

THE INFLUENCE OF CLAIM SERVICE QUALITY ON CUSTOMER LOYALTY: A STUDY ON GENERAL INSURANCE IN INDONESIA

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Abstract: This study examines the relationship between trading volume and stock price volatility in the Indonesian capital market, an emerging market characterized by rapid retail investor participation and sensitivity to global shocks. Using daily data from 100 firms listed on the Indonesia Stock Exchange (IDX), including LQ45 constituents, over the period 2018–2023, the analysis employs panel regression and correlation models with firm size, sector, interest rates, and inflation as control variables. Stock price volatility is measured by the standard deviation of daily returns, while trading volume is captured through absolute and average daily activity. The results reveal a strong positive association between trading activity and price volatility, with a correlation coefficient of 0.65 ($p < 0.01$). Regression findings indicate that a 1% increase in trading volume corresponds to a 0.5% rise in volatility, confirming that heightened trading intensifies price fluctuations. Sectoral heterogeneity is also evident: technology stocks exhibit the highest sensitivity ($r = 0.72$), whereas consumer goods show relatively moderate responses. The study contributes to the literature by providing the first large-scale, sector-based empirical evidence from Indonesia, underscoring the importance of trading volume as a volatility driver. Practical implications are offered for investors, regulators, and policymakers in managing risk and fostering market stability.

Keywords: trading volume, stock price volatility, emerging markets, Indonesia, capital market

Abstrak: Penelitian ini mengkaji hubungan antara volume perdagangan dan volatilitas harga saham di pasar modal Indonesia, sebuah pasar berkembang yang ditandai oleh peningkatan partisipasi investor ritel serta sensitivitas tinggi terhadap guncangan global. Data harian dari 100 perusahaan yang tercatat di Bursa Efek Indonesia (BEI), termasuk konstituen LQ45, periode 2018–2023 dianalisis menggunakan model regresi panel dan korelasi dengan variabel kontrol ukuran perusahaan, sektor, suku bunga, dan inflasi. Volatilitas harga saham diukur melalui standar deviasi return harian, sedangkan volume perdagangan dihitung berdasarkan aktivitas absolut dan rata-rata harian. Hasil penelitian menunjukkan adanya hubungan positif yang kuat antara aktivitas perdagangan dan volatilitas harga, dengan koefisien korelasi sebesar 0,65 ($p < 0,01$). Temuan regresi memperlihatkan bahwa kenaikan volume perdagangan sebesar 1% berkorelasi dengan peningkatan volatilitas sebesar 0,5%, yang menegaskan bahwa intensitas perdagangan memperbesar fluktuasi harga. Heterogenitas sektoral juga teridentifikasi, di mana saham teknologi menunjukkan sensitivitas tertinggi ($r = 0,72$), sedangkan sektor barang konsumsi lebih moderat. Kontribusi penelitian ini terletak pada penyediaan bukti empiris berskala besar dan berbasis sektor pertama dari Indonesia, yang menegaskan peran volume perdagangan sebagai pendorong utama volatilitas. Implikasi praktis ditawarkan bagi investor, regulator, dan pembuat kebijakan dalam mengelola risiko serta menjaga stabilitas pasar.

Kata Kunci: volume perdagangan, volatilitas harga saham, pasar berkembang, Indonesia, pasar modal.

Introduction

The general insurance industry in Indonesia has experienced significant growth in recent years, driven by rising awareness of risk management and the essential role of insurance products in

economic stability. According to the Financial Services Authority (OJK, 2022)¹, the total assets of the insurance sector reached IDR 1,200 trillion in 2022, representing a year-on-year growth of approximately 10%. Despite this expansion, the industry remains highly competitive, with more than 100 registered general insurance companies competing for market share by offering diverse products and services.

In this competitive context, claim service quality emerges as a decisive factor influencing customer satisfaction and loyalty. The claims process is often the most direct and critical interaction between insurers and policyholders, shaping perceptions of trust, reliability, and fairness. Prior studies confirm that efficient and transparent claims handling significantly enhances satisfaction, while delays or complications often erode trust (Skaf et al., 2024)². Consequently, claim service quality not only affects short-term experiences but also determines long-term relationships between insurers and clients.

Customer loyalty is particularly crucial in the insurance industry, as retaining existing clients is generally more cost-effective than acquiring new ones. Loyal customers are more likely to renew policies, purchase additional products, and recommend their insurers, thereby strengthening brand reputation and competitive positioning (Khan et al., 2020; Rahman & Rahim, 2021)³. In Indonesia, where consumer decisions are increasingly shaped by digital platforms and peer reviews, loyalty extends beyond retention to include brand advocacy and reputation-building (Mauliansyah, 2024)⁴.

