



**THE GENERAL INSURANCE FOR RURAL INDIA: CHALLENGES
AND OPPORTUNITIES**

Dr. Vandana Rao

Assistant Professor

Dr. Ambedkar Institute of Management Studies and Research,
Deekshabhoomi

ABSTRACT

India has always been considered a nation driven by rural market. Even after 70 years of independence majority of population still lives in rural geographical area of India. As opined by experts India offers immense opportunity of growth in insurance sector. According to a survey less 38% of population is covered under different insurance schemes. The percentage is lower in rural parts of the country. The insurance companies have tried innovative and new ways to counter this challenge as tapping this market will directly result into dominant position in insurance sector market. In rural region illiteracy, lack of awareness low enthusiasm are the major problems which have created obstacles for insurance companies. They have tried innovative schemes, new offers, new variants to attract rural customer. The paper tries to collect a general opinion of rural customers for a better understanding of insurance sector and their point of view. The respondents were from in and around Nagpur region where Marathi is a dominant language and hence the respondents were briefed with background and reason of research before conducting the research.

Keywords: Rural, Insurance, India, rural Insurance, protection

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1.1 General insurance in Indian rural market at glance:

A large segment of rural India is still untouched because of long distances, poor distribution and high return costs. The progress in the semi-urban and rural areas would largely fuel the growth in insurance sector. The other factors that would boost the growth in this sector are improving economic scenario, increasing disposable incomes, and rising product demands. The market research report also focuses on facts and issues critical for today's business environment Government-run schemes such as Rashtriya Swasthya Bima Yojana—for workers in the unorganized sector—have been effective in increasing penetration of insurance in rural areas. To expand its reach in rural areas, many insurers are tying up with regional rural banks. These tie-ups also help them meet the IRDA (Insurance Regulatory and Development Authority) mandate of maintaining a certain quota of business from rural markets.

1.2 Literature review:

The income level of farmers was low, financial resource of government was short, insurance practitioners were insufficient and rural population was dispersible (Yang, 2010 & Yang, 2009), Ratna and Sarkar (2007) reported that rural population treat health as an important aspect and are interested in a health insurance scheme. The enthusiasm of insurance companies developing rural insurance business was not high and insurance products were short (Ou & Yang, 2006), the consciousness of developing agricultural insurance was not strong and the channel of raising agricultural insurance capital was not smooth (Liu, 2010)

1.3 Objective of study:

- 1) To know present marketing strategies adopted by private and public sector companies in rural areas.
- 2) To know the future perspective challenges and opportunities of rural insurance market.

1.4 Hypothesis of Study:

1.4.1 Null Hypothesis:

H₀. There is no significant relationship between Income and insurance.

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1.4.2 Alternate Hypothesis

H1. There is a significant relationship between income and insurance.

1.5 Method of research:

This is based on primary and secondary data which have been collected through questionnaire, websites, magazines, journals reference books on rural insurance and general insurance in rural sector, this study was descriptive in nature, The sample size of Study were 350 respondents, the sample area was selected villages of Nagpur and Bhandara Districts, the Simple random sampling and convenience sampling techniques were used for this study.

1.6 Marketing strategies for insurance company in rural sector:

The term Insurance Marketing refers to the marketing of Insurance services with the aim to create customer and generate profit through customer satisfaction. The Insurance Marketing focuses on the formulation of an ideal mix for Insurance business so that the Insurance organization survives and thrives in the right perspective.

MARKETING -MIX applied by insurance companies in rural market:

The marketing mix is the combination of marketing activities that an organization engages in so as to best meet the needs of its targeted market.

1.PRODUCT:

A product means what we produce. If we produce goods, it means tangible product and when we produce or generate services, it means intangible service product. A product is both what a seller has to sell and a buyer has to buy. Thus, an Insurance company sells services and therefore services are their product. In India, the Life Insurance Corporation of India (LIC) and the General Insurance Corporation (GIC) are the two leading companies offering insurance services to the users. Apart from offering life insurance policies, they also offer underwriting and consulting services. When a person or an organization buys an Insurance policy from the insurance company, he not only buys a policy, but along with it the assistance

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and advice of the agent, the prestige of the insurance company and the facilities of claims and compensation.

