

PERCEPTIONS OF THE CUSTOMERS TOWARDS INSURANCE COMPANIES IN BANGLADESH-A STUDY BASED ON THE SURVQUAL MODEL

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ABSTRACT

This is the law of nature that people have to live and play with hazards and to some extent insurance policy can free people from those frustrations. Even if this is true, people of Bangladesh still don't prefer to insure themselves. One may think that the people of Bangladesh are risk lover; on the other hand other may contradict by saying that their low purchasing power doesn't permit them to avail insurance policy. This paper will highlight those issues relating to non popularity of insurance companies in Bangladesh. To find marketing side problems, Gap-model of service marketing will be fitted to the insurance industry of Bangladesh.

I. INTRODUCTION

The insurance services can be described as a product in the form of a written legal contract (the insurance document) plus a bundle of services associated with it. Services are activities and/or benefits that one party offers to the other and that services are necessarily intangible and do not result in the ownership of anything. Insurance service is different from other services, as it is complex and future contingent service involves substantial legal characteristics (Khondkar and Rahman, 1993). The insurance companies have to find ways to make their services more tangible. To increase the productivity of providers who are inseparable from their products, to standardize the quality in the face of variability, and to improve the demand situation and supply capacities in the face of service perishability. Informing, educating, motivating, persuading, advising and other services prior to, at the time of and after the issuance of the insurance

document make the purchase of insurance dissimilar from purchasing other products and from even other services.

The insurance companies of our country perform a wide range of activities such as service designing, preparing contract and policy, marketing and selling, underwriting, rating, reinsurance and other services and claim settlement. The insurance companies of Bangladesh practice marketing to a different extent. Their level and depth of marketing orientation varies. A broad distinction can easily be made between the public and private sector insurance companies. This is because of the fact that the government owned two insurance companies i.e. the Shadharan Bima Corporation and Jiban Bima Corporation get all the government insurance business by virtue of the Insurance Act of Bangladesh. According to the rule, all insurance in the government sector is done through these two nationalized insurance companies, so they enjoy a

monopoly. None of the private insurance companies is allowed to offer insurance services to government organizations. Furthermore, these two corporations are also allowed to underwrite private businesses and people feel confident about their reliability. So they have not yet felt any strong need to practice marketing properly. It seems that they, for the time being at least, are quite contented with their existing market share. Although in the present situation they do not need to practice marketing aggressively, however, if they are to retain their existing private sector business and to grow at a pace as the overall market expands, they need to become fully market oriented. Both the public and private sector insurance companies in Bangladesh are not practically marketing oriented. They don't follow the marketing concepts. Moreover, these institutions are not still popular to the people of the country as we think they are still unable to minimize Gaps in providing services to the customers. Proper understanding and minimizing those service marketing Gaps will have certainly a positive growth in the insurance industry of Bangladesh.

II. OBJECTIVES OF THE STUDY

This study addresses clients' behaviors and attitude regarding insurance companies in public and private sectors in Bangladesh to suggest policy measures for improving insurance services delivery process in Bangladesh. The following research questions were addressed:

What type of insurance company one prefers for insurance services? For which services a client visit the insurance companies? What factors influence the choice of an insurance company? Which medium is more effective for awareness of the customers? Is there any significant association between the type of insurance company selected and demographic variable such as gender, education, and income?

Moreover, this writing will try to highlight the underlying causes behind the non-popularity of the insurance companies in Bangladesh.

Service Quality Gap Model

Managers in the service sector are under increasing pressure to demonstrate that their services are customer-focused and that continuous performance improvement is being delivered. Given the financial and resource constraints under which service organizations must manage it is essential

that customer expectations are properly understood and measured and that, from the customers' perspective, any gaps in service quality are identified. This information then assists a manager in identifying cost-effective ways of closing service quality gaps and of prioritizing which gaps to focus on – a critical decision given scarce resources (SERVQUAL and Model of Service Quality Gaps: A Framework for Determining and Prioritizing Critical Factors in Delivering Quality Services by Dr. Arash Shahin, Department of Management, University of Isfahan, Iran).

