CHAPTER II

REVIEW OF LITERATURE
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For a human being, the risk is part and parcel of life. For an individual any package to overcome the risk in life is always appreciated because of his higher attachment towards his family. LIC is one of the biggest public sector organizations, providing coverage for life risk. It also provides employment to thousands of people directly and indirectly. Any study in relation to marketing of LIC products and services is highly needed in the present context. For this purpose, the previous studies in this area are presented, more specifically the studies in the area of marketing and services.

Khan\(^1\) (1978) in his study attempts to know the opportunities and prospects in the career of a life insurance agent. He explains about what a good career is and how a good career should be. For selling of life insurance products, there is no age barrier and it needs no previous occupational experience but one needs to be attractive, professional and capable of creating opportunities in building personality. The relationship of life insurance agent with clients is not temporary and the service rendered has no substitutes. He also observes that life insurance agent remains, in a sense, permanent server to the clients.

Ramesh Jain\(^2\) (1980) conducts a case study at Sagar branch of LIC to view the spread of life insurance in a particular area and to channelise the mobilized saving for nation building activities. Analysing the processing of procurement of insurance business and administration of LIC in branch level, the study also brings out the growth of total new business and about 30% of LIC's individual assurance business originated from the rural sector. It adds to the privilege of LIC to contribute their investments to many of the vital projects and schemes under 20 point programmes. The methodology followed is through questionnaire and personal interview. The findings of the study was to establish servicing centre to have continuous interaction with the policy holders and the Sagar branch has still greater potentialities of expansion in the rural sector.

Raj Kumar\(^3\) (1985) views that advertising is to influence a customer, who has a limited spending power and it seems to operate through familiarizing, spreading news, overcoming inertia and image building, improving market share, educating, informative and to have staff support. As far as insurance industry is concerned, misconception is a common problem and the pre-testing revealed that most of the rich people are associated with insurance and he opined that the treatment by LIC to the public is always unfair.


Mishra⁴ (1987) aims to study the marketing strategies of LIC with the objectives to act as a trustee of insured public, meeting the needs and services arising in social environment and promote a sense of participation for employees. Conclusion of his study was that occupational pattern of the population has significant influence over the insurance market where 35.2% of salaried have insurance coverage as against 16.2% who are under self-employed category.

Kirubashni⁵(1991) in her study attempts to know the level of awareness, preference, influencing factor pertaining to policy holdings and to test the relationship between the influencing factors and policy holdings. The studies revealed that the majority of respondents are aware of the endowment assurance policy and considered to rank it as number one. The study also revealed that there was a significant relationship between personal factors and policy holdings.

Malhotra RN⁶(1996), a committee on reforms in the insurance sector was formed to discuss on the India’s Insurance Sector. According to his survey, the awareness level of various policies of both GIC and LIC is quite

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⁶ Malhotra, R.N. “Liberalizing India’s Insurance Industry” Chartered Secretary Jan 1996 pp 1-11.
limited. He is also of the view that a fair proportion of people are of the opinion that peerless companies are offering only general insurance.

Gidwani\(^7\) (1996) tries to find probable solution as to why human life is valued after death in monetary terms and to what extent the life insurance is needed for an individual. He adopts three methods to study the situation (i) Ability to look into one’s pocket to decide how much one can save a fixed sum of money so that maximum term of life insurance can be purchased; (ii) Calculate individual average earning from future personal effort over the remaining year of productive life time, and (iii) Total expenditure met during lifetime represents cost of acquisition of human asset which is productive in subsequent year.

Narasima Murthy\(^8\) (1996) in his paper attempts to examine and evaluate the customer service provided by LIC at Hanamkonda branch in Andhra Pradesh. For this purpose, opinion of the policy holders were grouped as professional and managerial group, regular income group, self-employed group and agricultural group. A sample of 100 customers on random basis were selected and the data were collected, using structured questionnaire. Findings of the study was that majority of the policy holders are satisfied with premium rates fixed by LIC and remaining felt that rates should be reviewed in view of

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\(^7\) Gidwani S.J “How much life Insurance does a man need” chartered Secretary Jan 1996 pp 31-32.

declining mortality rate. Majority of the respondents expressed satisfaction with services of agents at the time of maturity.

