

An investigation on the effects of justice on customer's trust in insurance firms

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ABSTRACT

This paper presents an investigation on the effects of various components of justice including distributive justice, interactional justice and procedural justice on building a mutual trust among customers in insurance firms. The proposed study of this paper uses a questionnaire originally developed by Daniels [Daniels, N. (1996). *Justice and justification: Reflective equilibrium in theory and practice* (Vol. 22). Cambridge: Cambridge University Press.] and designs a questionnaire for measuring trust. The study was performed among 384 people who had used insurance services in city of Tehran, Iran. Cronbach alphas for two questionnaires of justice and trust are 0.799 and 0.935, respectively, which are well above the minimum acceptable level. Using Spearman correlation test, the study has detected that two justice components, interactional justice and procedural justice, positively influence on customers' trust, significantly.

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1. Introduction

One of the most important issues on business development is to build a mutual trust between customers and organizations. Having a sustainable trust helps organizations plan for long term planning and there are different studies to learn the effects of various factors on building trust (Chang et al., 2006; Homburg et al., 2010). According to Bunker and Ball (2005), trust with a focal service organization before a service failure and recovery, and commitment afterwards, could be influenced by previous serious service failures with other firms. Customers are able to generalize their lack of trust, and this influences commitment. Trust is critical in facilitating exchange relationships. Moorman et al. (1993), for instance, presented a comprehensive theory of trust in market research relationships where it concentrated on the factors that detect users' trust in their researchers, including individual, interpersonal, organizational, inter-organizational/inter-departmental, and project related

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factors. They reported that the interpersonal factors were the most predictive of trust and among the factors, perceived researcher integrity, willingness to reduce research uncertainty, confidentiality, expertise, tactfulness, sincerity, congeniality, and timeliness were most strongly associated with trust.

Commitment is another frequently studied variable in different organizations and several researchers suggested it as the main antecedent of customer loyalty. Cater and Zabkar (2009) investigated commitment in terms of the customer's perspective, consisting of three components including calculative, affective and normative. They examined the relationships between the three dimensions of commitment and social bonds, trust and satisfaction in the context of professional business services providers and their customers. They reported that in Central and Eastern European that affective commitment was the only one of the three components, which significantly influences customer loyalty. Trust and social bonds had no significant relationship either to normative or to calculative commitment while a relationship of overall satisfaction with normative and calculative commitment was detected to be negative.

Cohen-Charash and Spector (2001) measured distributive, procedural, and interactional justice using 190 studies samples, totaling 64,757 participants and reported that the distinction between the three justice kinds to be merited. In this study, while organizational practices and outcomes were associated with three justice items, demographic characteristics of the perceiver did not confirm such correlation. Job performance and counterproductive work behaviors, considered to be output of perceived justice, were mainly associated with procedural justice, whereas organizational citizenship behavior was similarly forecasted by distributive and procedural justice. Colquitt (2001) explored the dimensionality of organizational justice and provided some evidence of construct validity for a new justice measure. They measured the items by strictly following the seminal works in the justice literature and they were validated in two separate studies. Colquitt et al. (2001) investigated the issue of justice by performing a meta-analytic review of 25 years of organizational justice research.

2. The proposed study

This paper presents an investigation on the effects of various components of justice, distributive justice, interactional justice and procedural justice, on building a mutual trust among customers in insurance firms. The proposed study of this paper uses a questionnaire originally developed by Daniels (1996) and designs a questionnaire for measuring trust. The study has been executed among different people who use insurance services in city of Tehran, Iran. Therefore, the sample size is calculated as follows,

$$N = Z_{\alpha/2}^2 \frac{p \times q}{e^2}, \quad (1)$$

where N is the sample size, $p = 1 - q$ represents the probability, $z_{\alpha/2}$ is CDF of normal distribution and finally ε is the error term. For our study we assume $p = 0.5$, $z_{\alpha/2} = 1.96$ and $e = 0.05$, the number of sample size is calculated as $N = 384$. Fig. 1 demonstrates personal characteristics of the participants who took part in our survey.

