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CANDIDATES' DECLARATION

We the undersigned do hereby declare that this Dissertation is the result of our own original research, and that no part of it has been presented for another Degree in any University. However, all sources of borrowed materials have been duly acknowledged.

NAME   SIGNATURE   DATE

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SUPERVISOR'S DECLARATION

I declare that the preparation and the presentation of this Dissertation were in accordance with the guidelines on supervision of Dissertation laid down by Christian Service University.

SIGN: …………………………………..……

NAME: …………………………………..….

DATE: …………………………………..…..

DEDICATION

This dissertation is dedicated to Almighty God for his divine protection, and granting the strength to accomplish this research with a success.

ACKNOWLEDGEMENT

Our profound gratitude goes to Almighty God for making possible to complete this programme successfully.

Our deepest appreciation goes to our Supervisor Mr. ……………….. for his useful comments and suggestions during the entire project work.

We are also much grateful to the Institute's management for creating an enabling environment to make this research a success.

We are indebted to our families for their prayers, financial support and useful suggestions

Special thanks to our mates in IPS for their prayers, encouragement and help throughout this period.

To all, we say God richly bless you!

ABSTRACT

The relationship between service quality and customer satisfaction in the Kumasi metropolitan insurance industry, a case study of phoenix insurance (Kumasi branch) has been undertaken to establish the kind of relationship between customer's satisfaction and service quality in the insurance industry. The study hypothesized that there is no relationship between network selection and service quality at statistical significant level of 0.01%. It is believed that insurance firms in Ghana continue to implement service quality policies that are inconsistent with customer expectations, leading to customer dissatisfaction and affects the choice of insurance service providers. The methodology was based on a cross sectional survey of two hundred customers of Phoenix Insurance Company in the Kumasi metropolitan with a self developed instrument based on the Parasuraman et al (1988) service quality model. The correlation analysis suggested that there was a relationship between service quality and customer satisfaction. The study identified cost and reliability as being important indicators of service quality that may influence customer choice of insurance company. Hence the study recommended the adoption of strategies that improves cost and reliability issues.

1.0 INTRODUCTION

1.1 Background of the Study

Over the last century, the world has witnessed the emergence of the service industry as a significant contributor to its economic development. A number of countries in the last few decades have experienced a dramatic change in the importance of services and the role of the services sector in their economies (Sharma, 2002; Nankervis and Pearson, 2002; Edwards and Croker, 2001). The service sector is becoming vibrant in term of quantum and quality due to the number of key players that are involved in the transformation process. In 2008, the sector contributed about 40% of Ghana's total Gross Domestic Product (GDP) and recorded the highest growth rate of 9.3% among other sectors (All Africa Global Media, 2010). One major sector that constitutes the services sector is the Financial Services Sector. Ghana's Financial Services Sector can be classified into three main categories such as Banking, Insurance and Capital Markets. The Insurance industry in Ghana has contributed immensely to the growth of the Financial Services Sector and helped propelled the economy of Ghana for the past years.

National Insurance Commission (2008), reported that "There was a general increase in premium income for both classes of business from GH¢ 92.5 million in 2004 to nearly GH¢ 276.5 million in 2008. Both the life and the non-life recorded a growth rate of 32% between 2007 and 2008. The contribution of Total Gross Premium to the GDP has been rising steadily over the period though below 2% mark". With competition in insurance industry services, quality improvement has become vital to companies trying to thrive in an increasing competitive environment. With improved service quality, customer satisfaction is enhanced. Deming, 1993, relates quality to

anything that makes a customer happy and enjoys a good and sustainable market. The essence of quality can not be under scored and it is based on this backdrop that the International Organization for Standardization (ISO), a voluntary organization was established in 1947 to develop standards of quality for managing different industries.

Service quality is one of the critical success factors that influence the competitiveness of an organization and generically it is measured on the SERVQUAL model as promulgated by Parasuraman e tal, 1988

The insurance industry in Ghana is highly competitive and consists of major players such as SIC Life Company, Phoenix Life Assurance Company, Vanguard Life Assurance Company, Provident Life Assurance Company, Donewell Life Insurance Company among others. The industry is being regulated by the National Insurance Commission (NIC) which was established under Insurance Law 1989 (PNDC Law 227), but now operates under Insurance Act, 2006 (Act 724). The objectives of the Commission, as detailed in Act 724 are to ensure effective administration, supervision, regulation and control the business of Insurance in Ghana. NIC is mandated to perform a wide spectrum of functions including licensing of entities, setting of standards and facilitating the setting of codes for practitioners. The Commission is also mandated to approve rates of insurance premiums and commissions, provide a bureau for the resolution of complaints and arbitrate insurance claims when disputes arise.

1.2 Problem Statement

Availability and easy access to accurate statistics on the Ghanaian insurance market remains a big challenge to the sector. There is no current information in the industry to help professionals to wo r k to make good policies and address the needs of everybody. As at September 2012, only 2005 Annual Report on insurance industry is available at the web site of National Insurance Commission (NIC), the

authorised regulator of insurance industry in Ghana.

