

Financial Sector and Sustainable Development



Editors

Dr.G.Santhiyavalli

Dr.P.Santhi

Dr.P.Deivanai

ROLE OF INSURANCE INTERMEDIARIES IN TRANSITION OF FINANCIAL SECTOR FOR SUSTAINABLE DEVELOPMENT



Dr.S.Rani Lakshmi

Assistant Professor, Department of Commerce PSG College of Arts and Science, Coimbatore

Dr.P.Santhi

Associate Professor, Department of Commerce Avinashilingam Institute for Home Science & Higher Education for Women Coimbatore

Abstract

Insurance enables businesses to operate in a cost-effective manner by providing risk transfer mechanisms whereby risks associated with business activities are assumed by third parties. Advancements in product development, information and communication technology have become a reality because of insurance. Distribution of insurance is handled in a number of ways and mostly it is distributed through the use of insurance intermediaries. They serve as the link between insurance companies and the consumers seeking to procure insurance coverage. Life Insurance Corporation of India (LIC) is the dominant life insurer in the liberalized scenario of Indian insurance with more intermediaries. The study attempts to measure the Agency Service Satisfaction from Respondents Perspectives. The primary research was conducted through a market survey consisting of 600 respondents from urban and rural areas of Coimbatore district in Tamilnadu. Statistical tools like percentage and chi-Square tests were employed for data analysis. The study reveals that the urban sample respondents differ from rural sample respondents in connection with the satisfaction derived from the agency services of LIC.

Key words: *Agent, Agency service, Policies, Information, Distribution, Service satisfaction.*

Introduction

Services make up the growing bulk of today's economy and also account for most of the growth in new business. The size of the service sector is increasing in almost all economies around the world. Service sector is a new frontier for marketing strategy and it continues to be an ever more important part of the Gross National Product (GNP) of developing and developed nations (Valarie et al., 2008). In India, Life Insurance Corporation of India (LIC), is a public sector giant in the life insurance industry. For almost five decades LIC is a monolithic company in the life insurance sector. Huge untapped Indian market and unlimited future opportunity lure many foreign players towards Investment in life insurance business (Rastogi, 2006, Tiwari, 2012 and Sonal Nena, 2013). An agent plays an important role in the insurance industry and acts as a bridge of trust between a customer and the insurance company. This bridge is stronger between an agent and the customer than between an insurance company and the customer. The role of an insurance agent is not only to sell insurance products but his responsibility is also to spread much needed awareness about the insurance among the masses (Daleep Pandita, 2007).

Review of Literature

The agents help in marketing its policies by spreading the message of life insurance among the masses. They serve as the kingpin for insurance companies seeking to provide traditional and innovative products, and focal point for customers seeking to procure insurance coverage and long term savings (*Neetu Bala and Sandhu, 2011*). Commitment and customer satisfaction positively influence relationship outcomes but not in equal measure and have different impact at different stages (*Ahmed Beloucif et al., 2004*). To effect a good quality of life insurance sale, an agent must be equipped with technical aspects of insurance knowledge, must possess analytical ability to analyze human needs, must be abreast of up-to-date knowledge of merits and demerits of other instruments of investment available in the financial market and must be endowed with a burning desire of social service and overall this must possess and develop determination to service as a life insurance salesman (*Arul Suresh and Raja Mohan, 2012*).

Statement of the Problem

Distribution of insurance is handled in a number of ways. The most common is through the use of insurance intermediaries. Insurance intermediaries serve as the critical link between insurance companies seeking to place insurance policies and consumers seeking to procure insurance coverage. Customers are, therefore, likely to place high value on their agents integrity and advice (*Zeithaml et al., 1993*). The technological advances place in the hands of insurance companies and agents, the tools to bring new savings and better services to the consumers. The need of the hour is a more proactive approach aimed at seeking what additional elements would delight the customer more and more. Based on the issues the study is attempted.

Objectives of the Study

The objectives of the study were

- ❖ To measure the Agency Service Satisfaction from Respondents Perspectives and
- ❖ To analyze the factors influencing agency service satisfaction among the policy holders.

