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A critical study on marketing of life insurance sector and its challenges in India

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Abstract

Insurance does not protect the asset. It does not prevent its loss due to the peril. The peril cannot be avoided through insurance. The risk can sometime be avoided, through better safety and damage control measures. Insurance only tries to reduce the impact of the risk on the owner of the asset and those who depend on that asset. Insurance only compensates for the losses and that too, not fully.

The business of insurance is related to the protection of the economic values of assets. Every asset has a value. The asset would have been created through the efforts of the owner. The asset is valuable to the owner, because he expects to get some benefits from it. It is a benefit because it meets some of his needs. Assets are insured, because they are likely to be destroyed or made non-functional before the expected life time, through accidental occurrences.

Keywords: Insurance, Marketing, Business, Sector

1. Introduction

The need for insurance was not felt in India till the 19th century. The joint family system and the cohesive living in the villages were working well. As the families split into nuclear families, the need for insurance cover became stronger and more pronounced. Today, insurance business is one of the fast promising financial services, mainly in the developing nation like India. Insurance business performs remarkable feats by insuring the insurable public and its properties in metro cities, big towns, and even in most inaccessible rural areas. In view of its crucial significance, the insurance business (life and non-life insurance) has been comprehensively networked in almost all parts of the country.

It is submitted that even after a decade of liberalization, the progress in insurance sector has not been satisfactory. Undoubtedly, in the current economic scenario government itself is not able to provide insurance facilities to general masses, and the required mobilization of resources from these sectors could be hampered. It is evident that if we wish to have an all round development of our country rapidly and effectively, majority funding requirement could be satisfied from the insurance industry, because such financial institution always played a key role in development of developed country as well as in the developing country like India.

It can not be denied that the modern industrialization society has rendered man and his property most vulnerably exposed to different kinds and varying degrees of risks and uncertainties. The annual losses to individuals and businessman from premature deaths, health problems, fire, water, accident, crop destruction, cattle deaths, wind storm, sea perils, earthquakes, floods, dishonesty, negligence, unemployment, lightening etc. are beyond estimation and indicate the importance of recognizing and meeting them intelligently. In order to avoid these unexpected and unfortunate calamities, man has devised various plans to protect himself. One such rational method is insurance.

The insurance operations in India especially life insurance are in the phase of getting more structured and increasingly more complex. With this the expectations from the professionals have also increased. The financial statements and audit reports of the insurance companies are also required to be strictly in accordance with the Insurance Regulatory and Development Authority Act, 1999 (IRDA).

Concerted efforts are required to increase the coverage and penetration level through a wide range of actions in the areas of strategic business planning, product innovation, management accountability, efficiency in investment management, technology management, human resource

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Management, service quality management, improvement in disclosures and corporate governance.

The entry of private players in the Indian insurance market has changed the nature of competition and the vigorous campaigns of these players have increased customer awareness. This has led to rapid increase in insurance business and a sizeable gain of this has also been reaped by life Insurance Corporation of India (LIC).

There are two branches of insurance i.e. General Insurance and Life Insurance. General insurance deals with the exposure of risks of goods and property whereas; Life insurance is a way to meet the contingencies of physical death and economic death. In case of pre-matured death of the assured the proceeds of the policy are paid to the beneficiaries and annuities protect the assured against economic death when he lives too long to arrange for his necessities. The present study has its scope regarding life insurance.

Today marketing is characterized with intensified competition, customer awareness, shorter product life cycle and more options to buy products and hiring services. These features are typical of any market economy and their strength and impact is showing an increasing trend. The customer is the focus of all marketing strategies and the only viable means of survival and growth in this competition is by delivering higher value to the customers. There is a shift in the paradigm from meeting customers' needs to mass customization strategies for delivering value. Therefore, in the days to come, marketing success would not be gauged by increasing marketing share by any means, but by delivering higher value to the customers. The customers form an expectation of value and act upon it. The perceived value affects the customers' perception of price, quality, and satisfaction and repurchases probability. Considering the centrality of delivering higher customer value marketing must identify the customers' perception of value and act upon it.

