Research Article

Assessment of Effect of Globalization on Indian Insurance Industry

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Abstract

India is a vast country with the second largest population in the world. Being populated increases the uncertainty of events which are generally irreparable. The awareness of the insurance products and its utilization by the people of India is very less as compared to the developed countries of the world. The overall objective of the research is to assess the effects of globalization on Indian insurance industry. It is a secondary data based content analysis descriptive research. To insure them the Government of India has promoted the private insurance companies to sell the life insurance products so that the challenges of increasing market share, meeting the customer’s expectation and providing the better services to customers are met. Penetration of life insurance products in India now has increased significantly along with many advantages to the customers. The study is based on secondary data to deeply analyze the relation of globalization in contrast to insurance industry. It will be significant for the visionary leader to cope with globalization. Globalization of Indian life insurance sector and entry of private players resulted positively in this sector.

Keywords: Globalization, Life Insurance, Private, Government

Introduction

A new born baby brings smile on the face of Parents but the fact is that the baby has entered into a life which is full of risks. Risk is all about the health hazards due to environmental changes and an unknown incidents which we normally call it an accidents. Humans put on their regular efforts to minimize their risks so that they can lead a happy life. In today’s scenario, the life has become all about money concern. The medical expenses are rising continuously which is making difficult to the middle and lower people to cope with these expenses. Realizing to the needs of the people many life insurance companies came into existence. Their objectives clearly states to support the people with health and medical financial crisis. At a lower investment in these insurance companies, people can avail maximum benefits to meet out their needful expenses throughout their life. It is not only investment but also a life covering.

Talking about revolution of Insurance in India, it has gone through embryonic stage and is still continuing to grow. Insurance has a long history in India. The concepts of insurance can be traced in the writing of Manusmrithi, Dharmasastra and Arthasastra. It explains that resources should be collected and stored and redistributed at the time of crisis such as epidemics and famine, floods, fire and other casualties. First life insurance company called Oriental Life Insurance Company was established at Calcutta in 1818 under the British Regime. Later on many companies slowly came into existence. Later on IRDA was established in 1999 to regulate and develop the insurance industries. Understanding the effects of globalization, The IRDA permitted foreign companies to enter in Indian Markets. These foreign insurance players were allowed to have only 26% of ownership. This was done with the motive to increase the capital of Insurance companies in India and making them globally recognized.

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In 1956 the life insurance industry was nationalized and named it as a Life Insurance Company of India. It is operating in other countries also.

As per the regulatory provision of India 26% foreign investment is allowed. Government of India has introduced this provision in Insurance Regularity and Development Authority of India since 2000 which could be considered as the break the stone of globalization in Indian insurance sector. After globalization, all most all sectors are affected. Similar might be the case of insurance though it is not verified. It is essential to conduct a research for overcoming the challenges to optimize the benefits. It will provide insights for a manager in the sector. The overall objective of the research is to assess the impact of globalization on Indian insurance industry along with benefits and challenges.

**Literature Review**

The risk management has emerged, as the main function of project management. Risk management is the art and science of managing risks caused by unforeseen changes (uncertainties) which may require deviations from the planned approach and may therefore affect the achievement of the project objectives (Mishra & Malik, 2017). Insurance is real risk taker. Effects of Price Fluctuation is adding further stress has been well illustrated with case of construction project (Mishra & Regmi, 2017). Rao (2000) stated the year 1999-2000 as landmark in the history of Indian insurance industry. He further said that year 2007 is going to be another turning point for the industry. According to him, detariffication from January 2007 will bring a lot of changes in the non-life industry. The insurance industry will have to play an important role by providing many other products for the poor. Vijayakumar (2004) argues that opening up of the insurance sector will foster competition, innovation, and product variations. However, in this context one has to consider various issues at stake including demand for pension plan, separateness of banking from insurance sector, role of IT, possible use of postal network for selling insurance products and above all, the role of Insurance Regulatory Authority. Jain (2004) revealed that liberalization of Indian insurance industry has done wonders to raise the insurance occupation to the status of a career with bright future. He pointed out that these changes in insurance industry will be capable of bringing corrections to average mindset, particularly of younger generation in India. ‘Transformation of insurance in India’ (2004) indicated that during the last three decades, global insurance penetration as a percentage of the gross domestic product has more than doubled from around 3.5 per cent in 1970. The insurance sector thus has grown more strongly than the overall economy. A good performance of any projects refers that it is free from defects, right things at right time and the continuous improvement of the project (Chilwal & Mishra, 2018). It is applicable in insurance if considered globalization as a program.

