

## **SERVICE QUALITY AND CLAIMS SETTLEMENT IN HEALTH INSURANCE: A COMPARATIVE STUDY OF RURAL AND URBAN REGIONS IN NORTH COASTAL ANDHRA PRADESH**

**Mr. M.Vasudevarao**

Research Scholar (Ph.D. Part-Time), Department of Commerce and Management Studies,  
Andhra University, Visakhapatnam, Andhra Pradesh, INDIA.

Email ID: [vasumalicherla@gmail.com](mailto:vasumalicherla@gmail.com)

**Dr. K.V.Ramana Murthy,**

Associate Professor, Department of Commerce and Management Studies, Andhra University,  
Visakhapatnam, Andhra Pradesh, INDIA.

### **1. Abstract**

*Health insurance is vital for protecting us financially from medical expenses. The effective functioning of the health insurance services is heavily reliant on quality of service and quick claim settlement. Here study survey differences customer services and claims settlement for rural policy holders and urban policy holders. The study is based on firsthand information from 450 respondents through selected districts. The relationship between place of residence and variables associated with claim settlement was analysed using Chi-square test and ANOVA statistical tools. Results show urban respondents have a greater degree of awareness, satisfaction and trust regarding health insurance services in comparison with rural respondents. On the other hand, rural respondents had to grapple with various issues like unawareness, delays in claim settlement and procedural multi-layers. The study recommends that there should be more focus on improving service delivery and awareness in rural areas, as it would significantly increase the efficiency of health insurance schemes.*

**Keywords:** Service Quality, Claims Settlement, Health Insurance, Rural vs Urban, Customer Satisfaction

### **2. Introduction**

One of the important facet of organizational success is service quality, which has developed as a model in insurance industry. Service quality in health insurance refers to the timeliness of service and overall customer satisfaction, which need not end with issuer or policy issuance. Quality of service perceived by customers is the difference between customers' expectation and actual experience; and this gap create dissatisfaction.

Service quality is a multidimensional concept and generally includes tangibility, reliability, responsiveness, assurance and empathy. So, these are the dimensions and it plays an important role in how customers perceive and customer satisfaction. The use of health insurance is, however, slightly different as customers get timely and accurate claim settlement when they have to face such critical situations. Disparities between rural and urban health insurance services in India Urban regions typically display increased accessibility to healthcare infrastructure, information, and insurance services. On the flip side, rural areas are plagued by a lack of awareness among people, limited access to insurance agents and inadequate healthcare

facility. Of course, these disparities affect the perception and effectiveness of claim settlement services.

Claims settlement plays a vital role in health insurance, as it significantly affects customer satisfaction and trust. This discontent is often due to delays in settlement of claims, absence of proper guidance or complex procedures. This increases customer loyalty and makes adoption of insurance products more widespread.

This study analyse service quality and claims settlement differences among rural–urban respondents. The research analyses aspects like awareness, satisfaction, duration for settling claims and reasons for delay. The study highlights existing gaps and recommends measures to improve health insurance services, especially in rural areas.

### **3. Review of Literature (Five Studies)**

1. The SERVQUAL was developed by Parasuraman, Zeithaml and Berry (1985) as a tool for measuring service quality through five key dimensions: tangibles, reliability, responsiveness, assurance and empathy. Their study highlighted the fact that service quality is defined by the difference in customer expectations and perceptions of the actual delivery of services. This framework is applied to different service sectors including insurance to analyse the customer satisfaction and service performance.

2. **Anderson and Sullivan (1993)**, studied the relationship of service quality to customer satisfaction, they found that perceived service quality has a direct bearing on an individual's overall level of satisfaction. They also showed that customer satisfaction resulted in the increased retention and loyalty of customers, ultimately contributing to organizational performance over time. It demonstrates the necessity to uphold consistent standards of service across customer-facing industries, such as insurance.