Appi Reddy and Narasimha Murthy\(^9\) (1992) have attempted to examine the marketing practices followed by LIC in rural areas and problems involved in providing the services. The organization appoints development officers with responsibility in a specified territory (Tryst with Trust) and special promotional efforts like field publicity vans, film shows, exhibitions etc are insisted. Only 4.55 crores people have been insured against the insurable population of 21crores in spite of consistent efforts.

Madawat\(^10\) (1977) studies the changes that had taken place between two decades in life insurance with particular reference to policyholders’ weals and woes. The twin objective at the time of inception was to provide protection to all the section of society and to make available the investment in priority sectors. The study revealed no spectacular increase in business from rural areas but all efforts were made to exploit the vast and untapped potential from rural business. Life fund registered an increase at 1283% in the year 1975-76, 17.7% the net lapse ratio was due to the misguidance of agents and development officers but targets were fixed realistically to bring down.

1. Tryst with trust the LIC story LIC of Inia 1991 pp 133.

Ajit Ranade and Rajeev Abuja\textsuperscript{11} (1999) present an overview of the operation of LIC in India and identify the strategic issues in liberalization and the entry of private players in insurance. The author brings out the need of private players and enhance efficiency in operation, achieving a greater density and penetration of life insurance mobilize long term savings for infrastructure projects in a tabular format with percentages. Though LIC is in advantageous position compared to private entries, yet it has to bring in changes in demand for pension, demand for variety of products and freedom in investment in order to survive and adapt to the liberalized scenario.

Lajput Ray Chandhani\textsuperscript{12} (1999) attempts to study the concepts of keyman insurance, its objectives, features, monetary value of keyman's life, maximum sum assured and other requirements. Though introduced five years back in India, it is yet to gain prominence in the field of life insurance. He opined that key man insurance holds good to mitigate the losses that might materially affect the organization's profit, reduce sales, increase cost, restrict credit etc that might be caused by key employees whose skill and knowledge is more valuable to the organization and remains almost indispensable.

\textsuperscript{11} Ajit Ranade and Rajeev Abuja "Life Insurance in India-Emerging Issues" Economic and Political Weekly Jan 1999 pp 16-23.

\textsuperscript{12} Dr. Lajput Ray Chandhani "Keyman Insurance" Indian Management Vol.35 No.10 October 1999.
Raghu Gulati\textsuperscript{13} (1999) in his survey, attempts to observe the life insurance market in relation to products and customers. A basic understanding of life insurance business, product portfolio, strategy the company adopts, demographic analysis, the customer strategy that the organization repeatedly follows when launching insurance etc. is studied. The study also reveals that LIC has deep penetration in urban areas, but the people are under insured, yet there exist potential to increase the coverage of insurance. 50% of LIC’s business comes from rural areas and agents seem to be the most effective channels regarding sales. In product strategy, if the customer is in need of basis insurance product, the company should come forward to launch term profit is to be matched with risk, a unit link product is to be launched etc.

Mishra and Simita Mishra\textsuperscript{14} (2000) brings the position of insurance compared with European countries, where life insurance accounts for 58% of global direct premium and non-life 42% during the year 1997. The study states that the need for insurance arises when economic activity increases, family becomes nuclear, kins gets geographically dispersed and individual become more dependent on employment. The author analyses the top ten largest insurance markets and how they are ranked by revenue in the year 1998.

\textsuperscript{13} Raghu Gulati “Study of Life Insurance Market: Products and customers” (GE Capital, India) 1999.

\textsuperscript{14} Mishra K.C & Simita Mishra “Global Insurance market structure” The Management Accountant Vol.35 No.1 Jan 2000 pp 51-54.
Jaya Basu and Chandra Sekhar\textsuperscript{15} (2000) discuss the problem faced by the insurance players towards majority of population being ignorant of the policies. It states that only 15 percent of the total population are insured and the penetration level of insurance policies in India is only 0.5% as against 2.86% in Israel and 2.43% in Hong Kong. If this status is to be increase in India, there is a need to create customer awareness in rural areas, innovate low-prices units with low premium and right distribution techniques with planning for rigorous training to agents, direct marketing, bank assurance etc which can definitely prove to be a boon to new the companies entering this sector.

