

**A STUDY ON OPPORTUNITIES AND CHALLENGES IN LIFE INSURANCE INDUSTRY IN
GORAKHPUR**

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ABSTRACT

Life Insurance is the key point in the market share of the Insurance sector of India. The Life Insurance Industry has grown rapidly in all over India. Whether it's a small city or big, the people who are aware of the Life Insurance and know its benefits are keen to invest in it, as an investor or insurer. The Life Insurance Industry faces a lot of problems on daily basis as they have to aware the investors or insurers of all the policies and make them interested to invest in it. There are various challenges and opportunities for Life Insurance Industry in the market, they have to analyse and grab those opportunities and convert challenges into strengths. This study covers the challenges and opportunities faced by the Life Insurance Industry in Gorakhpur city. This study is analyzed by the view point of employees working in different organizations for a common goal. This analysis is conducted by using the percentage analysis method and it covers the hundred employees working in Insurance Sector in different organization including both Public Sector as well as Private Sector. This study reveals the income and individual awareness to be considered as the main point for any further Insurance policy that further launches in market.

Key words: Life insurance, respondents, Customer, consumers, insurers, awareness.

INTRODUCTION

Life insurance is a help to the households to manage their finances as a matter of aftermath of death and disability by minimizing loss to a wage earner's dependents. Providing a medium to financial security to individuals, life insurance products help to control the turbulence in the economy. Investment is key help of Insurance also encourages the economy of the country. Being part of the financial services industry, insurers act as financial organizations, investing the funds they collect for providing insurance protection.

As per as the analysis of some research paper and journals, we can identify the challenges and opportunities of life insurance industry across the nation as follows:

Challenges for the Life Insurance Industry-

- **Insurance Awareness-** The people are disinterested in investing in life insurance as the awareness is not high about the policies of life insurance and hardly pay attention to it. Creating awareness in such consumers regarding the Insurance and the benefits pertaining to it which results in their investment is a great challenge .
- **Customer Motivation-** Motivating customers to invest and validate usable acquaintance is a comical job. The company faces exalted challenges in regards to collecting consumer's knowledge, concerning the product and to proffer further needed products consistently.
- **Diverse population-** The correct targeting approach identification for the products of insurance to diverse consumer sections along distinct lifestyles is a big challenge. Buying insurance voluntarily is something which the industry toils up , in inclusion the habit of changing for health and food, morale of the people, the emerging economic sector along the new establishment, business with short tenures are the major factors the industry has to confront with.
- **People Factor-** Being one of the pivotal roles in the industry is "People Factor". Though the eligible and skilled are available in the population on a large scale, but the absence of right talent and also to attract the devoted and quality talent for each layer of management has been a big task for this fast growing sector. Accessibility of different jobs in various sectors and gratify distinct attitudes to self dedication and motivation is a challenge for Insurance industry.

Opportunities for the Life Insurance Industry-

- **Customer expectations-** Competition among distribution channels reduces premium and results in improving the service standards of customer economically. In the terms of service being provided to customer there is a great scope for insurance firms to do, the customer expectation will increase as the channels increases.
- **Majority of young population-** The development of affluent middle class, the increase in number of professionals and increase in awareness makes the experience of rise in demand for insurance. For the insurers with their varied products in every segment, the increasing per capita GDP is a huge opportunity.
- **Rising in Income Levels-** Rise in income level of people and naturally the Indians are good at saving for the needs for future, gives the insurers a great opportunity which is a result of the Globalization and economic reforms. The job done by the insurers is to channelize the savings into innovative insurance and annuity plans.
- **Different products to offer-** In the private sector, as the increase of individual's life expectancy, the opportunity of employment and favourable savings, greater demand for pension plans are observed. Most of the employees have no formal pension system so the insurers have great opportunity.

SCOPE OF THE STUDY

This study focuses on the opportunities and provocation which is confront by the life insurance industry in Gorakhpur. The scope of this study covers the hindrances faced by the both the indispensable parties be it insurance organization or the insurance workers. The research work is limited to respondents working in the insurance sector.

For this research, I took four organizations as my sample area in Gorakhpur. The name of the organizations are mentioned in the Table 1. This constitute of one public sector organization and the rest three are private sector organizations.

Table 1: Name of the Organization

S. No.	Name of the organization
1	S.B.I. Life Insurance Co. Ltd.
2	Life Insurance Corporation of India
3	IDBI Federal Life Insurance
4	ICICIBank Ltd.

