Factors affecting for customer satisfaction in using motor insurance policies in sri lanka with special reference to the western province

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Abstract

This study mainly investigates the Factors affecting Customer Satisfaction using motor insurance policies in Sri Lanka, what is the relationship between customer satisfaction and service quality, customer loyalty, customer knowledge, technical quality and customer interaction and identifies the highest contributing factor towards customer satisfaction in motor insurance. The whole research population was 385 motor insurance policyholders in the Western province of Sri Lanka. This study used a self-structured questionnaire to collect data. The questionnaire was developed to collect primary data with a five-point Likert scale. Collected primary data were analysed using SPSS and to extend the objectives of the research, data were analysed using descriptive statistical techniques, correlation coefficients analysis, and regression analysis. According to the reliability and validity test, the results were at the accepted level According to Pearson's Correlation test, the null hypothesis of the research was rejected and the alternatives were accepted which proved that there was a significant positive impact of all the selected independent variables on customer satisfaction in motor insurance policies. The final result highlights that the overall model is statistically significant, and the researcher suggests that hence the results are not representative of the whole country, other studies should be conducted considering other provinces of Sri Lanka.

Keywords: *Customer Satisfaction, Customer Loyalty, Customer Knowledge, Customer Intention, Service Quality*

Introduction

Background of The Study

Motor Insurance history started around the late 19th century when the first motor policy was sold in 1948. Motor insurance is one of the leading products sold in Sri Lanka and it plays a significant role in providing cover mainly to road vehicles. However, because of the intense competition, increasing loss ratio, and demand from digital-savvy customers, the insurance industry facing several challenges these days (Ernst and Young, 2011, 2012; IIF 2016). Conventional motor insurance products had created the attitude that, spending money on motor insurance was wasting. It influences customers to just buy a third-party Insurance cover to drive a vehicle on the road (Jayasuriya, 2017).

There is tremendous competition among insurance companies to attract and retain market shares and increase profitability (Perera and Gamage, 2019). To remain in the industry with the competition and further grow up, insurance service providers have to focus on service quality and customer satisfaction. It is very important to know how to measure the constructs from the customers' perspective to give them better service. Customer service is one of the most important aspects that everyone needs to prioritize, and it is a significant concept in motor insurance (Gamage,2017). Perera and Gamage, (2019) proved that there is a direct relationship between service quality, customer knowledge, customer loyalty, technical quality and customer interaction and customer satisfaction. According to more recent research, customer satisfaction is seen as a post-purchase experience, an outcome or result of the process of consuming a service. This point of view has its origins in theories of motivation, which contend that individuals act in ways that will advance

important goals or that are motivated by a need to be met. This is how satisfaction is viewed as a target to be attained and is characterised as a consumer fulfilment reaction.

Due to the characteristics of intangibility (the process of service delivery aims to satisfy the need rather than the production of a physical good), heterogeneity (there are no exact standards services, nor are they always identical to themselves, because they depend from company to company, depending on personal contact, so the quality specifications are set within a range of acceptable quality), and intangibility, the issue of customer satisfaction in service industries is difficult to define. The interaction between employees and customers is improved by this aspect. This is referred described as the "moment of truth," when the consumer genuinely judges the calibre of the service (Parasuraman et al., 1991). And to make the customer's participation in the service delivery insurance process as fruitful as possible, it is required to increase the training and recruiting of contact. Political loyalty, also known as "client retention" and "retention exploitation," hasn't received much attention in recent years because of this. It is now obvious that there has been a genuine revolution in the insurance industry, which has changed the market, corporate strategies, the offerings of products and services, and the methods of distribution of insurance products.

Problem Statement

Among twenty-eight insurance companies, thirteen insurance companies are operating general insurance businesses in Sri Lanka. Insurance companies follow different strategies to satisfy customers through various forms to enhance their customer network and profitability in the motor insurance business. Despite the efforts made

by the insurance companies to retain the customers with them, they experience switching the motor policyholders to competitors at the renewal. Accordingly, the long-term retention of motor policyholders by insurers is a significant issue in the motor insurance industry in Sri Lanka (Perera and Gamage, 2019)
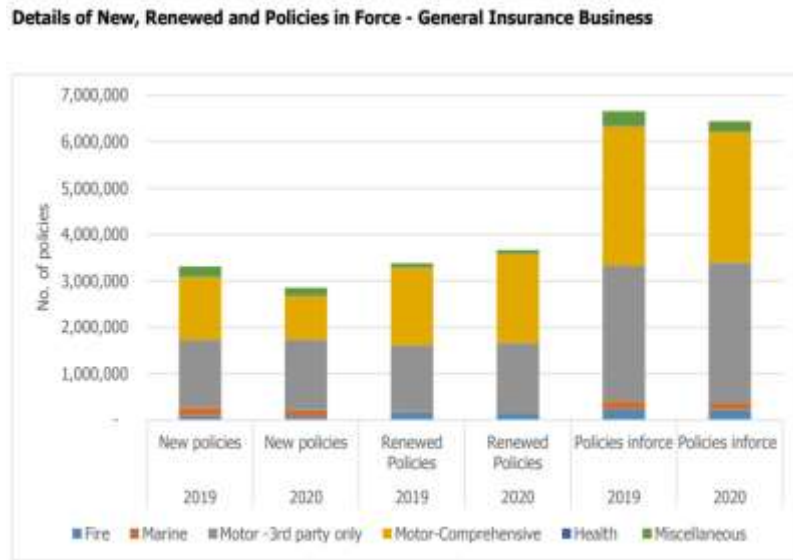
Details of New, Renewed and Policies in Force - General Insurance Business

Figure 1: Details of new renewed and publication in Force General Insuarance business

Objectives

The main research question would be the "What factors affect customer satisfaction with motor insurance policies in Sri Lanka?" Further two specific objectives are formulated as: To find the factors that affect customer satisfaction in motor insurance policies in Sri Lanka and To find the most significant factors that affect customer satisfaction in motor insurance policies in Sri Lanka.

