

Privatisation on life insurance corporation of india economics essay



**ASSIGN
BUSTER**

With the advent of new players in the field of Life insurance sector, the degree of competition has increased multifold. The private insurance companies are launching new innovative insurance plans for their survival and growth. At the same time, Life Insurance Corporation of India has upgraded their quality of service to retain, maintain and attract new business.

An attempt has been made to study the impact of privatization on LIC. The Development Officers were contacted to know their observations about the impact of privatization on their life insurance business and their views as how their life insurance business has been influenced by the opening of the sector.

LIC has made a lot of changes in its operation and latest technology is being used to serve the customer. The customer grievances are properly attended and all maturity claims are settled to the entire satisfaction of the policyholders. The privatization of the sector has brought lot of opportunities for all the players. Under such situation, fittest of the fit will survive and the rest will vanish over a period of time.

In the year 2000, when the insurance sector was privatized, many companies entered into the insurance sector and as a result competition has increased multifold. Initially, most of the private life insurance companies spent huge amount of money on advertisement. The purpose of the advertisement was to inform the public about their existence and the importance of life insurance policies in human life. With the rise in the degree of competition among the life insurance companies in India, the

companies realized the need of developing new life insurance policy plans which can satisfy the multi needs of policyholders and as a result, the concept of riders were introduced. New channels of distributions have been introduced which have been economical and effective in serving the public.

NEED FOR THE STUDY

With the privatization of the insurance sector, efforts have been made by the government to regulate the business of insurance through Insurance Regulatory and Development Authority (IRDA). IRDA has formulated various guidelines to bring transparency in the working and make the system customer friendly. As a result, most of the companies are practicing Customer Relationship strategies to keep their customers delighted. Keeping in view such changes in the insurance sector, a need is felt to find out as what is the change in the attitude of general public before and after the Privatization.

OBJECTIVES OF THE STUDY

This study is an attempt to find out the impact of privatization on Life Insurance Corporation of India. The basic purpose of conducting this study includes:

To find out the difference in the attitude of general public before and after the

Privatization.

To analyse the LIC business procurement in terms of First Premium Income (FPI) over the last 4 years.

To study the attitude of Development Officers towards impact of privatization on their insurance business

RESEARCH METHODOLOGY

A descriptive study on the General Public and Development Officers have been undertaken to find out the answers to the objectives of the study. The study has been conducted in the selected cities of Haryana viz. Ambala Cantt, Ambala City, Kurukshetra Panipat, Karnal, Yamuna Nagar, Panchkula and Jagadhari. A structured questionnaire has been framed with multiple answers and their views have been noted and analysed to draw important conclusions.

TYPE OF DATA COLLECTED

Both primary and secondary data has been used to study the impact of privatization on Life Insurance Corporation of India. Primary data has been collected from General Public and Development Officers through structured questionnaire where as secondary data has been collected from the IRDA journal(s) pertaining to the FPI of life Insurance Corporation of India over the last 4 years.

SAMPLING TECHNIQUES

Stratified random sampling technique has been used in the study. Out of the eight cities selected for the study, 50 respondents from general public, representing different strata's of the society have been included.

Similarly, 35 Development Officers from each city have been chosen on snow ball sampling basis.

HYPOTHESIS

H₀ Privatisation of the Insurance Sector has adversely affected the working of LIC.

H_a Privatisation of the Insurance Sector has favourably affected the working of LIC

H₀ After the privatisation, whether your business as Development Officer has been adversely affected?

H_a After the privatisation, whether your business as Development Officer has been favorably affected?

DATA COLLECTION AND ANALYSIS

COMPARATIVE ANALYSIS OF BUSINESS PERFORMANCE

OF LIC IN TERMS OF FIRST PREMIUM INCOME (FPI)