In October 19, 2008, the results of the first ever Ghana Insurance Award were rejected because the stakeholders disagreed over winners in some categories. The Institute of Social, Statistical and Economic Research (ISSER), who were responsible for the compilation of the results, failed because of what was perceived to be inadequate information and inaccurate statistics about the companies.

To date, very few studies have been conducted to examine how the various sectors of this industry is performing. Hence this study seeks to find out if service quality really has a relationship with customer satisfaction in the industry.

1.3 Purpose of the study

The goal of this study is to provide new insights into the relationship between service quality provision and customer satisfaction in the Ghanaian insurance industry.

1.4 Objective of the study

- The objective of this research will be:

- To ascertain the kind of relationship that exists between service quality and customer satisfaction in the Ghanaian insurance industry.

- To examine the extent to which NIC contributes to industry performance

- To outline policy recommendations to help improve the level of customer satisfaction in the insurance industry.

- To fulfill the requirement for the award of a bachelor of business administration marketing degree.

1.5 Significance of the study

The outcome of this study will help managers of insurance companies to specifically know or predict the relationship between customer satisfactions when it comes to service quality delivery.

This would also serve as a baseline for formulating and implementing service quality policies.

1.6 Hypotheses

Ho: There is no relationship between service quality and customer satisfaction in the Kumasi metropolitan insurance industry.

Hi: There is a relationship between service quality and customer satisfaction in the Kumasi metropolitan insurance industry.

1.7 Scope and organisation of the study

This study will be organised into five chapters. Chapter one will introduces the study by giving a background that puts the topic into perspective; the first chapter will provides the problem statement, objectives, significance and hypotheses of the study.

Chapter Two will reviews the research through discussion of past research that pertains to the study. Definitions and constructs for the study will also be stated in this chapter.

Chapter three will deal with the methodology or how the study will be practically conducted. Chapter four will then present analysis, results and discussions on the findings.

Chapter five which will be the last will present conclusions by summarising findings and also offers some recommendations from the study.

2.0 LITERATUR REVIEW

2.1 Definition and Meaning of Insurance

There is no single definition of the term insurance. Various writers and experts in the field of insurance over the years attempted various definitions in different contexts to explain the meaning of the term. To look at insurance at financial point of view, Dorfman (2008), defined insurance as a financial arrangement that redistributes the cost of unexpected losses. Thus, insurance involves the transfer of loss exposures (or uncertainty of loss) to an insurance pool and the redistribution of the cost of losses among the members of the pool. Loss as in insurance term is defined by Pal, Bolda, and Garg (2007) as unintentional decline in or disappearance of value arising from a contingency.

An insurance system redistributes the cost of losses by collecting premium payment from every participant (insured) in the system. In exchange for the premium payment, the insurer promises to pay the insured's claims in the event of a covered loss (Dorfman, 2008). Insurance companies bear risk in return for a fee called premium. In other words, insurance companies are risk bearers and accept or underwrite the risk in return for an insurance premium. Accordingly, the term insurance may be defined as a co-operative mechanism to spread the loss caused by a particular risk over a number of persons who are exposed to it and who agree to ensure themselves against that risk (Pal et al., 2007).

2.1.2 History of Insurance in Ghana

Insurance was introduced into Ghana in the late 19th Century by the British merchants who were bound by the British merchant shipping laws. The law basically states that all goods being shipped into the British colonies should be carried by ships owned by British citizens. By implication, the goods being carried by ships owned by its citizens were insured by insurance companies in the United Kingdom. Consequently, there was a need

for these insurance companies in the United Kingdom to have agents in Ghana where the goods were sent. Thus insurance transactions were done through the foreign trading companies in Ghana acting as chief agents of insurance companies in the United Kingdom and other foreign countries.

Ghanaian insurance industry at the time comprises mainly insurers; sellers of insurance, insured; purchasers of insurance and intermediaries; agents of insurance companies who act between the insurers and the insured and under the Act of British Parliament, legible to accept proposal and sign and issue insurance cover on behalf of the insurance companies in the United Kingdom. There were no insurance broking, claim adjusting and reinsurance firms at the time.

All insurance companies in Ghana from the period up to 1961 were British and subject to the United Kingdom Board of Trade regulations. The main insurance centres during this period were Accra, Sekondi/Takoradi and Kumasi. One obvious reason that accounted for this was that, Ghana was still a British colony until 1957. Because all insurance transactions were done in the United Kingdom and elsewhere, there were no local insurance legislations in Ghana. For instance, premium rates for various life insurance policies in Ghana were based on those of United Kingdom because there were no local statistics and tables on premium rates in Ghana at the time. It could therefore, not be said in the actual sense of the term, that there was an insurance market in Ghana at the time.

In terms of technical expertise of insurance, expatriate staff handled technical aspects of insurance while few Ghanaians handled day-to-day aspects of insurance. Agents appointed by insurance companies were given very little training to enable them sell life assurance to Europeans and few elite Africans. A lot of general accident insurance policies were not known at this time.