Ramakrishna Reddy and Raghunadha Reddy\textsuperscript{16} (2000) attempt to study the issues and relate conclusion on certain matters like whether premium rates reflect the life expectancy or the policy designed only for government employees or semi-government employees or reputed commercial firms etc. The spirit of the policy holders to know about the working, drawbacks and short coming of the LIC is discussed. The study reveals that the rates of premium charged under postal life insurance are less and cheaper compared to the rates of premium of LIC. As LIC is covered for a confined class of selective masses, it is felt necessary to concentrate on uncovered areas and non-salaried class as potential market segments. The foremost change required

\textsuperscript{15} Jaya basu and Chandrasekhar's "Insuring the profits" ICFAI Reader Sept 2000 pp 55-57.
by LIC is to provide transparency of information to the community, as they have the freedom to access any information about the working of LIC.

Malliga\(^{17}\) (2000) in her study examines the association between socioeconomic status, personality traits of the agents and the performance in Tirunelveli, Tuticorin and Kanyakumari districts. Further, the impact of marketing strategies and attitude of the agents towards the organization on the performance is studied with a sample of 100 respondents using stratified random sampling. The results of the data show that performance of the agents in terms of number of policies, the sum assured and the total commission received was found to be dependent on the socio-economic status. There is a significant correlation between marketing strategies of the agents and their performance.

Jha\(^{18}\) (2000) being a former executive director of LIC, discusses and presents the period in which insurance industry was in the of private sector (1818-1955), then public sector (1956-1999) and once again under private sector (2000). The objective of liberalization is to provide better coverage and the flow of financial resources for the growth of infrastructure. The challenges before the industry in a liberalized market are few new insurers, retaining the


existing insurers, expectations of consumers and distribution channels, consumer education and grievance redressal.

Achamma Samuel\(^9\) (2000) attempts to make an overview of the insurance system in India. As the insurance sector facilitates for economic development, the author tries to evaluate the insurance penetration and makes a comparison with the world standards. The study reveals that India’s insurance penetration was only 2.3% as against the world’s average of 7.8% in the year 2000. The low insurance penetration reflects on the vast potential for the development of insurance markets in India. The share of insurance as a percentage of real GDP during the period 1981-82 to 2000-01 was below 1%. The insurance sector has been only a marginal contributor to the country’s GDP. One of the reasons attributable to this could be the lack of effective competition (due to the monopoly position enjoyed) by the public sector. Opening up of the insurance sector may argue well for the growth in income from this sector.

Mahesh Chandra Garg\(^10\) (2001) brings out the new paradigm in the insurance industry by imposing the increase in life expectancy of individuals and disintegration of joint family system where each individual now arranges the cover for himself and for the family. He views that the rate of insured

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which was around 7 percent of the population in 1999 has to grow very fast because private sector operator in collaboration with their overseas partners are likely to bring in more professional and focused approach. Once competition grows, lower premia may also become a reality and the regulatory body has to ensure a balance in the enactment of the regulation in the overall development and maturity of the insurance industry.

Sankariah, Rudra Saibaba and Pervaram Sreenath\(^{21}\) (2001) attempt to articulate the objectives like marketing strategies, progress in LIC, different facilities to meet risk coverage and highlights of the new policies offered by the insurance companies in the context of privatization, liberalization and globalization. On comparing with private firms, the study elicited that different varieties of policies offered by LIC are not available with other insurance companies as they offered only endowment and money back policies. The progress of LIC is highly remarkable which recorded only 9.32 lakhs new policies in the year 1956 as against 148.43 lakhs new policies in the year 2000. There is every possibility in the growth of insurance business as 57.6% of the insurable population is still uncovered. LIC intends in shifting (with the CRM model) from mass-marketing to target marketing of individuals and extends reaching out to customer in the most cost effective way with target offers.

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Paresh Parasnis (2001) in an article briefly discusses the various channels of distribution in the life insurance industry in India and new avenues being explored by the new players. Importance is given to the customer not only for meeting his requirements but also the impact in times of fulfillment, quality of service rendered, complexity of products etc is given priority. One of the recent experiments worth explaining is Banc assurance. In a recent survey carried out by Price Water House Coopers on Banc Assurance, certain key issues emerged to improve the effectiveness of the sales channels and product needs. To conclude, that industry in transition presents opportunities, but is also fraught with challenges of an unknown magnitude. Therefore, only the best will survive in the long-term which enables to spot the emerging trends and helps to capitalize the benefits of its customers.