What makes managing customer service different, as a marketing problem, from managing the standard elements of the marketing mix (product, price, promotions, and place) is that customer service is typically delivered by front-line employees. Personnel policies, thus, have immediate marketing implications. Many retailers take this into consideration by treating employees as "internal customers." According to this philosophy, management must "sell" their internal customers on the company and its policies in order to induce front-line employees to deliver the desired levels of customer service. Standard personnel policies that can facilitate customer service and sell the "internal customers" include (a) employee screening and selection, (b) training, (c) setting suitable reporting relationships, (d) goals and reward systems, (e) internal communications, and (f) generally creating a "service" culture. The Gap Analysis Model goes a step beyond simply re-examining each of the standard personnel policies in light of the desired customer service. The model provides specific criteria concerning personnel and management policies that complete the linkage between customer expectations and perceived service delivery. In addition, the model provides a checklist of where breaks in the chain can occur; using this checklist can provide a useful audit of service quality (See: A Service Quality Audit: Application of the Gap Analysis Model by Paul R. Messinger, University of Alberta).

There are seven major gaps in the service quality concept, which are shown in Figure-1. The model is an extension of Parasuraman *et al.* (1985). According to the following explanation (ASI Quality Systems, 1992; Curry, 1999; Luk and Layton, 2002), the three important gaps, which are more associated with the external customers are Gap1, Gap5 and Gap6; since they have a direct relationship with customers. Gaps 1 through 6

widen or close, so does Gap 7. The authors' conceptual model of service quality follows: "The key to delivering high quality service is to continually monitor customer perceptions of service quality, identify causes of service quality shortfalls, and take appropriate action to improve the quality of service (close the service gaps)."

- Gap 1. Not Knowing What Customers Expect:** Based on interviews, the authors found that executives' perceptions of superior quality service are largely congruent with customers' expectations. Customers' expectations versus management perceptions are the result of the lack of a marketing research orientation, inadequate upward communication and too many layers of management.
- Gap 2. The Wrong Service-Quality Standards:** Gap 2 arises when there is a discrepancy between what managers perceive that customers expect and the actual standards that they (the managers) set for service delivery. This gap may occur when management is aware of customers' expectations but may not be willing or able to put systems in place that meet or exceed those expectations.
- Gap 3. The Service-Performance Gap:** Organizational policies and standards for service levels may be in place, but is front line staff following them? A very common gap in the service industry, Gap 3 is the difference between organizational service specifications and actual levels of service delivery. Service specifications versus service delivery is the result of role ambiguity and conflict, poor employee-job fit and poor technology-job fit, inappropriate supervisory control systems, lack of perceived control and lack of teamwork.
- Gap 4. When Promises Do Not Match Delivery:** Customers perceive that organizations are delivering low-quality service when a gap appears between promised levels of service and the service that is actually delivered. This gap is created when advertising, personal selling or public relations over-promise or misrepresent service levels. Service delivery versus external communication may occur as a result of inadequate horizontal communications and propensity to over-promise.

- Gap5: The discrepancy between customer expectations and their perceptions of the service delivered:** as a result of the influences exerted from the customer side and the shortfalls (gaps) on the part of the service provider. In this case, customer expectations are influenced by the extent of personal needs, word of mouth recommendation and past service experiences.
- Gap6: The discrepancy between customer expectations and employees' perceptions:** as a result of the differences in the understanding of customer expectations by front-line service providers.
- Gap7: The discrepancy between employee's perceptions and management perceptions:** as a result of the differences in the understanding of customer expectations between managers and service providers.

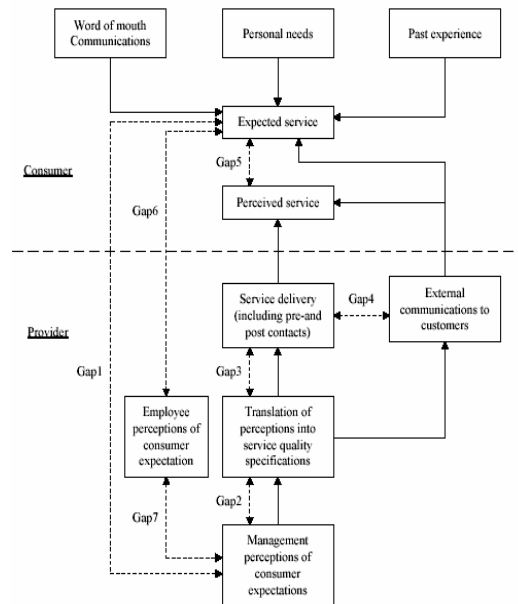


Figure1: Model of service quality gaps (Parasuraman et al., 1985; Curry, 1999; Luk and Layton, 2002)

III. METHODOLOGY

Secondary research was conducted to identify studies on insurance company selection and usage behavior in Bangladesh. Unfortunately, the research conducted on insurance companies in the country provided almost an ignorable guidance.