STATEMENT OF THE PROBLEM

- This result aims to find out the awareness level of the customers regarding Insurance.
- This study focuses on the problem faced by Life Insurance Industry in analyzing opportunity and challenges.
- Large market catering to rural areas is not tapped.
- Insurance companies offer limited products without justifying the cost.

OBJECTIVE

- To contemplate the opportunities availing for the life insurance business in Gorakhpur.
- To study the challenges faced by the life insurance business in Gorakhpur.

LITERATURE REVIEW

- **Goswami, P. (2007)**, in their research “**Customer Satisfaction with Service Quality in the Life Insurance Industry in India,**” observed before privatization of insurance industry, there was monopoly of Life Insurance Corporation (LIC) of India in the life insurance market of India. After the private players got their launching into insurance market, estimation says to be after 6 years, 29% market share drop was faced by LIC contributing the delta in the bags of Private Insurance Organization, which holistically are resulting in the rise of premium collection and market expansion of the insurance domain.
- **Krishnamurthy, S. (2005)**, in their research “**Insurance Industry in India: Structure, Performance, and Challenge,**” disclosed the centric role of Insurance Companies in meeting the requirements of people through the customized offerings of insurance products making the same aligned with the buyer’s pocket. As advent of liberalization and private companies marching in insurance, significant changes are observed within the Indian insurance sector.

- **Rao, S. (2000)**, in the journal “**The Indian Insurance Industry the Road Ahead,**” drawn the category of India being still as an underdeveloped insurance market, having huge opportunity which could have been explored. As stated by him, the growth remained on a very low pace even though the potential of expansion is robust in rural areas. Believing the residency of mass population of India being in the Agrestic Areas, it is essential that development of the insurance industry should tap this enormous sector .
- **Sinha, Ram Pratap. (2007)**, in the journal “**Productivity and Efficiency of Indian General Insurance Industry**” depicted that insurers of the public sector ruled the roost that of insurers of the private sector in regards with the scientific effectiveness showing a balanced scale of return, whilst private sector insurers possess flabbily higher mean technical efficiency comparable to that of public sector insurers on the parameters of variable scale of return.
- **Jain, A.K. (2004)**, in the journal “**Indian Life insurance industry: After LPG,**” disclosed the wonders done by the liberalization to mainstream insurance occupation giving the stature for a vocation with a glory in upcoming. The frame of mind showing average thinking, specifically referred to younger generation of India stood docile for the changes in insurance domain where re-creative opportunities stood opened in changed market.

RESEARCH METHODOLOGY

- **Research Approach- Quantitative and Qualitative.**
The data collected through questionnaire and surveys are the Quantitative approach whereas the data collected through the research paper and other theories are Qualitative approach.
- **Research Methodology Type- Descriptive Research.**
Descriptive research is used for this research. The data focuses on the demographic segment. The data assembled is primary data though secondary data is for theoretical background which is analyzed from the literature review.
- **Sample Area- Gorakhpur.**
The area which is taken as a Sample Area is Gorakhpur.
- **Sample Size- 100**
The sample consists of 100 employees working in the insurance companies.
- **Sample Technique- Convenience.**
Convenience sampling is the technique which makes the researcher gather the data from the pool of respondents available conveniently.
- **Primary Data Collection:**
The data collected source for the primary data is through five Likert scale questionnaire which is filled by the life insurance department of each insurance company.
- **Secondary Data Collection:**
The data collected source for the secondary data is through journals, article, website and some of the research paper to provide the information needed.
- **Data Analysis tool: Microsoft Excel (MS Excel)**
- **Data Analysis: Percentage Analysis**

Table 2.1: Demographic characteristics of respondents

Valid	N		Fr	%
Insurance Company	100	Public Sector	24	24.00
		Private Sector	76	76.00
Age (in years)	100	21 -30	17	17.00
		31 -40	24	24.00
		41 -50	24	24.00
		Above 50 years	35	35.00
Education	100	Graduation	35	35.00
		Post Graduation	59	59.00
		Other	6	6.00
Experience (in years)	100	0 -2	6	6.00
		2 -5	6	6.00
		5 -10	23	23.00
		Above 10 years	65	65.00

N- Number of respondents; Fr- Frequency; %- percent

The table 2.1 shows the descriptive statistics of the respondents where 24 are of public sector insurance organization whereas the other 76 are of private sector. The respondents which are employed are mostly of above 50 years and have more than 10 years experience and holds Post Graduation degree. They have much knowledge regarding the insurance and its type as well as handling customer escalation. The respondents between age of 31- 40 and 41- 50 years are 24 each. The respondents are graduated and are eligible for working in the Insurance Industry. Respondents employed in Insurance Industry are experienced in this particular industry.

