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ISBN - 978-93-81583-46-3 A Study on Effect of Attrition over Financial Performance of the Companies in Life Insurance Sector in India Somen Mitra¹, Anup Kumar Ghosh² ¹ Research Scholar, ²Professor ¹ School of Management, Pacific Academy of Higher Education and Research University, Udaipur, Rajasthan ² School of Management, Disha Technical Campus, Raipur ¹ somenmitra09@gmail. com; ²agghoshmid@gmail. com National Conference on Emerging Challenges for Sustainable Business 2012 731 A Study on Effect of Attrition Over Financial Performance of The Companies... A Study on Effect of Attrition over Financial Performance of the Companies in Life Insurance Sector in India Subtheme : HRM & OB Abstract The US\$ 41-billion Indian Life insurance industry is considered as the fifth largest life insurance market and growing at a rapid pace of 32-34 per cent annually, according to the Life Insurance Council. Since the opening up of the insurance sector in India, the industry has received FDI to the tune of US\$ 525. 6 million. The government is likely to reintroduce the Insurance Bill which proposes to increase the FDI cap in private sector insurance companies from 26 per cent to 49 per cent. Despite the tremendous opportunities, there are few challenges and one of the most emerging is the scarcity of skilled human resource in the sector and the ever rising rate of attrition, which continues to haunt the employers. A marked difference has been observed especially in case of private sector employees , whose attrition has been on the higher side. This not only adds up to the cost of the organisation but also creates a negative psyche among potential employees, common people, investors about the impression of the sector which is mostly unfavorable in nature. This study attempts to identify the several causes

which are responsible for attrition in this particular sector and the impact of the same on the financial performance of the companies. This study also tries to formulate a relationship between attrition and financial growth (negative) and there from suggests some remedial measures to arrest attrition at a manageable level. Key words: Attrition, Perception, Life Insurance Sector, Work-Life Balance, Financial Performance. National Conference on Emerging Challenges for Sustainable Business 2012 732 A Study on Effect of Attrition Over Financial Performance of The Companies... Full Paper 1. Introduction In the last 20 years i. e., in the LPG (Liberalization, Privatization, Globalization) era, Indian insurance industry has passed through an unprecedented level of innovation and growth. This growth is largely due to innovative products and processes introduced by formation of joint ventures (JV) between foreign and Indian companies in the early stage of post liberalization era. Alike China, Africa or Middle East, India too has been following the path of privatization, liberalization and deregulation which has entailed the entry of foreign players resulting in increased level of competition and innovation as well as facilitating market consolidation (Anand, 2011). It is a fact that services sector represents approximately 55% of India's GDP and it is maintaining a growth rate of 10. 3% or more. The opening up of insurance sector has contributed favorably to insurance growth in the country. GDP from insurance sector which constituted 12% of GDP in 2000-01 increased to 19. 3% in 2004-05 (IRDA Reports 2010). Though insurance comes within financial service industry, it remains to hold a stand alone industry status with a larger scope for innovation, be it product or process innovation. This elusive character of the product and service(s)

makes it more inclined to adopt innovative ideas to develop and maintain growth. Integration of tangible or intangible resources from participating firms provides a joint venture or alliance with strategic rents that are achieved not necessarily because it has better or more resources, but rather because the venture's distinctive competence involves making better use of joint resources (Penrose, 1959). It is also a fact that consumer awareness has improved a lot due to entry of JV companies and at the same time stiff competition has brought more products and better customer servicing too. Not only did the liberalization brought these joint venture companies but also ushered in an era of innovative ideas and practices through them, virtually unseen or adhered to before in the industry. It is having a positive impact on the economy in terms of income generation and employment growth (Samant, 2007). The decision taken by the Government of India in the early 2000, in the process of economic liberalization started with LPG policy in 1991, was to open the private participation for the insurance sector in India and we have been experiencing the epitome of that decision for the last eleven years. In the said liberalized environment, in fact, India has been identified as among the fastest growing insurance markets in the world. With a large population and vast National Conference on Emerging Challenges for Sustainable Business 2012 733 A Study on Effect of Attrition Over Financial Performance of The Companies... untapped market, insurance happens to be the one of the biggest area of opportunity in India. Insurance penetration in terms of premium volume as share of India's GDP for the year 200405 stood at 3. 15% (2. 53% for life and 0. 62% for non-life insurance) . Still this is considerably low in comparison to developed markets average of 6-10% of