3. **Kumar et al. (2010)** studied the use of insurance services in rural areas and discovered that awareness, accessibility, and financial literacy are important determinants affecting insurance access. As they discovered in their research, there are several factors standing in the way of increased insurance coverage among rural populations, including limited access to information about available products, fewer opportunities to engage with agents selling related financial services and distrust of informal finance structures.

3. **Rao (2014)** investigated the effectiveness of claim settlement processes in the insurance industry and found that customer faith and satisfaction were heavily impacted by long wait times for claim processing. According to the study, procedural intricacies, documentation requirements, and administrative inefficiencies are significant factors contributing to delays that eventually damage the reputation and credibility of insurance companies.

4. A comparison study on service quality perceptions of rural and urban insurance customers, **Sharma and Agarwal (2018)**. Their findings suggested urban customers are more aware, happy and trustful because of better access to information, technology and healthcare infrastructure. On the other hand, Awareness and access challenges of insurance services have resulted in lack of satisfaction among rural customers.

Apart from the aforementioned studies, numerous researchers have stressed that service delivery and operational excellence also influence customers' perception in the insurance industry. It can build trust as well as customer experience given that multiple studies have been

done stating that premature settlement of claims, effective communication and customer support services will go a long way in determining the company outlook towards the consumers. Moreover, the infusion of digital technologies in insurance services has enhanced customer approachability and transparency (especially in urban parts), but more remote setups still lack ground due to infrastructural inadequacies.

These reviews, there is a broad consensus amongst the literature that service quality and efficiency of claim settlements play a major role with regard to customer satisfaction in health insurance. It also pulls back the veil on a persistent divide between rural and urban settings in terms of awareness, access to care and experience with services. This gap highlights the importance of targeted policy measures and improved service delivery systems to increase insurance coverage and enhance customer experience in these under-insured areas.

### **5. Statement of the Problem**

Although health insurance companies in India are development up at a rapid pace but there is an imbalance between urban and rural sector on the basis of facilities & claims payment. The rural policyholders often struggle with issues like awareness, delay in claim processes and lack of assistance from insurers. The purpose of this paper is to explore whether there are significant differences between rural and urban respondents with regards to service quality perception and claim settlement.

### **6. Need for the Study**

First of all, the current study wants to reflect an overview of gap in service quality that exist between rural and urban areas with an emphasis on health insurance services. Its objective is to know pain areas at a macro level when it comes to the claim settlement process and understand how long does it take, what are the major hurdles involved and what makes the process more cumbersome like procedural complexities, no proper guidance etc. The study further highlights the need for increasing awareness and accessibility of health insurance among policyholders, particularly in rural areas where there is limited knowledge and variables. Moreover, it aspires to help improve customer satisfaction & trust in insurance products through analysis of service delivery channels. Inferences drawn from the findings, are expected to provide potential policy recommendations for improving overall effectiveness and efficiency of health insurance services.

### **7. Objectives of the Study**

1. To analyse and compare the service quality and customer satisfaction levels of health insurance services among rural and urban respondents.
2. To examine the claim settlement process and identify the key factors causing delays in health insurance claims.
3. To evaluate the differences in awareness, accessibility, and overall experience of health insurance services between rural and urban policyholders.

### **8. Hypotheses**

1. **H0<sub>1</sub>:** There is no significant association between place of residence and guidance at the time of claim.
2. **H0<sub>2</sub>:** There is no significant association between place of residence and overall service quality.

3. **H0<sub>3</sub>:** There is no significant association between place of residence and fairness in reimbursement.
4. **H0<sub>4</sub>:** There is no significant association between place of residence and speed of claim settlement.
5. **H0<sub>5</sub>:** There is no significant association between place of residence and time taken for claim settlement.
6. **H0<sub>6</sub>:** There is no significant association between place of residence and awareness of claim procedure.

## 9. Methodology

The study adopts a descriptive and analytical research design to examine service quality and claim settlement in health insurance. A structured questionnaire was administered to a sample of 450 respondents selected using random sampling. For this research, only three Selected Districts like Visakhapatnam (VSP), Vizianagaram (VZM), Srikakulam] were made use of. Data were analysed using the statistical tools - percentage analysis, Chi-square test and ANOVA to understand the data and determine the association between variables.