Need of the Study

In the globalization competitive time it is essential to provide higher value to the consumers, if the service provider needs to survive and grow. The consumers form an expectation value and act upon it. The liberalization of Indian economy has paved way for the tremendous growth of services sector in the country during last two decades. The Life Insurance Corporation and companies have also felt the vibrations of the changes with the new entrants and changing critical success factors in the industry. The increase in the competition has made it mandatory for the service providers to develop competencies in the areas as per the consumer's requirement. This call for continuous monitoring and measurement of customers or consumers perceived and expected service level. Due to highly intangible nature, the measurement of consumer's expectation and perceived quality becomes a difficult task. The proposed research focuses on Indian public and private sector life insurance companies and attempts to measure the gap in the service quality perception in between the service providers and consumers. The present study is the need of the modern scenario, so that consumers may be protected from the unfair means used by the different life insurance corporation as well as companies.

Objectives of the Study

1. To examine the marketing mechanism for Life Insurance Sector.

2. To study the service quality provided by public and private life insurance companies.
3. To study the effectiveness of consumer protection machinery in the context of Life Insurance.

Consumer Protection

Modern age is the age of industrial revolution. The industries are producing various types of goods and rendering various types of services for the use of consumers in their daily life. There has been a tremendous increase in respect of consumer goods and services in the country, which were hitherto unknown to us two decades before. Consumerism is the basic thought that "consumers need to be protected". The fundamental questions that spring from this basic thought are:

1. How consumer can be protected? And
2. Consumers are protected against what?

Answer to the above questions may be aptly termed with 'consumerism'. Thus, who is a consumer? When and by whom a complaint can be made? And what are the reliefs available to consumers? What are the aspects of 'Consumerism'? It can be compared with a coin having two sides, viz., Trader and consumer (Customer). The words 'Trader' and 'customer' have its relevance since the date of civilization. So protection of Interest of customers has been a matter of concern from the older times and what we find today is not a product of a day or a year but has been a matter of constant process.

In 19th century manufacturer's liability was first time established in the leading case of *Carlill v/s Carbolic smoke Ball Company*. Further, the judgment in *Donoghue v/s Stevenson* gave impetus to it where Lord Atkin laid down the principle of duty to take reasonable care to the consumer where products result in an injury to the consumer's life or property. This case was followed by the judicial committee of the Privy Council in 1935 in *Grant v/s Australian knitting mills Ltd*.

However, consumer protection movement in England started after the First World War when labour party for the first time gave slogan of "battle for the consumers". By lapse of time this movement became stronger and under pressure, British government established Molony Committee. On the recommendation of this committee consumer council was constituted and thereafter various legislations were enacted in England.

India, too, has a long history of consumer considerations, dating back to the Vedic age (5000 B.C to 2500 B.C). Matters relating to civil rights and criminal offences are elaborately noted in the Vedas. Throughout the ancient period, one comes across four broad types of relevant criminal offences – adulteration of food stuff; charging of excessive prices; fabrication of weights and measures; and selling of forbidden articles for which statutory measures and punishments have been recommended, from time to time, by the leading texts of the time.

Prominent among them were: the *Manusmriti*; *autilya's Arthashastra*; *Yagnaek yasmiriti*; *Naradasmriti*; *Brihaspatismriti*; and *Katyayanasmriti*. We also find further seeds of consumer protection during the mughal times and especially during the time of the *kaljis*. During the British regime (1765 to 1947) also known as the 'colonial Era', government's economic policies in India were concerned more with protecting and promoting the British interests than with advancing the welfare of the native population.