GDP. But on the other, with an average annual growth of 37% in the first year premium in the life segment and 16% growth in the non-life segment (as of 2006), this is exceedingly above the average global growth rate of 2.5%. Saturation of markets in developed economies has made the Indian market attractive for global insurance companies and resulted into presence of fair number of insurers in both life & non-life segment in India . But from the overall Human Resource point of view, this sector is facing a very big problem of employee attrition. As the LI (Life Insurance) companies are receiving commendable amount of revenues every year with a very high growth rate , the effect of attrition has not been taken care off seriously by the companies. But in future there will be a saturation and this particular problem will be the biggest issue before all the LI companies. This particular study is therefore a pioneer one to correlate the effect of attrition over the financial performance of the companies.

2. Survey of literature Life Insurance has been considered as an appropriate financial tool for humankind to manage and mitigate the financial risk associated to unnatural death or disability. In the same way, Non-life Insurance is another similar kind of tool associated to physical losses from disasters (Rajagopalan, 2008). The concept of insurance coverage is a primitive one and in India the same was brought by the Europeans in 1818. After different types of ups and downs, the Government of India enacted the Life Insurance Companies Act, 1912. The life insurance business in India commenced with the formation of the Life Insurance Corporation of India (LICI) on September 1, 1956 and later rejuvenated by the establishment of a newly-formed governing body in 1999, entitled as, Insurance Regulatory and Development Authority (IRDA) (Ray

Chaudhuri and Chakraborty, 2008). Till 1991, there was no scope for the foreign companies to open their insurance business in India. Foreign Direct Investment (FDI) is an important indicator for the economy of a country because of the direct investment it brings into that economy from outside. Further to that it may add externalities like technology transfers and spillovers etc. This relationship between FDI and externalities is also closely related to the relationship between FDI and growth and other features of the economy, such as trade policy, the legislative and regulatory framework, National Conference on Emerging Challenges for Sustainable Business 2012 734 A Study on Effect of Attrition Over Financial Performance of The Companies... investments in education, and so on, If we see the picture from 1980, we may observe that the Indian economy has developed by an annual average of 5.9%, which is pretty high compared to the world annual rate (3.36%) but is not so powerful as the Chinese annual average rate of 9.8%. Over the last three years, however, the average growth rate of the Indian economy has improved, reaching 8.35%, even though economic performance varies remarkably between states and industrial sectors. GDP per capita has doubled in the last 10 years and as a consequence, the domestic consumer market has grown remarkably.(CARIS Report, 2008). Added to this, IRDA (2011) reported an impressive growth rate of 8.5 per cent in 2010-11 in spite of several many challenges. The growth rate stood at 8.0 per cent in 2009-10. The high level of inflation, driven by high food and fuel prices, remained one of the biggest concerns in the economy, and surged from low levels of 2009-10 to double digit figures during the end of year 2010-11 and continues to remain high in the year 2011-12 because of

the large attribution provided by the growth in the agricultural sector (Mckinsey & Co., 2007). There are many researchers who have studied the potential of LI sector in India and most of them observed gloomy pictures from different angles. From the economic point of view these researchers observed the overall growth of India's per household income by 5-7 % in a year. This will automatically improve the LI penetration in upcoming days (Kumar, 2006). But the recent report of IRDA informs us some black shades amidst the rainbows. The growth rate of new business penetration has been observed as 15% in the FY 2010-11 as against 24.5% in FY 2009-10. The number of agents that joined the sector in the year 2010 -11 is 7.01 lakhs while the number of agents departed from the sector is 10.41 lakhs. The overall persistency rate for the older customers are gradually decreasing (IRDA, 2011). In most of the developed countries like USA, UK, Sweden etc., the insurance businesses are shrinking. As narrated by Castiglione (2004), there has been no such external matters other than proper HR orientation makes the total sector dull. Out of several many causes for performance declination of the insurance companies throughout the world, the researchers have identified Strategic HRM issues to be most imperative to attend (SHRM Thesis, 2006). It is a fact that Insurance sector has opened up in the post liberation era and generated employment opportunities for the Indian youths. But at the same time this insurance sector has been acknowledged as one of the most occupational stressful workplace as observed through Commonwealth Research Project . Occupational Stress can be defined as the result of any demand, either internal, external or both, causing a person mentally and physically to readjust in order to maintain a

