

A Study of Customers' Perception Regarding Improvement in LIC's Performance in Post-Reform Period

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Abstract

The wave of globalization has affected the entire world and has brought about substantial changes in the world's economy. The insurance sector, too, has been affected by these changes, and there have been significant changes in it. Since the insurance industry has been opened to the private players, the competition has increased many folds. So, LIC is facing challenges from these new competitors entering the market. The present study analyses the improvement in the performance of LIC in the post-reform period using a structured questionnaire administered on a sample of 200 respondents from Punjab. The findings indicate that there is a significant improvement in the performance of LIC in the post-reform period.

INTRODUCTION

The Life Insurance Corporation i.e. LIC was created by the Government of India by merging over 240 private life insurance companies and provident fund societies. The nationalization was justified on the grounds that the state would be in a better position to manage the resources generated by the insurance companies and use them for nation building purposes, making insurance reach the rural population and improving the standards of life insurance sector on a whole.

Soon, LIC became a household name. It succeeded in penetrating rural areas. The vast network of LIC offices and over 10 lakh agents helped customers

to easily access its services. In addition to providing insurance, LIC was at the forefront for providing loans for financing housing schemes, loans to panchayats and municipal bodies for undertaking water supply and sanitation schemes, financing infrastructure projects etc.

Till the fiscal year 1999-2000, LIC was the only life insurance provider. It was found that there was a wide gap in terms of market potential and its exploitation by LIC. It suffered from overstaffing, poor customer service and lack of a good range of products. So, a need for reform in the life insurance sector was felt and in the year 2000-01, the Indian market was opened to private sector investment. The process of reforms were started on the basis of recommendation of R.N. Malhotra Committee, which was set up in 1993 with an objective of creating a more efficient and competitive financial system suitable for the Indian economy. The Committee strongly felt that in order to improve the customer services and increase the spread of the insurance, this sector should be opened up to competition. The reforms in insurance sector resulted in to liberalization, privatization and globalization of insurance industry in India. The above research indicates that though large number of studies have been conducted on insurance sector but no worthwhile research have been conducted to see the effect of reforms on the Improvement in LIC's Performance in Post -Reform Period.

OBJECTIVE OF THE STUDY

The objective of the study is to make a comparative analysis of service quality of life insurance industry in the pre -and post- reform period of LIC. Accordingly the following hypothesis is proposed :

Hypothesis : There has been a significant improvement in the performance of LIC in the post- reform period.

RESEARCH METHODOLOGY

A structured questionnaire was designed to access the customers' perception regarding improvement in the performance of LIC in the post reform period. The respondents chosen for the survey included whole of Punjab covering Majha, Doaba and Malwa regions. Data was collected from 200 respondents who were customers of LIC. The seventh and the last part of the questionnaire analyzed the effect of privatisation on LIC. It consisted of eleven questions which measured the improvement in the working of LIC in the post reform period. The respondents were asked to respond on a 5-point Likert scale ranging from "highly improved" to "badly deteriorated".

REVIEW OF LITERATURE

Gunjekar et al. (1988) in their study surveyed a sample of 1124 people of Chora village of Goa to determine how many of them were covered under life insurance. It was found that out of the total population of 6000 people, 414 persons were uninsured, 710 persons were identified to have potential for having insurance, 296 were already insured and only 2 out of these 296 had some problems in getting services from LIC. Thirty two per cent people were approached by LIC agents out of whom thirty one percent expressed their willingness to get insured. Forty per cent people wanted to know more about insurance while 44 per cent were already aware of its benefits. By using the information collected, the survey team suggested various strategies to identify people to be covered under life insurance.

Reddy and Murthy (1996) in their study analyzed the customer services provided by LIC at the branch level. It was found that majority of policy holders were satisfied with services of LIC. It was suggested that LIC must design good publicity campaign, it must collect all the required documents from the policy holders at the time of registration of their policies, open additional enquiry and cash counters and pay cash instead of cross cheques to policy holders.

Arora (1992) in his thesis analyzed the marketing strategies of life insurance services of LIC in Jalandhar division. The study found that most of the agents found LIC to be a good employment opportunity and gave them a steady income. Also most of the agents were satisfied with the premium charged by LIC and the bonus declared by it time to time. However they were dissatisfied by the mode of functioning of LIC. The study also observed that although there was a complexity in the range of products and pricing system in LIC, still it was preferred.

