CHAPTER 3
RESEARCH METHODOLOGY

This chapter of the study deals with the need, significance, objectives, selection of representative sample and methodology for data collection. Hypothesis framed for each aspect of the problem and research tools and techniques used for data analysis and interpretations thereof for the scientific investigation of the problem have also been discussed in this chapter.

3.1 Need and Significance of the Study

The Indian Economy has witnessed global developmental experience of expanding ‘services’ and ‘industry’ sectors and contracting agricultural sector over the last 15 years and the trend still continues. Although the financial sector is significant domestically, yet trade in financial service is not significant in India. Further more, like other emerging economies, India is also looking for ways of improving competitive conditions in its domestic financial sector to raise efficiency by attracting more foreign financial flows, particularly more long-term equity investments.

The life insurance sector in India is very important for the above stated reasons. Moreover sufficient time has passed since various private sector life insurance companies have commenced their business. Hence, a comprehensive study to analyze their performance and a future prospect is pertinent to be undertaken. Therefore, the researcher endeavors to undertake the present study with the following objectives. Several researchers studied the various aspects of GATS but this study makes major attempts to find impact of GATS on marketing strategies of life insurance companies in India.

3.2 Objectives of the Study

The study has been undertaken with the following objectives.

1) To highlight the global life insurance scenario.
2) To have an overview of the life insurance sector of India.
3) To study the various provisions of General Agreement on Trade in Services (GATS).
4) To study the implication of GATS on the life insurance in India.
5) To study the post-GATS era marketing strategies of selected life insurance companies.
3.3 Hypotheses of the Study

Various hypotheses have been framed keeping in mind the review of literature. It may be noted that the various hypotheses formulated regarding the study titled ‘The impact of GATS on marketing strategies of selected life insurance companies’ is tested with the help of two statistical techniques viz. one way ANOVA and Garrett ranking method. The hypotheses to be tested are presented below.

Hypotheses Regarding Impact of GATS on Life Insurance Sector of India.

H_{1a}: There is no existence of parity between Indian and foreign insurers to carry out the life insurance business in the post-GATS era.

H_{1b}: The rules and regulations governing life insurance business are not reasonable, objective and impartial in the post-GATS era.

H_{1c}: There is no publication of all relevant measures by IRDA regarding life insurance services in the post-GATS era.

H_{1d}: There is no prompt reply by IRDA to all queries made by foreign players in the post-GATS era.

H_{1e}: The marketing strategy of (the only public sector life insurance company) LIC is not at all effected in the post GATS era.

H_{1f}: There is no improvement in the existing and new discriminatory measures regarding life insurance in the post-GATS era.

H_{1g}: There is no improvement in the efficiency and competitiveness of the life insurance industry in the post-GATS era.

H_{1h}: There is no improvement in distribution channels and information networks of the life insurance industry in the post-GATS era.

Hypotheses Regarding Reasons for Low Penetration of Life Insurance in Rural Sector of India in the post-GATS era.

H_{2a}: There is no significant effect of lack of insurance awareness for low penetration of life insurance in rural sector in the post-GATS era.

H_{2b}: There is no significant effect of low persistency for low penetration of life insurance in rural sector in the post-GATS era.
H2c: There is no significant effect of lack of documentation system for low penetration of life insurance in rural in the post-GATS era.

H2d: There is no significant effect of lack of customized life insurance products for low penetration of life insurance in rural sector in the post-GATS era.

H2e: There is no significant effect of lack of premium collection outlets for low penetration of life insurance in rural sector in the post-GATS era.

H2f: There is no significant effect of fluctuating income for low penetration of life insurance in rural sector in the post-GATS era.

Hypotheses Regarding Ho: • overcome the Problems of Low Penetration of Life Insurance in Rural Sector of India in the post-GATS era.

H3a: There is no significant effect of innovative insurance products to overcome the problem of low insurance penetration in rural sector in the post-GATS era.

H3b: There is no significant effect of distribution of life insurance policies through bancassurance tie-ups with public sector banks and specialized rural institutions (RRBs), post offices to overcome the problem of low insurance penetration in rural sector in the post-GATS era.