## 10. Analysis and Hypothesis Testing

### 1. Service Quality

**Table -1 – Guidance at the Time of Claim**

Opinion	RURAL			URBAN		
	VSP	VZM	SKLM	VSP	VZM	SKLM
Strongly Agree	9 (2.00)	6 (1.33)	10 (2.22)	26 (5.77)	20 (4.44)	23 (5.11)
Agree	20 (4.44)	21 (4.66)	16 (3.55)	32 (7.11)	34 (7.55)	29 (6.44)
Neutral	11 (2.44)	13 (2.88)	14 (3.11)	5 (1.11)	8 (1.77)	9 (2.00)
Dis-agree	18 (4.00)	20 (4.44)	23 (5.11)	8 (1.77)	10 (2.22)	9 (2.00)
Strongly Disagree	17 (3.77)	15 (3.33)	12 (2.66)	4 (0.88)	3 (0.66)	5 (1.11)
Total	75 (16.67)	75 (16.66)	75 (16.66)	75 (16.66)	75 (16.66)	75 (16.66)
*S. D	9.85	10.20	9.95	11.30	10.95	11.40
*CV (%)	65.7	68	66.3	75.3	73	76

Source: Survey

\* Computed

Table-1: Guidance at Time of Claim: Guidance at the time of claim analysis indicated that those based in urban areas had very different responses than rural respondents. Urban VSP also has a greater degree of strong agreement (26) and agreement (32) than Rural VSP (9 and 20). In contrast, the rural respondents tend to disagree more strongly: e.g. 18 and 17 in VSP. Standard deviation is between 9.85 and 11.40; corresponding coefficient of variation varies between 65.7% to 76% (moderate to high variability). This indicates that urban respondents have relatively better guidance in the claims process, while rural respondents face inconsistent and poor support.

**Table-2 – Overall Service Quality**

Opinion	RURAL			URBAN		
	VSP	VZM	SKLM	VSP	VZM	SKLM
Extremely High Quality	7 (1.55)	5 (1.11)	6 (1.33)	19 (4.22)	13 (2.88)	14 (3.11)
High Quality	14 (3.11)	14 (3.11)	13 (2.88)	32 (7.11)	31 (6.88)	34 (7.55)
Average	10 (2.22)	11 (2.44)	9 (2.00)	8 (1.78)	6 (1.33)	6 (1.33)
Low Quality	25 (5.55)	28 (6.22)	28 (6.22)	9 (2.00)	16 (3.55)	14 (3.11)
Extremely Low Quality	19 (4.22)	17 (3.77)	19 (4.22)	7 (1.55)	9 (2.00)	7 (1.55)
Total	75 (16.67)	75 (16.66)	75 (16.66)	75 (16.66)	75 (16.66)	75 (16.66)
*S. D	6.63	7.46	7.65	10.36	9.49	10.98
*CV (%)	42.2	49.7	51	69.1	63.3	73.2

Source: Survey

\* Computed

Table 2: General Service Quality: The results show that urban respondents have a better perception of service quality than rural respondents. For example, the urban VSP shows 19 respondents as extremely high quality and 32 as high quality, compared to only 7 and 14, respectively, in this case of rural VSP. On the contrary, low (25) and very low quality (19) values were reported by rural respondents versus urban VSP (9 and 7). The standard deviation varied between 6.63 and 10.98 and the coefficient of variation varied between 42.2%–73.2%, suggesting that rural responses were relatively stable, while urban ones more variable. This emphasizes that the relative quality of service is perceived to be much better in urban locations.