Towards Ghana's independence, local insurance companies began to emerge. The first

among them was Gold Coast Insurance Company which was formed in 1955. General Insurance Company and Cooperative Insurance Society were later formed in 1957 and 1958 respectively. Government of Ghana purchased Gold Coast Insurance Company and took over Cooperative Insurance Society and merged them together to form State Insurance Corporation (SIC) which was incorporated in February 1962. This was a strategic development to enable SIC compete favorably with foreign insurance companies. Most of the insurance businesses of Government owned organizations were handled by SIC; as a result, it grew by leaps and bounds.

The period between 1962 and 1970 saw remarkable changes in Ghanaian insurance industry. A lot of rules and regulations were introduced and Acts were passed into laws in the insurance industry. This development sprung up more insurance policies into the market apart from life policies. Policies such as workmen compensation, marine insurance, aviation insurance, accident insurance such as motor, burglary, personal accident, employers' liability, goods-in-transit etc were also introduced into the market. Most of the laws were enacted to favour and protect the local insurance companies and created opportunities for more insurance companies to spring up. Insurance centres in Ghana spread to other regional capitals such as Koforidua, Ho, Sunyani, Tamale Bolgatanga etc. The insurance centres later spread to district capitals and beyond. Insurance Brokers were also part of this expansion. Reinsurers were also introduced into the markets. The new insurance Act created the office of the commissioner of insurance to regulate the operations of the insurance in Ghana. Bancassurance was also later introduced into the insurance market in Ghana. Under this agreement, the bank as a corporate agent will use its branch network to sell the insurance products of an insurance company. Currently, there are two of such cases. The companies involved are Enterprise Life and Standard Chartered Bank which was approved in 2007.

Number of agents has also increased. Seven hundred new agents were licensed in 2008, bringing the total number of agents officially registered with the NIC to 1,200 in 2009, although it is estimated that there are about 4,000 agents selling insurance products in the insurance markets in Ghana. The era also saw innovative products sprung up. Products such as family income protection plan, education endowment policy and funeral insurance policy. Currently, the industry is experiencing influx of companies from foreign countries and this has brought keen completion to the industry.

2.2 The National Insurance Commission

The National Insurance Commission (NIC) was established under Insurance Law 1989 (PNDC Law 227), but now operates under Insurance Act, 2006 (Act 724). The object of the Commission, as detailed in Act 724 is to ensure effective administration, supervision, regulation and control the business of Insurance in Ghana. NIC is mandated to perform a wide spectrum of functions including licensing of entities, setting of standards and facilitating the setting of codes for practitioners. The Commission is also mandated to approve rates of insurance premiums and commissions, provide a bureau for the resolution of complaints and arbitrate insurance claims when disputes arise.

Other responsibilities include the provision of recommendation to the sector Minister for policy formulation, supervision of practitioners, enforcement of compliance and public education. The development of strong relationships with regulators from other countries and international bodies such as the IAIS and ensuring the conformity of practitioners to internationally accepted standards are also key mandates of the Commission. The enactment of Act 724 was a major milestone towards a robust insurance regulatory environment as it empowers and grants adequate powers to the commission. Together there are several initiatives in the past decade; the new Law provides a strong

regulatory framework for Ghana's insurance industry

2.2.1 Life and Non-life Insurance Businesses

Various attempts were made to classify insurance into different categories by various individuals and institutions. Some classified insurance under the categories of life, fire, marine and miscellaneous. Others classified it under the sub-titles such as insurance of person, insurance of property, insurance of interest and insurance of liability. In a broad term, insurance can be classified into Life insurance and Non-life (General) insurance.

Life insurance is a contract in which the insurer, in consideration of certain premium, either in a lump sum or by other periodical payments, agrees to pay to the assured, or to the person for whose benefit the happening of a specified event contingent on the human life or at the expiry of certain period. The monthly premiums for a life insurance are generally based upon the age, health, and occupation information of the applicant, in addition to the total benefits to be paid to him for his policy. For life insurance, the risk ensured against is death. The life insurance company pays the sum assured to the insured in the event of death.

As stated by Pal, Bolda and Garg (2007), Life insurance enjoys maximum scope because life is the most important property of the society or an individual. Each and every person requires insurance, thus Life insurance provides protection to the family at the premature death or gives adequate amount at the old age when earning capacities are reduced. The insurance is not only a protection but a sort of investment because a certain sum is returnable to the insured at death or the expiry of a period.

General insurance on the other hand is basically policy that protects the insured against losses and damages other than those covered by Life insurance. In Ghana, insurance is classified under the two broad names; Life and General (Non-life). Various policies are

classified under these two broad titles. For instance liability and engineering policies are classified under General insurance. Life insurance policy in Ghana is no longer insurance against death but also includes endowment, funeral and other policies. Most companies have adopted products innovation as a strategy to gain competitive advantage and this consequently has increased insurance products especially Life insurance in the industry.

2.3.0 Definition of Services

In attempt to elaborate more on service quality, it is imperative to understand the meaning of services. According to (vargo, 2004) services is regarded as the "application of specialised competences (knowledge and skills) through deeds, processes and performances for the benefit of another entity or the entity itself." (Lovelock & Wirtz 2004, p.9) also explain service as "an act or performance offered by one party to another." They added that "although the process may be tied to a physical product, the performance is transitory, often intangible in nature, and does not normally result in ownership of any of the factors of production.