Kalra and Garg (1999) observed that successful marketing of life insurance policies was dependent on a combination of good communication and promotional strategies of the insurance companies. They found that the major problems associated with marketing of LIC policies in rural areas included illiteracy, lack of awareness, and negative attitude towards saving and low purchasing power. It was suggested that LIC should design future strategies so that the customers are able to overcome all the anxieties they have regarding life insurance.

Gahlot (2000) in his study shared his view regarding the huge potential and further penetration of life insurance industry in India and discuss its suitability at the micro level. He compared the total income and expenditure of LIC for the year 1997-1998 and found that expenditure was less than 12 per cent of its total income. He also observed that about 85 per cent of the policy holders claimed their maturity amount after 25 to 30 years and only 15 per cent claimed their money due to the

death of policy holders.

Saibaba et al. (2002) performed a study to access the attitude of women towards life insurance. The study was conducted on LIC in Warangal division of Andhra Pradesh. An interview was conducted on 69 persons .70 per cent of them were found to be satisfied with the services provided by LIC and 30 per cent were dissatisfied. The reasons for their dissatisfaction included difficulty in depositing the premium, lack of awareness regarding new policies and lack of proper advertisement.

Pathak and Singh (2003) examined the effect of entry of private players into the insurance sector. A study was conducted of the various marketing strategies adopted by LIC, its strengths and weaknesses. It was concluded that although the insurance companies were spending a lot of money on advertisement but not enough money was being allocated for research and development of new products. It was also suggested that agent's pre-recruitment training must be ensured to provide efficient and effective customer services.

Banumathy and Manicham (2004) conducted a study to examine the customer services provided by LIC at three stages; before the issue of policy, during the operational period of the policy; and at the time of settlement of claims. The study found that LIC agents provided efficient customer services before the issue of policy and also play a major role in influencing the policy holders. The study concluded that LIC can improve its performance by trying to increase bonus rates, introducing new products at regular intervals and guiding the illiterate and rural folks.

Banumathy and Subasini (2004) conducted a study to determine the attitude of LIC policy holders towards life insurance business in Virudhunagar district. To know the overall attitude of the respondents, a list of 10 components was selected which included premium rate, branch location, loan procedure, revival of policy, surrender procedure, bonus rate, services provided by agents, settlement of claims, advertisement and publicity, and safety and social security. They also tried to determine whether age and educational qualifications influenced the customers' decision for buying LIC policies.

Dhanda (2004) studied the divisional performance of LIC business in northern India during 1990-2000 on the basis of segmentation of policy holders, mobilization of savings of people, operational efficiency and claim settlement. The study found that the ratio between first insurance business and new business was more than 60 per cent in the northern zone. A majority of respondents preferred the introduction of computers to increase the efficiency level and improve the service quality.

Raman and Gayathri (2004) undertook a study to determine how aware the respondents were about the new insurance companies and to check whether they

would like to invest in these companies. They found that most of the respondents came to know about the new companies through their friends and wished to buy their policies. They preferred the new companies because of attractive schemes, reasonable premium and high risk coverage. On the other hand LIC policies were preferred only because of their risk coverage, services and familiarity. The study concluded that existing as well as new companies must try to rope and retain their customers to survive the market.

Devasenapathi et.al. (2007) analyzed and rated all the 13 life insurance companies in the Indian market to assess the consumer response rate for privatization and awareness towards the various life insurance products from 500 consumers belonging to Chennai. The results showed that the total average premium was Rs. 5,550; the average premium of LIC was Rs. 5,249 while that of the private companies was Rs. 9,952. It was found that 12.2% of the consumers bought a policy as an investment to get return, 8.2 % as a risk cover of death and only 5.6% bought it as a risk cover of death.

Jampala and Rao (2007) conducted a study on the distribution channels of LIC. The study found that although a number of intermediaries or distribution channels like corporate agents, brokers and referrals have emerged over time, LIC was not able to capitalize on them and hence could not make good business from these channels.