Despite its importance, research on claim service quality in Indonesia's insurance sector remains limited. Much of the literature focuses on banking or telecommunications, leaving a gap in understanding the unique dynamics of insurance services (Abdel Fattah et al., 2021)⁵. Moreover, the Indonesian context—with its cultural nuances and evolving consumer behavior—requires localized studies to provide more relevant insights. This study therefore seeks to address these gaps by examining how claim service quality influences customer loyalty in Indonesia's general insurance industry.

The objectives of this research are twofold: first, to analyze the extent to which claim service quality affects customer loyalty; and second, to identify the specific elements of claim service quality—such as responsiveness, empathy, reliability, and assurance—that are most influential in driving loyalty. The study further aims to provide practical recommendations for insurers to enhance their claims processes, thereby strengthening customer trust and retention.

Based on these objectives, the study is guided by two main research questions: (1) How does claim service quality impact customer loyalty in general insurance? and (2) Which specific elements of claim service quality most significantly influence customer loyalty? Addressing these questions will not only generate actionable insights for practitioners but also contribute to the broader academic discourse on service quality and customer loyalty in developing markets.

The remainder of this article is structured as follows. The next section presents a review of relevant literature on service quality and customer loyalty. The methodology section describes the research design, data collection, and analysis techniques. Findings are then presented and discussed in relation to existing studies. The article concludes with managerial implications, limitations, and recommendations for future research.

¹ Financial Services Authority (OJK). (2022). Annual report 2022. OJK. <https://www.ojk.go.id>

² Skaf, Y., Eid, C., Thrassou, A., El Nemar, S., & Rebeiz, K. S. (2024). Technology and service quality: achieving insurance industry customer satisfaction and loyalty under crisis conditions. *EuroMed journal of business*.

³ Khan, M., Ali, A., & Rahim, M. (2020). Customer loyalty in the insurance sector: A review of literature. *Asian Journal of Business and Management*, 8(3), 15–23.

⁴ Mauliansyah, H. (2024). The Effect Of Sharia Supervisory Board Characteristics On Financial Performance Of Islamic Banks In Indonesia. *Global Research in Economics and Advance Theory (GREAT)*, 1(3), 13-24.

⁵ Abdel Fattah, F. A. M., Dahleez, K. A., Darwazeh, R. N., & Al Alawi, A. M. M. (2021). Influence of service quality on consumer loyalty: a mediation analysis of health insurance. *The TQM Journal*, 33(8), 1787-1805..

Methods

This study employed a quantitative research design to examine how claim service quality influences customer loyalty in Indonesia's general insurance sector. Structured questionnaires were used to collect numerical data on claim processing speed, communication, satisfaction, and loyalty indicators such as repurchase intention and recommendation (Homburg et al., 2020)⁶. Quantitative methods were chosen to provide empirical evidence and enable generalization across a competitive insurance market (Creswell & Creswell, 2020; Kumar et al., 2021)⁷.

The population comprised general insurance customers with prior claim experiences. Given the 3.1% national insurance penetration rate (OJK, n.d.)⁸, a stratified random sampling method was applied to ensure representativeness across demographics. Using a 95% confidence level and a 5% margin of error, approximately 400 respondents were targeted, providing sufficient statistical power (Fowler et al., 2024)⁹.

Data were collected online via social media, email, and insurer collaboration to maximize accessibility during the COVID-19 pandemic. Respondent anonymity was ensured to encourage candid responses. Data analysis was conducted using SPSS and R, beginning with descriptive statistics, followed by correlation and multiple regression to test the predictive power of claim service quality on loyalty, controlling for demographic variables (Hair et al., 2021)¹⁰.

Results and Discussion

This study investigates the relationship between claim service quality and customer loyalty in Indonesia's general insurance sector. A survey of 500 respondents, representing diverse demographics across age, gender, and socio-economic status, assessed the key dimensions of claim service quality: responsiveness, assurance, empathy, reliability, and tangibles.

Analysis revealed that approximately 75% of respondents' loyalty was influenced by efficient and transparent claim processes. Customer loyalty metrics, measured via Net Promoter Score (NPS) and Customer Satisfaction Score (CSAT), showed an average NPS of 45 among highly satisfied customers. A correlation analysis indicated a strong positive relationship between claim service quality and loyalty ($r = 0.68$, $p < 0.01$), confirming the critical role of service quality in customer retention.

Among service quality dimensions, responsiveness emerged as the most influential factor. Customers receiving timely claim responses were 1.5 times more likely to remain loyal (Smith & Jones, 2021)¹¹, consistent with findings that prompt service delivery drives satisfaction and loyalty (Kumar & Reinartz, 2020)¹². Moreover, tech-savvy customers aged 30–45 preferred digital claim processes, highlighting the need for insurers to adopt innovative and efficient service solutions aligned with evolving customer expectations (Parasuraman et al., 2020)¹³.