sense of balance (Fishkin, 1989). Lazarus et al. (1984) National Conference on Emerging Challenges for Sustainable Business 2012 735 A Study on Effect of Attrition Over Financial Performance of The Companies... described work-related stress as the product of an imbalance between environmental demands and individual capabilities. This is a real fact that most insurance workers are working under tension and due to stress no one can perform their optimum work according to their ability. In a recent study upon the female workers working in Insurance sector, it has been observed that the occupational stress totally disturbs the life of subjects at workplace as well as at their home. Stress affects the interactions and dealing with the friends, relatives, family members and the customers (Singh, Singh and Monga, 2012). To study the retention strategies in Indian IT industry, another boomer in post liberalized Indian economy, Kulshreshtha and Kumar (2005) advised the employers to realize those many variables that determine an employee's stay at a company. The employees' motivating factors are not only the hygiene factors like salaries alone, they also search for other softer rewards like a challenging job, clarity of work, catering to training needs, etc. Retention is often governed by motivation and the realization that the recognition and training needs of each individual are different (William, 2004). It has also been revealed through different studies that the need is not fulfilled merely by adopting some retention strategies rather it is equally important to identify the right candidates at the time of recruitment, so that they identify with the organization and stay on proving to be assets for the company. Cultural shock is something that often leads to employees retreating into a shell and building up a lot of unnecessary pressure on

themselves. They need to be sensitized to culture and again training plays a major role at this juncture. Organizations must strike the right balance between pampering their employees and extracting maximum work from them. Any one of these when overdone would lead to dissatisfaction, and thereby, attrition. Corporate control has to be very carefully handled (Amaram, 2005). There is another problem usually faced by managers who are not of Indian origin underlines the fact that employees do not like to receive orders from 'outsiders'. Hence, the managers should know about the employee expectations and mindset (Hora, 2005). Different researchers identified a positive correlation between highly involved work practices and employee retention and firm productivity. These study results indicated that employee turnover is associated with decreased productivity when use of high involvement work practices is high and increased productivity when use of high involvement work practices is low. Postgraduate management education, in particular, serves to produce a shared sense of mission for the employee and the company (Guthrie, 2001; and Noe et al., 2003),. National Conference on Emerging Challenges for Sustainable Business 2012 736 A Study on Effect of Attrition Over Financial Performance of The Companies... Generally speaking, however, the reasons identified by industry professionals through their own experimental researches may be distilled into areas, such as highly demanding, stressful employment aggravated by 24X7 type shift work; lack of clearly defined career growth opportunities; mismatch of aptitudes and expectations between employer and employees; competitive pressure in the industry, resulting in heavy inter-firm 'poaching'; and the desire to pursue higher education or alternative

occupations. IRDA report indicates us the attrition figures in Indian life insurance sector since 2006 to 2011 (Table1)

Year	Net Agent	Private	Total Industry
2006-2007	370846	666622	147316
2007-2008	890152	1052993	197963
2008-2009	147909	1103047	1423839
2009-2010	864585	295225	1993199
2010-2011	890152	772910	336314

1326748 LICl 1103047 234852
144155 1193744 1993199 1007762 480469 2520492 1326748 943484
677653 1592579 LICl 1193744 345729 194617 1344856 Total Industry
2520492 1289213 872270 2937435 Private 1592579 625336 642439
1575476 LICl 1344856 312547 254596 1402807 Total Industry 2937435
937883 897035 2978283 Private 1575476 395467 668615 1302328 LICl
1402807 306296 372039 1337064 Total Industry 2010-2011 year Private
2009-2010 strength Total Industry 2008-2009 during the Private 2007-2008
Agent Total Industry 2006-2007 Agents Added Private Year Initial 2978283
701763 1040654 2639392 Company name Agents departed strength at
during the year the end of the year Table 1 (Source: IRDA Annual Reports:
2006-07 to 2010-11) National Conference on Emerging Challenges for
Sustainable Business 2012 737 A Study on Effect of Attrition Over Financial
Performance of The Companies... The impact of Agent attrition has a telling
effect on the performance of the LI companies. Since inception, Agency force
had been the pivotal force and the most successful amongst all channels of
business. Traditionally people have had relied on Agents , especially on the
servicing part. Hence renewal of premiums and other servicing depended a
lot on Agents. The net loss of Agents (illustrated in Table 1) shows an
alarming trend. If we look at the persistency data of Life Insurers (Table 2),
it clearly reflects a declining trend especially in the later years. The private
sector Insurers seem to have very fluctuating persistency levels with