Vanniarajan and Jeyakumaran (2007) attempted to identify the various quality factors among the insurers and their impact on the overall attitude towards insurers in the public and private players in the life insurance market. They identified a total of 50 dimensions of service quality and rated them on a five point scale. The SERVPERF score of the service quality factor was calculated for both the consumers of public and private players. Seven statements were drawn from the review to measure the overall attitude towards insurers. The perception on the overall attitude on the insurer was summated with the help of an index called the Overall Attitude Index.

Vanniarajan and Jeyakumaran (2007) analyzed the change in the service sector brought about by the globalization and liberalization. The study suggested that the success of the companies in the market rest on the availability of customized product and also the service quality offered to customers. The future growth of the companies depends upon its service and service quality to the customers. So the insurance companies should evaluate their services and identify their distinction from others.

Khurana (2008) in his study attempted to analyze the customer preferences in the life insurance industry based on the plans, purpose of buying the policies by the customers, their satisfaction levels and their future plans to buy new policies.

The study showed that only 12 respondents (6.3 per cent) faced some problems and all of these had policies of LIC. The satisfaction level of the customers of HDFC Standard Life, ICICI Prudential, Kotak Life, Max New York and Birla Sun Life was 100 per cent while that for LIC, Tata AIG and Bajaj Allianz were 45 per cent, 50 per cent and 50 per cent respectively. Also, only 56.3 per cent of the customers intended to buy new plans from the same company.

FINDINGS AND ANALYSIS

To analyze the performance of LIC in the post-reform period, the performance factors have been broadly classified into three categories - factors related to infrastructure and services offered to the customers, factors related to products and policies offered by LIC and factors related to claim settlement procedures.

Table 1
Customers' Perception Regarding Improvement in LIC's Performance Regarding Infrastructure and Services Offered to Customers

Statement	Frequency & Per cent				
	Highly Improved	Improved	Remained Same	Deteriorated	Badly Deteriorated
Improvement in the overall working of your company	28 (14.0%)	114 (57.0%)	50 (25.0%)	5 (2.5%)	3 (1.5%)
Improvement in the behaviour and efficiency of employees/agents	23 (11.5%)	90 (45.0%)	74 (37.0%)	13 (6.5%)	0 (0.0%)
Improvement in the overall ambience and infrastructure	31 (15.5%)	91 (45.5%)	65 (32.5%)	10 (5.0%)	3 (1.5%)
Level of information being provided by the employees/agents to the customers	43 (21.5%)	74 (37.0%)	66 (33.0%)	11 (5.5%)	6 (3.0%)
Effectiveness of the various promotional activities in arriving at the final decision	32 (16.0%)	78 (39.0%)	70 (35.0%)	16 (8.0%)	4 (2.0%)

Table 1 shows the frequencies and percentages of customer's perception regarding the improvement in performance of LIC regarding infrastructure and services offered to the customers in the post-reform period. 28 (14.0%) rate the overall quality to be highly improved, 114 (57.0%) rate it as improved, 50 (25.0%) find that the quality remained same, only 5 (2.5%) feel it deteriorated and merely 3 (1.5%) feel it badly deteriorated. 23 (11.5%) rated the improvement in the behaviour and efficiency of employees/ agents to have highly improved, 90 (45.0%) rate it as improved, 74 (37.0%) feel it remained same, while 13 (6.5%) feel it deteriorated and no one found it badly deteriorated. 31 (15.5%) rate the improvement in the overall ambience and infrastructure to be highly improved, 91 (45.5%) rate it as improved, 65 (32.5%) find that the quality remained same, 10 (5.0%) feel it deteriorated and 3 (1.5%) feel it badly deteriorated. 43 (21.5%), 74 (37.5%), 66 (33.0%), 11 (5.5%) and 6 (3.0%) rate the improvement in the level of information being provided by the employees/agents to the customers to have highly improved, improved, remained same, deteriorated and highly deteriorated respectively. Similarly, 32 (16.0%), 78 (36.0%), 70 (35.0%), 16 (8.0%) and 4 (2.0%) rate the improvement in the effectiveness of the various promotional activities in arriving at the final decision to have highly improved, improved, remained same, deteriorated and highly deteriorated respectively.

