CHAPTER - 1
INTRODUCTION
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## INTRODUCTION

1.1 INTRODUCTION

1.2 BACKGROUND OF THE STUDY

1.3 STATEMENT OF THE PROBLEM

1.4 OBJECTIVES

1.5 SIGNIFICANCE OF THE STUDY

1.6 INSURANCE SECTOR IN INDIA

1.7 ROLE OF INSURANCE INDUSTRY IN THE INDIAN ECONOMY

1.8 INDIAN INSURANCE SECTOR – THE ROAD AHEAD

1.9 STRUCTURE OF THE THESIS
CHAPTER – 1
INTRODUCTION

1.1 INTRODUCTION

This chapter deals with the background of the study followed by statement of the problem, objectives, significance of the study, scenario of Life Insurance sector and structure of the thesis and summary.

1.2 BACKGROUND OF THE STUDY

Risk is universal, risk cannot be eliminated together but it can be minimized together. Life is full of uncertainties. We face various risks in our day-to-day life i.e. there is a risk when man travels in a bus, train or an airplane, man walks on the road, when he is engaged in business, profession or trade and when property is destroyed by fire, flood, earthquake etc. The involvement of risk is unpreventable. Security has been a universal desire right from the earliest civilization. This quest for security has lead to the concept of insurance. Insurance is a contract in which a sum of money is paid to the assured as consideration of insurer’s incurring the risk of paying large sum upon a given contingency. In simple way we can say that insurance is a method by which we can spread over the risk among a large section of persons.

Indian economy consists of Agriculture Sector, Manufacturing Sector and Service Sector. Each of these sectors has its own contribution in growth and development of Indian economy. From these sectors, Service Sector is one of the important sectors. Financial sector is included in this sector. And in Financial Sector, Banking Sector and Insurance Sector are included.

Further, Insurance Sector plays a vital role in the development of any economy. It provides security, long-term fund for infrastructural development and at the same time strengthens the risk taking ability. Therefore, a well developed and involved insurance sector is needed for economic development.

In the past, the people were not well aware about life insurance and the benefits from investments in it. Companies were also not aware about the customers because of less competition in market. But as the time has passed out, the scenario has been changed.
Now new products, bundle of package, schemes etc. have been provided to the customers. So the decision become more difficult for the customers to select the products, schemes etc. and also to select life insurance companies because due to the growing demand for insurance, more and more insurance companies are now emerging in the Indian insurance sector with opening up of the economy. Several international leaders in the insurance sector are trying to venture into the Indian insurance industry. From life and non-life insurance, life insurance business became more popular. Life insurance business is done by Life Insurance Corporation of India and Private Group of Life Insurance Companies.

1.3 STATEMENT OF THE PROBLEM

Competition has been increased day-by-day. In today's world of business, insurance companies must compete in order to earn profit. Today, with the increasing recognition of the importance of customer retention and loyalty, companies now realize the importance of service.

The idea is that to understand the needs of customers as well as the changes in their needs over time, would allow insurance companies to become more customer-focused and hence remain profitable over the time. It is a big question for insurance companies to have loyal customers.

If the companies want loyal customers; they should know what customers expect from them. Companies must have to provide quality in service to attract more and more customers. And to provide qualitative service, they must know which socioeconomic factors affect the good service and which service customers require from them.

Focusing the above views, the main problem of this study is: “Are customers satisfied with the service quality delivered by life insurance companies in Surat district?” To get the answer of this question, the researcher has undergone through this research work.
1.4 OBJECTIVES

The Main Objective

The main objective of the study is to evaluate customers’ satisfaction/dissatisfaction with the services of life insurance companies in Surat district.

The Specific Objectives

1. To examine the relationship between selected demographic factors (viz. gender, marital status, LICs, age, education, income, occupation etc.) and overall service quality, overall customer satisfaction, recommendation and loyalty.

2. To know company wise customer satisfaction level.

3. To know the most important dimension from service quality.

4. To know the effect of demographic factors (viz. gender, marital status, age, education, income, occupation etc.) on service quality dimensions.

5. To know the relation between overall service quality and SEVQUAL dimensions, overall customer satisfaction and SERVQUAL dimensions, loyalty, overall service quality, overall customer satisfaction and recommendation.