Significant of the Study

During the years 2015 to 2019, there were few types of research focused on customer satisfaction in the motor insurance industry in Sri Lanka (Perera and Gamage, 2019; Gamage,2017) and some other counties. Accordingly, the findings of this study will provide empirical data regarding the context based on after the year 2020 figures based on western provinces. The study will provide valuable information which will allow stakeholders like investors, shareholders, employees, the Consumer associations, among others to provide useful suggestions to improve the service delivery of their respective insurance companies.

Materials and Methods

According to the framework Service Quality, Customer Loyalty, Customer Knowledge, Technical Quality and Customer Interaction known as Independent Variable and where as Customer Satisfaction in motor insurance policies considered as Dependant variable. According to Krejcie & Morgan (1970) simple random sampling method, the sample size is 384 for a large population exceeding or equal to 10,000. As per the bellow formula by Cochran (1963) sample size is calculated as 384 with a confidence level of 95%, and a margin error of 5%. The questionnaire comprised 27 structured questions relating to the dependent and independent variables, in which the respondents were allowed to make choices among a set of alternatives.

Results and Discussion

With the output result of the reliability test, it shows a Cronbach's Alpha value of 0.889 (SQ), 0.869 (CL), 0.853 (CK), 0.801 (TQ), 0.857 (CI) and 0.875 for the dependent variable of customer satisfaction with a significant of $P < 0.005$

Table: 8 indicates that the R square value was 76.7%. According to the relationship between independent variables and customer satisfaction accounts for 76.7% of the variance. There was an unexplained variation of 23.3%. Because explained variation was considerably more significant than unexplained variance, it appeared as though the model had been fitted to the data. According to Table: 8 of Model Summary, Durbin Watson's value was 2.051. According to the rule of thumb that test statistic values in the range of 1.5 to 2.5 are relatively normal. Values outside of this range could be cause for concern. Field, (2009) suggests that values under 1 or more than 3 are a definite cause for concern.

Analysis of variance (ANOVA) was presented in the following Table: 9 and it included the degree of freedom, the sum of the square, the F value and the P value. A p-value of 0.000 suggested that the test was highly significant and overwhelming evidence to say that there is a relationship between customer satisfaction and independent variables. The Independent factors ((B value (Regression Coefficient) – 0.139, 0.150, 0.189, 0.405, 0.212). Sig. / P Value of all independent variables (SQ-0.002, CL-0.001, CK-0.000, TQ- 0.000, CI- $0.000 < 0.005$) have a significant impact on customer satisfaction in motor insurance policies at a 05.00% level of significance.

Y (Customer Satisfaction) = 0.066 + 0.139SQ+ 0.150CL + 189CK + 0.405TQ+ 0.212CI

Independent variable	Pearson Correlation – Customer Satisfaction	Sig. Value (2-tailed)	Hypotheses	Conclusion
SQ	0.773	0.000	There is a significant positive affect of service quality on customer satisfaction in motor insurance policies in Sri Lanka	H1 Accept
CL	0.776	0.000	There is a significant positive affect of customer loyalty on customer satisfaction in motor insurance policies in Sri Lanka	H2 Accept
CK	0.743	0.000	There is a significant positive affect of customer knowledge on customer satisfaction in motor insurance policies in Sri Lanka	H3 Accept
TQ	0.819	0.000	There is a significant positive affect of technical quality on customer satisfaction in motor insurance policies in Sri Lanka	H4 Accept
CI	0.774	0.000	There is a significant positive affect of customer interaction on customer satisfaction in motor insurance policies in Sri Lanka.	H5 Accept

Conclusion and Recommendations

The primary goal of this study was to evaluate and analyse the Factors affecting Customer Satisfaction using Motor insurance policies in Sri Lanka. When it comes to the final data analysis using 385 data, according to the SPSS Survival Manual (Pallant, 2013), for the reliability test of final data analysis, it shows Cronbach's Alpha values

were greater than 0.7 with a significant value of P < 0.005. It can be identified as all the collected data was reliable. When it comes to the Validity testing, it shows KMO and Bartlett's Test results were greater than 0.5, which can be identified as valid data. According to Hair et al. (2010); Bryne (2010), the analysed data was considered normal since the Skewness and Kurtosis values were in the range of acceptable according to the SPSS Output data. When it comes to the coefficient analysis, all the coefficient variances were positive and it indicates a strong positive relationship between the independent valuables and the dependent variable of Customer satisfaction. According to hypothesis testing, the correlation analysis between a dependent variable and the independent variables indicates a strong positive effect. Further when considering P – values was 0.000 in every independent variable implied that the test was highly significant and evidence to say that there is a positive affect between customer satisfaction and the independent variables.

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