Based on the definitions above, services can be viewed as an activity, intangible in nature, inseparable and which contributes value to consumers. It is highly customer focus it is consumed as it been delivered and it is only activated when a customer demands and uses it

2.3.1 Service characteristics and its impact on service quality

The characteristics of services depicts that services are processes and these characteristics makes services to be delicate and complex. The service characteristics below as described by (Dorminik, 2006) has help to simplify the delicate and complex nature of services.

1. Services are intangible: Goods can be touched, seen, felt and its physical attributes clearly differentiated from that of other goods. In the case of services, they are intangible

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in nature especially due to the fact that the service process: its inputs and outputs are intangible in nature. Therefore, the skills and knowledge of the employees greatly influence the service quality. In addition, due to the fact that services are intangible, the employee tends to be the only tangible aspect closely linked to the service and therefore his performance will immensely impact service quality.

2. Services cannot be transported. Due to the fact that services are intangible as mentioned above, they cannot be transported as a result of the intangibility nature. It is always delivered in the presence of the consumer and if not performed properly, it will be perceived by the consumer and this will greatly influence service quality negatively and vice versa.

3. Services are perishable: This is because "processes can only be conducted and not stored" (Bruhn & Georgi, 2006, p.15). So they must be produced on the spot and with the best quality possible. It is very important for the service to be delivered correctly the first time because due to the fact that it is perishable and activated when the customer demands it, the customer can quickly notice and feel poor service quality, hence a negative impact on service quality.

4. Services are produced and consumed simultaneously within the service process. Production and consumption cannot be separated, its inseparable. In contrary to consumer goods such as milk" a customer cannot purchase a service and then go home and use it later. When a flight is over, that is after the production process of this flight, the service is already consumed" (Bruhn & Georgi, p.15).

5. Services are heterogeneous because for different customers, service process might differ. Service producers must take this into consideration and be ready to adjust to and adapt to changing customers" needs and wants.

6. Services are co-produced by the customer because without the presence of the customer in the service process, a service cannot be produced and delivered.

2.3.2 Theories on service quality

Theories on service quality have spanned from 1970's till recent times, models like the technical and functional quality model, the gap model, the EPNQ model and many others had views and argued on what dimensions should be considered as important in service quality.

The consistently growing body of literature on service quality suggests that two schools of thought dominate the argument on service quality; the English school of thought based on (Gronroos'1984) two-dimensional model. And the other is the North American school of thought based on Parasuraman et al.'s (1988) five- dimensional SERVQUAL model. Considering other significant conceptual and empirical works in the area, it generally appears service quality encompasses (1) customers' experiences with the tangibles, reliability, responsiveness, assurance, and empathy aspects of the services delivered by a firm (Parasuraman et al., 1988); (2) technical and functional quality (Gronroos, 1984); (3) service product, service environment, and service delivery (Rust & Oliver, 1994); and (4) interaction quality, physical environment quality, and outcome quality (Cronin, 2001) and many more.

However, some services are produced and consumed instantly than others, for example banking services are consumed instantly and have a close interface in terms of staff and customer interactions than telecommunications. But the conceptual and theoretical framework for measuring service quality in both industries remains the same. Perhaps the only difference would be the specific questions asked under each variable.

2.3.3 Measuring service quality (The theoretical framework)

The consistently growing body of literature on service quality suggests that two schools of thought dominate the argument on service quality; the English school of thought based on (Gronroos's 1984) two-dimensional model. And the other is the North American school of thought based on Parasuraman et al.'s (1988) five- dimensional SERVQUAL model. A 22-item instrument that includes the five service dimensions of tangibles, reliability, responsiveness, assurance, and empathy. Parasuraman et al. (1985, 1988, 1991) postulated that the SERVQUAL items represented "core evaluation criteria that transcend specific companies and industries, providing a basic skeleton underlying service quality that can be supplemented with context-specific items when necessary"((Badri A. Mashood, 2004). SERVQUAL was used in various industries; however, findings from (Llosa et al., 1998), reveals that the number of dimensions of service is not exclusive. Whereas Gagliano and Hathcte (1994) found four factors in the retail clothing sector, Saleh and Ryan (1992) extracted five factors in the hotel industry, , (Bouman & van der Wiele 1992) identified three factors in car servicing.

However, this study adapted the SERVQUAL model from Parasuraman et al (1988).

2.3.4 Five dimensional SERVQUAL model (Parasuraman et al., 1988)

Parasuraman *et al*. (1985: pp.41-50) devise the Gap model of service quality which built on an idea that customers' perception of service quality is affected by four gaps which occur on the service provider's side. Therefore, marketing and operations managers should focus on these critical gaps in order to control the overall service quality which is the central point of the model. These gaps are (V. A Zeithaml, 1990)

Gap 1: The discrepancy between customers' expectations and managements' perceptions of these expectations;

Gap 2: The discrepancy between managements' perceptions of customers' expectations and service-quality specifications;

Gap 3: The discrepancy between service-quality specifications and actual service delivery;

Gap 4: The discrepancy between actual service delivery and what is communicated to customers about it;

Gap 5: The discrepancy between customers' expected services and service delivered.