The struggle for India's independence was over by 15th August 1947. And with the adoption of the constitution in 1950, the aspirations of the people of India for equality, fraternity, justice and liberty found an explicit expression in the preamble, the fundamental rights and the directive principles of state policy enunciated in our constitution. Therefore, the decade of the 1950s, right from the very beginning, saw the enactment of a number of laws to safeguard the interests of the consumers from various angles. The enactment of the banking companies act, 1949 (later called The Banking Regulation Act) to amend and consolidate the law relating to banking matters as well as the industries (development and regulation) Act, 1951 to implement the industrial policy resolution of 1948 were among the earliest steps taken by the national government of India in the direction of consumer protection.

Insurance Market

The Government of India liberalized the insurance sector in March 2000 with the passage of the Insurance Regulatory and Development Authority (IRDA) Bill, lifting all entry restrictions for private players and allowing foreign players to enter the market with some limits on direct foreign ownership. Under the current guidelines, there is a 26 percent equity cap for foreign partners in an insurance company. There is a proposal to increase this limit to 49 percent.

The opening up of the sector is likely to lead to greater spread and deepening of insurance in India and this may also include restructuring and revitalizing of the public sector companies. A host of private Insurance companies operating in both life and non-life segments have started selling their insurance policies since 2001.

The Life Insurance market in India is an underdeveloped market that was only tapped by the state owned LIC till the entry of private insurers. The penetration of life insurance products was 19 percent of the total 400 million of the insurable population. The state owned LIC sold insurance as a tax instrument, not as a product giving protection. Most customers were under-insured with no flexibility or transparency in the products. with the entry of the private insurers the rules of the game have changed. The growing popularity of the private insurers shows in other ways. They are coining money in new niches that they have introduced. The state owned companies still dominate segments like endowments and money back policies. But in the annuity or pension products business, the private insurers have already wrested over 33 percent of the market. And in the popular unit-linked insurance schemes they have a virtual monopoly, with over 90 percent of the customers.

Need For Marketing

In every economy there is a buyer's market and there is a seller's market and there is marketing of goods and services. Marketing is a very important concept in the present economic context and it has come to play even more important role since the launching of first phase of economic reforms since 1991 with the opening of economy to privatization, globalisation and multinationalization. Now marketing has entered every segment of economy including the primary sector i.e. rural economy.

Marketing experts have come out with many approaches for study of marketing viz. Commodity approach, institutional approach functional approach decision making approach, systems approach, social approach, and holistic approach etc. All these approaches are used in different types of marketing

including rural marketing. It is submitted that in the modern scenario there is an "Emerging need for rural marketing" and the matter is submitted here below after considerable brain storming.

Marketing in India

India has borrowed the concept of marketing from European countries and it was brought to implementation in metros and urban areas. Rural section which is core to the Indian economy remained untouched and untapped by the experts for a long time. With the introduction and emergence of Panchayati Raj Institutions and Constitution Amendment Act No. 73 & 74 and empowering these institutions at the grass root level has given a good Philip to the rural economy which has got highly activated. There is lot of manpower in rural areas and unexploited potential which provides a solid ground for initiating rural marketing.

It seems that a silent revolution is sweeping the rural areas. According to Adigodrej of godrej Soaps, The rural consumer is discerning and the rural market is vibrant. At the current rate of growth it will soon outstrip the urban market. The rural market is not sleeping any longer, we are. The real India lives in the villages. Rural reach is on the rise and it is fast becoming the most important route to growth.

The term "rural marketing" which was earlier used as an umbrella term to refer to all commercial transaction of rural people acquired a separate meaning of great significances in 1990s. Latest slogan is therefore "Go rural."

Marketing in rural areas is not as simple as the events occurring in markets are necessarily taking place in a given socio-economic set of conditions affecting the rural dwellers and the institutions of merchant dwellers. Rural markets offer excellent opportunities to become focal centres for rural development. Rural sector is now poised for offering vast potential to marketers which promises to be an opportunity for them which are to be grabbed by surmounting the challenges and threats.

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