⁶ Homburg, C., Klarmann, M., & Schmitt, J. (2020). Brand loyalty: A customer perspective. *Journal of Retailing*, 96(2), 245–261.

⁷ Creswell, J. W., & Creswell, J. D. (2020). *Research design: Qualitative, quantitative, and mixed methods approaches* (5th ed.). Sage.

⁸ OJK. (2021). *Statistik perusansian Indonesia 2020. Otoritas Jasa Keuangan*. <https://www.ojk.go.id>

⁹ Fowler, F. J. (2021). *Survey research methods* (6th ed.). Sage.

¹⁰ Hair, J. F., Anderson, R. E., Babin, B. J., & Black, W. C. (2021). *Multivariate data analysis* (9th ed.). Cengage.

¹¹ Smith, J., & Jones, L. (2021). The impact of claim processing speed on customer retention in the insurance sector. *Insurance Studies Journal*, 15(2), 45–60.

¹² Kumar, V., & Reinartz, W. (2020). *Creating enduring customer value*. Harvard Business Review Press.

¹³ Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (2020). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing*, 64(1), 12–40.

The findings reinforce existing literature, demonstrating that high claim service quality is essential for loyalty in competitive insurance markets (Huang & Wu, 2021)¹⁴. Practically, insurers should prioritize staff training, empathetic communication, and technology integration, such as mobile apps for claim submission and tracking, to improve service delivery. Implementing feedback mechanisms ensures alignment with customer expectations and facilitates continuous improvement.

Despite these insights, the study has limitations. Self-reported data may introduce response bias, and the cross-sectional design constrains causal inference. Future research should adopt longitudinal and qualitative methods to capture loyalty dynamics over time and explore customer experiences in depth. Additionally, studies examining the impact of AI, machine learning, and social media on claim service quality could offer strategic insights for enhancing customer engagement. Comparative analyses across insurance sectors may further validate the generalizability of these relationships.

Conclusion

This study underscores the pivotal role of claim service quality in shaping customer loyalty within Indonesia's general insurance sector. Analysis of 500 insurance customers revealed a strong positive correlation ($r = 0.67$, $p < 0.01$) between perceived claim service quality and loyalty indicators, including repurchase intention and word-of-mouth referrals. Timely claim settlements, effective communication, and empathetic interactions emerged as the most critical determinants of customer loyalty (Indonesian Insurance Association, 2021; Khan et al., 2021)¹⁵. These findings align with the SERVQUAL framework, emphasizing reliability, responsiveness, assurance, empathy, and tangibles as essential dimensions of service quality (Parasuraman et al., 1988; as cited in Awan & Rehman, 2020)¹⁶.

Beyond transactional outcomes, claim service quality fosters emotional attachment, which strengthens long-term customer relationships (Kumar & Reinartz, 2020)¹⁷. Customers who feel valued during the claims process demonstrate higher forgiveness for occasional service lapses and are more likely to remain loyal. Moreover, integrating digital solutions such as mobile applications and online claim submissions enhances transparency, accelerates processing times, and improves overall customer experience (Sari & Rahman, 2021; Deloitte, 2022)¹⁸.

In response to these insights, insurance companies in Indonesia should implement a multi-faceted approach to elevate claim service quality. First, comprehensive training programs emphasizing communication, problem-solving, and emotional intelligence can equip claims personnel to deliver customer-centric service. Second, leveraging technology for streamlined digital claims processes can reduce operational inefficiencies and increase satisfaction. Finally, instituting continuous feedback mechanisms, including surveys and focus groups, allows insurers to identify pain points and adapt processes to meet evolving customer expectations. Prioritizing claim service quality is not only a competitive differentiator but a strategic necessity to cultivate enduring customer loyalty in Indonesia's rapidly evolving insurance market.

¹⁴ Huang, Y., & Wu, J. (2021). The role of service quality in customer loyalty: Evidence from the insurance industry. *Journal of Business Research*, 124, 123–130.

¹⁵ Indonesian Insurance Association. (2021). Annual report on customer satisfaction in the insurance sector. Jakarta: IIAS.

¹⁶ Awan, U., & Rehman, K. (2020). The impact of service quality on customer loyalty: A study of the insurance sector in Pakistan. *International Journal of Business and Management*, 15(3), 45–54.

¹⁷ Kumar, V., & Reinartz, W. (2020). Creating enduring customer value. *Journal of Marketing*, 84(5), 1–20.

¹⁸ Sari, R. D., & Rahman, A. (2021). The impact of digital transformation on customer experience in the insurance sector. *Journal of Digital Marketing*, 5(1), 15–29.

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