We have found this analysis was ignored by the research community. Consequently, this study is grounded in survey data obtained from recipients of financial services from insurance companies in the country designed to address the research questions.

A preliminary version of the questionnaire was developed in English on the basis of insights from in-depth qualitative interviews with experts and insurance policy holders. The instrument was then translated next into local language (Bangla) and then re-translated until a panel fluent in English and Bangla agreed that the two versions were reasonably comparable. A variety of measurement scales (nominal, interval and ratio) were included in a structured format to examine the relationships between selected variables. Only a single question was open-ended because analysis and interpretation of such questions can be complex and subjective. We used the open-ended question only to find suggestions from the policy holders that is included in the recommendation part. The questionnaire was pre-tested several times to ensure that the wording, format, length, sequencing of questions were appropriate. At each successive pre-test, feedback was obtained from approximately ten bank users to help refine the survey instruments until it was ready for final data collection.

Because of resource and time constraints and preliminary nature of this investigation, only 500 interviews were planned from Dhaka city. To obtain a probability sample, considerable effort was devoted to selecting the appropriate sample plan. The population was defined as residents of Dhaka city who has insurance policy in any insurance company. Simple Random Sampling procedure was followed to select the sample.

Interviewers were given a letter of introduction from a well recognized private university so that respondents would see that the study was authentic. A telephone number was provided too, in case respondents wanted to verify the identity of the investigators or clarify questions of concern. Several difficulties were encountered during data collection. Many refused to grant interview because, being unfamiliar with such studies, they were suspicious of the interviewers or purpose of the study. A total of 450 surveys were completed. Of these, 21 were considered problematic due to excessive missing data, don't know answers, NA

(Not applicable) answers, and response biases. 13 surveys were not included that were taken from the respondents outside the Dhaka city. Data from these questionnaires were not included in the data set. Thus, a total of 416 surveys were analyzed who have insurance policies in private or public insurance companies.

Analysis

Simple statistical techniques like frequency distribution along with percentage were obtained to check for data entry errors (e. g. unrecognized or missing codes) and to obtain descriptive statistics mean and standard deviation were also obtained from the frequency analysis. To determine whether a significant association exists between binomial variables (e. g. income, education and gender with type of insurance company chosen), cross tabulation analysis and chi-square test were performed. To determine the crucial factors that influence choosing an insurance company, t-test and F-tests were performed. Chi-square, F values, Cramer's V and "p" value were considered in testing hypothesis.

IV. RESULTS/FINDINGS

Respondents were asked to indicate the type of insurance company preferred by them. Three types of insurance companies were given for their choice and the choice preferences are shown in table-1 with their respective frequencies. Data shows that 40.4% (168 out of 416) of the respondents prefer private but foreign insurance companies where as private but local insurance companies are least preferred (27.4%) by the respondents. 32.2% respondents like government owned insurance companies. As foreign insurance companies have experience and reputation worldwide, that encourages the clients to buy policy from them. Local private insurance companies are lagging behind due to their lack of experiences and trustworthiness to the people. Data also shows that people like to be insured with the government owned insurance companies due to its trustworthiness. But it was found that in this industry the private insurance companies (local + foreign) are dominating (68%) compared to government owned (32%) one in the choice of clients due to the small coverage (few branches) and less attractive policy packages offered by the government owned insurance companies.

Table-1: Frequency of the preference of insurance companies by the clients

Types of insurance company	Frequency	Percentage
Government	134	32.2
Private but local	114	27.4
Private but foreign	168	40.4

Data (see table-2) shows that still people recognize life insurance as the only policy of the insurance companies since the positive response (Yes) of the respondents towards other insurance policies are quite smaller compared to life insurance. It was also found that the people are least motivated to have their vehicle insurance (only 15.1%) and those who have the vehicle insurance has bought that only to avoid regulatory hassles. It can also be said that, most of the people of the country don't have vehicle which has given the vehicle insurance figure a nominal one. But surprisingly it was found that a significant number of people (23.8%) are buying future insurance policy for kids which is a good sign for the economy.

