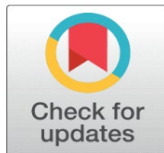
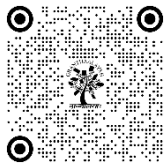


IMPACT OF SERVICE QUALITY ON CUSTOMER SATISFACTION AND LOYALTY IN TWO-WHEELER NON-LIFE INSURANCE

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ABSTRACT

The effect of service quality on client loyalty and satisfaction in the two-wheeler non-life insurance market is examined in this study. In order to provide financial protection, non-life insurance companies are essential, and the caliber of their offerings has a big impact on client retention and behavior. Reliability, responsiveness, assurance, empathy, and tangibles are the five main components of service quality that are the subject of this study. It also looks at how these aspects affect customer happiness and loyalty. Two-wheeler insurance consumers were asked to complete a structured survey in order to gauge their opinions and experiences. In order to comprehend the connection between customer pleasure, loyalty, and service quality, statistical analyses such as regression and correlation were utilized. The findings show a substantial correlation between customer satisfaction—a key factor in determining customer loyalty—and service excellence. One of the main elements influencing pleasure is quick have higher renewal rates, are more inclined to suggest the company to others, and are less likely to switch carriers. This study emphasizes how crucial it is to put service quality first in order to increase client loyalty and happiness in the cutthroat insurance industry. It gives insurance companies useful information for creating customer-focused strategies, which will eventually guarantee steady business growth and a devoted clientele.

Keywords: Service Quality, Customer Satisfaction, Customer Loyalty, Two-Wheeler Insurance, Non-Life Insurance

1. INTRODUCTION

Service quality has emerged as a critical determinant of customer satisfaction and loyalty, particularly in the competitive insurance sector. In the context of two-wheeler non-life insurance, customers increasingly expect prompt service, transparent communication, and seamless claim processing (Parasuraman, Zeithaml, & Berry, 1988). Meeting these expectations is vital for fostering customer trust and ensuring long-term relationships. Non-life insurance, especially in the two-wheeler segment, plays a pivotal role in safeguarding customers against financial risks arising from accidents, theft, and other uncertainties. The growing penetration of two-wheelers, particularly in developing countries, underscores the importance of delivering superior service to meet the rising demand (Chowdhury & Islam, 2012). Customers who perceive high-quality service are more likely to exhibit loyalty, such as policy renewals and positive word-of-mouth referrals (Zeithaml, Berry, & Parasuraman, 1996). Despite its significance, research focusing specifically

on service quality in the two-wheeler non-life insurance sector remains limited. Studies such as Anderson, Fornell, and Lehmann (1994) emphasize the strong link between customer satisfaction and loyalty across various industries, while Gera (2011) highlights the mediating role of satisfaction in the insurance sector. However, there is a need to explore these dynamics in the unique context of two-wheeler non-life insurance to address specific challenges, such as timely claim settlements and enhancing transparency. This study aims to investigate the impact of service quality on customer satisfaction and loyalty in the two-wheeler non-life insurance sector. By identifying key factors and providing actionable insights, it seeks to bridge the gap between theoretical frameworks and practical applications, contributing to the sustainable growth of the industry.

2. REVIEW OF LITERATURE

Berry, Zeithaml, and Parasuraman (1988), the SERVQUAL methodology, which assesses service quality in five dimensions—tangibles, assurance, responsiveness, empathy, and reliability—was first presented in this groundbreaking book. The study emphasized that service quality significantly influences customer satisfaction and behavioral intentions. In industries like insurance, these dimensions help organizations evaluate their performance and identify improvement areas. The authors highlighted that understanding customer expectations and consistently delivering quality services are critical to fostering loyalty.

Anderson, Fornell, and Lehmann (1994), this study explored the interconnection between customer satisfaction, loyalty, and profitability. It revealed that higher satisfaction levels lead to repeat purchases, customer retention, and increased advocacy. The authors noted that industries like insurance can leverage customer satisfaction to differentiate themselves in competitive markets. Furthermore, the study outlined that satisfied customers are less likely to switch to competitors despite small price changes, emphasizing the economic value of service quality. **Zeithaml, Berry and Parasuraman (1996)**, this study examined how service quality influences behavioral intentions such as customer retention, positive word-of-mouth, and willingness to pay premium prices. The authors argued that consistent delivery of high-quality services builds trust, particularly in sectors like insurance, where intangible offerings dominate. They also emphasized that poor service quality can lead to negative behavioral intentions, such as complaints or customer switching.