Agarwal (2001) has attempted to study the importance of information technology in the insurance industry and brings out the efficient need of providing improved services when there is competition due to private entry. In an insurance company the service of it may be utilized in many areas like customer service, claim management, human resources etc. It is assumed that to have an overall increase in the size of the insurance market, information technology must be used on a much vigorous basis for more extensive penetration.

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Nikhil Gupta\textsuperscript{24} (2001) in his article views that among the strategies that Indian insurers adopt, best opportunity lies in the product’s core function that is in providing a safety net. Though insurance is pooling of resources to help a few in distress, it certainly requires refining the notion of responsibility. The author brings out the highlights in rising proportional aspects, penetration level and other projected macro-factors along with global insurance market during the year 1999. Each private player’s view points are to sell the product for customers at their own risk. Protection is discussed separately with their capital base, centre owned, number of agents and free look period.

Swapan Bakshi\textsuperscript{25} (2001) tries to focus issues on the potential growth in insurance business and the infrastructure for banks to adopt the strategies for success in a competitive environment. While opportunities are immense and the challenges are also formidable, the prospects and problems for banks planning to foray into insurance is well discussed. Entry of private players may erode the deposit base of banks, since life insurance-linked saving more attractive, and also competitive advantage, flexibility and gestation period. The potential threat to deposits may be the factors considered for banks to go for both life and non-life sector.

Kutty\textsuperscript{26} (2001) brings out the fact that the growth of the insurance industry growth is achieved not through penetration among one segment of population i.e., the formal sector (middle class) but also the pattern of expectations in the informal sector (lower class) that helps in the sufficient spread of life insurance. The author has cited many Indian cases. One among the author’s own survey of 75 rural LIC policyholders conducted in Trichur district of Kerala in 1999, the key findings are majority of the respondents are concerned with specific savings needs and smaller number were concerned with general needs. Majority felt that insurance is for a dominant need and safety for their investment. The distinctive pattern of expectations of the informal market is fairly apparent in the above study.

Vasanthi Srinivasan, Praksh and Sithramu\textsuperscript{27} (2001) explore the changes taking place in management of agents in liberalized economy. The objectives of the study were to identify the competencies required and methodology adopted for selecting the effective agents. A sample of 15 agents ranging between 28-47 years, representatives, customers of agents was taken for qualitative solution. The findings indicated that a professional competency is necessary for successful insurance agents. The study also highlights the

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analysis of industry, how to manage agents to develop competencies and domain experts in the selection of agents.

Thitivadee Chaiyawat \(^{28}\) (2001) states that the more developed and efficient country's insurance market is, the greater will be its contribution to economic prosperity. She views that a dozen countries which have liberalized their insurance market have allocated better resources and enhanced consumer choice as per expectations. The study also highlights the issue that liberalized markets and allows a huge competition by creating stronger solvency, supervision, disclosure, consumer information and market monitoring. The only adverse effect on the restrictions of foreign insurer involvement is, if the government denies their citizens and businesses such markets, it may lesson consumer choice that may hinder contribution to the economic development.

Michael Theil\(^{29}\) (2001) analyses the demographic variables and the appraisal of insurance with a case analysis, pertaining to assistance products. Additional features to traditional products are referred to as assistance products. A consumer survey was conducted to find the demographic characteristics and the related assistance products. It also analyses the consumer's judgement towards new class of insurance products. The study reveals that variables used in the survey are different and there is a weak

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relationship between consumer’s judgment and class of products. As demographic variables are not performing as expected, it seems advisable to focus on alternative factors.

Rama Krishna Reddy and Kunjula Spandana (2002) study the challenges and opportunities present in opening up of Indian insurance sector to private hands. Though the emergence of competition shows a healthy sign, yet there is a fear that multinational companies will squeeze the existing companies, thereby, affecting the national growth. There is a big question as, by liberalizing the insurance sector, whether it will have an unfavourable impact or help in the betterment of the people. But customers benefit by having choice, better service and easy access to insurance schemes.