Table-2: Frequency of the preference of insurance policies by the clients

Types of insurance policy	Frequency (Yes)	Frequency (No)	% (Yes)	% (No)
Life insurance	291	125	70.0	30.0
Vehicle insurance	63	353	15.1	84.9
Property insurance	54	362	13.0	87.0
Insurance for kids	99	317	23.8	76.2
Business insurance	65	351	15.6	84.4

N.B: For any client a combination of six factors generally influences the insurance policy

Respondents were asked to indicate factors that influence their selection of particular types of insurance company. Ten major reasons influenced their choices. Influential factors are shown in table-3 with their respective frequencies. It can be found that reputation/reliability obtained the highest percentage (59.9%) whereas, reference by family/friends/relatives has 49.5% frequency holding the second position as influential factors.

Interesting to note that, influence of the sales people (24.5%) has a good but not that much significant impact in convincing the clients to choose a specific insurance company.

As the reputation of the company influences the most in buying insurance policy, it would be better for the reputed and experienced multinational insurance companies to invest in Bangladesh. In addition, the local company should build their trustworthiness to the clients by fulfilling all the commitments they usually make to the customers. For example, all the insurance companies must make their payment prompt and according to the commitment just after any incidence.

Table-3: Factors influencing in choosing an insurance company

Reasons of choice	Frequency	Percentage
Reference by family/friends	206	49.5
Regulation of the government	87	20.9
Reputation/reliability	249	59.9
Lowservice/processing cost	50	12.0
Influence of the sales people	102	24.5
No other options	12	2.9
High return on investment	112	26.9
Reference by workplace	56	13.5
Political and legal situations	30	7.2
Miscellaneous	14	3.4

N.B: For any client a combination of ten factors generally influences the choice of an insurance company

From the findings of the table -2 it is found that, 49.5% of the total respondents suggested that people chose their insurance company according to the reference of their family/friends and relatives. From the table it can be observed that this factor holds the most influential second position which necessarily means, when people want to taste a new product or service, they mostly depend on innovators of the family or friends. It may even be said that Bangladeshi people still believes in collectivism that guides them to discuss with their trustworthy people before taking any major decision like choosing an insurance company.

It can be observed that the insurance companies have invested huge money for personal selling by their sales representatives even though it could not create a very significant influence on clients (24.5%) in choosing an insurance company. Insurance companies must go for further training of their sales personnel. We think it would be better for the insurance companies to follow the marketing concepts along with selling concept. They should do marketing research to find the actual services along with cost structure the clients are looking for before sending the sales people.

Analysis suggested that a large number (26.9%) of respondents choose insurance companies with an expectation of high interest earnings that shows people's high preference towards interest gain. It may have an implication that offering a higher payment in the insurance policies may help to get a good share in the industry.

A very small number (only 2.9%) of respondents have said that they chose an insurance company as there is a single company operates in the area. It necessarily means that the insurance companies have expanded their business by setting up many branches in different areas of Bangladesh. This is a good sign for the customers that they can easily evaluate the schemes of different insurance companies before making decision in buying the insurance policies.

Table-4: Frequency of the source of information regarding insurance companies

Source of information	Frequency	Percentage
Advertisement	127	30.5
Sales people	125	30.0
Family/friends/relatives	164	39.4

Table-4 shows that information passed by the sales people about the insurance company and their schemes is lowest (30%) among other sources of information that supports our previous findings of less influence of the sales people in choosing an insurance company. It can also be observed from the table that family, friends and relatives are spreading more information about the insurance companies. These findings suggest that the insurance companies must try to retain their existing clients and must motivate them to speak more about the companies to others. We think the less trustworthiness behavior of the insurance

companies induced the customers only to choose those insurance companies on which their (customer's) family members or relatives have insurance policies. Moreover, insurance companies should prepare their advertisement where the existing clients will speak in favor of the company's schemes.

To assess the association between gender and insurance company type (see table-5), statistical analysis like cross-tabulations and chi-square tests were conducted. Moreover, following hypothesis was tested by chi-square, cramer's-v and p-value.

- H₀: There is no significant association between Gender and the type of insurance company**
- H_A: There is significant association between Gender and the type of insurance company**

Study on type of insurance company shows that private insurance companies are far ahead (278 private and 134 public out of 416) in attracting the clients than public insurance companies. The reason may be many like, getting better services in a clean environment with more efficiency and problem solving capabilities at a short period of time.