Insurance is one sector whose contribution to GDP has been quite significant. Sukla (2006) reviewed that in last six years into competitive market, the Indian insurance industry exhibited a healthy growth trend of new business and market share. He also viewed that with liberalization, India is penning the script of “insurance convergence (catch up) and not insurance divergence (falling behind)”. Jagendra (2008) pointed out the development of Indian life insurance industry during the globalization phase. He also mentioned about the reasons of high awareness, low penetration, and untapped potential of the industry. Sabera (2007) indicated that Government decisions to liberalize the insurance sector has allowed foreign players to enter into the market and start their operations in India, which has resulted in restructuring and revitalizing of public sector companies.

**Methodology**

This research under consideration is an attempt to study the impact of globalization on Indian insurance sector and also the challenges and opportunities that exists for Indian insurance companies. The analyses method is content analysis in inductive approach. The study is of descriptive in nature. The nature of data collected and its source of collection is secondary. Some of the secondary sources of relevant and required data are the reports issued by insurance organizations and Insurance Regulatory and Development Authority of India, various internet sites and research journals.

**Results and Discussion**

While nationalized insurance companies have done a commendable job in extending the volume of the business, opening up insurance sector to private players was a necessity in the context of globalization of financial sector. If traditional infrastructural and semipublic goods industries such as banking, airlines, telecom, power etc., have significant private sector presence, continuing a state of monopoly in provision of insurance was indefensible and therefore, the globalization of insurance has been done. Its impact has to be seen in the form of creating various opportunities and challenges.

**Impact of Globalization**

Altogether twenty four operators including one as is public operator i.e. Life Insurance Corporation of India are under operations. Out of Which only four were found to be independently operated, rest twenty are greatly affected by global partner is enough to illustrate the impact of globalization in the sector.
If premium statistics presented in hand book of insurance statistics analyses properly almost all insurance operators reveals the growing premium. Few insurance operators are also showing decrease in their recent index in response to their last year index which may be due to their internal management weakness to analyze environmental opportunity and threat profile (EOTP) so it could be clearly stated that the insurance companies are capable of increasing its premium and number of insurance companies significantly increasing which could be an outcome of globalization. According to Handbook on Indian Insurance Statistics (2015-16), the private collection was found to be Total 77359.36(-1.33), 88434.36(14.32) and 100499.03(13.64) for LIC 236942.30 (13.48), 239667.65(1.15) and 266444.21 (11.17),and as an Industry whole the total collection was 314301.66(9.44), 328102.01(4.39) and 366943.23 (11.84) in crores with relative percentage change in bracket for year 2013-16 respectively. It does not show any specific trend but the specific assessment for 2001-9, illustrates a growing trend so total trends seems to be positively changing after globalization.

Challenges before the Industry

Because the changes in the entire environment caused by globalization and liberalization the industry is facing the following challenges-

- The existing insurers, LIC and GIC, have created a large of dissatisfied customers due to the poor quality of service. Hence there will be shift of a large number of customers from LIC and GIC to the private insurers.
- LIC may face problem of surrender of a large number of policies, as new insurer will woo them by offer of innovative products at lower prices.
- The corporate clients under group schemes and salary savings schemes may shift their loyalty from LIC to private insurers.
- There is a likelihood of exit of young dynamic managers