Thiripurasundari (2002) in her study attempts to know the attitude of policyholders towards the services of LIC branch office at Mayiladuthurai town in Tamil Nadu and the level of satisfaction of policy holders relating to the rate of bonus, rate of premium, and medical examination etc. The study also reveals that the overall services of the branch office with regard to various aspects are satisfactory and 80% of the respondents expressed their opinion towards rate of premium as normal and bonus as moderate at the end of

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maturity period. Majority of the policy holders felt that the medical examination insisted for taking policy is necessary.

The Analyst\(^{32}\) (2002), in a report, discusses the market share, policies sold, customer protection and opportunities in the insurance sector. It brings about the challenges before the insurance sector, expectations of the customer, various channels of distribution and statistics etc. In the year 2001-02, LIC has about 98.5% market share with 2.32 crores policies sold. Ombudsmen were setup in 12 cities for redressal of customer grievances. Comparing with Indian and global insurance, India takes a meagre of only 0.41% share and premium as 1.9% of GDP as against 5.2% in US, 6.5% in U.K etc. Though LIC products are sold as service products, yet it looks for various attractive distributive channels that can be employed by way of Banc assurance, worksite marketing and exploration through non-financial organizations.

Pushpa Kumari\(^{33}\) (2002) attempts to find out how LIC provides security to the masses and its contribution to the development of the economy. As per the annual report, number of policies in individual assurance increased more than 13 times. i.e., from 85.77 lakh in 1961 to 1131.11 lakh by 2001. Rural share which was 36.5% in 1961 increased to 55.5% in 2000-01. To conclude, investment structure seems to have undergone a shift in favour of the


government securities and in corporate sector comparatively investment is social and development activities experienced a decreasing trend.

Rajat Shuvro Bakshi\(^{34}\) (2002) in his study attempts to know the theoretical concepts and examines the post liberalization scenario in the existence of IRDA and the strategies for the future. Trust in customers is the major driving force for the private players and is not easy to achieve especially when insurers are preparing themselves up for a competition. Insurance premium in India accounts for mere 2.3% of GDP and percentage of savings is barely 5.95% in India. The factors discussed for customer to retain in spite of private entry are strong distribution network, strategic selection of segments, reputation, creditability and financial stability. As per Financial Times May 14 2002, LIC records to the extent of 23 million number of policies sold, compared to other private companies.

Ashok Thampy and Sitharamu\(^{35}\) (2002) discuss the international comparison of insurance consumption in both developed and developing countries. Also estimates of the potential for individual life insurance in India and the interaction of demand and supply of insurance in determining insurance consumption were studied. International comparisons of the life insurance premium per capita (India ranks 74\(^{th}\)) and the life insurance premium as a


percentage of GDP (India ranks 49th in the world in 1995) Swiss Reinsurance Co., 1997) ranks India in low measures. The conservative estimate of life insurance potential (based on census 1999) and occupation profile of worker is 14.735 crores of individual insurable lives. As demand already exists, the consumption of insurance in the post liberalization scenario increases with shift in the supply.

Ashok Thampy36 (2002) studies the highlights of Rural Insurance Research conducted by FORTE. Two representative districts were selected from each area in the whole of rural India - affluent areas of Western Uttar Pradesh and Andra Pradesh. The study shows that the rural sector offers huge business opportunity and out of 124 million rural household, 27% already possess life policy and 51% of the respondents express to purchase a policy.

Arunajatesan37 (2002) in his study attempts to find the reason for poor penetration of insurance and influencing factors like awareness of LIC products, preferred mode of saving, insurable population, reasons for buying etc. The findings of the study were that 70% of the population is aware of insurance through TV, Newspapers & agents and among them only 24% are insured. Regarding the knowledge of schemes, less than 5% are recorded and reasons for buying insurances is only tax planning and risk cover only.

Sanjiv Marwah (2002) opines that insurance organization is experiencing a major problem in customer churn after involving a huge cost in acquiring them. The gaps model of service quality (developed by Valerie. A. Zeithaml), was applied to study the gaps in the service of customers of insurance industry. The model identifies seven types of gaps that occur during design and delivery of service performance. Also steps were involved in different ways to reduce the defection rate (the rate at which it loses customers) by measuring retention rate, distinguish the causes of customer attrition, estimate how much profit if loses and finally the cost involved to reduce the defection rate. The study also revealed that customer satisfaction, customer loyalty and listening to customer’s feedback are the innovative solutions to retain and regain the customers, who are looking for better alternatives.