6. To know the most effective source to attract the customers.

7. To provide useful suggestions for life insurance companies in light of the customers’ changing preferences.

1.5 SIGNIFICANCE OF THE STUDY

This study is greatly significant in various ways. The findings of the study provide a more reliable scientific measure and perspective to the management for the customers’ satisfaction/dissatisfaction. This research work will be useful to the life insurance companies as it will focus on the customers’ needs from them. Life Insurance Companies can understand the need of the service. Insurance companies will come to know which services should taken into consideration while selecting Life Insurance Company.
From the study, the important factors regarding the selection of insurance companies will be derived. And on the bases of these factors, companies will get an idea to focus on such most important factors to attract the customers.

This study will also highlight on the services which customers use regularly. So, companies should get an idea to focus on particular services to get the maximum benefit. From this study, the factors which affect customer satisfaction will be derived and will be helpful to the companies to focus on such factors to satisfy their customers.

The study will provide invaluable information to life insurance companies that allow them to provide useful suggestions for the improvement in service delivery in Surat district.

1.6 INSURANCE SECTOR IN INDIA

Up to March 2015, there are 53 registered insurance companies in India. Out of 53 insurance companies 24 are in the life insurance business, 28 are in non-life insurance business and GIC is the sole national reinsurer. Among the life insurance companies LIC is the only public sector company where as remaining 23 are private players. And among the non-life insurance companies there are 6 public sector companies, which include two specialized insurers viz., Agriculture Insurance Company Ltd for Crop Insurance and Export Credit Guarantee Corporation of India for Credit insurance.

Table No. 1.1

Number of Registered Insurers in India

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>Public Sector</th>
<th>Private Sector</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Insurance</td>
<td>1</td>
<td>23</td>
<td>24</td>
</tr>
<tr>
<td>Non Life Insurance</td>
<td>6</td>
<td>22</td>
<td>28</td>
</tr>
<tr>
<td>Reinsurance</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>8</td>
<td>44</td>
<td>53</td>
</tr>
</tbody>
</table>

Source: IRDA Annual Report 2014-15

1 www.irda.gov.in
**Scenario of Life Insurance Sector**

Insurance has a deep-rooted history that summarized in the writings of Manu (Manusmrithi), Yagnavalkya (Dharmasastra), and Kautilya (Arthasastra) in ancient India. Insurance in its modern form came to India from England in the year 1818 with the establishment of the Oriental Life Insurance Company in Calcutta. During that period many insurance companies were established. All those insurances brought up with the purpose of looking after the needs of European community and Indian natives were not being insured or insured as a sub-standard lives and heavy extra premiums were charged on them.

In the year 1870 Bombay Mutual Life Assurance Society came into existence as a first Indian life insurance company and began to cover Indian lives at normal rates. During the year 1905-07 Swadeshi movement gave rise to more insurance companies. However, there were a large number of insurance companies and the level of competition was high and there were also assertion of unfair trade practices. The government of India, therefore, decided to nationalize insurance business. As a result LIC came into existence on 1st September 1956 after nationalization of all the 245 Indian and foreign companies engaged in life insurance sector. Till the late 90s LIC had monopoly in insurance sector, after that insurance sector was reopened to the private sector. Today, there are 23 private players in this sector.

**Insurance Regulatory and Development Authority**

As per the recommendations of the Malhotra committee report in 1999, the Insurance Regulatory and Development Authority (IRDA) was incorporated as a statutory body in April, 2000 to regulate and develop the insurance industry. The main objectives of the IRDA include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market. India’s insurance industry has grown immensely since the establishment of the IRDA, which controls and supervises the whole insurance sector. By enabling the increase in the numbers of insurers, increase in numbers of policies issued, growth in insurance penetration and density and increase in the speed of claims settlement, IRDA plays very important role in India’s insurance industry.
1.7 ROLE OF INSURANCE INDUSTRY IN THE INDIAN ECONOMY