Table-5: Association between gender and type of insurance company

Insurance company	Gender		
	Male	Female	Total
Public	85	49	134
Private but local	82	32	114
Private but foreign	129	39	164
Total	296	120	416

$\chi^2 = 6.522$ with 2 degrees of freedom , $p = 0.03 < .05$, Cramer's $V = .125$

Table-5 indicates that the relationship between gender and type of insurance company selected was moderately supported ($\chi^2 = 6.522$ with 2 degrees of freedom, $p = .03 < .05$) depicts that male respondents like private insurance companies (specially foreign) as their insurance partner, whereas female respondents are in favor of public insurance companies though the rate of choice (49 and 32 female respondents are in support of public and private banks) by female clients towards public insurance company with respect to private insurance company is not that much high. Rather it was found at the time of interview that, both male

and female mostly like private but foreign insurance companies due to its shorter response time, attractive packages, reputation and trustworthiness not the local insurer.

Next, set of hypothesis provide the idea about the association between education level and types of insurance company.

H₀: Education level and type of insurance company are not related

H_A: Education level and type of insurance company are related

Similar type of test between education and the type of insurance company (Table-6) showed a statistically significant and no association between (Cramer V = .11) these two variables ($\chi^2 = 9.64$, $p = 0.14 > 0.05$). These results (See table-6) indicate that education levels of the respondents have no

influence in choosing among the insurance companies. It can be seen that the respondents belong to graduate and post graduate level prefer (136 respondents out of 350) private but foreign insurance companies whereas less educated (HSC, SSC and primary level) people like public insurance companies most (32 out of 74). Since the better educated people are likely to be more knowledgeable about the insurance companies and services in the country, their inclination is to select private but foreign insurance companies over public one. This suggests the conclusion that the quality of the public insurance company's service must be assured. Moreover, the better educated are also likely to demand better services. Lower educated people are taking insurance services from public companies due to tradition, low service cost and more trustworthiness (Psychological factor).

Table-6: Association between education and the type of insurance company

Insurance company	Education level					Total
	Primary or less	HSC or SSC	Graduate & Post graduate	Others	Non-response	
Public	5	32	92	5	0	134
Private but local	1	21	87	5	0	114
Private but foreign	3	21	136	8	0	168
Total	9	74	350	18	0	416

$\chi^2 = 9.64$ with 8 degrees of freedom, $p = 0.14 > .05$, Cramer's $V = .11$

To assess the association between income level and type of insurance company, following set of hypothesis was tested:

H₀: There is no significant association between Income level and type of insurance company

H_A: There is significant association between Income Level and type of insurance company

Statistically there is no significant association observed between income level and type of insurance company chosen by the respondents ($\chi^2 =$

16.72, $p = 0.16 > .05$, Cramer's $V = 0.14$). The data reveals that the pattern of choosing insurance companies among different income level respondents is more or less same. There exists an equal distribution (See table-7) of the respondents all over the cross table with 416 respondents. As such, the Pearson's chi-square along with the p-value lead us to the decision that no statistical associations were found between these two variables. So, income level doesn't matter in choosing the type of insurance companies. (*See: table-7)

Table-7: Association between income level and type of insurance company

Insurance company	Income level							Total
	Less than 5000	5001-10000	10001-15000	15001-20000	20001-30000	30001-40000	40001 and above	
Public	31	30	32	13	24	4	0	134
Private but local	14	28	22	25	18	5	2	114
Private but foreign	22	37	38	33	31	6	1	168
Total	67	95	92	71	73	15	3	416

Respondents were then asked the reasons of non-popularity of the insurance companies in Bangladesh. Eleven major reasons were identified in such respect and these are shown in table-8 with their respective frequencies.

Table-8: Reasons of non-popularity of the insurance companies.

Reasons of non-popularity	Frequency	Percentage
1. Lack of trustworthiness	299	71.9
2. Low income of the people	179	43.0
3. Unattractive offerings	141	33.9
4. Lack of information about the insurance companies	178	42.8
5. Less interest earnings	60	14.4
6. Inefficiency in problem solving	67	16.1
7. High service/ processing cost	53	12.7
8. Less convincing sales people	89	21.4
9. Lengthy process to get payment after incidents	254	62.0
10. Lack of marketing research	94	22.6
11. Lack of quality controlling process	52	12.5

N.B: For any client a combination of 11 factors generally influences the non-popularity