2.3.5 Dimension of service quality

Parasuraman devise 10 dimensions of service quality and according to (Parasuraman *et al.,* 1985: p.47): these dimensions are as follows:

- Tangible: Appearance of physical facilities, equipment, personnel and communication materials.

- Reliability: Ability to perform the promised service dependably and accurately.

- Responsiveness: Willingness to help customers and provide prompt service.

- Competence: Possession of the skills and knowledge required to perform the service.

- Courtesy: Politeness, respect, consideration and friendliness of contact personnel.

- Credibility: Trustworthiness, believability and honesty of the service provider.

- Security: Freedom form danger, risk or doubt.

- Access: Approachability and ease of contact.

- Communication: Keeping customers informed in language they can understand and listening to them.

- Understanding the customer: Making the effort to know customers and their needs.

However these dimensions were later revised in 1991 to only five variables.

These five variables include reliability, responsiveness, tangibles, assurance (communication, competence, credibility, courtesy and security) and empathy.

- **Reliability** (the ability to perform the promised service dependably and accurately)

- **Responsiveness (willingness** to help customers and provide prompt service)

- **Tangibles (**appearance of physical facilities, equipments, personnel, communication materials)

- **Assurance** (knowledge and courtesy of employees and their ability to convey trust and confidence)

- **Empathy** (caring individualized attention the firm provides its customers

2.4 Customer satisfaction and service quality: A number of studies emphasize customer satisfaction as a driver of retention. There is sufficient evidence to suggest that customer satisfaction can and should be viewed as an attitude (Yi, 1990). The more satisfied customers are, the greater their loyalty (Anderson and Sullivan 1993, Fecikova 2004). Customer satisfaction in this study is defined as the customer's overall evaluation of the performance of an offering to date (Johnson & Fornell 1991). Overall evaluations are more likely to influence the customer behaviors that help a firm, for example positive word of mouth and repurchase intentions (W. Boulding, 1993). Gustafsson *et.al* (2005), assert that this overall evaluation has a strong effect on customer loyalty intentions across a large number of product and service categories, including telecommunication

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services (Fornell *et.al* 1996). In a service context, overall satisfaction is equated to overall evaluations of service quality (Gustafsson *et.al* 2005) since both constructs are similar conceptualizations that are based on the disconfirmation theory (Iaccobucci *et.al* 1994 in Venetis and Ghauri 2004). Customer satisfaction also contains an affective component, which results from repeated usage of the product or service (Oliver 1999) i.e. cognitive evaluations of performance over a period of time are likely to result into affective attachment, since customers like relational partners that provide benefit to them (Fullerton 2003). Thus overall service quality (customer satisfaction) can be taken to be an antecedent to affective commitment. **Ganesan** (1994) found for example that satisfaction is significantly related to a party's relational commitment.

Issues about trust in service delivery is extremely important that is why the marketing literature agrees that satisfied customers may not always stay (Rowley & Dawes 2000), just as dissatisfied customers do not always go (Day 1984 in Yanamandram & White 2006). Satisfied customers may show loyal behaviors because of mere convenience, lack of alternatives or inertia (Schultz 2005). Therefore companies may have to look to other variables that explain customer retention e.g. trust (Ranaweera & Neely 2003)**.** Trust is conceptualized as the belief in the suppliers' honesty, goodwill and competence (Moorman *et.al* 1992). Hart and Johnson (1999) as cited by Ranaweera and Prabhu (2003) add that trust is a condition beyond satisfaction that ensures loyalty. Ganesan (1994) in a study of retail buyers in the US established that the more the client trusts the service provider, the more affectively committed to the service provider the client

becomes. Trust when conceptualized as a dimension of service quality can be thought of as trust in the service itself (Parasuraman, 1988). The presence of trust reflects a stronger relationship commitment than customer satisfaction (Morgan & Hunt, 1994).

3.0 METHODOLOGY

3.1 Introduction

The research methodology presents the procedures used in conducting the study. It considers the research design, population, sampling technique, sample size and research instrument. The analyses in this work will be based on a combination of secondary and primary data from selected insurers from Phoenix Insurance Company in the Kumasi metropolitan.

3.2 Research Design

The research approach covered both descriptive and quantitative, involving the use of structured questionnaires where the response options will be predetermined. Based on the objective of the research question, questionnaires were chosen as the best source of primary data. This is because most people in Ghana are familiar with structured questionnaires and they form a good source of unbiased data.

Quantitative research is reliable and data can be generalized and is well suited to establishing cause- and-effect relationships. This methodology was chosen based on the sampling period, ease of acquisition of data and the most appropriate instrument given these constraints.

3.3Population

The population for this study is insured clients of Phoenix insurance company in Kumasi metropolitan.

3.4 Sampling Technique

A simple random sampling technique was employed to obtain representation from the various clients of Phoenix insurance company in Kumasi metropolitan.

The data obtained from the field was analyzed using both qualitative and quantitative methods..