Research Methodology

Coimbatore district is selected as the locale of the study owing to the reason that it is one among the industrially developed and commercially vibrant districts of Tamilnadu. According to the 2011 census, the taluk of Coimbatore had a population of 3,472,578. The multi - stage sampling method was applied for the selection of the 600 sample respondents particularly policy holders of Life Insurance Corporation of India. Primary data were collected through personal interview with the insurance policy holders using structured interview schedule. The secondary data were collected from reports and publications of Insurance Regulatory Development Authority of India, journals, magazines and websites. The data collected were analyzed statistically to measure the Agency Service Satisfaction from

Respondents Perspectives the chi-square was applied and to identify the different determinants of services, the factor analysis was applied.

Results and Discussion

The result of the study is presented under the following headings.

Distribution of sample respondents

The profile of the respondents related to the study is presented with distribution of respondents based on their socio-economic status in Table - 1.

Distribution of sample respondents based on socio economic profile

Variables	Classification	No.of Respondents (600)	Percentage
Gender	Male	402	67.00
	Female	198	33.00
Age (in years)	Below 25	77	12.83
	26-30	143	23.83
	31-35	108	18.00
	36-40	84	14.00
	41-46	71	11.84
	Above 46	117	19.50
Marital Status	Married	428	67.00
	Unmarried	172	33.00
Educational Qualification	Higher Secondary	55	9.20
	Diploma	67	11.20
	Graduate	146	24.30
	Post Graduate	174	29.00
	Professionals	126	21.00
	Others	32	5.30
Occupation	Government employee	159	26.50
	Private employee	134	22.33
	Professionals	71	11.83
	Business	80	13.33
	Agriculture	30	5.00
	Others (retired, casual workers)	126	21.00
Household Income (in Rs. per month)	Less than 20,000	234	39.00
	20,001- 30,000	223	37.17
	30,001- 40,000	91	15.17
	40,001- 50,000	24	4.00
	Above 50,000	28	4.67

Source: Primary Data

Of the total respondents 67 percent were male and 33 percent were female who were all invested in the life insurance policies of LIC of India. About 53 percent of the respondents were in the age group of between 26 to 35 years. 67 percent of the respondents were married and 33 percent of them were unmarried. It was observed that 29 percent were post graduates and 24.3 percent of the respondents were graduates, about 21 percent of the respondents were professionals. Majority of the respondents were employed in government sector and 22.33 percent were employed in private sector. Distribution of respondents based on monthly household income reveals that, of all the respondents, 39 percent respondents have monthly household income up to Rs.20,000, 31.54 percent respondents have monthly household income between Rs. 20,001 to Rs. 30,000, 15.17 percent earned between Rs.30,001 to Rs. 40,000, and the remaining respondents have monthly household income above Rs.40,000.

Agency Service Satisfaction from Respondents Perspectives

Sales personnel by providing enough information to the customers, enables them in forming their assessment about the products or services, which ultimately becomes customer value. Customer satisfaction and acumen orientation significantly influence the future business opportunities and if the salespersons are able to foster their relationships with the clients, clients will be more satisfied and more willing to trust, and thus secure the long term demand for the services (Tam and Wong, 2001). The Chi-square test is done to find out the significant association between socio economic and demographic variables of the respondents' and their satisfaction towards life insurance agency services were analysed by testing the following hypotheses and results were shown in Table-2.

H₀: There is no significant association between the respondents' socio-economic character and the agency service satisfaction.

H₁: There is significant association between the respondents' socio-economic character and the agency service satisfaction.