H3c: There is no significant effect of flexibility in premium payment due to fluctuating income patterns to overcome the problem of low insurance penetration in rural sector in the post-GATS era.

H3d: There is no significant effect of innovative distribution approaches through with village level institutions and non-governmental organization to overcome the problem of low insurance penetration in rural sector in the post-GATS era.

H3e: There is no significant effect of enhancement of the awareness levels on various insurance products and how they work in principle to overcome the problem of low insurance penetration in rural sector in the post-GATS era.

Hypotheses Regarding Positioning Strategies Adopted by Life Insurers in the Post-GATS era.

H4a: There is no significant effect of offering more services for the same price in order to create a desired image in the mind of an existing/ potential customer in the post-GATS era.
H4b: There is no significant effect of providing rider benefits and free gifts to create a desired image in the mind of an existing/ potential customer in the post-GATS era.

H4c: There is no significant effect of knowing your customer really well to create a desired image in the mind of an existing/ potential customer in the post-GATS era.

H4d: There is no significant effect of providing highly customized services to create a desired image in the mind of an existing/ potential customer in the post-GATS era.

H4e: There is no significant effect of providing unique distribution channels to create a desired image in the mind of an existing/ potential customer in the post-GATS era.

H4f: There is no significant effect of providing wide variety of life insurance plans to create a desired image in the mind of an existing/ potential customer in the post-GATS era.

Hypotheses Regarding Synergies Derived from the Co-Branding Of Indian and Foreign Partners in the Post-GATS era.

H5a: There is no significant effect of providing large customer base by the Indian partner in the post-GATS era.

H5b: There is no significant effect of brand strength of the Indian partner in the post-GATS era.

H5c: There is no significant effect of insurance expertise provided by the foreign partners in the post-GATS era.

H5d: There is no significant effect of providing funds by the foreign partner in the post-GATS era.

Hypotheses Regarding Benefits Derived from the Life Insurance Riders in the Post-GATS era.

H6a: There is no significant effect of enhancing product configurability according to changing needs of the life insurance riders in the post-GATS era.
H6b: There is no significant effect of product differentiation benefits derived from the life insurance riders in the post-GATS era.

H6c: There is no significant effect of flexibility to add or cease benefits according to usability of the life insurance riders in the post-GATS era.

H6d: There is no significant effect of providing suitable and comprehensive protection for family of the life insurance riders in the post-GATS era.

Hypotheses Regarding Benefits Derived from Unit Linked Plans in the Post-GATS era.

H7a: There is no significant effect of insurance cover plus saving benefits of unit linked plans in the post-GATS era.

H7b: There is no significant effect of the transparency of unit-linked plans in the post-GATS era.

H7c: There is no significant effect of provision to choose the fund options (debt, equity and balanced options) of unit linked plans in the post-GATS era.

H7d: There is no significant effect of availability of wide variety life insurance plans of unit linked plans in the post-GATS era.

H7e: There is no significant effect of tax planning benefits of unit linked plans in the post-GATS era.

Hypotheses Regarding Decline in the Popularity of the Insurance Agents in the Post-GATS era

H8a: There is no significant effect of large turnover of the insurance agents in the post-GATS era.

H8b: There is no significant effect of lack of professionalism of the insurance agents in the post-GATS era.

H8c: There is no significant effect of lack of customer relationship building with customers in the post-GATS era.

H8d: There is no significant effect of high commission rates of the insurance agents in the post-GATS era.
Hypotheses Regarding Improvement in Productivity of the Insurance Agents in the Post-GATS era.

$H_{9a}$: There is no significant effect to integrate alternative channels of the life insurance sector in the post-GATS era.

$H_{9b}$: There is no significant effect of providing 24 X7 services of call centers by allowing agents to concentrate their efforts on seeking out new clients and maintaining relationships with old ones in the post-GATS era.

$H_{9c}$: There is no significant effect of providing non-monetary incentives and recognition to the insurance agents in the post-GATS era.

$H_{9d}$: There is no significant effect of development of a web portal dedicated to the agents in the post-GATS era.

Hypotheses Regarding Emergence of Bancassurance as the One of the Most Popular Distribution Channel in the Post-GATS era.

$H_{10a}$: There is no significant effect of tapping huge and high net worth customer base of the banks in the post-GATS era.