**Table-3 – Fairness and Honesty in Reimbursement**

Opinion	RURAL			URBAN		
	VSP	VZM	SKLM	VSP	VZM	SKLM
Strongly Agree	3 (0.66)	1 (0.22)	1 (0.22)	16 (3.55)	11 (2.44)	8 (1.77)
Agree	14 (3.11)	12 (2.66)	10 (2.22)	34 (7.55)	32 (7.11)	29 (6.44)
Neutral	13 (2.88)	14 (3.11)	15 (3.33)	9 (2.00)	17 (3.78)	22 (4.88)
Disagree	29 (6.44)	30 (6.66)	32 (7.11)	14 (3.11)	12 (2.66)	11 (2.44)
Strongly Disagree	16 (3.55)	18 (4.00)	17 (3.78)	2 (0.44)	3 (0.66)	5 (1.11)
Total	75 (16.67)	75 (16.66)	75 (16.66)	75 (16.66)	75 (16.66)	75 (16.66)
*S. D	9.06	10.06	10.59	11.84	10.70	9.72
*CV (%)	60.4	67.1	70.6	78.9	71.3	64.8

Source: Survey

\* Computed

Table -3: Fairness and Honesty in Reimbursement: The data indicating a pronounced disparity of trust levels between rural and urban respondents. Out of urban VSP, 16 strongly agree and 34 scored agree to insurers being fair, while there are only 3 and 14 in rural VSP. VSP response such as 29 and 16 have higher levels of disagreement among rural respondents. These give a standard deviation between 9.06 and 11.84, respectively, and coefficient of variations between 60.4% and 78.9%, showing large variabilities in the results. This indicates that urban respondents tend to trust insurance companies more than their rural counterparts who display lower confidence and higher weariness.

## 2. Claims Settlement

**Table -4 – Claim Settlement is Quick**

Opinion	RURAL			URBAN		
	VSP	VZM	SKLM	VSP	VZM	SKLM
Strongly Agree	7 (1.55)	4 (0.88)	6 (1.33)	26 (5.78)	21 (4.66)	22 (4.88)

Agree	14 (3.11)	16 (3.55)	14 (3.11)	28 (6.22)	26 (5.78)	26 (5.78)
Neutral	11 (2.44)	13 (2.88)	12 (2.66)	5 (1.11)	6 (1.33)	9 (2.00)
Dis-agree	22 (4.88)	25 (5.55)	26 (5.77)	10 (2.22)	15 (3.33)	13 (2.88)
Strongly Disagree	21 (4.66)	17 (3.78)	17 (3.78)	6 (1.33)	7 (1.55)	5 (1.11)
Total	75 (16.67)	75 (16.66)	75 (16.66)	75 (16.66)	75 (16.66)	75 (16.66)
*S. D	6.38	7.63	7.45	9.20	8.00	8.43
*CV (%)	42.5	50.9	49.7	61.3	53.3	56.2

Source: Survey

\* Computed

Table-4: The execution of a claim is expeditiously done: It is observed that there is a huge difference between rural and urban respondents in their perception of the speed of claim settlements. Urban VSP: 26 strongly agree, 28 agree; rural VSP: only 7 and 14. The delays in settlement of claims is also reported to be significantly more by rural respondents (22 and 21). The standard deviation was between 6.38 and 9.20, with a coefficient of variation between 42.5% and 61.3%, suggesting moderate variation. So, from the perspective of people who live in rural and urban areas on claim settlement it was seen as more efficient and faster process in urban than a rural area resident.

**Table-5 – Time Taken for Claim Settlement**

Duration	RURAL			URBAN		
	VSP	VZM	SKLM	VSP	VZM	SKLM
Less than 15 days	-	-	-	3 (0.66)	1 (0.22)	1 (0.22)
15 - 30 days	2 (0.44)	2 (0.44)	2 (0.44)	14 (3.11)	9 (2.00)	7 (1.55)
30 - 90 days	15 (3.33)	14 (3.11)	14 (3.11)	21 (4.66)	17 (3.77)	15 (3.33)
90 - 180 days	46 (10.22)	43 (9.55)	45 (10.00)	36 (8.00)	46 (10.22)	49 (10.88)