2.PRICING:

In the insurance business the pricing decisions are concerned with: The premium charged against the policies, Interest charged for defaulting the payment of premium and credit facility, and Commission charged for underwriting and consultancy activities. The premium rates are revised if there are any significant changes in any of these factors Mortality (deaths in a particular area): Expenses, Interest.

3.PLACE:

This component of the marketing mix is related to two important facets. Managing the insurance personnel, and locating a branch. The management of agents and insurance personnel is found significant with the viewpoint of maintaining the norms for offering the services. This is also to process the services to the end user in such a way that a gap between the services- promised and services -- offered is bridged over. In a majority of the service generating organizations, such a gap is found existent which has been instrumental in making worse the image problem.

4.PROMOTION:

The insurance services depend on effective promotional measures. In a country like India, the rate of illiteracy is very high and the rural economy has dominance in the national economy. It is essential to have both personal and impersonal promotion strategies. In promoting insurance business, the agents and the rural career agents play an important role. Due attention should be given in selecting the promotional tools for agents and rural career agents and even for the branch managers and front line staff. They also have to be given proper training in order to create impulse buying.

5. PEOPLE:

Understanding the customer better allows to design appropriate products. Being a service industry which involves a high level of people interaction, it is very important to use this resource efficiently in order to satisfy customers. Training, development and strong relationships with intermediaries are the key areas to be kept under consideration. Training the employees, use of IT for efficiency

6. PROCESS:

The process should be customer friendly in insurance industry. The speed and accuracy of payment

is of great importance. The processing method should be easy and convenient to the customers.

Installment schemes should be streamlined to cater to the ever growing demands of the customers.

IT & Data Warehousing will smoothen the process flow. IT will help in servicing large no. of customers efficiently and bring down overheads. Technology can either complement or supplement the channels of distribution cost effectively. It can also help to improve customer service levels. The use of data warehousing management and mining will help to find out the profitability and potential of various customers product segments.

7. PHYSICAL DISTRIBUTION:

Distribution is a key determinant of success for all insurance companies. Today, the nationalized

insurers have a large reach and presence in India. Building a distribution network is very expensive

and time consuming. If the insurers are willing to take advantage of India's large population and

reach a profitable mass of customers, then new distribution avenues and alliances will be necessary.

Initially insurance was looked upon as a complex product with a high advice and service component.

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Buyers prefer a face-to-face interaction and they place a high premium on brand names and reliability. As the awareness increases, the product becomes simpler and they become off-the-shelf

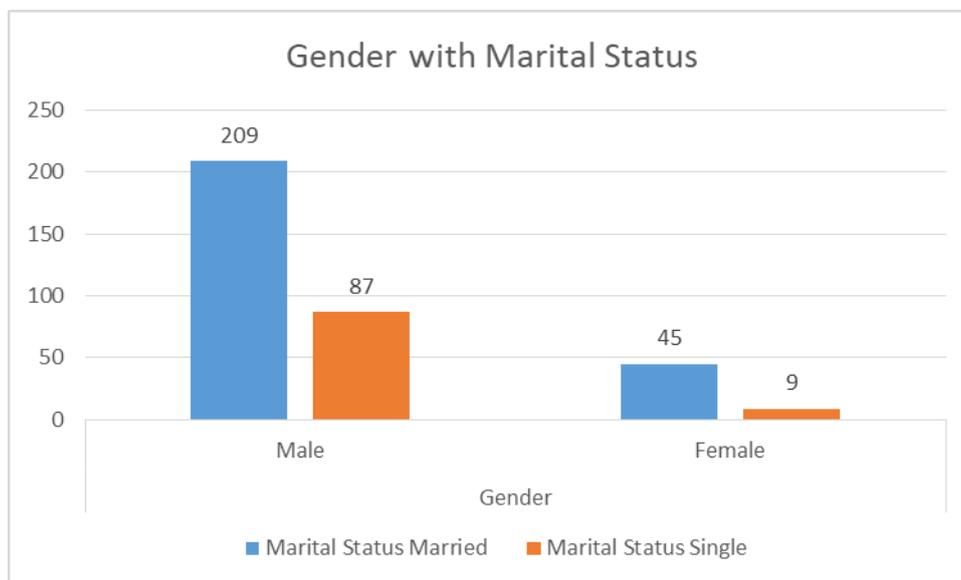
commodity products. Today, various intermediaries, not necessarily insurance companies, are selling