Pradeep Gupta and Sanjay Bhyana (2002) discuss the challenges and strategies in the insurance industry in India. An attempt was made to know the market position of different insurance brands and business practices codes given by IRDA to maintain some minimum standard. As per study, after liberalization in Nov.1999, awareness of LIC brand shows 100 % as against ICICI prudential awareness 70%, followed by HDFC, with 52%.

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Harold D. Skipper\textsuperscript{40} (2002) attempts to study the relevant issues in connection with the liberalization of Indian Insurance Market. The liberalization seems to be a foundation, emphasizing only on minimum interference. Further, it stresses the importance of foreign insurers in the contribution of national economics, and the principles followed by the government that enables the consumers to expose themselves of quality products from the well established private insurers. The empirical evidence on insurance liberalization with emerging markets has been explored. He has also examined the efficiency on the effects of life insurance in market opening and deregulation efforts undertaken in Korea, Philippines, Taiwan and Thailand. As per the study it revealed that Korea and Philippines seemed to have improved in productivity with the modest deregulating during the study period. The findings ensured that in a restrictive regulatory environment, welfare gains will be minimal if deregulation does not closely follow market opening.

Mittal and Anil Chandhok\textsuperscript{41} (2002) attempt to study the impact and perspective of insurance sector before and after privatization. In the pre-scenario privatization, 75\% of the business was generated in the months of January, February and March of every year for income-tax saving, while the remaining 25\% of the business was procured in the remaining nine months. In the post-scenario privatization, private companies are likely to target the

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village population which is almost untapped. A performance survey regarding the number of policies sold for the year 2001 is analysed in the selected branches of LIC (Ambala city, Kurukshetra, Karnal branch 1 and 2) in the state of Harayana. Findings of the study were that 85% of the majority of the business in the life insurance sector is from the male segment of the Indian population and only 15% of the female population is insured.

Bajpai (2002) in his publication brings out the environmental changes like liberalization and globalization, increasing disasters, declining interest rate, convergence, heightened customer expectation that lead in favour of the challenges before the insurance industry. The industry passes through different phases of evolution of life risk management, multi-channel distribution, network management, stake holder’s conflict management, corporate governance etc. that appears to be looming large on the horizons of the insurance industry. To conclude, the emerging trends suggest the industry to move from mere risk mitigation to net wealth management so as to have immense opportunities for growth and profit which enables to offer and transform the conceptual practices and customer relationship management.

Bajpai G.N “The challenges before The Insurance Industry In India” published by The A.D Shroff Memorial Trust Mumbai 2002.
The study of Tapen Sinha\(^\text{43}\) (2002) states that 312 million middle class consumers in India have enough financial resources, but only 2.5% of the population has insurance coverage and India is the sixth largest market in the world.

Ajay K. Rajan and Mukesh Dhunna\(^\text{44}\) (2002) analyse the social implications in opening up of insurance sector to private players to find reasons as to why there was private entry after nationalization, what are the social issues so far and how the reforms proceeded as per the role of IRDA in cementing the reforms in Indian insurance industry. The reason for private players, based on competition is to enhance resource utilization, reduction in premium cost, funds to mobilize domestically, better pay packages and to attract inflow of foreign capital. The study also reveals that most of the private players are concentrating on business only in urban.

Santosh Dhar and Upinder Dhar\(^\text{45}\) (2003) present the study for the purpose of assessing the awareness and understanding of future managers about insurance. The study has also revealed that five dimensions (protects current and future needs, encourages savings, guarantees payment and ensures growth and security), are perceived as important by these future insurance managers.


\(^{44}\) Ajay K Rajan & Mukesh Dhunna “Liberalization of Insurance sector: social Implication” Indian Management studies Vol.6 No.1 2002 pp 106-117.

As people’s expectations about services tend to be strongly influenced by their prior experience of outcomes with a particular service provider, future managers must learn to know the customer’s specific requirements to provide individual attention and to recognize him as a regular customer.

Alok Tewary\(^\text{46}\) (2003) in his article states that skills and experience is necessary to tap the employment opportunities arising from the liberalization of insurance sector. He brings out the difference between pure risk and speculative risk, where pure risk can be overcome only through the techniques of risk management. Insurance business needs lot of capital, skill and talent to manage the marketing treasury operations, administration and vigilance. He discusses on the eligibility criteria for banks to enter into insurance business, the capital adequacy ratio of the bank should not be less than 10% and NDA levels of the bank should be reasonable etc.