Data shows that lack of trustworthiness is the most important barrier (71.9% respondents) in case of popularity of the insurance companies where as lengthy process in getting payment after any incident is in the second position with 62%

response. It can be seen that both the stated variables are related in the sense that time killing behavior in payment after incidence is reducing the trust of the customers towards the insurance companies. It was also found that the low income and purchasing power (43%) doesn't permit the people of Bangladesh to go for an insurance policy. Practically we can easily relate the above mentioned factors. For example, in one hand the lower income of the people is creating barrier in buying insurance policy, on the other hand lack of trustworthiness makes this insurance avoiding behavior more acute. Data also shows that the insurance companies are not delivering their information (regarding company and insurance policy) properly or evenly which is another problem (42.8%) in case of non-popularity of the insurance companies. But it was found that the respondents are happy with the problem solving capacity of the insurance service provider and that's why it has a very low (16.7%) negative response. Moreover, the respondents are happy with the quality controlling process of the insurance companies. These two (problem solving skill and quality control) findings show that those who have insurance policy at present are happy with the company's services. But lack of advertisement and trustworthiness is creating problem in attracting new customers towards the insurance company. This is a positive sign for the industry that they are capable enough to retain their existing customers, but all they need to do is to attract new customers by building a good ground of trust with timely payment system and better distribution of information. Surprisingly it was found that the sales people are doing well in convincing customers even though still 22% people believe that sales people are not that much convincing.

The principal component analysis is shown on table 9-A where the reasons for non-popularity are extracted to eleven factors. Among those eleven, a total number of first six factors have been found crucial because those factors explain almost 65% of the variance of the components. Component-1 explains 13.10% where as component-6 explains 9.59% variation of the data set. It is also found that component 3 & 4 expresses almost same percentage of variation among the values observed. By taking these 6 influential components the next table (Table 9-B) shows the factor analysis of the reasons behind non-popularity.

Table-9-A: Principal component analysis of the reasons of non-popularity of insurance companies

Component	Initial Eigen values		
	Total	% of variance	Cumulative %
1	1.44	13.10	13.10
2	1.24	11.28	24.38
3	1.15	10.52	34.91
4	1.11	10.11	45.03
5	1.06	9.71	54.74
6	1.05	9.59	64.34
7	.90	8.19	72.53
8	.85	7.81	80.34
9	.79	7.19	87.54
10	.78	7.09	94.63
11	.59	5.36	100

Note: Extraction method for table -9-B Principal Component Analysis (6 components extracted). Reason-1: Lack of trustworthiness, Reason-2: Low income of the people, Reason-3: Unattractive offerings, Reason-4: Lack of information about the insurance companies, Reason-5: Less interest earnings, Reason-6: Inefficiency in problem solving, Reason-7: High service/processing cost, Reason-8: Less convincing sales people, Reason-9: Lengthy process to get payment after incidents, Reason-10: Lack of marketing research, Reason-11: Lack of quality controlling process .

Table-9-B: Factor analysis of the reasons of non-popularity of the insurance companies

Reasons	Components						
	Extraction	1	2	3	4	5	6
Reason-1	.68	.31	-.01	.36	.31	-.46	-.37
Reason-2	.73	-.57	-.02	-.03	.11	-.40	.47
Reason-3	.78	-.09	.07	.17	-.84	.11	-.13
Reason-4	.67	.49	-.42	-.47	.15	.02	.00
Reason-5	.56	-.41	.31	.21	.20	.30	-.32
Reason-6	.59	.31	.60	-.16	.18	.23	-.10
Reason-7	.70	-.22	.24	.24	.33	.52	.37
Reason-8	.53	.34	.32	.45	-.20	-.09	.23
Reason-9	.55	.24	.20	.63	.14	-.08	.15
Reason-10	.62	.49	.27	.02	-.09	.29	.45
Reason-11	.62	.03	.55	-.19	-.06	-.39	.35

A further analysis on the study of variation among the factors influencing non-popularity of the insurance companies reflects six crucial factors on the basis of the value of extraction (Table-9-B, column-2) from **Factor Analysis**. From extraction values it can be concluded that unattractive offerings (0.78), low income of the people (.73), high service cost (.70), lack of trustworthiness (.68) and lack of information are the most sensitive factors behind the non-popularity of the insurance companies. Surprisingly it was found in the analysis that all the identified reasons are very close to one another in case of their affect.