3.5 Sample Size

The research took into account a sample size of 200 clients of Phoenix insurance company in Kumasi metropolitan.

3.6 Research Instrument

The information for this research was obtained from primary and secondary data. The primary data was secured by means of a two-page, self-administered questionnaire. The questionnaire consisted of various questions some of which will require the respondents to explain. There was a few straight "YES" and "NO" options.

The secondary data was obtained from past research from the Ghanaian insurance industry, National insurance Commission's website and reports.

CHAPTER FOUR

RESULTS AND DICUSSIONS

4.1 Description of the Results

Table 1: Distribution of Gender of respondents

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	97	48.3	48.5	48.5
	Female	103	51.2	51.5	100.0
	Total	200	99.5	100.0	
Missing	System	1	.5		
Total		201	100.0		

Source: Field data, 2013.

Table 1 indicates the distribution of gender of respondents. 48.5% of the respondents were males whiles 51.2% were females. This distribution of gender is important because it could have an effect on the outcome of the study.

Table 2: Distribution of respondents' age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under 25	42	20.9	21.0	21.0
	26 – 34	112	55.7	56.0	77.0
	35 – 44	42	20.9	21.0	98.0
	65 and above	4	2.0	2.0	100.0
	Total	200	99.5	100.0	
Missing	System	1	.5		
Total		201	100.0		

Source: Field data, 2013.

The distribution of the ages of respondents as shown above indicates that the majority of the respondents were between the ages of 26-34, followed by those within the ages of 35-44 and those under 25 years. Now the respondents' ages are also critical to the outcome of this study because it is believed that the evaluation of the level of service satisfaction may sometimes be influenced by one's age.

Table 3: Distribution of respondents educational level

Education level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary	3	1.5	1.5	1.5
	Secondary	33	16.4	16.5	18.0
	Tertiary	136	67.7	68.0	86.0
	post graduate	27	13.4	13.5	99.5
	5	1	.5	.5	100.0
	Total	200	99.5	100.0	
Missing	System	1	.5		
Total		201	100.0		

Source: Field data, 2013.

Table 3 indicates that the educational level of the respondents is more concentrated at the tertiary level; this explains the results of the age distribution shown in table2. Again control variables such as age and educational level is believed to play a significant role in determining people's evaluation of service satisfaction.

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Fig 1 as shown above depicts the frequency of insurance company switching over a period of three years. Close to 98% of respondents claim that they had never changed their service provider, 58% of them said they had changed their service provider once, 37% said they had changed service providers twice, whiles 18% and 16% said they had changed their service provider three and four times respectively.

Table 4 shows the correlation matrix between insurance company selection and service quality. Service quality as indicated was represented by variables such as responsiveness, reliability, empathy, cost of service and service assurance.

From table 4 it can be inferred that there was a weak negative relationship between insurance company selection and empathy (r, -.031). However there was a weak positive relationship between insurance company selection and cost of service.

There is also a strong negative relationship between insurance company selection and service assurance (r,-.1.19). The relationship between insurance company selection and responsiveness was a weak negative relationship (r, -.085) whiles that of insurance company selection and reliability was also a weak positive relationship.

The results from the correlation analysis confirmed the results from the large number of respondents chose their insurance company based on what it generally promised to do.

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For example, table 5 shows insurance company selection based on a specific reliability question.

It can be observed from table 5 that 76% of respondents chose their insurance companies because it does what it promises to do, whiles the remaining percentage of respondents either disagreed, were indifferent, strongly disagreed and strongly agreed. This explains the weak positive relationship between network selection and reliability.

Table 5: How reliability of service affects choice of insurance company

Reliability: I chose my insurance company because it always does what it promises to do.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	16	8.0	8.0	8.0
	Disagree	33	16.4	16.5	24.5
	Neutral	41	20.4	20.5	45.0
	Agree	76	37.8	38.0	83.0
	strongly agree	34	16.9	17.0	100.0
	Total	200	99.5	100.0	
Missing	System	1	.5		
Total		201	100.0		

4.2 Hypothesis

Let H_0 = There is no relationship between service quality and customer satisfaction and H_1 = there is a relationship between service quality and customer satisfaction, since r values (-.0.31), (.085), (-.119), (-.085) (.057), H_0 is rejected and H_1 is accepted.

4.3 Discussion of the Results

The weak negative relationship between insurance service provider and empathy confirms the assertions made by Boohene and Agyapong (2011) that managers of insurance firms need to quickly and efficiently handle efforts of service quality that makes the customer feel that the insurance company 'feels' what they feel and can sympathize with them.

On the other hand, the study also found a weak positive relationship between insurance service providers and service quality. This finding implies that customers are likely to choose a insurance service provider that makes full disclosures about issues of cost and are always ready to update the customers when there are changes. This observation comes close to similar evidence provided by Kumah, et al (2011). According to Kumah, et al (2011), premium charges are major determinants of customer intention to switch in India. On the other hand they are also important in deciding and entrenching customer loyalty, but of course with the assumption that all insurance customers are likely to behave the same way notwithstanding the context.

