

SELECTION FACTORS OF PRIVATE OR PUBLIC SECTOR COMPANIES: A STUDY OF LIFE INSURANCE SECTOR IN INDIA

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ABSTRACT

Life insurance is protection cover for human life and works in same manner as shield with sword in the field of battle for soldiers, helmet for bike driver. Insurance provides both safety and protection to individuals and also encourages savings among people. Life insurance companies of India plays a vital role in the welfare of human well-being by providing insurance to millions of people against life risks such as uncertain death or accident. The present study was selected with an objective to identify those factors which influence customers towards selection of insurance company and other factors of decision-making process. The research is descriptive and analytical in nature, which has used the facts and information arranged through direct efforts to analyze the subject matter. The main emphasis of this study is to seek the possibilities of the interest of the people in the field of life insurance services. In this study it was explored whether the people like the public sector insurance services or private sector insurance services and the reasons of their different rationales. Primary source is used for obtaining data from policyholders and a questionnaire is meant for this purpose. The study area is limited to National Capital Region (NCR) of India and sample size is 120 insured people which were selected through random sampling method. The data is analyzed through table, charts and other relevant tools. The main finding of the study was that LIC is undoubtedly market leader in life insurance sector in India and enjoying its place. The study will helpful for investors/companies operating in the field, researchers, academicians and students to get an understanding regarding the subject.

KEYWORDS: *Life Insurance, Policy Holders, Policies, LIC, Socio-Economic Factors.*

Introduction

The first thing that strikes one's mind, when thinks of Indian Insurance is that the growth potential of this sector is tremendous. There has been a steady rise in the penetration of Insurance, over the last few years. All the same, it still remains at a very low level, when compared with the world standards. The mercurial growth that the industry has witnessed, especially, in the life domain has largely remained restricted to certain pockets- mainly urban and semi-urban, although there has been of late. There has been some progressive growth in rural areas. Globalization access the new market for global players, especially in case of Indian corporate world where private companies were not allowed in banking, insurance and other financial services and sectors. The openness provides opportunities not only to the corporations but also to the consumers. With reference to the opportunity of consumers, there is some confusion in their mind when they make decisions regarding the use of multinationals services or products. Still they make decisions, with the influences of large number of factors. In some areas private players are doing well and have a strong dominance. Only few sectors are there, in India, where public sector enterprises still holding a dominance. For the Indian Insurance Industry to reach global standards, it is very essential that people resort to buy Insurance voluntarily, rather than being persuaded to do so. Poverty has often been quoted as the single largest factor for the poor penetration levels of insurance but when one really undertakes to analyse the causes more rationally, it does not take a great effort to realize that there are other equally forceful factors that are responsible for such a phenomenon.

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Insurance has not remained at the top of the agenda for a large section of the Indian population that often includes even highly literate persons. While one section of the population often treats Insurance as one of their investment avenues, there are others that dismiss Insurance with disdain, claiming that they are above the risks that insurance seeks to protect. Life Insurance market in India is growing rapidly after the entry of the private players. The industry is developing very fast and many more players are eyeing to enter this sector shortly. In view of expanding insurance sector it will be of interest to do research on different aspects of insurance business. The insurance sector is still in its infancy and to grow it, the obstacles and problem are to be highlighted and resolved.

Literature Review

Some of the studies pertaining to the insurance services in insurance industry have been discussed in subsequent section. Manmilla Rajasekhar,(2008) in their article 'Study on customer's expectations of Life Insurance Policies and Services' have found that customers are now identifying newer dimensions attached to life insurance to match their life cycle needs. He classified customer's expectations in two categories i.e. desired service, the level of service the policy taker hopes and believes to receive and adequate service, the level of services the customer will accept. He asserts the factor influencing desired services expectations that are personal needs, personal service philosophy and the derived services (services expectations affected by influence groups, such as friends and relatives). Rajasekhar Mallela, Venkata Madhukar Kanagala & Purnananda Kumar Divakaruni (2007) assessed that the particular disclosure "Insurance is the subject matter of solicitation" has little relevance to non life insurance products, primarily because, customer have no ambiguity about the product being insurance, and hence no scope for misleading information by solicitors. TS Rama Krishna Rao and Samuel Babu S (2007) examined that in spite of the aggressive marketing tactics that the private insurer adopted LIC continues to enjoy strong brand equity. This shows that 'trust' is a factor, which determines a person's purchase decision. Despite liberalization, LIC continues to lead the market in terms of market share and enjoys customer support. When they come to claim settlement, LIC leads the table and is far ahead of private life insurance companies. They found that Tata AIG, Met Life, Birla Sunlife, and HDFC are at the top in terms of non-payment or rejection of claims. They conclude that private insurer look keen to push products and sell the products to people but are indifferent when it comes to claim settlement. They found that private life insurance companies settled 72.7% of the claims, LIC managed to settle 96.94 of the same. Athma. P and kumar. R (2007) in the research paper titled "an explorative study of life insurance purchase decision making: influence of product and non-product factors". The empirical based study conducted on 200 sample size comprising of both rural and urban market. The various product and non-product related factors have been identified and their impact on life insurance purchase decision-making has been analyzed. Based on the survey analysis; urban market is more influenced with product based factors like risk coverage, tax benefits, return etc. Whereas rural population is influenced with non-product related factors such as: credibility of agent, company's reputation, trust, customer services. Company goodwill and money back guarantee attracts many people for life insurance.