Table 2.2: Demographic challenges and opportunities of life insurance industry in Gorakhpur

Descriptive statistics											
Items	N	SD		D		Ne		A		SA	
		Fr	%								
People are unaware about life insurance, its policies and advantage.	100	6	6.00	0	0.00	47	47.00	35	35.00	12	12.00
Lower level of life insurance consumption is caused due to lower share of urban to total population.	100	29	29.00	29	29.00	12	12.00	18	18.00	12	12.00
Individual's level of risk aversion is caused due to increase in higher level of education.	100	29	29.00	6	6.00	12	12.00	41	41.00	12	12.00
It is tendency of people of focusing for present consumption.	100	6	6.00	6	6.00	35	35.00	24	24.00	29	29.00

N- Number of respondents; SD- Strongly Disagree; D- Disagree; Ne- Neutral; A- Agree; SA-Strongly Agree; Fr- Frequency; %- percent

The people are aware and have some basic knowledge regarding the life insurance and its policies as well as its advantage. As 47% indicates that its neutral which means that the person are aware and 35% as well as 12% indicates that the people are unaware of life insurance and 6% are aware of life insurance and its all terms.

The respondents disagree with the total of 58% that the lower level of life insurance consumption is not caused to lower share of urban to total population whereas 30% agrees to the statement which in all indicates that the urban share of population is not responsible for the life insurance consumption.

The total of 53% agrees that education plays an important role for taking any type of decision. The risk aversion is caused due to increase in higher level of education, the higher a person has education knows the more way of risk aversion and total of 35% disagree with the statement and doesn't believe that education plays the role of risk aversion as they have various alternatives.

The respondents with the total of 53% agrees that the people focuses on the present consumption in Gorakhpur and 12% disagree with the statement as they believe that they invest in some big projects and focuses on future.

Table 2.3: Economic challenges and opportunities of life insurance industry in Gorakhpur

Descriptive statistics											
Items	N	SD		D		Ne		A		SA	
		Fr	%								
Life insurance development is directly proportional with level of income.	100	6	6.00	0	0.00	24	24.00	18	18.00	52	52.00
Development of life insurance is effected by Interest rate.	100	12	12.00	0	0.00	18	18.00	58	58.00	12	12.00
Life insurance development is effected by inflation.	100	0	0.00	18	18.00	24	24.00	52	52.00	6	6.00

N- Number of respondents; SD- Strongly Disagree; D- Disagree; Ne- Neutral; A- Agree; SA-Strongly Agree; Fr- Frequency; %- percent

The 70% of respondents agree that the income is one of the factor that is directly proportional of life insurance development. The level of income rises then they can take better life insurance policy because without income they can't invest anywhere.

The interest rate effects the development of life insurance is agreed by 70% respondents as they think interest rate is one of the criteria on which the people invest and take life insurance whereas 12% don't agree with it .

Inflation is one of the reason which effects the life insurance development. The people in Gorakhpur consider the inflation which effects their life insurance taking policy. The 60% of respondents agree in total that inflation effects the life insurance development and 18% disagree with it and 24% are neutral regarding this statement.

Table 2.4: Institutional challenges and opportunities of life insurance industry in Gorakhpur

Descriptive Statistics											
Items	N	SD		D		Ne		A		SA	
		Fr	%								
Insurance companies goal is to increase their sales which will create unfair and unadjustable discount.	100	34	34.00	12	12.00	24	24.00	18	18.00	12	12.00
Limited range of insurance products are offered.	100	24	24.00	28	28.00	21	21.00	12	12.00	12	12.00
There is rapid increase in insurance market.	100	0	0.00	6	6.00	24	24.00	52	52.00	18	18.00
Lower income individuals are unable to afford premium.	100	0	0.00	29	29.00	13	13.00	29	29.00	29	29.00
Less effort by insurers leads to create insurance unawareness to the society.	100	18	18.00	18	18.00	23	23.00	18	18.00	23	23.00

N- Number of respondents; SD- Strongly Disagree; D- Disagree; Ne- Neutral; A- Agree; SA-Strongly Agree; Fr- Frequency; %- percent

The total of 46% disagree that the insurance company goal is to increase sales which will lead in unfair and unadjustable discount whereas 30% agrees with it that it will create unfair and unadjustable discount.