$H_{10b}$: There is no significant effect of achieving huge geographical network and ease in rural insurance penetration in the post-GATS era.

$H_{10c}$: There is no significant effect of sale of whole range of financial services to clients, thereby increasing customer retention in the post-GATS era.

$H_{10d}$: There is no significant effect of sale of insurance products through branch network in the post-GATS era.

Hypotheses Regarding Challenges Faced by the Banks in the Post-GATS era.

$H_{11a}$: There is no significant effect of development of Research & Development (R&D) cell to generate new ideas and products in the post-GATS era.

$H_{11b}$: There is no significant effect of conflicts with bank’s own products in the post-GATS era.

$H_{11c}$: There is no significant effect of lack of trained and professional bank staff to sell these “Push” Products in the post-GATS era.
H_{11d}: There is no significant effect of high capital investment in the infrastructure development particularly in IT and Telecommunication in the post-GATS era.

Hypotheses Regarding Considerations While Providing Services to the Consumers of Life Insurance in the Post-GATS era.

H_{12a}: There is no significant effect of insurers’ recommend products by understanding the customer requirements in the post-GATS era.

H_{12b}: There is no significant effect of providing updates on the company’s performance in the post-GATS era.

H_{12c}: There is no significant effect of ability of the customers to procure data from the company websites in the post-GATS era.

H_{12d}: There is no significant effect of providing quick response to any changes related to the customer’s policy in the post-GATS era.

Hypotheses Regarding Reasons for the Lapses of Life Insurance Policies in the Post-GATS era.

H_{13a}: There is no significant effect of absence of proper need based analysis at the time of sale in the post-GATS era.

H_{13b}: There is no significant effect of adverse market conditions negatively impact the consumer’s perception of the unit linked policies in the post-GATS era.

H_{13c}: There is no significant effect of inadequate details provided by the customer or data capture errors leading to incomplete/incorrect communication address/contact details in the post-GATS era.

H_{13d}: There is no significant effect of lack of awareness programs for agents and policy holders in the post-GATS era.

Hypotheses Regarding How to Overcome the Problem of Lapsing Of Policies in the Post-GATS era.

H_{14a}: There is no significant effect of awareness programs for the agents and policy-holders of life insurance companies in the post-GATS era.

H_{14b}: There is no significant effect of offering appropriate life insurance products to the customers in the post-GATS era.
H_{14c} \text{: There is no significant effect of refraining insurers from promising unrealistic returns so that public is not swayed in the post-GATS era.}

H_{14d} \text{: There is no significant effect of greater degree of clarity and transparency in the documentation of the insurance policy in the post-GATS era.}

3.4 Universe and Sample of the Study

Three life insurance companies having maximum market share in terms of total premium earned were selected for the purpose of the study. Data about the premium earned by the various companies was obtained from IRDA annual reports. It was observed that LIC and ICICI Prudential life insurance are earning maximum premium from the period 2001-02 to 2007 and Bajaj Alliance Life insurance is earning maximum premium from the period 2004-08. Therefore, these three life insurance companies were incorporated in the universe of the study. For the sake of convenience, the respondent - executives of these three selected companies were incorporated from the two cities i.e Chandigarh and Ludhiana. The reason for selecting respondents from these two cities was easy access to the respondents as a researcher hails from Ludhiana and studying at Chandigarh.

3.5 Sample and Sampling Technique

For the present study, in all 300 respondents were selected which comprised 100 respondents each from LIC, ICICI Prudential Life insurance and Bajaj Alliance Life insurance. The reason for selecting equal number of respondents from each company was to keep uniformity of sample size and data analysis.

3.6 Research Instrument and Method of Data Collection

The study being empirical in nature relies both on primary and secondary data to achieve the objectives. Secondary data was collected from various journals and books. Primary data for the research was collected with the help of the self-administered questionnaires that was specially designed to achieve the objectives of the study. Part I of the questionnaire consists of the questions related to personal information about the company executives whereas the second part consists of questions relating marketing strategies. The content validity of the instrument was ensured through a review of experts’ opinion (both academic and practitioners) in the field. The final
draft of the questionnaire framed was personally administered to company executives. It was indicated that the identity of the organization as well as the executives filling the questionnaire would be kept strictly confidential and the data will be used for academic purpose only.