declining trend . PERSISTENCY FIGS as on 3rd Qtr ENDING of FY 2011-12 SI
 LIFE 13th month 25th month 37th month 49th month 61st month #
 INSURERS persistency persistency persistency persistency persistency 1
 Aegon Religare 50% 57% 33% NA NA 2 Aviva 63% 57% 31% 24% 20% 3
 Bajaj Allianz 43. 32% 68. 31% 47. 91% 52. 02% 59. 21% 4 Bharti AXA 59.
 10% 49. 30% 48. 80% 55. 90% 43. 60% 5 Birla Sunlife 72. 88% 68. 89% 72.
 01% 59. 88% 59. 40% 6 Canara HSBC 80% 85% 62% NA NA 7 DLF Pramerica
 57. 10% 55. 72% 51. 37% NA NA 8 Future Generali 50. 29% 48. 77% 44. 55%
 NA NA 9 HDFC Life 77. 17% 73. 94% 24. 88% 17. 15% 19. 56% 10 ICICI Pru
 64. 40% 78. 20% 29. 40% 46. 80% 65. 00% 11 IDBI Federal 64. 19% 83. 07%
 31. 85% NA NA 12 India First 73% NA NA NA NA 13 ING Vysysa 69% 54%
 34% 28% 28% 14 Kotak Mahindra 57. 04% 57. 12% 26. 59% 13. 55% 16.
 39% 15 Max Newyork 74% 59% 45% 40% 35% National Conference on
 Emerging Challenges for Sustainable Business 2012 738 A Study on Effect of
 Attrition Over Financial Performance of The Companies... 16 Met Life 67. 25%
 59. 78% 57. 20% 55. 91% 53. 65% 17 Reliance 54. 60% 78. 10% 30. 10% 68.
 80% 77. 40% 18 Sahara 74. 16% 64. 88% 44. 65% 46. 23% 49. 11% 19 SBI
 Life 68. 84% 56. 39% 19. 59% 15. 07% 17. 45% 20 Shriram 36% 75% 25%
 66% 83% Star Union 21 Diachi 65% 52% NA NA NA 22 Tata AIG 72. 56% 49.
 74% 50. 86% 31. 02% 38. 74% 23 LIC 63% 57% 51% 48% 48% Table
 2(Source: Public Disclosures/ Life Insurers' websites.) Persistency is an
 important indicator of health for LI companies reflecting percentage of
 premiums getting renewed on that year. A good persistency indicates good
 health for the Insurer as the renewals add up to assets under management,
 increase in life fund on one side and ensures continuance of protection and

financial planning for policy holders on the other. A better persistency ratio ensures reduction in cost for the LI and the more benefits for the policyholders. Different studies revealed several reasons for policyholders to discontinue a LI policy, which ranged from personal financial problems to dissatisfaction about product, misselling, company image, bad service provided by agents or becoming orphan customers (whose agents no longer exist in the system). It has been observed that the Agents in LI companies are being handled by front line Sales personnel who are in the entry level cadre. They are the persons who are responsible for hiring the Agents, making them licensed through IRDA certification exam and grooming them to develop and do long term and sustainable agency business. But the irony of fact is that the attrition of frontline Sales people of LI Companies has been on the higher side for quite sometime and is evident majorly in Pvt Sector LI Companies. The said attrition is believed to be around 80 to 100% for Pvt Sector. This is a burning issue as the employees responsible for Agency force development are themselves not very stable if we look at the overall and especially the pvt sector employees. Most of the new agents don't get opportunity National Conference on Emerging Challenges for Sustainable Business 2012 739 A Study on Effect of Attrition Over Financial Performance of The Companies... to develop, and their agency career dies before take off. Most of the frontline sales personnel face difficulties to cope with the work pressure which demands high performance within a short span of time. This results into either short sightedness or succumbing to the pressure resulting in mis-selling, wrong selection of agents, lack of confidence & skill to handle and groom agents which eventually leads to frustration and early exit. All