The products which are offered by the insurance company is not limited. The respondents with the total of 52% disagrees that the life insurance products are limited whereas 24% agrees that the life insurance products are limited.

The respondents with the total of 70% agrees that there is rapid increase in insurance market which motivates and influence people to invest to take life insurance and make everyone aware of its product.

The premium payment can't be afforded by the lower income individuals and total of 58% respondents agree with it whereas 29% disagree with it, they think individual with lower income can afford payment of premium. The insurers which doesn't put the efforts to make aware to the public regarding the insurance will create insurance unawareness in the society and 41% agrees with it and the total of 36% doesn't agree with this.

Table 2.5: Regulatory challenges and opportunities of life insurance industry in Gorakhpur

Descriptive statistics											
Items	N	SD		D		Ne		A		SA	
		Fr	%								
The investment criteria of companies is prohibited by IRDA.	100	18	18.00	18	18.00	23	23.00	12	12.00	29	29.00
Consumers are protected by IRDA.	100	6	6.00	0	0.00	0	0.00	41	41.00	53	53.00
Ethical behaviour of insurance players is promoted by IRDA.	100	6	6.00	12	12.00	12	12.00	29	29.00	41	41.00

N- Number of respondents; SD- Strongly Disagree; D- Disagree; Ne- Neutral; A- Agree; SA-Strongly Agree; Fr- Frequency; %- percent

The IRDA (Insurance Regulatory and Development Authority) prohibits the investment criteria in Gorakhpur which in total of 41% agrees on this whereas 36% disagree with the statement and thinks that IRDA doesn't prohibits the investment criteria.

The total of 94% agrees that the consumers are protected by IRDA and the person investing in accordance to it will not have any problem or trouble as they are doing everything according to the law.

The 70 % respondents agree that the ethical behaviour of insurance players is promoted by the IRDA whereas 18% disagree with the behaviour promoted by IRDA.

FINDINGS

As per the survey conducted, the consumer are not much aware of the Life Insurance and they are not upto date about the changes in the Insurance Sector , their policies and its advantage. People focuses on their present consumption which makes them not to invest in any big projects or take any insurance policy that is risk taking ability is less. The insurers are keeping their interest and know where to invest and have the ability of decision taking. The IRDA looks up on the investment criteria and keeps the interest of consumers. The income is the main aspect which influence the consumer to invest their amount in Insurance policy. Insurance is affected by income of the people and their spending habit. Investment in the Life Insurance gives the consumer the rebate in Tax. Gorakhpur is the small city which has varieties of people whose ideas are different towards the Life Insurance, its awareness, income level and knowledge about recent economy trend.

SUGGESTION

There should be awareness regarding Life Insurance in society. The product offered should not be limited. The risk taking ability of the consumers should be high and the premium should not be that much high as income vary from person to person. The Insurance Sector should not be limited, it should cover all the aspects of life which can motivate consumers to invest. There should be every type of Insurance which can be taken by any individual whether having less income or high income. The tax

payer should spread awareness in society regarding the Insurance which covers General Insurance and Life Insurance which will make other to get influence by them and ultimately invest in Insurance. The employee working in the Insurance Sector must be eligible to make the consumer understand each and every terms and conditions of Life Insurance. The employee must have all the knowledge regarding the Insurance that whenever they are asked they can brief it correctly.

CONCLUSION

The people of Gorakhpur are not much aware of the Life Insurance and they focuses on the present consumption. The higher a person is educated they know how to do risk aversion. The Life Insurance Development is proportional to the level of income as the insurer needs to have sufficient fund and can take the insurance. Insurance Development is affected by the all the economic changes whether it's be the income, inflation or the rate of interest. Insurance Regulatory and Development Authority protects the interest of consumers and prohibits the investment criteria. The awareness regarding the Life Insurance in Gorakhpur is the Opportunity. The money crisis or the income level of the individual is the Challenge which affects the individual interest regarding the life insurance. The increase in insurance market is the Opportunity which offers various products to the insurers. People focusing on present consumption is the main Challenge for the Life Insurance Industry. The economic growth and its impact towards Life Insurance Sector plays a vital role on the insurers and investors. Public should be well known about the ups and down of each aspect of the economy and the Insurance which can be beneficial to them for the long run.

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