1.7 Opportunities within Challenges for General Insurance:

- 1) The coming year will assume a significant position in the history of Indian insurance industry. It denotes completion of a decade of open-market; ending of oligopoly and entry of private sector insurance companies; and the regime of a new development oriented regulatory authority – the IRDA.
- 2) At present, the rural general insurance market has 20+ players already and some more large international ones are expected to enter shortly. Companies today are coming up with new ideas and initiatives to stand out and they are offering the existing and prospective customers, new technology platforms that would streamline the business and would also be beneficial to them.
- 3) Brokers and agents who upgrade their technical competence are expected to play an increased role. Hence it would be wise for insurance companies to support competent brokers and agents. These much needed intermediaries with help from insurers and re-insurers, would have to take up a major challenge of educating the under informed customers in risk-management and risk improvement; accept more reasonable policy deductibles and seek better and sound policy coverage.

1.8 Analysis and interpretation:

Gender * Marital Status Crosstabulation				
		Count		
		Marital Status		Total
		Married	Single	
Gender	Male	209	87	296
	Female	45	9	54
Total		254	96	350

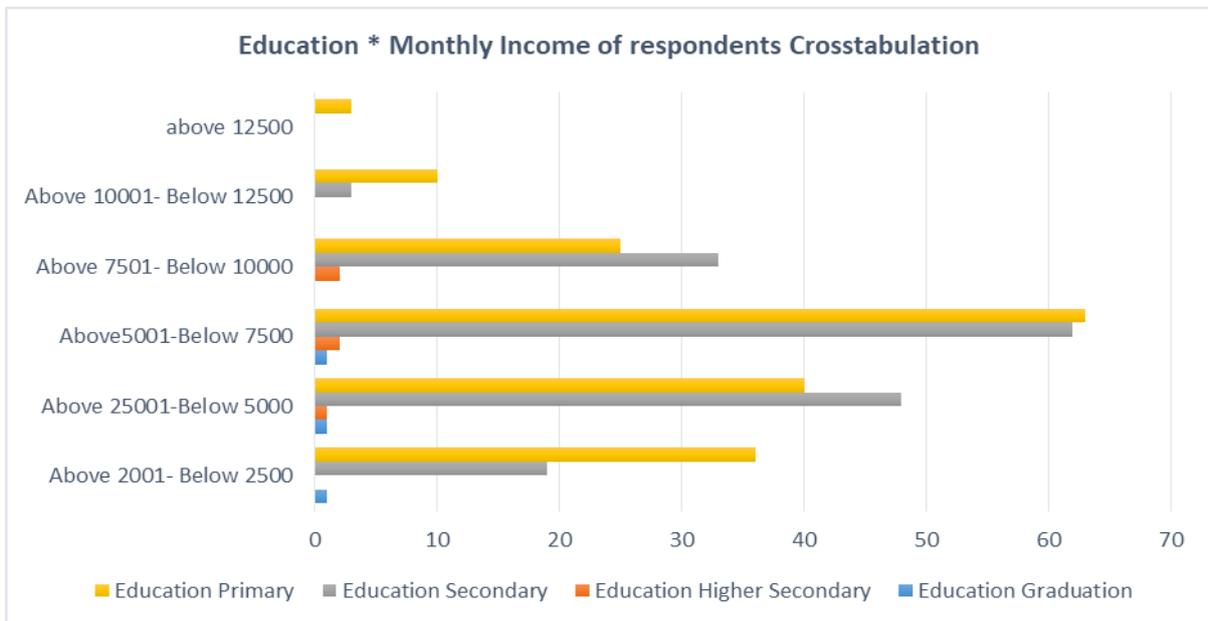


Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Monthly Income of respondents	350	2	7	3.69	1.097
Valid N (list-wise)	350				