Table 1. 1: Comparative Analysis of Business Performance of LIC in terms of FPI

Name of LIC ZONE with FPI

IN

2006-2007

FPI

IN

2007-2008

Growth

Rate in

%age

2007-2008

FPI

IN

2008-2009

Growth

Rate in %age

2008-2009

FPI

IN

2009-2010

Growth rate in %age

2009-2010

North Zone

862124. 66

808943. 20

-6. 17

637302. 71

-21. 22

767438. 31

20. 42

North Central

463995. 25

481078. 84

3. 68

384078. 36

-20. 16

493495. 89

28. 49

Central Zone

251776. 58

210294. 93

-16. 48

183249. 12

-12. 86

226104. 41

23. 39

East Central Zone

261215. 49

296291. 15

13. 43

262577. 04

-11. 38

310326. 43

18. 18

Eastern Zone

342181. 75

410185. 77

19. 87

391795. 29

-4. 48

526284. 19

34. 33

South Central 596867. 00

581365. 08

-2. 60

448089. 37

-22. 92

532827. 32

18. 91

Southern Zone

586241. 87

855150. 87

45. 87

453414. 89

-46. 98

553047. 49

21. 97

Western Zone

589755. 23

737975. 93

25. 13

771614. 08

4. 56

886520. 29

14. 89

TOTAL FIGURE

3954157. 83

4381285. 77

10. 80

3532120. 86

-19. 38

4296044. 33

21. 63

Table 1. 1 clearly shows that there was increase and decrease in most of the zones of LIC except the Western zone which made a consistent increase in the business from 2006-2007 to 2009-2010. The performance of all the zones were better during the financial year 2009-2010 as all the Eight zones have shown a positive growth rate. The maximum business in terms of FPI from the Western Zone followed by North zone and Southern zone. Eastern zone made the maximum growth rate of 34. 33 % during the financial year 2009-2010.

QUESTION-1: A question was asked to the General public (50 IN EACH CITY) about their future intentions to buy any life insurance plan and which insurance company will they prefer

Table1. 2: Interest of the General Public to purchase insurance

Respondents interested to insure

LIC

Other Companies

City

Ambala Cantt.

Count

18

4

% within City

81. 8%

18. 2%

Ambala City

Count

13

3

% within City

81. 3%

18. 8%

Kurukshetra

Count

14

0

% within City

100.0%

.0%

Panipat

Count

14

3

% within City

82.4%

17.6%

Karnal

Count

10

2

% within City

83.3%

16.7%

Yamuna Nagar

Count

9

3

% within City

75. 0%

25. 0%

Panchkula

Count

11

5

% within City

68. 8%

31. 3%

Jagadhari

Count

9

3

% within City

75.0%

25.0%

Total

Count

98

23

% within City

81.0%

19.0%

Chi-Square Tests

Value

df

Pearson Chi-Square

5.477a

7

Likelihood Ratio

7.866

7

Linear-by-Linear Association

2.124

1

N of Valid Cases

280

a. 8 cells (50.0%) have expected count less than 5. The minimum expected count is 1.63.

81% respondents like to get insured by having LIC policy, Chi square significance is .001, which suggests that data is significantly related.

QUESTION-2: After the privatisation of the insurance sector, whether your business (

Development Officer) has been affected?

Table 1.3: Effect of privatization on the business

Business has increased or decreased

Increase

Stable

City

Ambala Cantt.

Count

33

2

% within City

94.3%

5.7%

Ambala City

Count

31

4

% within City

88.6%

11.4%

Kurukshetra

Count

34

1

% within City

97. 1%

2. 9%

Panipat

Count

33

2

% within City

94. 3%

5. 7%

Karnal

Count

34

1

% within City

97. 1%

2. 9%

Yamuna Nagar

Count

33

2

% within City

94. 3%

5. 7%

Panchkula

Count

35

0

% within City

100. 0%

. 0%

Jagadhari

Count

34

1

% within City

97. 1%

2. 9%

Total

Count

267

13

% within City

95. 4%

4. 6%

Chi-Square Tests

Value

df

Pearson Chi-Square

6. 373a

7

Likelihood Ratio

7. 084

7

Linear-by-Linear Association

2. 392

1

N of Valid Cases

280

a. 8 cells (50. 0%) have expected count less than 5. The minimum expected count is 1. 63.

From the above table it is clear that business of the LIC has increased (95. 4%).

Chi square significance is . 003, which suggests that data is significantly related.

QUESTION-3: Do you think that privatization of Insurance sector is a sign of growth

for You as Development Officer and for LIC as a whole?

Table1. 4: Relationship between privatization and growth for LIC

privatization of business sector is a sign of growth for LIC

Yes

No

No Comments

City

Ambala Cantt.

