (SQ) essential dimensions, including tangibility, responsiveness, reliability, assurance, and empathy provided by LIC and HDFC Life, with a focus on customer perceptions and experiences. Further, it aims to gauge and compare customer satisfaction levels with the services provided by LIC and HDFC Life, utilizing customer feedback, surveys, and other relevant data. The study is Quantitative and Descriptive. This survey research method employs a structured questionnaire. A Convenient sampling technique is used to select sample due to uncertainty of population size of customers in Life Insurance Companies. This study analyzed the customers who insured their lives with life insurance companies and HDFC Life in the states of Himachal Pradesh and Haryana. The sample size includes 600 respondents in total. A survey questionnaire is developed to gather data from the respondents. The questionnaire includes items of service quality, customer satisfaction, and customer loyalty regarding life insurance companies. The questionnaire is well-designed using a 5-point Likert scale. Quantitative data gathered from survey is analyzed by using appropriate statistical techniques. A descriptive statistical approach is used for summarizing data. A T-test is applied to compare service quality provided by LIC and HDFC Life. The study has some limitations, such as the use of convenient sampling and the focus on a particular geographic area, which will be acknowledged. It is essential to note that the above research design is merely a suggested outline based on the information provided. The actual implementation of the study may require further refinement and consideration of specific research variables, measurement scales, data analysis techniques, and ethical considerations.

DATA ANALYSIS AND INTERPRETATION:

Table 1 provides a comparative analysis of the service quality between HDFC Life and LIC across different dimensions - Tangibility, Responsiveness, Reliability, Assurance, and Empathy. For each dimension, the table presents the number of respondents (N), the mean score indicating the average perception of customers, and the standard deviation showing the degree of variability in responses. Levene's Test for Equality of Variances estimates whether variances of two groups (HDFC and LIC) are equal. If the p-value (Sig.) exceeds the significance level (0.05), then the null hypothesis is rejected. The t-test for Equality of Means evaluates whether the means of two groups are different statistically. The t-value and its associated value of p(Sig.) indicate significance of difference. For instance, taking the Tangibility Dimension, the mean score for HDFC is 4.0945, while for LIC, it is 3.9444.

Table 1: Results of the Independent T Test for Comparing Service Quality of HDFC and LIC

Company	N (No. of Items)	Mean	Standard Deviation	Levene's Test for Equality of Variances		t-test for Equality of Means	
				F	Sig.	T	Sig.
Tangibility Dimension							
HDFC	299	4.0945	.88214	1.378	.241	2.068	.039
LIC	301	3.9444	.89630				
Responsiveness Dimension							
HDFC	299	4.121	.8447	1.842	.175	2.292	.022
LIC	301	3.962	.8542				
Reliability Dimension							
HDFC	299	4.0518	.88295	1.878	.171	1.286	.199
LIC	301	3.9593	.88023				
Assurance Dimension							
HDFC	299	4.074	.8369	1.757	.186	1.905	.057
LIC	301	3.944	.8437				
Empathy Dimension							
HDFC	299	4.1288	.87909	2.027	.155	3.066	.002
LIC	301	3.9078	.88625				

Source: Data collected through questionnaire

Levene's test suggests no significant difference in variances ($p = 0.241$), and the t-test expose a statistically significant difference in means ($p = 0.039$), implying that HDFC has a significantly higher mean perception of tangibility compared to LIC. This pattern is repeated for each dimension, providing a detailed understanding of how customers perceive the service quality dimensions offered by HDFC and LIC. The results indicate variations in customer perceptions, offering valuable insights for both companies to focus on areas of improvement based on customer feedback. The findings of present study represent the service quality (SQ) of HDFC Life and LIC in the life insurance sector. The study found that HDFC has a perceptible advantage over LIC in tangibility, responsiveness, assurance, and empathy dimensions of service quality. However, there is no any significant difference in reliability dimension. The Present study suggests that both of companies can benefit from these findings by leveraging their strengths and addressing any areas that require improvement. The objective of the life insurance sector is to improve service quality (SQ) and customer satisfaction.

CONCLUSION AND SUGGESTIONS

In conclusion, comparative analysis of HDFC and LIC in terms of service quality dimensions provides valuable insights into strengths and areas of improvement for both companies. The study indicates that HDFC is the leader in tangibility, responsiveness, assurance, and empathy, while there is no significant difference in reliability. These findings highlight critical role of specific service attributes in shaping customer perceptions and emphasize the multifaceted nature of customer expectations in the insurance sector. Based on these conclusions, It is suggested that HDFC should continue to leverage its strengths by maintaining and enhancing its tangible and empathetic service elements. It should also invest in streamlined processes and customer support to consolidate its position as a responsive insurer. Additionally, both HDFC and LIC should make a concerted effort to sustain high standards of reliability and ensure transparency and ethical practices. Regular customer feedback mechanisms and competitor benchmarking will be essential for adapting to evolving customer expectations. Furthermore, empathy and customer-centricity training initiatives can further enhance the perceived assurance and empathy dimensions. Overall, by strategically addressing

these dimensions, both companies can not only enhance their competitiveness but also contribute to an elevated standard of service quality across the Indian life insurance industry.

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