Correlations among eleven variables measuring mental ability with sex factors are presented in table 9-B. the correlation shows the partial relations between any two observed variables. We need to check whether the matrix exactly fixed the hypothesis of a single factor. Here we tried to

estimate the factor’s correlation with each of the observed variables, that’s why we can say positive and negative relations about the factor’s nature, at least in the sense of what it correlates highly with or doesn’t correlate with. From the table it is found that reason 4 has no correlation with factor 6. A good number of entries are negatively correlated with different reasons undertaken. It is observed that reason 2, 3, 5 and 7 have negative correlations with factor 1 while rest of the factors undertaken have positive impact on it. Reason 4 (Lack of information about insurance companies) and reason 10 (Lack of marketing research) are found to be very significant for the extracted factor 1. It shows that the non-popularity of insurance companies is highly caused by the lack of information collected by the companies regarding the need of the customers. Similarly, inefficiency in problem solving and lack of quality controlling process have been identified crucial by factor 2, while lengthy

process to get payment after any incidence was found important for factor 3. Although negatively related, unattractive offerings has been estimated crucial in negative sense (-0.84) for factor 4 which is extracted from the observed variables. Factor five results that high service processing costs and lack of marketing research are found crucial for factor 5. This correlation matrix might not fit the hypotheses as a single common factor, but might fit the hypothesis of six common factors. We know the fewer the factors the simpler the hypothesis. So, there is a complex hypothetical factor loadings exists among the factor involved in the process.

V. CONCLUSION AND RECOMMENDATIONS

The demographic trends suggest that as private insurance companies (both local and multinational) have proliferated in Dhaka city, better educated and more affluent people have gravitated to these insurance companies for insurance services. These people/clients are likely to have better information about the quality of services provided by both public and private insurance companies and their inclination to select private insurance companies suggests, implicitly, that the quality of service is better at these private firms even though their (private insurance companies) service cost is somewhat higher. Moreover, many branch operation of private insurance companies help the people to make evaluation among them and making an insurance decision in favor of those which are trustworthy.

But between the private local and foreign insurance company choice, clients are mostly considering foreign private insurance companies due to its trustworthiness, experience in operation and wide area coverage. Less number of branches of the public insurance companies may be another prime reason of not being preferred by the local clients. By definition, it might be more authentic if the clients were inclined towards the public insurance companies from trustworthiness point of view, but as statistics suggests in favor of choosing foreign private insurance firms, probably we have to be satisfied by saying that it is in many respect guided by client's psychology of getting better and prompt services.

The incentive structure must also play a role in ensuring the quality services delivered by the public insurance companies. One solution is to tie

part of the compensation of insurance personnel in public companies to services rendered and feedback received from clients. This, of course, is a complex issue and has implications for pay scale administration, since public bank staffs, as government servants, are paid according to certain pay structures. While beyond the scope of this paper, authors feel that compensation flexibility is necessary to reward those who are dedicated to providing quality insurance services. If compensation adjustments can't be incorporated, benefits-including promotion, transfer in more valued branches, study leave, performance bonus and the like-could be tied to performance evaluation mechanism. There must be a formal procedure of evaluating the employees by the clients through some questionnaire type performance appraisal form. A suggestion, objection or recommendation book in the branch can be introduced where the clients can even complain or appreciate about a specific employee. Public awareness and the transparency of the high official may have a positive impact on that issue.

A rating scale could also be established to rate the quality of services based on insurance company's facilities, past performance records, and client's evaluations. The rating factors and mechanisms would have to be developed on the basis of inputs from clients and the profession. It would also be important to determine, specify, and strongly enforce the legal consequences for tampering with client records and their evaluations. This process will lead to qualifying and ranking each and every insurance company (Private and public). We think the insurance policy collection and profit margin should not be the only benchmark to position a specific insurance company. As the number of insurance companies continues to grow, it is important to develop a national capability to periodically evaluate and publicly disseminate (As University Grants Commission did for the private universities) the ratings or rankings of all insurance companies so that each service provider's reputation is widely known. Armed with this information, clients can make more informed choices.

In addition, as an important determination of insurance company choice, firms must invest in building their reputation/reliability (249 out of 416 respondents have shown their priority on reputation in choosing an insurance company) which will help to reduce the outflow of the clients to other firms.

Perceptions of the Customers Towards Insurance Companies in Bangladesh

It was found in the analysis that 299 respondents out of 416 have said that lack of trustworthiness and reliability is the main reason of not choosing an insurance company. In addition a large number of respondents 255 out of 416 considered lengthy payment time in getting payment as another major obstacles in choosing an insurance company. Moreover, clients have rated reference by family and friends as another very important determinant in insurance provider choice. To enhance a positive reputation of the insurance company, they can follow the strategies stated below:

- Do a lot of personal selling of services to the clients and encourage existing customers to tell good about your services to the potential customers.
- Carefully choose personnel who interact with the customers to minimize Gap-3.
- Train personnel to interact well with the clients to minimize Gap-3.
- Positive and societal marketing activities to build and project specific company image to minimize Gap 1 and 5.
- Design facilities to achieve specific marketing or image objectives of the organization to minimize Gap-5 & 6.
- Establish formal system for controlling quality of insurance services to minimize Gap2 and 3.
- Provide specific effort to encourage customers to tell others about your services.