Insurance service providers related negatively to service assurance, the relationship which was very strong calls into question the assertion made by

Ganesan, (1994) about customer trust and commitment. According to Ganesan, (1994), the more the customer trust the delivery of the service

(Service assurance) the more the committed the customer becomes to the service provider. Again Ganesan's observations may be true within the context of the research but not for the general case as seen with this research finding.

From the study it was also observed that insurance service provider had a weak negative relationship with responsiveness, this implies that customers selection of an insurance service provider is loosely associated with how insurance firms respond to customers issues. Again this phenomenon can be explained by the ever reducing interface between customer and employees of insurance firms (Boohene & Agyapong, 2011).

This observation is worrying especially if it is considered that the customer is the most important factor that drives the survival of businesses. Managers of insurance firms therefore need to look out for new strategies that enhance the firm's ability to respond swiftly to customer concerns.

The study also found out that there was a weak positive relationship between network selection and reliability. Respondents agreed that reliability of the service plays a major role in the choice of insurance service provider. This observation agreed with those made by Kumah, et al (2011) that that reliability of the service plays a major role in the choice of insurance service provider and it goes a long way to increase customer loyalty and choice of that reliability of the service plays a major role in the choice of insurance service provider.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter provides a summary of the entire work, main findings as well as the conclusion drawn from the study. Lastly, the chapter provides recommendations based on the findings and suggestions for further studies. The insurance industry contributes immensely to economic growth by converting savings made by individuals into portfolios of assets and smoothing investment returns, as well as allowing individuals to share in the prosperity of the economy. The funds raised by the industry are long-term in nature, especially that of the Life insurance business, making it the most critical fund for economic development. Insurance companies also assist economic growth by using the premium income they receive to provide long-term capital for investment, and by providing a large pool of investment funds, cuts the risk and cost of investing, allowing businesses to invest in a wider range of activities.

This indicates that with stable economic conditions in Ghana – low inflation, low interest rates and high income, the industry could fulfill its important role as the favorite savings vehicle in the country's economic development by providing financial security for businesses and individuals, since people would have more disposable income to start thinking positively about insurance. Based on empirical evidence, the view is that there is a high correlation between the economic growth rates and the savings ratio of developing countries.

Developed countries have seen significant improvements in their economies because the insurance industry, major sources for mobilizing funds, has made huge investments that have facilitated the development of such nations. Insurance companies are the basic long-term financial institutions because they have access to a vast potential of long term funds. If properly managed, these funds could provide a formidable pool of long-term funds for industrial investment. There is need for a change in perception and attitude of Ghanaians towards insurance.

The intention of this research was to examine the relationship between service quality and customer satisfaction in the Kumasi metropolitan insurance industry. A purposive sample of 200 respondents was selected from the clientele base of phoenix insurance in the Kumasi metropolitan.

5.1 Summary of Research Findings

The main objective of the study was to examine the relationship between service quality and customer satisfaction in the Kumasi metropolitan insurance industry. The theoretical basis for the study is that information on performance of the insurance industry will help identify strengths and weaknesses in order to make informed decision create confidence in customers, prospects and investors, thereby increasing insurance penetration in Ghana which is as low as 1.6% compare to South Africa which has 12.7% of insurance penetration. Research reviewed indicated that performance assessment enables companies to identify their strengths and weaknesses and provides room for improvement. The conceptual framework therefore sought to assess performance of six selected insurance companies in Ghana and compare the results to that of the industry average to see how the industry has

performed. Nonetheless, a number of specific objectives were examined: extent of financial performance; the degree to which adoption of strategic tools affect performance, and lastly the impact of the industry regulator, NIC, on the industry performance. The summary of the findings are presented here forth. The researcher found Ghanaian insurance companies assess their performances of some sort particularly financial performance. It was also found that Ghanaian insurance companies also prepared annual financial reports and used some financial ratios to analyze some specific financial performances such as retuned on equity ratio. The above findings confirm that performance assessment is vital for organizational growth.

5.2 Conclusion

The Ghanaian insurance industry is saddled with a number of challenges. Notable among them is low level of public awareness. One important means by which the insurance industry can demystify this challenge is to regularly update the public about their operations and progress in the industry. Performance measurement has therefore become an important tool to rely on in order to create awareness among Ghanaians.

This study empirically aimed at examining the relationship between service quality and customer satisfaction in the Kumasi metropolitan insurance industry of the Ghanaian insurance industry and how the result can be used to address issues affecting the industry in order to improve upon the industry performance.

5.3 Recommendation

Based on the findings and conclusion drawn, the following recommendations are made;

From the results of the study it was clear that empathy and responsiveness were negatively and loosely related to network selection, whiles service assurance was strongly but negatively related to network selection. This implies that managers of telecommunication firms in Ghana should pay some attention to empathy and responsiveness because it has the potential of influencing network selection.

Managers and other policy makers should also pay more attention to issues of cost and reliability of service because they influence the choice of network selection.

Growth rate of premium income has not been stable. The industry must be innovative in engineering products to attract the public's interest in areas such as life and health to increase gross premium income.

Insurance companies should include risk management services in their operations to educate clients in risk management in order to minimize losses leading to payments of claims.