Chowdhury and Islam (2012), this research focused on service quality in the public and private insurance sectors in Bangladesh. It compared customer perceptions of both sectors, finding that private insurers often outperformed public insurers in responsiveness and reliability. The study revealed that customers prioritize timely claim settlements, clear communication, and accessible services. It concluded that addressing service gaps in public insurance could improve customer satisfaction and loyalty.

Akhtar, Zaheer, and Riaz (2014), the authors investigated the effect of service quality on customer satisfaction and loyalty in Pakistan's insurance sector. The study identified empathy and assurance as the most critical dimensions influencing loyalty. It also highlighted the mediating role of customer satisfaction between service quality and loyalty. Practical recommendations included improving agent communication and delivering personalized services to enhance loyalty.

Munusamy, Chelliah, and Mun (2010), this study analyzed the impact of service quality delivery on customer satisfaction in Malaysia's financial services sector, with a focus on insurance. The research emphasized the importance of efficient claim processing and customer-centric interactions. It found that customers value clear communication during the claims process and well-trained staff who can empathize with their situations. These factors significantly enhance customer satisfaction and loyalty.

Rahman and Kausar (2017), the study explored the role of perceived service quality in influencing customer loyalty in Bangladesh's non-life insurance sector. It found that customer satisfaction mediates the relationship between service quality and loyalty. The research highlighted the importance of prompt claim settlements, reliable customer support, and transparent communication in building long-term relationships with customers.

Gera (2011), this research focused on understanding the mediating role of customer satisfaction in the relationship between service quality and loyalty in the Indian insurance industry. The study found that assurance and reliability are the most influential service quality dimensions. It also noted that satisfied customers are more likely to exhibit loyalty behaviors such as policy, renewals and referrals.

Kumar, Mani, and Mahalingam (2010), this study investigated customer satisfaction in non-life insurance services in India. It found that efficient claim settlements and ease of policy management are significant factors influencing satisfaction. The authors suggested that insurers focus on simplifying processes and improving transparency to build customer trust and loyalty.

3. SERVICE QUALITY, CUSTOMER SATISFACTION AND LOYALTY

Service quality significantly impacts customer satisfaction and loyalty, particularly in service-intensive industries like insurance. High-quality services, characterized by responsiveness, reliability, and empathy, enhance customer satisfaction, which in turn fosters loyalty (Parasuraman, Zeithaml, & Berry, 1988). Satisfied customers are more likely to renew policies and provide positive word-of-mouth referrals (Zeithaml, Berry, & Parasuraman, 1996). Conversely, poor service quality leads to dissatisfaction and higher customer churn (Anderson, Fornell, & Lehmann, 1994). The relationship between service quality, satisfaction, and loyalty underscores its critical role in competitive sectors like two-wheeler non-life insurance.

4. IMPORTANT OF THE STUDY

The study on the impact of service quality on customer satisfaction and loyalty in the two-wheeler non-life insurance sector is essential for several reasons. With rising competition in the insurance sector, customers increasingly demand superior service quality, timely assistance, and seamless claim processing. This research identifies key service dimensions that influence satisfaction and loyalty, enabling insurers to meet these expectations effectively. Additionally, the cost of acquiring new customers is significantly higher than retaining existing ones, making it imperative to understand the factors driving loyalty to minimize customer churn and foster long-term relationships. The two-wheeler insurance segment is also a rapidly growing sector, particularly in developing countries, where enhanced service quality can help insurers differentiate their offerings and gain a competitive edge. Furthermore, customers often encounter challenges such as delayed claims, poor communication, and lack of transparency, which this study seeks to address by emphasizing improvements that prioritize customer protection and satisfaction. With stricter regulations focusing on customer-centric practices, insurers require data-driven insights to align with compliance standards, and this study provides actionable strategies to enhance service quality accordingly. Despite the growth in the insurance sector, there is limited research addressing non-life insurance and two-wheeler policies. This study bridges that gap by offering valuable insights for industry advancement and future academic research.

5. OBJECTIVE OF THE STUDY

The primary objective of this study is to analyze the impact of service quality on customer satisfaction and loyalty in the two-wheeler non-life insurance sector. The study seeks to achieve the following specific objectives:

- 1) To identify the key dimensions of service quality that influence customer satisfaction in the two-wheeler non-life insurance sector.

6. HYPOTHESES

- 1) Service quality will influence customer satisfaction and loyalty.
- 2) Assurance will have direct impact on customer loyalty.