From the political and social behavior of the people it can be said that demand for these services will be higher in near future. Even staying more with an insurance company is also dominated by many special services. Insurance companies, especially public one must think about more value added services. In designing new and improved value added services the insurance providers can follow the strategies mentioned below:

- Regularly collect information about customer needs (Minimizing Gap-1)
- Perform marketing activities based on knowledge about customers (Minimizing Gap1, 2 and 3)
- Ensure that the firm's activities enhance customer satisfaction (Minimizing Gap-4)
- Do marketing survey to design customer oriented and customer focused services (Minimizing Gap-1 and 7)
- When a customer is dissatisfied, redo services to minimize Gap 1, 4 and 6.
- Base prices on what it costs to your operations and services (cost accounting system)

- Base prices on what competitors charges (requires industry analysis)
- Base prices on what the market and the customer is willing to pay

Surprisingly it was found in the survey that about 25% of the respondents have chosen their insurance partners with the influence of the sales personnel. In interview it was also found that "sales people are not convincing rather irritating" to many respondents. We think following steps may help in improving the situation:

- Carefully choose smart and presentable personnel who will be interacting with the clients to minimize Gap-5 and 6.
- Train personnel to make them knowledgeable regarding the services of the organization to interact well with the customers to minimize Gap2, 3 and 5.
- Communicative training must be provided to the sales people

It was also found that only 13% respondents have chosen the insurance company with the influence of the work place. It has a solid implication for the insurance companies that they can offer group insurance policy with value added services to the organization which will help the insurance companies to get more customers. Moreover, we have found in the survey that, a good number of people are choosing (26.9%) insurance companies with a view to earn higher return on deposited money. All these suggest to go for a customer survey to find the actual benefit the customers are looking for which will minimize Gap-1 too.

A quick highlight is given below regarding the suggestions and recommendations we gathered from the respondents at the time of survey regarding their views in service improvement of both private and public insurance companies:

- Public insurance companies must increase the rate of payment to encourage more accounts
- Public insurance companies must pay attention to understand the problems of the clients. A short response time is expected from the public firms
- It was observed that respondents have noticed malpractices in the banks regarding insurance policy processing and other specialized services. It was suggested to take steps to eliminate hustle in getting payment after any incident.

- Use a combination of cost and competition based costing system as gradually competition based costing will be popular in the industry due to increment in the number of competitors.
- It will be better for the insurance companies to provide more customized services to the customers which in turn will permit them to follow demand based pricing (Minimizing Gap-1 & 7).
- Use heavy informative advertisement to show how the service can be better utilized. But as the insurance company's benefit of service is long should practice more of reminder advertisement (to minimize Gap1 & 2).
- Encourage the existing customers to promote your services to the new customers and use newspaper as the prime media for advertisement to show the cost benefit of insurance policy (Minimizing Gap-5).
- For the institutional insurance service provider, empower your customer by close contact through sending mail and knowledgeable sales personnel (Minimizing Gap- 3 & 4).
- Choose service providing employees very carefully; train them highly to make them knowledgeable regarding the service standards (Minimizing Gap-3 & 6).
- Use technology to keep in touch with your customers even after sales.
- Insurance companies must be concentrating on their physical infrastructure and wide distribution facilities (Minimizing Gap 3).
- Use technology to maximize the service quality and to reduce the fluctuation in service quality. Provide service above standard as promised to the customers to reduce the service gaps (Minimizing Gap 5 & 6).
- Do marketing research through field level marketing managers to prepare customer driven services and make marketing decisions participatory (Minimizing Gap 1, 2 & 7).
- Revision of service and service delivery mechanism are required according to marketing research result and activities of the competitors.

The insurance companies can expand their target market by identifying and by providing responsive diversified services (Rahman, 2000). In the words of Islam (1993): "While the industry is stuck to the traditional insurance services, the world is changing fast. The need for innovation is felt

frequently which the industry can't provide. Unless insurance industry devotes its attention to innovative needs of the economy, neither the economy nor the insurance industry is likely to flourish".

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