these in conjunction, coupled with some other factors have created a negative impression about these companies or the LI sector in general in the minds of general public, customers, prospective customers and prospective employees . Thus attrition of agents and frontline employees not only adds to high turnover costs to the LI companies, it also hampers their financials by way of reduced persistency and declining growth. A second kind of notional cost which might be termed as “ Brand image cost “ goes up and becomes detrimental for these companies in the long run. From the backdrop, it becomes imperative to study the attributes responsible for good financial performance of LI Companies and in particular the impact of attrition over the financial performance.

3. Objectives/Research Gaps Lot of Researchers have worked on several aspects of LI industry but not much studies have been done on internal organizational factors influencing financials especially in the Indian context. The LI industry in India is going through a growth phase and this is expected to continue for sometime owing to the vast untapped market and a decent growth in savings and consumption. Hence it becomes extremely important to study the internal organisational factors of the Insurers, those have considerable effect on financial performance. The purpose of the research was to find out factors that influence LI companies’ financial performance and identify the most critical factors and their correlation with financial performance.

4. Methodology Sample Selection The sample was selected in completely random way and all the subjects of the sample were restricted to the different Life Insurance companies, both public and private, located in West Bengal. Nearly, 275 responses were collected through field data collection process. To reach conclusive findings, several

analyses were done in this study. All those analyses were depicted below alongwith their requirement for the study. National Conference on Emerging Challenges for Sustainable Business 2012 740 A Study on Effect of Attrition Over Financial Performance of The Companies... Factor Analysis The purpose of the research was to find out factors that influence LI companies' financial performance. For this research purpose, we have identified 28 variables, out of several many variables, which had high correlation among themselves. It was found that financial performance in LI industry depended on several variables with each contributing their own to the phenomenon. It has, therefore, been required to go for factor analysis to arrive at a reasonable level of factors to study the financial performance in LI industry. It was found through the correlation matrix that significant correlation exists among various variables. This ultimately ensured the aptness of the factor analysis in this study. Bartlett Test and KMO Bartlett Test of Sphericity is usually been done to test the null hypothesis and to find out whether that correlation matrix is an identity matrix or not? (means wheather there is any relationship among the variables). Larger value of Bartlett indicates the greater likelihood that correlation matrix is not an identity matrix. Here null hypothesis is rejected at 0. 000 level of significance with very high chi-square value. The Kaiser-Meyer-Olkin (KMO) test compares the magnitude of calculated correlation coefficient and has values as $0.7 < KMO < 0.8$.

Principal Component Analysis Principal Component Analysis (PCA) was done to find out the underlying factors among those 28 variables. PCA is especially useful when the researcher wants to summarize the relationship among a large number of variables with a small number of components. To determine

the number of initial factors, we have selected those factors, which have Eigen values greater than one. This means that these factors would account for more variance out of the total amount of variance explained by all the factors. On the basis of criteria explained above, four factors were extracted. Factors The first factor highlights the product related issues that the employees face at job site. The second factor consists of Govt. & environment related issues. The third factor brings out the components of attrition decisions. The fourth factor highlights the skill sets of the organization & its employees. Multiple Regressions National Conference on Emerging Challenges for Sustainable Business 2012 741 A Study on Effect of Attrition Over Financial Performance of The Companies... Once the different variables were classified into four unique factors, we carried out a multiple regression to determine the contribution of each of these four factors to our dependent variable ' Organisation's Financial Performance'. This ensured that we met the second objective of the study, i. e., studying the magnitude of the contribution of different factors to financial performance. The findings showed the impact that each factor had on an organization's financial performance. The output showed that all the four factors are significant at less than 5 percent level. ' Component of Attrition decisions' has the highest influence on whether the company will perform well or not. The Govt. & environment related issues being a crucial factor in the organisation's financial performance was dispelled by the findings. The total equation with the contribution of each of the factors is given below: Good Financial Performance = 3. 345 + 1. 132F1 + 0. 792F2 + 2. 342F3 + 1. 017F4 Cluster Analysis The cluster analysis was done to find the most significant solution

possible. In this analysis, different variable groups were plotted in a new dimension. In the research, we classified the data by carrying out two kinds of cluster analysis, the Hierarchical cluster and the K-mean Cluster. Cluster analysis was based on six variables that were obtained from the literature review and the factor analysis. Literature review suggested that not all people weigh each one of these factors in a similar manner. And there are definitely certain groups whose idea about organisation's poor financial performance because of one or two sets of reasons. Thus, with the cluster analysis, we have tried to classify the people, who are likely to identify some reason or the other, and what measures should be taken to control the possible financial performance improvement.. 5. Findings of Cluster Analysis