Investments are necessary for the development of any economy. Investments are made from savings. Insurance sector is a major instrument for the mobilization of savings of people. These savings are invested in such a way that substantially contributes towards the economic development. Insurance Sector plays a vital role in the development of any economy. It provides security, long-term fund for infrastructure development and at the same time strengthens the risk taking ability. Therefore, a well developed and involved insurance sector is needed for economic development. A robust insurance sector is a boon to a country’s economy. According to the IRDA annual report (2014-15), during the year 2014-15 Life insurance penetration in India is 2.60% of the country’s gross domestic product (GDP) in terms of total premium collected by Indian insurers and insurance density in India during the year 2014-15 is US$ 44.0 in terms of total premiums underwriting annually. Life insurance industry recorded a total premium income of Rs.3,28,101.14 crores during the 2014-15, with the growth rate of 4.39%. During 2014-15, life insurers issued 259.08 lakh new policies, out of which LIC issued 201.71 lakh (77.86% of total policies) policies and the private life insurers issued 57.37 lakh (22.14%) policies. State-owned LIC enjoys a dominant position with 73.05% of the market share in 2014-15 while there are 23 private players in the life insurance sector. According to the IRDA report (2014-15) globally the share of life insurance business in total premium was 55.55% however the share of life insurance business in India was very high at 79.12%. India ranked 11th among the 88 countries in the life insurance business, in terms of business done, with a share of 2.08% during 2014, according to a IRDA annual report 2014-15.

1.8 INDIAN INSURANCE SECTOR – THE ROAD AHEAD

With growing population, rising middle class income, awareness of risk in the life, increased standard of living, development of micro families, increasing life expectancy because of these factors; the future of the life insurance sector is expanding at a rapid speed and will continue to grow in the coming decades in India. The Indian insurance sector is one of the fastest growing sectors in the Indian economy during the past years. Over the past few years many foreign insurance companies have ventured into the Indian landscape in order to harness the immense
untapped latent potential of this industry. Moreover, the favourable regulatory environment ensures stability and fair play in the entire market. Moreover, the Cabinet Committee on Economic Affairs headed by Prime Minister has approved the limit of Foreign Direct Investment (FDI) in Insurance sector up to 49% from the existing 26% in July 2014. Additionally, to boost financial savings Government also raised the 80C investment cap to Rs. 1.5 lakh from Rs. 1 lakh. India’s rapid economic growth, increased FDI in Insurance and development over the past decade is considered to be very significant on the global canvas and Indian insurance sector is poised to mark great progress in the years to come.

1.9 STRUCTURE OF THE THESIS

“A Study of Customers’ Satisfaction with the Services of Life Insurance Companies with Special Reference to Surat district” This research work consists of six chapters. The structure of the thesis reveals the chapters of the study. The scheme of chapterization is as follows:

**Chapter – 1 Introduction**

Chapter one presents the background of the study, statement of the problem, objectives, significance of the study as well as scenario of Life Insurance Sector, role of insurance industry in the Indian economy and chapter plan.

**Chapter – 2 Review of Literature**

This chapter deals with the literature review regarding customers’ satisfaction/dissatisfaction in Life Insurance companies and in other sectors. It will be helpful to the researcher to make a decision regarding the dimensions to measure customer satisfaction as well as to choose analytical tools to analyze the data.

**Chapter – 3 Theoretical Framework**

In the third chapter an attempt has been made to create a theoretical background as warranted by the objective of the study viz. to measure customer satisfaction by the service of Life insurance companies. The brief outline of life insurance sector and service quality dimensions has been discussed. Moreover various customer satisfaction measurement models have also been presented which helps to develop a conceptual model to measure customer satisfaction.
Chapter – 4 Research Methodology

The fourth chapter deals with the research methodology and includes objective of the study, hypothesis of the study, data collection and data sampling, development of tools and techniques and limitations of the study.

Chapter – 5 Data Analysis and Interpretation

This chapter is the core part of the present study. The analysis of the collected data from the respondents has been covered in this chapter. This chapter deals with the demographic profile of the respondents, the association between Demographic Variables and overall service quality, overall customer satisfaction, recommendation and loyalty have been examined. The factor analysis technique used to identify the groups of factors which jointly affected on overall service quality level. The relation between service quality, customers’ satisfaction, customers’ loyalty and recommendation has been examined by regression analysis.

Chapter – 6 Findings, Conclusions and Suggestions

Finally, on the basis of the collected data and the observations during the field survey the conclusions of the study have been derived. In some of the cases the valuable suggestions and recommendations are given by the researcher as per her understanding.

Appendices and References have been given at the end of the thesis.
CHAPTER – 2
REVIEW OF LITERATURE