Table - 2 Association between the Socio-economic Profile of the Respondents and Satisfaction on Agency Service

Variables	Urban Respondents (n=359)		Rural Respondents (n=241)		Total Respondents (n=600)	
	Chi-Square	Significance	Chi-Square	Significance	Chi-Square	Significance
Age	27.444	0.000	19.442	0.001	21.951	0.000
Gender	15.054	0.001	2.003	0.367	8.771	0.012
Marital status	6.913	0.032	6.868	0.032	11.370	0.003
Education	33.445	0.000	9.663	0.471	29.938	0.001
Occupation	6.937	0.862	20.862	0.052	11.586	0.480
Spouse Occupation	21.548	0.043	10.637	0.560	24.034	0.020
Monthly Income	4.540	0.338	1.215	0.876	3.733	0.443

Source: Primary data

Age of the respondents was resulted as the highly significant variable and that there exists an association between age of the respondents and satisfaction on agency service. The effect of gender of the respondents, on satisfaction of agency service among urban respondents revealed the fact that it was significant at one percent level. The male respondents constitute majority in urban sample whereas in case of rural respondents, the gender of the respondents and satisfaction on agency service were independent of each other.

The marital status of the respondents and satisfaction on agency service were associated with each other. In other words, policyholders satisfaction depend and change with marital status because there is an observable link between the satisfaction level of married and unmarried policyholders with respect to agency services. There exists significant association between the marital status and satisfaction on agency service as majority of the respondents were married.

According to Ross and Van Willigen (1997) in their study revealed that education is the root cause of individual well-being which shapes the people's employment, the kind of work they do, their income and economic hardship, social psychological resources and distress. Educational attainment of the urban policyholders resulted as the highly significant variable and there exists a significant association between education and satisfaction on agency service. Contrary to this findings, among rural respondents educational attainment of the respondents were not significantly associated with satisfaction of agency service and independent of each other. While considering the total respondents, there exist a strong association between educational qualification of the policyholders and satisfaction on agency service.

The occupation of the respondents and satisfaction of agency service were independent of each other as indicate by insignificant p value for urban, rural and total sample respondents. The urban respondents and the total respondents have a significant association with regard to spouse occupation and satisfaction on agency service whereas no association found with rural respondents.

It is inferred that the urban sample respondents differ from rural sample respondents in connection with the satisfaction derived from the agency services of LIC. The urban respondents' satisfaction on agency service was associated with their age, education attainment, and gender and spouse occupation whereas for rural sample respondents satisfaction on agency service was associated with age of the respondents and their marital status. In case of total respondents, the service satisfaction of agency service associated with age of the respondents, education attainment, gender, marital status and spouse occupation.

Factors Influencing Service Satisfaction of Agency Services of LIC

Table- 3 KMO and Bartlett's Test for satisfaction on agency service among the respondents

	KMO Measure of Sampling Adequacy	Chi-Square	Significance
Urban	0.780	1.734E3	0.000
Rural	0.610	624.577	0.000
Total	0.780	1.867E3	0.000

Table- 4 Factors contributing to satisfaction on agency service of LIC among urban respondents

Factor	Urban	Rural	Total
1	Premium Collection Services	Transparency	Disclosure of information
2	Prospects Disclosures	Disclosure of rider benefits	Supportive service
3	Supportive service	Sympathetic service	Proposal creation
4	Commission Disclosure	Secured service	Disclosure of benefits received
5	Documentation procedures	Policy transfer	Brand image
6	Prompt service	Motivation to save	
7	Enduring service	Initiation and relationship	
8		Need based service	
Cumulative %	57.394	54.72	47.993

On factorizing 25 variables, the key factors influencing service satisfaction of all the respondents regarding agency service of LIC revealed that,

- ❖ Among urban respondents, eight factors resulted with 57 percent of the variance namely premium collection service, prospects disclosures, supportive service, commission disclosure, documentation procedures, prompt service and enduring service.
- ❖ Among rural respondents, nine factors resulted with 54 percent of the variance namely transparency, disclosure of rider benefits, sympathetic service, secured service, policy transfer, motive to save, initiation and need base service.
- ❖ By considering the total responses, seven factors resulted with 47 percent of the variance namely disclosure of information, supportive service, proposal creation, disclosure of benefits received and brand image.

Conclusion

The advertisement, public relations, sales promotion, word-of-mouth communication and telemarketing need due care and the personal selling requires an intensive care. It is right to mention that the business of insurance is based on the skill and excellence of agents and this makes a strong advocacy in favour of personal selling. The agents and the front-line staff need to show their excellence in the process of offering. By reaping economies of scale and scope, insurance intermediaries are able to reduce transaction costs and information asymmetries between insurance companies and customers. Besides they offer ex ante advisory services and ex post services in contract fulfillment like claim settlement. In a market where trust and assurance are the vital ingredients, the critical challenge is to move from hand shake to hand holding – from product peddling to building long term relationships.