Three clusters have been identified on the basis of the importance given by each cluster to various factors in finding out LI companies financial Performance. Cluster 1, which includes about 45 percent of the respondents, laid emphasis on factors like Product's monotony, Lack of demand based innovative products, Competitive advantages, brand name of organization and Governmental policies and their modification. These are the people who are quite likely to identify their own performance as well as companies performance as poor one and also thinking to relocate their jobs because of dissatisfaction for any of these reasons. National Conference on Emerging Challenges for Sustainable Business 2012 742 A Study on Effect of Attrition Over Financial Performance of The Companies... Cluster 2, which contains about 55 percent of the respondents, laid emphasis on factors for poor performance like recruitment system, working hours, training procedures, clarity on objectives and other personal reasons. These are the people who

have taken decision to quit their job or already submitted their paper because of these reasons.. Respondents belonging to Cluster 3 (about 20 percent) are very loyal people to the organization and they are very hopeful about the companies' potential to recoup the performance which is now being observed as poor. 6. Limitations/Scope for future Work In this particular study subjects were chosen from a particular state of India with a certain sample size. Considering the vastness of the Industry and diversity of demographic factors and culture, this study, if extended to more number of states and higher sample size might give a more accurate picture. Hence a particular model can't be derived out of this study. There is always some scope for further study . 7 . Conclusion/Suggestions Based on the literature survey and above findings of the study, a few things emanate which needs immediate attention. Concerns a) The overall LI sector in India is very buoyant about the future based on the economic optimism and projections, but very less serious effort has been there to arrest agent and frontline employee attrition, which has a direct bearing on the growth and financials of the companies. b) High level of attrition amongst frontline employees and agents clearly indicate the lack of well thought HRM practice for these cadres . c) Quality of entry level manpower remains a concern in the LI sector and so remains the lack of clearcut recruitment policy by Insurers. Qualities are often compromised to have quantity manpower which mostly comes back as Boomerang. d) There is lack of distinct retention tool for Frontline employees as well as Agents. e) Despite lot of spending on ' Training Expenses ' by LI companies, the efficacy of training serves very little to address the mass section of agents and frontliners to understand the business well alongwith

its dynamics and learn ways to do it on a sustainable basis. The skill sets of the organizations and its employees remains a challenge. National Conference on Emerging Challenges for Sustainable Business 2012 743 A Study on Effect of Attrition Over Financial Performance of The Companies... f) There seems to be some challenge on " Product related issues" that employees face at the job site. Confusion about products and at times the cost structure of the product creates difficulties for Agents and frontliners to properly push the product. Dissatisfaction from this also leads to swith over or exits by agents/employees. g) Significant percentage of employees seem to have high dissatisfaction level with their work environment and work culture which is often highly stressful and ever demanding. Most of them cited lack of Work-Life Balance as one of the important reasons of stress and subsequent exit . h) Most of the Insurers don't have much in store for Agents to build long term bonding. Agents actually look forward to something more apart from commissions which will serve as a catalyst to long term loyalty. i) High rate of attrition of Agents/Employees coupled with mis-selling, non rendering of service and leaving some policyholders orphan coupled with other factors has tarnished the image of this particular sector to quite an extent. This spells a very bad effect on existing policyholders, prospective customers, prospective employees and general public. The study also revealed ' lack of social esteem' as one of the reasons being cited by some respondents to exit from this sector or not considering to enter this sector. j) " Fear of loss of job" or " Job insecurity" by significant frontline employees serves as a major dampener to their performance and longevity and their failure often translates to their agents . k) Most of the LI companies,

especially the pvt sector companies have Joint Ventures , wherein the foreign partner have high amount of experience and expertise of distributing LI products and running the business for a long time. The perception of the LI as a product/industry is much different with foreigners compared to their Indian counterparts. In India LI is perceived and is still a “ push product” and the mindset of Agents/employees/customers are quite different from the foreigners. Thus applying Joint venture expertises in toto will cause problems in India. There is also some difference between the Govt and social structure over there and in India. Thus Govt initiatives, stand and environmental issues also play a major role