Table 2: Income Analysis Of Respondents

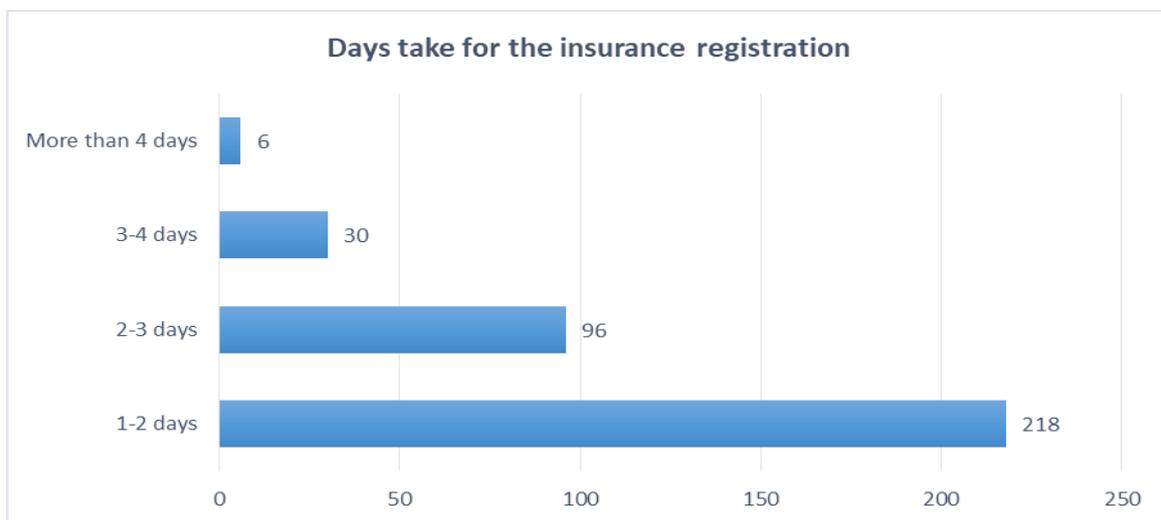
Education * Monthly Income of respondents Cross tabulation								
		Monthly Income of respondents						Total
		Above 2001- Below 2500	Above 25001- Below 5000	Above 5001- Below 7500	Above 7501- Below 10000	Above 10001- Below 12500	above 12500	
Education	Graduation	1	1	1	0	0	0	3
	Higher Secondary	0	1	2	2	0	0	5
	Secondary	19	48	62	33	3	0	165
	Primary	36	40	63	25	10	3	177
Total		56	90	128	60	13	3	350