The industry needs to create public awareness not only through advertisement of products but also by providing education on the importance of insurance as well as trying to dispel people's mistrust of the industry.

National Insurance Commission must ensure insurance companies make their products meaningful adverts easily understandable to the public by the use of simple language. They must also improve their marketing skills to encourage them to take up insurance policies especially in life insurance.

Public confidence in the insurance industry should be enhanced with the presence of a good regulatory body, the NIC, ensuring that insurance companies transact business to the satisfaction of the public. Effective and efficient regulation of the insurance sector would ensure that there are stronger financially sound companies to protect business and the general from losses.

5.4 Limitations

The researchers concede that given the number of mobile phone users in the country, the sample size chosen does not make the findings conclusive; this however has an implication for further research. The sample size can be increased to make the research more conclusive.

Table 4: Correlation Matrix of Insurance Company Selection and Service Quality

		NETWORK SELECTION	EMPATHY	Cost of Service	SERVICE ASSURANCE	RESPONSIVENESS	RELIABILITY
NETWORK SELECTION	Pearson Correlation	1	-.031	.085	-.119	-.085	.057
	Sig. (2-tailed)		.664	.231	.093	.232	.422
	N	200	200	200	200	200	200
EMPATHY	Pearson Correlation	-.031	1	.672**	.531**	.279**	.565**
	Sig. (2-tailed)	.664		.000	.000	.000	.000
	N	200	200	200	200	200	200
COST OF SERVICE	Pearson Correlation	.085	.672**	1	.511**	.276**	.576**
	Sig. (2-tailed)	.231	.000		.000	.000	.000
	N	200	200	200	200	200	200
SERVICE ASSURANCE	Pearson Correlation	-.119	.531**	.511**	1	.290**	.567**
	Sig. (2-tailed)	.093	.000	.000		.000	.000
	N	200	200	200	200	200	200
RESPONSIVENESS	Pearson Correlation	-.085	.279**	.276**	.290**	1	.221**
	Sig. (2-tailed)	.232	.000	.000	.000		.002
	N	200	200	200	200	200	200
RELIABILITY	Pearson Correlation	.057	.565**	.576**	.567**	.221**	1
	Sig. (2-tailed)	.422	.000	.000	.000	.002	
	N	200	200	200	200	200	200

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Field data, 2013.

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<center>**APPENDIX**</center>

<center>**QUESTIONNAIRE**</center>

THIS QUESTIONNAIRE RELATES TO A RESEARCH PROJECT BEING CONDUCTED ON THE TOPIC "THE RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER SATISFACTION IN THE KUMASI METROPOLITAN INSURANCE INDUSTRY. A CASE STUDY OF PHOENIX INSURANCE (KUMASI BRANCH).

This questionnaire relates to a research project being conducted on the topic "The relationship between service quality and customer satisfaction in the Kumasi metropolitan insurance industry. A case study of Phoenix Insurance (Kumasi branch).

This research is aimed at investigating whether insurance firms are taking steps to improve on the quality of service they deliver to their customers .The researcher would therefore be grateful if you could be part of this research work by providing answers to the questions below. The academic nature of this project naturally means that all your responses will be treated with the strictest confidence.

Directions

Please read all questions carefully and kindly circle or tick as indicated below

| 0 | Or | ☐ |

SECTION ONE: BIO-DATA

1. Gender: ☐ Male ☐ Female

2. Age: ☐ Under 25yrs; ☐ 26 – 34; ☐ 35 – 44; ☐ 65 and above

3. Education level : ☐ Primary; ☐ secondary; ☐ tertiary; ☐ Post Graduate

4. Marital status: ☐ Married ☐ Single ☐ Widow

5. How many times have you changed your insurance service provider within the last 3 years?

    Never ☐   once ☐   Twice ☐   Three times ☐   Four Times ☐

    Numerous times ☐   Others (please specify)……………………

SECTION TWO

Please indicate (approximate response) the extent to which you agreed and disagree with list and statement below.

Please tick the appropriate space.

INDICATORS	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
RELIABILITY I chose my insurance provider because					

1. my insurance company provides uninterrupted services					
2. my insurance company provides accurate services					
3. I can trust and depend on the service of my insurance company					
4. my insurance company always does what it promises to do					
RESPONSIVENESS I chose my insurance company **because**					
5. my insurance company reacts swiftly to my concerns					
6. my insurance company provides prompt services					
7. my insurance company anticipates my concerns and solves them proactively					
8. my service providers would go the extra mile to listen and address my concerns					
SERVICE ASSURANCE I chose my network because					

9. employees of my insurance company have the knowledge and know how to deliver quality service					
10. employees of my insurance company are courteous and convey trust and confidence					
11. my insurance company provides services devoid of defects					
COST OF SERVICE I chose my network because					
12. my insurance company has hidden charges					
13. the cost incurred in using my insurance company is fair					
EMPATHY I chose my network because					
14. my insurance company					

provides services that suites my personal needs					
15. my insurance company sympathizes with me any time services go wrong					
16. my insurance company provide avenues for me to be heard					
17. the sympathy shown is always immediate after a service goes wrong					