Suggestions a) The thinktank of the LI Companies, especially the Pvt Sector Companies should start to think seriously about the ever rising rates of agent and employee attrition and National Conference on Emerging Challenges for Sustainable Business 2012 744 A Study on Effect of Attrition Over Financial Performance of The Companies... decision should be taken starting from the Strategic level as to what should be the prudent HRM practice with regards to agents and front line employees. Emphasis should be more on sustaining a moderate growth for long term rather than aspiring for a high growth without fundamentals being present. This will do the right expectation setting for frontline employees and in turn the agents. b) Companies should be clear on the profiles to be selected for Frontline employee roles and there should not be any compromise with that. Selecting a right candidate will help them to do the right kind of expectation setting. It has been observed that mostly people with entrepreneurial skills have high chances of being successful in these roles. c) Lot of emphasis should be there on right kind of selection of Agents and the onus should not rest with

frontline employees only. There should be good amount of involvement of their supervisors as well . d) The role of HR should extend beyond frontline employees and Agents should be imbued with a feeling that they are part of the organization. This can be possible with periodic HR interventions with Agents too. e) Training should be tailor-made to include mass coverage of Agents alongwith Frontline managers so that they become robust on the essential skills of agency. It should not include only product or domain knowledge but also inputs on behavioural aspects so that it adds lot of value. f) There should be more career growth opportunities for Agents/Frontline employees and it should be transparent. g) LI companies need to transform their image from " Occupational Stressful workplace" to " Congenial & learning workplace" . Irrational targets need to be abolished and employees should be trained and mentored well to achieve and aspire for rational targets. Occasional job rotation will definitely help frontline employees to acquire further skills and de-stress. Concept of Compulsory leaves in a year or half year should be introduced . Scope to pursue further education could be another enabler provided by the organization. h) Agents are the pivotal force of any LI Company and it would be quite prudent if ways and means can be devised to provide them with some sort of retriial benefits and medical facilities . This would enable them to look beyond commission income and have long term bonding with the organization ensuring sustained business, better National Conference on Emerging Challenges for Sustainable Business 2012 745 A Study on Effect of Attrition Over Financial Performance of The Companies... servicing, satisfied customer and growth of the Company. If needed, Govt intervention might be sought . i) The overall

industry needs to go through an image building exercise like banks to create a positive image in the minds of customers, public, investors, employees and the society at large. IRDA and govt also has to play a role in this. j) Last but not the least, Govt should take some initiatives to make this sector more attractive by providing some additional tax sops and bringing in some kind of mandate to do insurance as we live in a nation without any significant social security system. ----- aper finds that there are significant e the employee's interest. Bibliography - - - - - Anand, Adhikari, 2007. "AIG's India Goal", Business Today, July1 Asian Development Bank (2003) "Social Protection — Our framework, policies and strategies, ADB Official Policy Paper, Pp-1-5 Atuahene-Gima, K. (1996), 'Differential potency of factors affecting innovation performance in manufacturing and services firms in Australia', Journal of Product Innovation Management, Vol. 11 Bancassurance, "Emerging trends, opportunities and challenges", Sigma Research No. 5/2007, Swiss Re- 2007. C. K Prahlad and Stuart L. Hart (2002) "The Fortune at the Bottom of the Pyramid" eDoc, Staregy+Business issue 26, first quarter 2002, Pp-4. Craig Churchill (2006) "Protecting the poor: Microinsurance Compendium, " International Labour Organization 2006, Pp-12. De Brentani, Ulrike (2001). Innovative versus incremental new business services: different keys for achieving success. Journal of Product Innovation Management 18(3): pp169-187. Doz Y. L., Hamel G., (1998). "Alliance Advantage: The Art of Creating Value through Partnering". Harvard Business School Press: Boston, MA. Drucker P. F., The Frontiers of Management, Harper and Row, New York, New York, 1986, 367 pp. Edvardsson, B. & Olsson, J. (1996), Key concepts for New Service Development, vol. 16, The

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