References

1. Anshuja Tiwari., & Babita, Y. (2012). A customer survey and perception towards Bancassurance with reference to Life Insurance Industry. SAJMMR - South Asian Journal of Marketing & Management Research, 2(2), 18-25.
2. Arul, S.J., & Raja, M. (2012). Empirical study on opinions of the agents about the service rendered by LIC of India. ZENITH International Journal of Business Economics & Management Research (ZIJBEMR), 2(3), 99-106.
3. Beloucif, Ahmed, Donaldson, Bill. Kazanci, Ugar (2004), Insurance broker-client relationships: An assessment of quality and duration, Journal of Financial Services Marketing, vol. 8, no. 4, pp. 327-342, 2004.
4. Daleep, P. (2007). Importance of Personality Development in Insurance Agents. The Journal of Insurance Institute of India, 33, 159-161.
5. Neetu, B., & Sandhu, H.S. (2011). Analysis of factors influencing Agent's perception towards Life Insurance Corporation of India. Macro Think International Journal of Industrial Marketing, 1(1), 88-109.
6. Parasuraman, A., Zeithaml, V.A., & Berry, L.L. (1993). Research note: more on improving service quality measurement, Journal of Retailing, 69(1), 140-147.
7. Rastogi, S., & Sarkar, R. (2006). Enhancing Competitiveness: The Case of the Indian Life Insurance Industry. Conference on Global Competition & Competitiveness of Indian Corporate. The Indian Institute of Management Kozhikode (IIMK). Conference on Global Competition & Competitiveness of Indian Corporate, 560-568.
8. Ross, Catherine E., & Marieke Van Willigen. 1997. Education and the Subjective Quality of Life, Journal of Health and Social Behaviour, 38(3), 275-297.
9. Sonal, N. (2013). Performance Evaluation of Life Insurance Corporation (LIC) of India. International Journal of Advance Research in Computer Science and Management Studies, 1(7), 113-118.
10. Tam, Jackie L.M., & Wong, Y.H. (2001). Interactive selling: a dynamic framework for services. Journal of Services Marketing, 15 (5): 379 – 396.
11. Valarie A.Z., Dwayne, G., Mary, J.B., & Ajai, P. (2008). Services Marketing - Integrating customer focus across the firm (4th Ed.). New Delhi: The Tata McGraw Hill Companies.



Dr.G.Santhiyavalli, is Professor and Head of the Department of Commerce, Avinashilingam Institute for Home Science and Higher Education for Women, Coimbatore, Tamil Nadu. Starting her professional career in 1977 as lecturer, she has been actively engaged in teaching and research for the past 39 years. As head of the department since 1994, she is instrumental in converting the undergraduate department of commerce into an active postgraduate research department. Her research interest include corporate finance, banking and behavioural finance. She has to her credit 14 international journal and 21 national journal publications. She has guided 21 M.Phil theses and 3 Ph.D Dissertation and four Ph.Ds dissertation are in progress.



Dr.P.Sanathi is presently an Associate Professor in the Department of Commerce of Avinashilingam Institute for Home Science and Higher Education for Women, Coimbatore, Tamil Nadu, India. She has 21 years of research and 26 years of teaching experience. She has presented many papers in national and international seminars and conferences and published her research in peer reviewed and refereed national and international journals.



Dr.P.Deivanai is assistant professor in the Department of commerce, Avinashilingam Institute for Home science and Higher Education for women, Coimbatore. She hold a Ph.D in commerce. Her areas of specialisation are marketing management and Entrepreneurship. She has 12 years of academic experience. She has presented papers at National level and international level. She has organised conference at National level and international level.



SHANLAX PUBLICATIONS
61,66, V.P.Complex, TPK Main Road
Vasantha Nagar, Madurai - 625 003
shanlaxpublications@gmail.com
www.shanlaxpublications.com