Table 2

Customers' Perception Regarding Improvement in LIC's Performance Regarding Products and Policies

Statement	Frequency & Per cent				
	Highly Improved	Improved	Remained Same	Deteriorated	Badly Deteriorated
Improvement in product quality offered by your company	22 (11.0%)	115 (57.5%)	54 (27.0%)	6 (3.0%)	3 (1.5%)
Pricing of policies	21 (10.5%)	113 (56.5%)	45 (22.5%)	18 (9.0%)	3 (1.5%)
Formalities required to get a life insurance policy	38 (19.0%)	87 (43.5%)	48 (24.0%)	25 (12.5%)	2 (1.0%)
Flexibility and need based suitability of the products offered	38 (19.0%)	98 (49.0%)	51 (25.5%)	7 (3.5%)	6 (3.0%)

Table 2 shows the frequencies and percentages of customers' perception regarding the improvement in performance of LIC regarding products and policies offered by LIC to the customers in the post reform period. 22 (11.0%) rate the Improvement in product quality offered by your company to be highly improved, 115 (57.5%) rate it as improved, 54 (27.0%) find that the quality remained same, only 6 (3.0%) feel it deteriorated and merely 3 (1.5%) feel it badly deteriorated. 21 (10.5%) rated the improvement in the pricing of policies to have highly improved, 113 (56.5%) rate it as improved , 45 (22.5%) feel it remained same, while 18 (9.0%) feel it deteriorated and 3 (1.5%) found it badly deteriorated. 38 (19.0%) rate the improvement in the Formalities required to get a life insurance policy to have highly improved, 87 (43.5%) rate it as improved, 48 (24.0%) find that the quality remained same, 25 (12.5%) feel it deteriorated and 2 (1.0%) feel it badly deteriorated. Similarly, 38 (19.0%) , 98 (49.0%), 51 (25.5%), 7 (3.5%) and 6 (3.0%) rate the improvement in the Flexibility and need based suitability of the products offered to have highly improved, improved, remained same, deteriorated and highly deteriorated respectively.

Table 3
Customers' Perception Regarding Improvement in LIC's Performance Regarding Claim Settlement

Statement	Frequency & Per cent				
	Highly Improved	Improved	Remained Same	Deteriorated	Badly Deteriorated
Change in time taken to settle a claim	23 (11.5%)	90 (45.0%)	68 (34.0%)	13 (6.5%)	6 (3.0%)
Formalities required to settle a claim	26 (13.0%)	91 (45.5%)	47 (23.5%)	11 (5.5%)	6 (3.0%)

The Table 3 analyses the customers' perception regarding improvement in LIC's performance regarding claim settlement. 23 (11.5%) customers rate the change in time taken to settle a claim as highly improved, 90 (45.0%) feel it has improved, 68 (34.0%) feel there is no change, 13 (6.5%) feel it has deteriorated, and 6 (3.0%) feel it has badly deteriorated. Similarly, 26 (13.0%) customers rate of improvement in amount formalities required to settle a claim as highly improved, 91 (45.5%) feel it has improved, 47 (23.5%) feel there is no change, 11 (5.5%) feel it has deteriorated, and 6 (3.0%) feel it has badly deteriorated.

CONCLUSIONS AND SUGGESTIONS

The study examined the customers' perception regarding the improvement in LIC's performance in the post reform period. The study found that LIC has shown a huge improvement regarding infrastructure and services offered to the customers, regarding products and policies offered by it and regarding claim settlement process. So, the hypothesis that LIC has shown a significant improvement in its performance in the post reform period holds true. However, there is a significant no. of customers who still feel that the performance of LIC has either remained same or has deteriorated in the post reform period regarding some of these factors. These include improvement in the behaviour and efficiency of employees/agents, increase in the effectiveness of the various promotional activities to aid the customers in arriving at the final decision, formalities required to get a life insurance policy and time taken to settle a claim. This suggests that LIC must strive to further improve its performance by employing agents/employees who are efficient and trained in such a way that their behaviour towards the customers is friendly and courteous. It must also organize promotional and awareness programs to guide the customers regarding the products of the company. It must try to reduce the formalities required to buy a policy and also improve their claim settlement process.

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