Pramod Pathak and Saumya Singh\(^\text{47}\) (2003) in their research try to find out the competitiveness of LIC in view of entry of new players and carried out a SWOT analysis to suggest some strategies. The objectives of the study were to help the public sector insurance giant to increase the market share, to help LIC to retain old customers, and to attract new customers. The study also emphasizes on customer satisfaction and quality services. The methodology


\(^{47}\) Pramod Pathak and Saumya “Increasing competitiveness through Marketing-A Case study of Life Insurance corporation of India” The alternative Journal Vol.2 No.1 Oct 02 to March 03 pp 32-38.
applied is through open-end interview with the customer to find out perceptions and expectations. Hundred customers in Dhanbad and its surrounding areas were selected through convenience sampling to collect information on sum assured and annual premium paid etc. The finding of the study was that majority of customers were graduates, who felt that main work of LIC is to insure human life. Majority of the respondents preferred only money back policies and Bima Nivesh covering single premium.

Bajpai (2003) discusses about the preservation and progression of insurance industry that has a direct and proportionate relationship with the growth and sustainability of the economy. He emphasizes on the economic order for building an insight about the challenges which are laid before the Indian insurance industry. He depicts beforehand the broad issues (higher customer expectations, increasing disaster, declining interest rate, globalization etc.) connected to make out the challenges before the industry. Though the challenges bear a dynamic description, the industry has to pass through the phases of evolution like risk management, multi-channel distribution network management, customer relationship management etc. which appears to be enormous in the horizon of the insurance industry.

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Azhagaibh and Varadharajan\(^49\) (2003) in their study view that out of one billion people in India, only 35 million people are covered by insurance. With the entry of private insurance players, people have a host of schemes to choose with distinguished features giving importance to the return on investment. LIC has been withdrawing many of its assured return plans, due to the factors like changing customer behaviour, deregulation and government intervention, competition etc. Regarding the progress of 12 private insurance players, the total of all private companies is around 5% of the total insurance business in the country, especially ICICI prudential tops the rank with 40% followed by Max New York with 13%.

Patil Kallinath\(^50\) (2003) attempts to evaluate the duties of agents and to assess whether the existing products are satisfying the needs of the policyholders in LIC branches of Gulbarga district (backward area of Hyderabad-Karnataka) during the period 1999. The sample size is 1921 (policyholders & agents) representing 0.20% of the total insured population. The finding of the study revealed that insurance products with fewer premiums and covering more risk are preferred by policyholders and demonstration of product features by the agent is not satisfactory. It is found that in the branches rapport between the agents and development officer is not regular and majority


of the respondents are dissatisfied with the kind of services rendered by the officials.

Kaliyamoorthy and Suresh\(^1\) (2003) study the changes in the key factors like demographic, social, economic, political factors and strategic choices that are responsible for the growth of the service sector. Comparison of insurance contribution in the developed and developing countries clearly state the terms of saving mobilization. The study states that with the entry of private companies, competition has brought in changes but LIC started offering some of the services which even the private insurance companies have not yet begun. It is too early to conclude about the yield in private firms but it is necessary to keep a close watch on the trends of the industry to analyse its future development.

Syed Ibrahim\(^2\) (2003) discusses a brief outline of LIC for a period of 100 years and at present how it is accepted as an attractive instrument in spite of the private entry. The author brings out the superior features of LIC than any other forms of savings. Progress of LIC at a glance for the year 2000 is highlighted along with the twelve private companies with regard to policies issued, market share etc. Though LIC has grown to become number one life insurer in terms of policies issued and claims settled, yet penetration of life


insurance is 0.5 percent which is low compared with international insurance business. As insurance sector is being liberalized, there is a stiff competition, and to overcome this, LIC should become flexible to the changes in order to become more dynamic.