A number of researches have been done on insurance till now but there is a neglected research on, why people like LIC of India more than private sector insurance companies, the most eminent purpose to purchase insurance, factors which influence the buying decisions of the customers and the insurance plans people like the most. This sector is performing very well. It is providing competitive edge with wider options to the investors/policyholders. That's why I have selected this topic. But due to limitation of time it was not easy to cover some more parameters that's why I took only selected, in my research.

Objectives of the Study

The objectives of the study are:

- To explore Life Insurance Company (public or private), people like the most.
- To know the extent to which category plans affects buying decisions of the customers.
- To find out the need priority, while people purchase an insurance policy.
- To find out the reason for people's preference in choosing Insurance Company.

Research Methodology

The study covers the life insurance aspect of the insurance sector. The present study is an exploratory and descriptive type in nature. In order to attain the objectives of the study, primary data has been collected with the help of questionnaire through direct efforts consist survey of 120 insured people. The study is also limited to coverage of insured in National Capital Region (NCR) in India. The data is

analyzed with the help of statistical tools viz. Tabulation and percentage. The standardized questionnaire was set up by seeking the opinion and discussing the matter with insurance executives and experts.

- **Research Frame Work**
 - **Universe:** National Capital Region (NCR)
 - **Sampling Unit:** Life Insurance Policyholders
 - **Sampling Method:** Random Sampling
 - **Sample Size:** 120

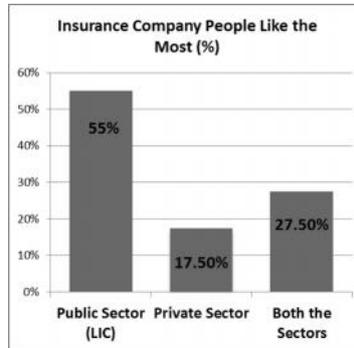
Data Analysis and Interpretation

- **Insurance Company People Like the Most**

Table 1

Insurer	No. of Respondent	Percentage
Public Sector (LIC)	66	55.0%
Private Sector	21	17.5%
Both the Sectors	33	27.5%
Total	120	100

Source: Customer Survey



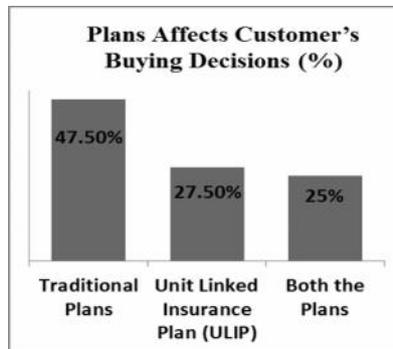
The analysis of above table and chart shows that people like the LIC more than that of the private sector insurance companies, where 55 percent respondent like LIC and private sector companies likes by 17.5 percent people. However 27.5 percent people are indifferent towards selection of any type of insurer since they like both private and public sector companies.

- **Plans Affects Customer's Buying Decisions**

Table 2

Category of Plans	No. of Respondent	Percentage
Traditional Plans	57	47.5%
Unit Linked Insurance Plan (ULIP)	33	27.5%
Both the above Plans	30	25.0%
Total	120	100

Source: Customer Survey



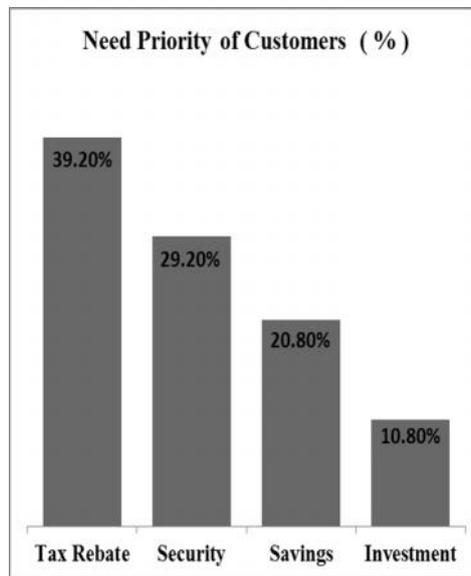
The above table presents that traditional plan affects more (47.5 percent) the buying decisions of the people than compare to other type of plans. It was found that unit linked insurance plans (ULIP) also affects (27.5percent) the buying decisions of the customer next to traditional plans. Another interpretation from the above data is concluded that both the plans affect (25 percent) the buying decisions of the policyholders with approximately equal proportion to the ULIPs.