Income Analysis with Education of respondents



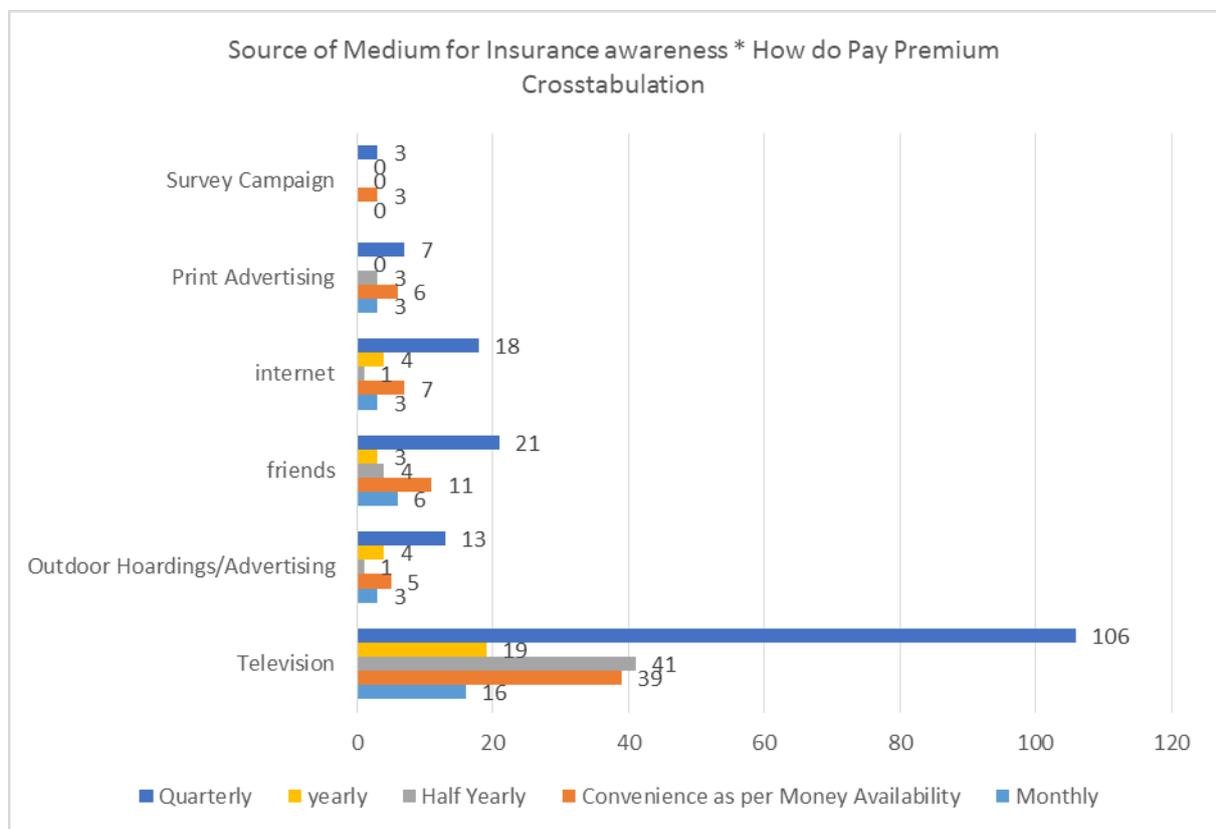
Days take for the insurance registration					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-2 days	218	27.2	62.3	62.3
	2-3 days	96	12.0	27.4	89.7
	3-4 days	30	3.7	8.6	98.3
	More than 4 days	6	.7	1.7	100.0
	Total	350	43.6	100.0	
Total		350	100.0		

Table: Days take for the insurance registration



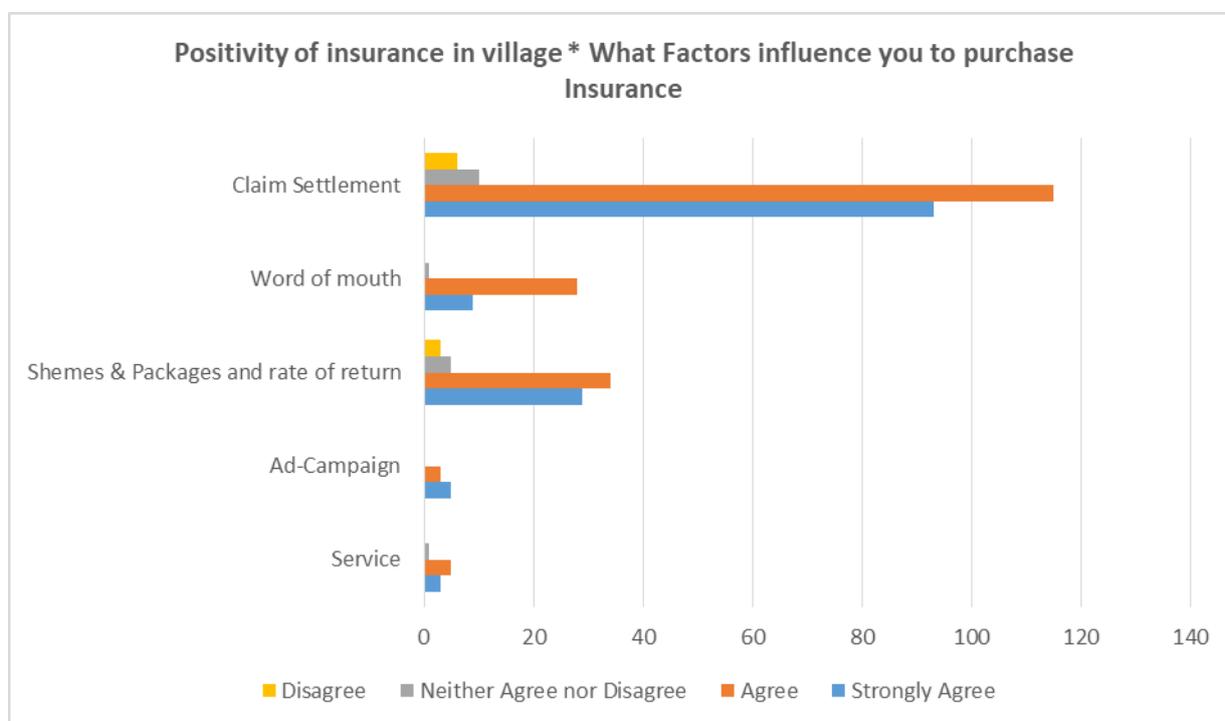
Graph: Days take for the insurance registration