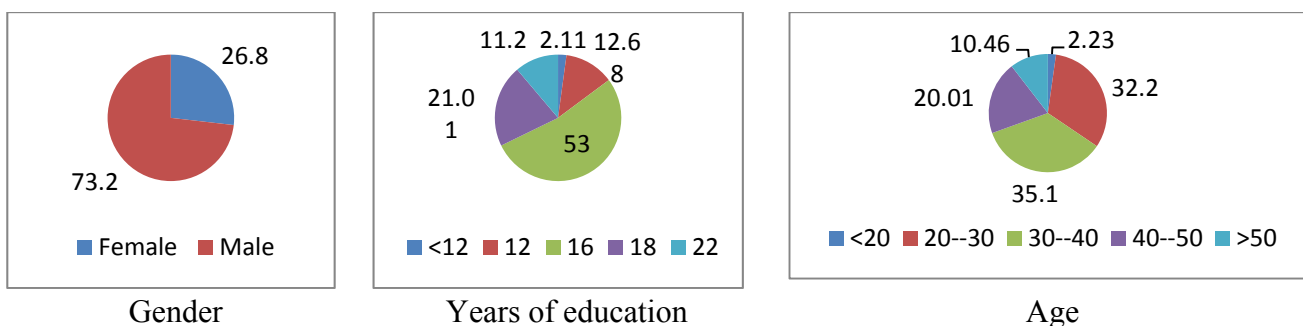


Fig. 1. Personal characteristics of the participants

According to Fig. 1, most participants were female, they were highly educated and middle age. Cronbach alphas for two questionnaires of justice and trust are 0.799 and 0.935, respectively, which are well above the minimum acceptable level. The study considers the following hypotheses,

1. There is a positive and meaningful relationship between distributive justice and insurance customers' trust.
2. There is a positive and meaningful relationship between procedural justice and insurance customers' trust.
3. There is a positive and meaningful relationship between interactional justice and insurance customers' trust.

Fig. 2 demonstrates the summary of our proposed study.

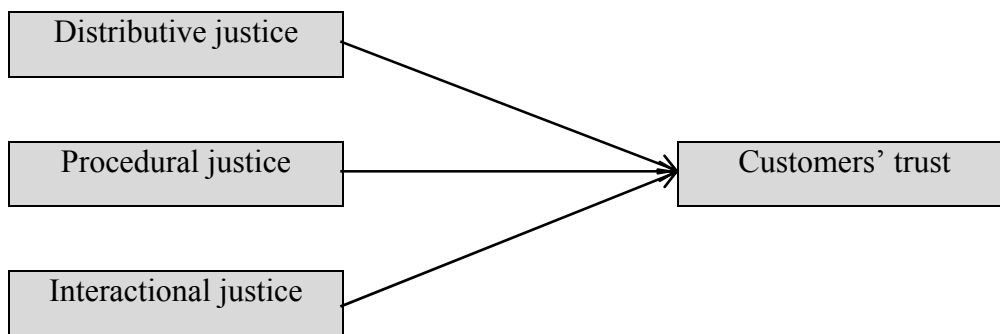


Fig. 2. The proposed study

All questions of the survey have been designed in Likert scale and using Kolmogorov-Smirnov test, we have found out that data were not normally distributed. Therefore, we use Spearman correlation test to verify the hypotheses of the survey.

3. The results

In this section, we present details of our findings on testing various hypotheses of the survey.

3.1. The effect of distributive justice on customer trust

The first hypothesis of the survey investigates the effect of distributive justice on regular users of insurance services' trust. Spearman correlation ratio has been calculated as 0.83 with Sig. = .104, which means there is no meaningful relationship between distributive justice and trust when the level of significance is five or even ten percent leading us to reject the first hypothesis of the survey.

3.2. The effect of Procedural justice on customer trust

The second hypothesis of the survey studies the impact of procedural justice on regular users of insurance services' trust. Spearman correlation ratio has been calculated as 0.131 with Sig. = .01, which means there is a meaningful relationship between procedural justice and trust when the level of significance is five percent leading us to accept the second hypothesis of the survey.

3.3. The effect of interactional justice on customer trust

The third hypothesis of the survey studies the effect of interactional justice on regular users of insurance services' trust. Spearman correlation ratio has been computed as 0.153 with Sig. = .003, which means there is a meaningful relationship between interactional justice and trust when the level of significance is five or even one percent and we can accept the third hypothesis of the survey.

We have also performed regression analysis to study the relationship between customer trust as dependent variable and three components of justice and Table 1 summarizes the results of our survey.

Table 1

The summary of regression analysis

| Variable | β | Standard error | Standard β | t-value | Sig. |
|-----------------------|---------|----------------|------------------|---------|-------|
| Intercept | 27.229 | 2.098 | | 12.979 | 0.000 |
| Interactional justice | 0.491 | 0.171 | 0.155 | 2.864 | 0.004 |
| Procedural justice | 0.485 | 0.231 | 0.141 | 2.104 | 0.036 |

According to the results of Table 1, two components of justice; namely interactional and procedural influence on customer trust, significantly when the level of significance is five percent.

4. Conclusion

In this paper, we have presented an empirical investigation to study the impacts of distributive justice, interactional justice as well as procedural justice on customers trust in insurance industry. The proposed study selected a sample of 384 people and using two questionnaires found out that there were some positive and meaningful relationship between procedural and interactional justice and customer trust but there was meaningful relationship between distributive justice and customer trust. The results of applying regression analysis have been consistent with our findings on customer trust when the level of significance was five percent.

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