Rudra Saibaba\(^3\) (2003) attempt to analyse the perception and attitude of women respondents about LIC and awareness of the new policies introduced. It was also aimed to know the satisfaction of the services rendered by LIC. Both in urban and rural areas of Warangal division of Andhra Pradesh, out of 69 respondents, 75% of the respondents perceived that life insurance plans cover against accident and future risk and none of the respondents viewed insurance as a source of investment for higher returns. Respondents' awareness of new policy reveals that 58.75% are aware of children’s money back policy and only 7.55% of the respondents are aware of Jeevan Sanchay. Majority of the respondents are satisfied with the service offered by the corporation and few are not satisfied due to the lack of advertisement given about new polices and agents not concentrating on customer service.

Raman and Gayathri\(^4\) (2004) analyse the investors' awareness about the new insurance companies and the preference for their investments in future. Samples of 25 customers were collected. The findings of the study were that


48% of the respondents are aware of new companies through their friends and majority chooses new company for a reasonable premium for their investments.

Ranjan Das and Raveendra (2004) opine that the economic reforms which ushered in India in the early nineties enabled the government to set up a committee called Malhotra committee in April 1993. The committee suggested reforms with an objective to improve the penetration of insurance as the percentage of GDP remained low at 77% ie., during in the year 2000 in India, compared to some developing countries in Asia. The entry of new players has rejuvenated the erstwhile monopoly player LIC and following are the changes brought about by privatization. They are market expansion, new product offerings, customer service, channels of distribution and strategic alternatives including variety based positioning, needs based positioning, access based positioning etc. with the comment of the authors that when any life insurance player chooses a particular positioning, it involves trade-offs and it aims to attain a sustainable competitive advantage.

Shobhit and Sanjay Shukla (2004) conduct a survey in Lucknow city as well as its adjoining rural areas to expose the reasons for the failure of private insurance players and the present scenario was also studied. The sample size is 200 of which rural accounts for 80 respondents. The finding

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revealed that majority of rural population showed high bias towards low premium risk coverage. The study also revealed that in urban areas, efficient customers services and services provided at doorstep are the two major reasons for market penetration in the private players.

Agarwal (2004) in his article briefly discusses the various channels of distribution and new avenues being explored by the new players in the insurance sector. He opines that a customer may have expectations like value added services, development of new products, technology insurance, solvency, financial security, quality trained staff etc. Though customer satisfaction may be provided by maintaining high professional standards and rationalized procedures etc., yet it requires a new paradigms. In short, customer care is an approach of non-stop caring where only those companies will survive, which can respond to the customers needs faster and better than others.

Devashish Pujari and Anand Sharma (2004) their study formulate certain objectives to elucidate the importance and application of marketing concepts in the services offered by insurance companies, to fill the gaps in marketing efforts by the companies and suggest measures to strengthen customer satisfaction. The study is primarily based on the observation and unstructured interviews with the executives at regional office and branch office

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of insurance companies. The main source of information is through advertisement and information lying in the branch, divisional and regional office.

Ravi Shanker⁵⁹ (2004) attempts to know the objectives, namely the reform adopted by LIC after nationalization, its impact, influencing factors in competition and marketing strategies adopted by the insurance companies. The findings of the study are as per the reforms, the direct insurers to have a minimum paid up capital of Rs.1 billion, invest policy holders funds only in India and to restrict international companies to a minority equity holding of 26% in any new company. Influencing factors in competition are saving plans, easy settlement and protection against creditors. The two possible limitations are (i) the rate of premium of GDP which is indeed comparatively low in India and (ii) new players find it easier to capture existing customers by offering better service and other advantages.

Present Study:

The previous studies in LIC are oriented towards its functioning, profitability, policy details and settlement areas. Studies have also been conducted in relation to specific branches, processing of forms etc.

⁵⁹ Ravi Shanker “Marketing of Insurance Services” Service Marketing the Indian Perspective pp. 275-287.
Effectiveness of advertising to influence a customer is also studied. But this study is different from the previous studies on the following grounds.

1. The area selected for the study is Chennai Division which contains only urban and semi-urban areas;

2. The role of agents in marketing LIC products and services are studied. The functioning of agents are also analysed with various socio-economic and cultural factors;

3. The perception of customers about marketing aspects are studied in detail;

4. The level of satisfaction of agents and policy holders about the style of functioning and marketing of LIC products are studied; and

5. Discriminant function and factor analysis are done to identify the marketing efficiency from the angle of agents and customers.

Thus, the present study is unique in nature and is highly needed in the present competitive environment.