7. METHODOLOGY

The study is based on both primary and secondary data. The primary data were collected through the questionnaire from motor insurance policy holders in non-life insurance companies. The study is limited to the investigation of analysis service quality, customer satisfaction and customer loyalty with of non-life insurance policy holders. The geographical scope of the study is restricted to Salem division. By considering the size of the population, the researchers adopted convenience sampling method. The survey was conducted among 415 respondents from Salem division.

8. ANALYSIS AND INTERPRETATIONS

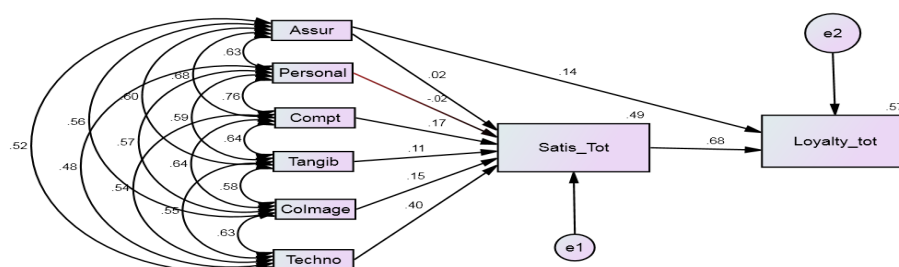
Demographic Profile

Demographic Profile		Frequency	Percentage
Gender	Male	314	75.7
	Female	101	24.3
Age group	Young age	119	28.7
	Middle age	174	41.9
	Senior citizen	122	29.4
Education	Illiterate	21	5.1
	Below SSLC	22	5.3
	SSLC	55	13.3
	H.Sc	48	11.6
	Under graduate	127	30.6
	Post graduate	80	19.3
	Any others	62	14.9
Occupation	Self-employee	54	13.0
	Government employee	152	36.6
	Private employee	124	29.9
	Businessman	17	4.1
	Professional	11	2.7
	Agriculture	25	6.0
	Others	32	7.7
Monthly income group	Lower income group	202	48.7
	Higher income group	213	51.3

Out of 415 respondents, 75.7% are male and 24.3% are female. Regarding age, 28.7% are young, 41.9% are middle-aged, and 29.4% are senior citizens. Educationally, 30.6% are undergraduates, 19.3% postgraduates, and the rest vary from illiterate to SSLC and H.Sc. Occupationally, 36.6% are government employees, 29.9% private employees, and 13% self-employed. Income-wise, 48.7% belong to the lower-income group, while 51.3% are in the higher-income group.

Path Analysis

IMPACT OF SERVICE QUALITY ON CUSTOMER SATISFACTION AND CUSTOMER LOYALTY
(Standardised Model)



The above diagram explain that the impact of service quality on customer satisfaction and customer loyalty both stranded and un-stranded model. To test the above impact of researcher used the following 30 variables (List of variables) for service quality all the 30 variables grouped based on the nature and assigned the names Assurance (5), personalized financial Planning (5), Competence (5), Tangibles (5) and Corporate Image (5). For the purpose of testing stratification the following 15 variables were used and for loyalty her following ten variables were used.

The output of the path analysis given the following results

	CMIN	DF	P	CMIN/DF	GFI	AGFI	NFI	RMSEA
Desired	-	-	More than 0.05		1	1	1	0.08
Actual	8.381	5	.136	1.676	.995	.964	.996	.040

The above model fit summary explains that p-value 0.135 more than 0.05 and the CMIN/DF 1.676 within the range of 1-5 it indicates that the present model is good. The (GFI, AGFI and NFI – 0.995, 0.964, and 0.996 values respectively for GFI, AGFI, and NFI all are near to 1 it is also a better indicator for a good model. Finally the RMSEA (0.040) is less than 0.08. At the outset it is concluded that the prefect model in a perfect model to explain the impact of service quality on customer satisfaction and customer loyalty.

Regression Weights:

			Estimate	S.E.	C.R.	P	Label
Satis_Tot	<---	Assur	.052	.117	.449	.653	Reject
Satis_Tot	<---	Personal	-.033	.120	-.274	.784	Reject
Satis_Tot	<---	Compt	.341	.128	2.668	.008	Accept
Satis_Tot	<---	Tangib	.253	.121	2.096	.036	Accept
Satis_Tot	<---	CoImage	.358	.128	2.796	.005	Accept
Satis_Tot	<---	Techno	1.365	.165	8.248	***	Accept
Loyalty_tot	<---	Satis_Tot	.544	.029	18.661	***	Accept
Loyalty_tot	<---	Assur	.242	.065	3.706	***	Accept

The above Regression Weights shows that assurance service quality factor not significantly impact on customer satisfaction and the personalized financial Planning factors have negative impact on customer satisfaction, the rest of the factors are significantly influence on customer satisfaction and the customer satisfaction influence on customer loyalty as per the above diagram.