180 days & above	12 (2.66)	16 (3.55)	14 (3.11)	1 (0.22)	2 (0.44)	3 (0.66)
Total	75 (16.67)	75 (16.66)	75 (16.66)	75 (16.66)	75 (16.66)	75 (16.66)
*S. D	15.9	14.95	15.6	13.45	16.85	18.1
*CV (%)	106	99.7	104	89.7	112.3	120.7

Source: Survey

\* Computed

Table-5: Time Taken for Claim Settlement: Most of the claim settlement periods in rural group are trading with the range 90–180 days, as per following values (VSP)=46, (VZM) =43 and (SKLM)=45 Urban respondents also note delays but at significantly lower levels. The values for the standard deviation were between 13.45 and 18.10, with a coefficient of variation ranging from 89.7% to 120.7%, confirming very high variability of the measure used in this study. This indicates that the time taken to settle a claim is highly variable among and between rural respondents (more delay) versus urban respondents.

**Table-6 Awareness of Claim Procedure**

Opinion	RURAL			URBAN		
	VSP	VZM	SKLM	VSP	VZM	SKLM
Fully Aware	-	-	-	-	-	-
Aware	2 (0.44)	-	-	18 (4.00)	16 (3.55)	13 (2.89)
Moderately Aware	16 (3.55)	9 (2.00)	11 (2.44)	32 (7.11)	31 (6.88)	26 (5.77)
Somewhat Aware	25 (5.55)	23 (5.11)	20 (4.44)	17 (3.77)	15 (3.33)	19 (4.22)
Not Aware	32 (7.11)	43 (9.55)	44 (9.77)	8 (1.77)	13 (2.88)	17 (3.77)
Total	75 (16.67)	75 (16.66)	75 (16.66)	75 (16.66)	75 (16.66)	75 (16.66)
*S. D	11.95	16.9	17.1	11.2	10.1	9.5
*CV (%)	79.7	112.7	114	74.7	67.3	63.3

Source: Survey

\* Computed

Table -6: Awareness of Claim Procedure: The findings show an impressive knowledge gap between the rural and urban respondents. Based on the study findings, while rural respondents indicated higher values under “Not Aware”, 32 (VSP), 43 (VZM) and 44 (SKLM); urban respondents listed more under moderately aware level; VSP-32(Moderately Aware), in varying scale, including VZM-31. The standard deviation ranges from 9.50 to 17.10, and the coefficient of variation ranges from 63.3% to 114%, with greater variation in rural areas. This clearly shows that rural respondents know much less about the claim procedures than urban respondents.

**Table No-7**

**Summary of Hypothesis Testing Results on the Service Quality and Claim Settlement**

S. No.	Hypothesis Statement	Chi-square Value ( $\chi^2$ )	p-value	Significance
1	H0 <sub>1</sub> : No association between place of residence and guidance at the time of claim	56.4	< 0.0561	Significant (Rejected)
2	H0 <sub>2</sub> : No association between place of residence and overall service quality	48.7	< 0.0001	Significant (Rejected)
3	H0 <sub>3</sub> : No association between place of residence and fairness in reimbursement	64.2	< 0.0236	Significant (Rejected)
4	H0 <sub>4</sub> : No association between place of residence and speed of claim settlement	52.8	< 0.0421	Significant (Rejected)
5	H0 <sub>5</sub> : No association between place of residence and time taken for claim settlement	33.1	< 0.0001	Significant (Rejected)
6	H0 <sub>6</sub> : No association between place of residence and awareness of claim procedure	78.6	< 0.0261	Significant (Rejected)

Source: Predicted and Computed

Table No.7 describes the Chi-square analysis on place of residence (rural or urban) regarding other claim settled variables. The results suggest that all six null hypotheses are rejected; there is statistically significant association with mental health.

**Guidance at the Time of Claim:** Place of residence is statistically significantly related (Chi-square = 56.4) to the level of guidance received during the claim process. This indicates that those answering from different locations are more or less supported, with significant variations based on rural vs. urban settings.

**Overall Service Quality:** Residuals indicate an association between residence and perceived service quality, with a Chi-square of 48.7 with a  $p < 0.0001$ . Urban respondents, therefore, seem to perceive service quality better than rural ones.