Count

33

2

0

% within City

94. 3%

5. 7%

. 0%

Ambala City

Count

32

1

2

% within City

91. 4%

2. 9%

5. 7%

Kurukshetra

Count

29

2

4

% within City

82. 9%

5. 7%

11. 4%

Panipat

Count

34

1

0

% within City

97. 1%

2. 9%

. 0%

Karnal

Count

34

0

1

% within City

97.1%

.0%

2.9%

Yamuna Nagar

Count

33

2

0

% within City

94.3%

5.7%

.0%

Panchkula

Count

35

0

0

% within City

100.0%

.0%

.0%

Jagadhari

Count

32

2

1

% within City

91.4%

5.7%

2.9%

Total

Count

262

10

8

% within City

93.6%

3.6%

2.9%

Chi-Square Tests

Value

df

Pearson Chi-Square

19.118a

14

Likelihood Ratio

21.221

14

Linear-by-Linear Association

1.386

1

N of Valid Cases

280

a. 16 cells (66.7%) have expected count less than 5. The minimum expected count is 1.00.

According to 93.6% respondents, privatization is a growth sign for LIC. Chi square significance is .002, which suggests that data is significantly related. From the above analysis it is seen that there is hardly any impact of privatization on the business of LIC.

Hence hypothesis H₀ is Rejected, which shows that the business of LIC has been affected by privatization but it has positive impact on the business of LIC, hence we accept the alternate Hypothesis..

FINDINGS

On the basis of the study undertaken on General Public and Development Officers, some important observations are appended below

Corporate Active Data Warehouse (CADW):

LIC's CADW is one of the largest life insurance customer database in the world. The project has enabled LIC to launch Customer focused campaign like Customer Contact Program and Global Club Customer Campaigns launched in the various "A Class" cities during the year 2009-2010. The major achievement has been to send a single notice for the premium falling due in the same month for the various policies of an individual policyholder.

All these initiatives launched have made the brand of LIC more visible in the eyes of the policyholders and public in general.

New channels for premium payment:

More channels have been added to facilitate the renewal premium payment by the policyholders. Major addition is in the form of creating “PREMIUM POINTS” where policyholders can deposit the premium 24*7 and can get a final receipt from the office of the empowered LIC agents who are spread across the country. More than 5000 such empowered agents are authorized to provide this service to policyholders. Apart from this, 350 satellite offices have been opened in various cities to give the feel of physical presence of LIC.

Enterprise Document Management System:

LIC has implemented EDMS in its offices to digitize the customers an Office records.

EDMS has been done to get the advantage in terms of

Enabling the concept of anywhere-anytime service through electronic files.

To make documents and files available to multiple users simultaneously.

To eliminate the need to transfer paper records from one branch to another branch.

Electronic Bill Presentation and Payment (EBPP):

Premium can be paid through various banks like City Bank, HDFC Bank, ICICI Bank, Federal Bank, Corporation Bank, Axis Bank and other service

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providers-Bill Desk and Tech Process which cover almost all other banks throughout the country. Premium can be paid through credit card also. Premium can also be made through ATM card and EBPP. Premium can be deposited for the in force policies only and which are not with monthly or salary saving schemes.

Customer Grievance Redressal Management:

LIC has grievance redressal officers at Branch/Divisional/Zonal/Central office to redress the grievances of policyholders and for bringing transparency in the operations. IT enabled support system have been operationalised to reduce manual intervention and to minimize the grievances. For quick redressal of grievances, LIC has introduced a customer friendly “ Complaint Management System” through customer portal where the policyholder can directly register any complaint/ grievance/quarry and track its status anytime without going anywhere.

CONCLUSION

The performance of LIC during the year 2006 to 2010 indicates that there has been tremendous amount of potential in the insurance business. It is hoped that the spark ignited by the leading insurance company shall be carried forward by all the players and they will generate phenomenal business and fulfills the social obligation to the society. With the privatization of the insurance sector, the degree of competition has increased and as a result, the service standard of insurance companies has improved beyond imagination. In the present set up of life insurance organisations,

Development Officer is the most important functionary of the organisation.

The major life insurance business is procured through agents who are
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supervised by their respective DO's. An agent is the representative of the company who has the maximum interaction with the General public and persuades the prospects to purchase insurance policy. The agents should be well trained so that the general public can be made aware about the importance of the concept of life insurance. In the recent past, most of the agents of the life insurance companies are offered lucrative incentives so that the sales force can be always be set in high spirit. In India, insurance market is open, only fittest of the fit will survive. LIC is an old trusted brand, it has to launch new policy plans which can satisfy the multi needs of the public. At the same time, LIC has to train and develop its employees so that they can serve the customer with full commitment and dedication. In short, privatization has favorably affected the LIC organization which has resulted into the improvement in the overall operations of LIC.