			Estimate	S.E.	C.R.	P	Label
Assur	<-->	Personal	10.706	.987	10.844	***	Accept
Assur	<-->	Compt	12.197	1.063	11.478	***	Accept
Assur	<-->	Tangib	9.049	.867	10.439	***	Accept
Assur	<-->	CoImage	8.223	.827	9.944	***	Accept
Assur	<-->	Techno	5.494	.583	9.426	***	Accept
Personal	<-->	Compt	14.288	1.161	12.301	***	Accept
Personal	<-->	Tangib	9.389	.910	10.316	***	Accept

			Estimate	S.E.	C.R.	P	Label
Personal	<-->	ColImage	8.822	.876	10.076	***	Accept
Personal	<-->	Techno	5.282	.603	8.756	***	Accept
Compt	<-->	Tangib	10.734	.978	10.970	***	Accept
Compt	<-->	ColImage	10.366	.948	10.939	***	Accept
Compt	<-->	Techno	6.233	.649	9.606	***	Accept
Tangib	<-->	ColImage	7.946	.782	10.161	***	Accept
Tangib	<-->	Techno	5.474	.555	9.869	***	Accept
ColImage	<-->	Techno	5.988	.555	10.793	***	Accept

The above covariance's tables clearly explain that all the covariance's are significant to measure the service quality and customer satisfaction and have impact on customer loyalty.

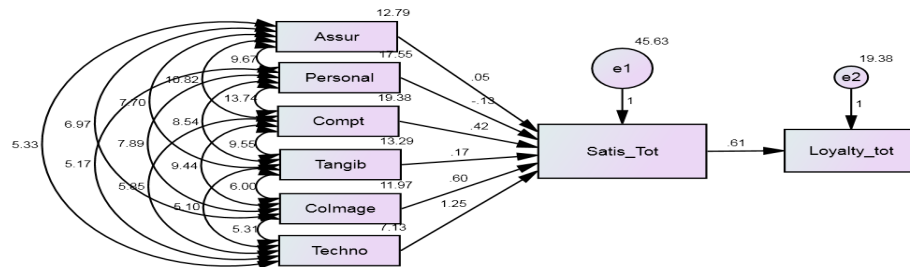
Squared Multiple Correlations:

	Estimate
Satis_Tot	.488
Loyalty_tot	.574

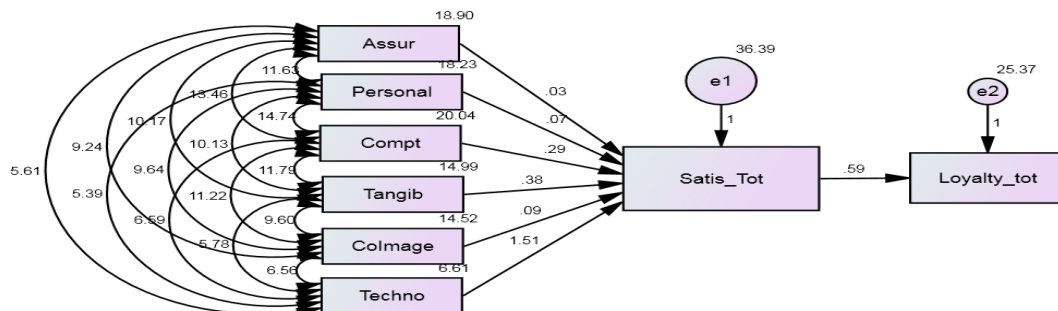
The above Squared Multiple Correlation says that the service quality factors (Assurance, Personalized financial Planning, Competence, Tangibles and Corporate Image) impact on customer satisfaction to the extract of 48.8 percentages.

The customer satisfaction impact on customer loyalty at the rate of 57.4 percentages the result of the value 48.8 percent influenced by other committed variables from the study.