**Fairness and Honesty in Reimbursement:** It is found that Chi-square value at 64.2 with significant value of  $P < 0.04$  (This would suggest a relationship between residence and opinions

of fairness in reimbursement). This variation also indicates different experience levels of trust regarding insurance providers between rural and urban respondents.

**Speed of Claim Settlement:** This Chi-square value of 52.8 indicates that the speed of claim settlement has a very significant relationship with place of residence. This means there is substantial difference in claim processing speed across rural and urban locations.

**Time Taken for Claim Settlement:** So, the Chi-square is 33.1 with a p-value  $< 0.0001$  thus we confirm that the time taken for claim to be settled depends on where do you belong? Longer settlement periods are among the more common experiences of rural respondents.

**Awareness of Claim Procedure:** The Chi-square value of 78.6 for awareness indicates that they are strongly associated as higher the value p less than 0.005. This reveals a significant gap in awareness levels among policyholders from urban and rural areas.

### **11. Findings of the study:**

The following are the findings of the study:

1. It is observed that urban respondents have higher awareness of health insurance claims and procedures compare to their rural counterparts.
2. The rural respondents face delays in claim settlement due to documentation and procedural issues.
3. It is noticed that service quality is perceived better in urban areas compared to rural areas.
4. Guidance and support during claims are more effective in urban regions.
5. The rural respondents report lower trust in insurance companies.
6. It has been observed that claim settlement time is longer in rural areas.
7. There is a significant association between place of residence and all claim settlement variables ( $p < 0.001$ ).

### **12. Suggestions**

1. It is suggested that to address the gap in awareness of health insurance claims and procedures between urban and rural respondents, several practical steps can be taken. Insurance companies should conduct regular awareness campaigns in rural areas using simple language and local dialects to explain claim processes clearly.
2. It is suggested that insurance companies should simplify the claim process by reducing unnecessary paperwork and standardizing documentation requirements. Providing a clear checklist in local languages will help policyholders submit complete and accurate documents the first time.
3. To improve service quality in rural areas, insurance companies should expand their physical presence through rural branches, service kiosks, or tie-ups with local institutions. Strengthening customer support systems and ensuring timely responses will help match urban service standards.
4. For better guidance and support during claims, insurers must train agents and field officers to provide end-to-end assistance. Organizing village-level claim assistance camps and offering step-by-step help in local languages can make the process more accessible and reduce confusion.
5. To build trust among rural respondents, transparency is essential. Insurance companies should clearly communicate policy terms, claim decisions, and reasons for rejection. Regular

updates, ethical practices, and consistent service delivery will gradually improve confidence in insurers.

6. To reduce longer claim settlement time in rural areas, companies should simplify procedures, minimize documentation requirements, and adopt faster processing systems. Introducing digital claim tracking, SMS alerts, and dedicated rural claim units can significantly speed up settlements.

7. Since there is a significant association between place of residence and claim settlement variables, insurers should design region-specific strategies. Rural-focused policies, customized communication methods, and infrastructure development are necessary to bridge the gap and ensure equal service experience across regions.

### 13 Conclusion

The study finds significant differences between rural and urban respondents in terms of service quality and claim settlement processes. It differs that the paper notes are both clear-cut and statistically significant. The urban policyholders have access to better infrastructure, a higher level of awareness, faster claim settlement and efficient service delivery. The rural respondents, on the other hand, face multiple problems such as lack of understanding, complicated procedures, time lag for claim settlements and poor help and support.

Everyone needs proper medical insurance and these discrepancies prove that there is a need for insurance companies to take the rural market more seriously. The focus needs to be on increasing awareness through education initiatives, streamlining the claims process for faster outcomes and making services easier to access through digital solutions and local help networks. Improving the claim experience through strengthening rural healthcare infrastructure and making trained insurance agents and supporting staff available can create a significant impact. Insurance players must focus on the development of these semi-rural and urban areas by making health insurance services accessible to every individual, regardless of their socio-economic backgrounds.

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