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Insurance Company</th>
<th>Year of Operation</th>
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<tbody>
<tr>
<td>1</td>
<td>Aegon Life Insurance Company Ltd.</td>
<td>2008</td>
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<td>2</td>
<td>Aviva Life Insurance Company Ltd.</td>
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<td>3</td>
<td>Bajaj Allianz Life Insurance Company Ltd.</td>
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<td>4</td>
<td>Bharti AXA Life Insurance Company Ltd.</td>
<td>2006</td>
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<td>5</td>
<td>Birla Sunlife Insurance Company Ltd.</td>
<td>2001</td>
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<td>6</td>
<td>Canara HSBC OBC Life Insurance Company Ltd.</td>
<td>2008</td>
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<td>7</td>
<td>DHFL Pramerica Life Insurance Company Ltd.</td>
<td>2008</td>
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<td>8</td>
<td>Edelweiss Tokio Life Insurance Company Ltd.</td>
<td>2011</td>
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<td>9</td>
<td>Exide Life Insurance Company Ltd.</td>
<td>2001</td>
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<td>10</td>
<td>Future General Life Insurance Company Ltd.</td>
<td>2007</td>
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<td>11</td>
<td>HDFC Standard Life Insurance Company Ltd.</td>
<td>2000</td>
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<td>12</td>
<td>ICICI Prudential Life Insurance Company Ltd.</td>
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<td>13</td>
<td>IDBI Federal Life Insurance Company Ltd.</td>
<td>2007</td>
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<td>14</td>
<td>India First Life Insurance Company Ltd.</td>
<td>2009</td>
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<td>15</td>
<td>Kotak Mahindra OM Life Insurance Company Ltd.</td>
<td>2001</td>
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<td>16</td>
<td>MaxLife Insurance Company Ltd.</td>
<td>2000</td>
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<td>17</td>
<td>PNB Metlife India Insurance Company Ltd.</td>
<td>2001</td>
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<td>18</td>
<td>Reliance Nippon Life Insurance Company Ltd.</td>
<td>2002</td>
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<td>19</td>
<td>Sahara India Life Insurance Company Ltd.</td>
<td>2004</td>
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<td>20</td>
<td>SBI Life Insurance Company Ltd.</td>
<td>2001</td>
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<td>21</td>
<td>Shriram Life Insurance Company Ltd.</td>
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<td>22</td>
<td>Star Union Dai-ichi Life Insurance Company Ltd.</td>
<td>2008</td>
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<td>23</td>
<td>TATA AIA Life Insurance Company Ltd.</td>
<td>2001</td>
</tr>
<tr>
<td>24</td>
<td>Life Insurance Corporation of India (PUBLIC SECTOR)</td>
<td>1956</td>
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from LIC to the private insurer, as they will get higher package of remuneration.

- LIC has overstaffing and with the introduction of the full computerization, a large number of the employees will be surplus. However they cannot be retrenched. Hence the operating costs of LIC will not be reduced. This will be a disadvantage in the competitive market, as the new insurer will operate with lean office and high technology to reduce the operating costs.

- GIC and its four subsidiary companies are going to face more challenges, because their management expenses are very due to surplus staff. They can’t reduce their number due to service rules.

- Management of claims will put strain on the financial resources, GIC and its subsidiaries since it is not up to mark.

- LIC has more than 60 products and GIC has more than 180 products in their kitty, which are outdated in the present context as they are not suitable to the changing needs of the customers. Not only that they are not competent enough to compete with the new products offered by foreign companies in the market.

- Reaching the consumer expectations on par with the foreign companies such as better yield and much improved quality of service particularly in the area of settlement of claims, issue of new policies, transfer of the policies and revival of policies in the liberalized market is very difficult to LIC and GIC.

- Intense competition from new insurers in winning the consumers by distribution channels and multi distribution channels, which will include agents, brokers, corporate intermediaries, bank branches, affinity groups and direct marketing through telesales and internet.

- The insurers will have to face an acute problem of the redressal of the consumers, grievances for deficiency in products and services.

- Increasing awareness will bring number of legal cases filled by the consumers against insurers is likely to increase substantially in future.

- Major challenges in channelizing the growth of insurance sector are product innovation, distribution network, investment management, customer service and education.

Conclusion

The size of the existing insurance market is very large. It is also growing at the rate of 10% per year. The estimated potential of the Indian insurance market in terms of premium is around Rs.100499.03crore in 2015. Only 10% of potentiality has been tapped by LIC and GIC and the 90% market potentiality is still fully intact. So to serve 100 crores of population of the country the regulator should issue license to the new players for the benefit of the people, increases competition and result the market to grow beyond the current rates and offer additional consumer choice through the introduction of new products, services and price options.

The growth in the Indian insurance industry can be properly channelized if some of the impediments facing the industry can be removed. However the success of the insurance industry will primarily depend upon meeting the rising expectation of the consumer who will be real kings in the liberalized insurance market in future. Further research on the sector should be continued for none leaving sector like business insurance.

Limitations of the Study

- The study is limited to secondary data.
- The study has not covered the impacts in terms number of policy.
- It is covering only living insurance.

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References


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