IMPACT OF SERVICE QUALITY ON CUSTOMER SATISFACTION AND LOYALTY
General Insurance Company (Public Sectors)



IMPACT OF SERVICE QUALITY ON CUSTOMER SATISFACTION AND LOYALTY
General Insurance Company (Private Sectors)



	CMIN	DF	P	CMIN/DF	GFI	AGFI	NFI	RMSEA
Desired	-	-	More than 0.05		1	1	1	0.08
Actual	30.607	12	.002	2.551	.982	.895	0.996	.061

The above model fit summary explains that p-value 0.002 less than 0.05 and the CMIN/DF 2.551 within the range of 1-5 it indicates that the present model is good. The GFI, AGFI and NFI – 0.982, 0.895, and 0.996 values respectively for GFI, AGFI, and NFI all are near to 1 it is also a better indicator for a good model. Finally the RMSEA (0.061) is less than 0.08. At the outset it is concluded that the prefect model in a perfect model to explain the impact of service quality on customer satisfaction and customer loyalty.

Dependent and Independent Variables			Public Sector		Private Sector	
		Factors	Estimate	P	Estimate	P
Satis	<---	Assur	.048	.822	.025	.852
Satis	<---	Personal	-.128	.487	.065	.674
Satis	<---	Compt	.421	.029	.286	.091
Satis	<---	Tangib	.166	.364	.379	.017
Satis	<---	Colmage	.603	.002	.085	.611
Satis	<---	Techno	1.251	***	1.511	***
Loyalty	<---	Satis	.606	***	.590	***

If one unit changes in service quality factor of assurance for both public and private sector two wheeler insurance companies will positively impact on customer satisfaction to the extent of 0.048 for public sector 0.025 for private sector but both are not significant.

If one unit changes in service quality factor of personal for public will have a negative impact on customer satisfaction to the extent of -0.128; in the case of private sector it has a positive impact on customer satisfaction to the extent of 0.065 even though it is not significant.

If one unit changes in service quality factor of compt. for both public and private sector two wheeler insurance companies will have positively impact on customer satisfaction to the extent of 0.421 for public sector 0.286 for private sector but the public sector impact are significant in the case of private sector impact are not significant.

If one unit changes in service quality factor of Tangible for both public and private sector two wheeler insurance companies will have positively impact on customer satisfaction to the extent of 0.166 for public sector 0.379 for private sector but the public sector positive impact are not significant but in the case of private sector it is significant.

If one unit changes in service quality factor of Colmage for both public and private sector two wheeler insurance companies will have positively impact on customer satisfaction to the extent of 0.603 for public sector 0.085 for private sector but the public sector positive impact are significant but in the case of private sector it is not significant.

If one unit changes in service quality factor of Techno for both public and private sector two wheeler insurance companies will have positive impact on customer satisfaction to the extent of 1.251for public sector 1.511, both are highly significant.

If one unit changes in customer satisfaction for both public and private sector two wheeler insurance companies will have positive impact on customer loyalty to the extent of 0.606 for public sector 0.590, both are highly significant.

9. DISCUSSION

The analysis underscores the significant impact of service quality dimensions on customer satisfaction and loyalty within the two-wheeler insurance sector. Notably, technology emerges as the most influential factor, indicating that

customers highly value digital solutions and technological efficiency in service delivery. While competence, tangibles, and corporate image also positively affect satisfaction, assurance and personalized financial planning appear to have minimal or even negative effects. This suggests that customers prioritize operational efficiency and tangible service quality over subjective assurances or generalized financial advice.

Differences between public and private sector performance highlight the need for sector-specific strategies. Public sector companies benefit significantly from competence and corporate image, while private sector firms gain more from tangible improvements. This differentiation points to varying customer expectations and experiences across sectors, necessitating tailored approaches to enhance service quality. The covariance analysis further confirms strong interrelationships among service quality factors, indicating that improvements in one area can positively influence others. This interconnectedness suggests that holistic service quality enhancement could yield substantial gains in customer satisfaction and loyalty.

10. CONCLUSION

The study conclusively demonstrates that service quality dimensions, particularly technology, competence, tangibles, and corporate image, play pivotal roles in shaping customer satisfaction and loyalty in the two-wheeler insurance industry. Technology stands out as the most impactful factor across both public and private sectors, emphasizing the need for continuous technological advancements. While assurance and personalized financial planning show limited or negative influence, enhancing competence and tangibles in the private sector and corporate image in the public sector can significantly improve customer satisfaction. Consequently, strategic focus on these factors can foster stronger customer loyalty and offer a competitive advantage. Overall, this analysis highlights the importance of sector-specific service strategies and the integration of technology to meet evolving customer expectations and sustain long-term growth.

CONFLICT OF INTERESTS

None.

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None.

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