3.7 Profile of the Respondents

The final study was conducted to know the impact of GATS on life insurance sector of India. Table 3.1 shows the profile of sample in the present study.

<table>
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<tr>
<th>Demographic Measures</th>
<th>LIC</th>
<th>ICICI</th>
<th>BAJAJ ALLIANCE</th>
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<td>N</td>
<td>P</td>
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<td>37</td>
<td>44</td>
<td>108</td>
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<tr>
<td>44-54 years</td>
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<td>29</td>
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<td>10</td>
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<td>Total</td>
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<td>Ludhiana</td>
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<td>Rs 20,000 to 30,000</td>
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<td>40,0000 and above</td>
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<td>100</td>
<td>300</td>
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</tbody>
</table>

As shown in table 3.1, the sample is well spread across various socio-demographic variables. Out of 300 respondents, 100 each are from LIC, ICICI Prudential Life and Bajaj Alliance Life.

3.8 Statistical Tools Used for Analysis

The data collected was processed by using the statistical Package for social product and Services (SPSS) 17 version for Windows and Microsoft Excel.
Descriptive analysis was used to present a profile of respondents and firm characteristics. It includes analysis of average, standard deviation, frequency and percentage of data value for each of the variable.

Various hypotheses are tested in the following chapters on findings. Three statistical techniques namely Scheffe’s ANOVA one-way classification, Garrett’s ranking method are used to test the hypotheses. An overview of the two statistics is presented here. This should help the reader in understanding the chapters on findings.

**Scheffe’s ANOVA one way classification**

Scheffe’s ANOVA one-way classification test is used in the present study in order to know the quantum of impact made by the GATS on the life insurance sector in India.

The essence of ANOVA is that total amount of variation in a set of data is broken down into two types, that amount which can be attributed to the chance and that amount which can be attributed to specified causes. ANOVA is a procedure used for comparing sample means to see if there is sufficient evidence to infer, that the means of the corresponding population distribution also differs. The basic principle of ANOVA is to test for difference among the means of the populations by examining the amount of variation within each of these samples, relative to the amount of variation between the samples. While using ANOVA, it is assumed that absence of many factors that might affect the conclusions concerning the factor(s) to be studied.

In short, there is need to make two estimates of population variance viz., one based on between samples variance and the other based on within samples variance. Then the said two estimates of population variance are compared with F-test, wherein works out.

\[
F = \frac{\text{Estimate of population variance based on between samples variance}}{\text{Estimate of population variance based on within samples variance}}
\]

In Post Hoc Multiple comparison, ‘Post Hoc’ means after the fact and ‘Multiple Comparison’ means that all possible pairs of factors are comparable. Scheffe and Bonferroni are probably the most conservation technique. (Darren and Maullery; 2005)
**Garrett’s Ranking Method**

Garrett’s ranking method has been used to rank the various methods used in premium collection, rank the distribution channels by the life insurers, to rank the modes used in promotion activities.

It is often desirable to transmute orders of merit into units of amount or scores. This may be done by means of table. As per this method, respondents have been asked to assign the rank for all the factors and outcome of such ranking have been converted into score value with the help of the following formula:

\[
\text{Percent Position} = 100\left(\frac{R_{ij} - 0.5}{N_j}\right)
\]

Where,

- \(R_{ij}\) = Rank given for the \(i\)th factor by the \(j\)th respondents
- \(N_j\) = Number of factors ranked by the \(j\)th respondents.

By referring the Garrett’s Table, the percent position estimated is converted into scores. Then for each factor the scores of each individual are added and then mean values is considered to be the most important.

### 3.9 Summing Up

The study is based on primary as well secondary data. For obtaining secondary data, various relevant documents have been used. For obtaining primary data, executives of the three selected life insurance companies (Life Insurance Corporation of India, ICICI Prudential Life insurance, Bajaj Alliance Life Insurance) were personally interviewed by the researcher and their responses were obtained on structured interview schedule. While for most of the questions five-point Likert scale was used, Garrett ranking method was used for analyzing the three relevant aspects of the life insurance.