- **Need Priority of Customers**

Table 3

Priority Factor	No. of Respondent	Percentage
Tax Rebate	47	39.2%
Security	35	29.2%
Savings	25	20.8%
Investment	13	10.8%
Total	120	100

Source: Customer Survey



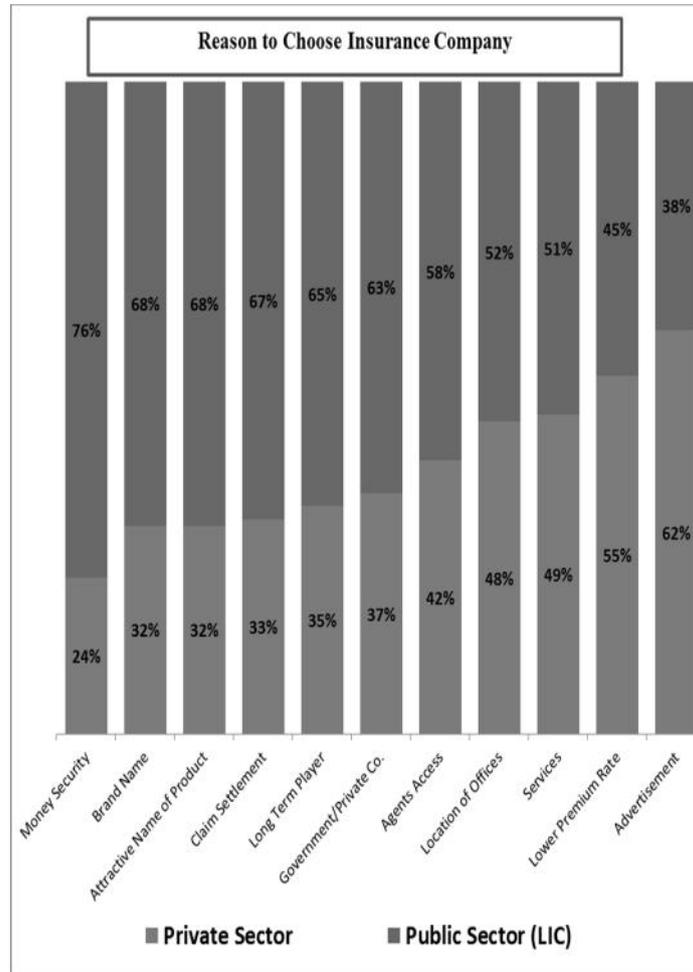
It was found that 39.2 percent people purchase the policy for saving the tax on their income, 29.2 percent people purchase the policy for security of their lives or dependents thereon. Policyholders give priority to savings 20.8 percent and very less in terms of investment for purchasing insurance policy, which was 10.8 percent in this case.

- **Reason to Choose Insurance Company**

Table 4

Name of Factor	Private Sector	Public Sector (LIC)
Money Security	24%	76%
Services	49%	51%
Brand Name	32%	68%
Government/Private Co.	37%	63%
Claim Settlement	33%	67%
Attractive Name of Product	32%	68%
Long Term Player	35%	65%
Agents Access	42%	58%
Location of Offices	48%	52%
Advertisement	62%	38%
Lower Premium Rate	55%	45%

Source: Customer Survey



The factors/reasons considered by the people for choosing an insurance company are analysed as it was found that priority given by maximum people to LIC in case of money security (76%) and services (51%). The preference given to LIC in case of Brand name and attractive name of the products was same (68 percent in both the cases) in comparison to the private insurance companies' i.e. 32 percent in these cases. In other words people select LIC because of its brand name and attractive names of the products. Policy holders give more consideration to LIC than other private companies because of its claim settlement procedure and long term player. Another reason to choose LIC is that its offices are easily approachable. 63 percent choose LIC because of a government company. The product line of LIC is increasing day by day as compared to other private companies. However people were less attracted by the advertisements and lower premium rates of LIC but there are other strong factors which motivate the people to choose LIC.

Limitations of the Study

Sample size of the 120 people is relatively small to make the study very comprehensive. Moreover the findings of the study are based on the information provided by the respondents of NCR only. Therefore this may not lead to formulation of a very definite line of action.

Conclusions

To sum up, it may be said that LIC of India is definitely enjoying a better perception of its customers than the competing brands in the Indian insurance sector. It has got a good response from peoples on almost aspects taken by the researcher in his study. On the other hand, private sector

insurance companies have failed in getting the positive response on the same aspects by the people. Public sector Company, LIC was like by most of the people of India and was found a market leader in Indian life insurance industry; private sector insurance companies were still in infancy in front of LIC.

Recommendations

The insurance sector of India is increasing very rapidly. In a free market environment, it is expected that the most efficient player emerges the most successful. It, however, presuppose that the market freedom is absolute; and success is measured in its entirety. Looking at the performance of the public and private sector insurance companies the management of both the sectors should strive for excellence in every sphere of performance. LIC need to work on some of its performance measurement parameters like product diversification, customer services and need to work hard for trained its agents, and focuses on their skill development, professionalism, market knowledge, personality development etc. It is also required for LIC that to provide attractive advertisement that can easily approachable and make distinctive in its nature.

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