Source of Medium for Insurance awareness * How do Pay Premium Crosstabulation							
		How do Pay Premium					Total
		Monthly	Convenience as per Money Availability	Half Yearly	yearly	Quarterly	
Source of Medium for Insurance awareness	Television	16	39	41	19	106	221
	Outdoor Hoardings/Advertising	3	5	1	4	13	26
	friends	6	11	4	3	21	45
	internet	3	7	1	4	18	33
	Print Advertising	3	6	3	0	7	19
	Survey Campaign	0	3	0	0	3	6
Total		31	71	50	30	168	350



Case Processing Summary						
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Positivity of insurance in village * What Factors influence you to purchase Insurance	350	43.60%	452	56.40%	802	100.00%

Positivity of insurance in village * What Factors influence you to purchase Insurance Crosstabulation						
		Positivity of insurance in village				Total
		Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	
What Factors influence you to purchase Insurance	Service	3	5	1	0	9
	Ad-Campaign	5	3	0	0	8
	Schemes & Packages and rate of return	29	34	5	3	71
	Word of mouth	9	28	1	0	38
	Claim Settlement	93	115	10	6	224
Total		139	185	17	9	350



Hypothesis Testing Analysis:

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Overall satisfaction Insurance service	350	1	6	2.01	1.077
Positivity of insurance in village	350	1	4	1.70	.679
Valid N (listwise)	350				

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.012	3	.671	.576	.043
Within Groups	402.962	346	1.165		
Total	404.974	349			

Interpretation:

From the above one way Anova test researcher compare and analysed the income and satisfaction level of people **Sign values are = 0.043 <0.05 Thus**, the null hypothesis **H0** is rejected **at 5% level of significance** and hence the **alternate hypothesis is accepted**. The alternate hypothesis is H1. There is a significant relationship between income and insurance.

1.9 Findings:

- Rural sector offers a huge business opportunity for insurance companies
- Savings ratio is a healthy 30% of income across all socio economic segments
- Awareness about Life Insurance is near universal
- 27% of CWEs already have a life policy
- 51% of all respondents have expressed intention to purchase a life policy
- There are a total of 124 million rural households
- Nearly 20% of all farmers in rural India own a Kissan Credit Cards. The 23 million credit cards issued till date offer a huge data base and opportunity for insurance.

Conclusion:

Rural Insurance is an underwriting company dedicated to providing insurance solutions to meet the needs of agricultural and rurally based businesses. While it is true that access to insurance cover depends on the literacy/awareness levels and assured income, well-planned and organised efforts by committed private sector companies can yield rich dividends from the rural areas. The core business principles that guide Rural Insurance are exclusivity, access to informed and empowered decision makers, service and quality. Rural Insurance believes that by combining these core values and adhering to the business ethos of 'Putting You First', we create a fundamentally better option for your business. Whilst Rural Insurance has a wealth of expertise and industry experience, we maintain an innovative approach to rural and agricultural insurance and risk management. These encompassing solutions cover varied aspects of Health, Accident, Life, Disaster, Vocational and Hut / Home insurance solutions specifically aimed at and customized to suit various sections of community.

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