



## Customers Opinions on 'LIC as a Government Company

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### Abstract

Life Insurance Corporation of India (LIC) came into existence September 1<sup>st</sup>, 1956 through nationalization of 154 Indian insurance companies, 16 non-Indian insurance companies and 75 provident companies. Since then, as a government undertaking, it has done a remarkable job in the Indian life insurance market. It has become a trusted, dominant and the most popular brand. It has provided cushion of life insurance cover to crores of India people by executing a number of insurance schemes of government. One of the major reasons for growth of LIC was its government ownership and monopoly. Majority of the people believe in government. The present study has been undertaken with an objective to assess the opinion of samples on binding relationships with LIC owing to Government Company. Mean, SD, Rank, and One Sample 't' test have been used for analysis. The primary data was collected from 2500 samples using a structured schedule. One Sample 't' test resulted in rejection of the null hypothesis and accept alternative hypothesis the customers buy insurance policies from LIC of India just because it is public undertaking. The study revealed that as per the opinions of the samples LIC is safer than the private life insurers and LIC is preferred over private life insurers because it is a government company.

**Keywords:** Life Insurance, Nationalisation, Monopoly, Public Undertaking, brand

### Introduction:

Life Insurance Corporation of India, a giant government undertaking has completed almost six decades. It enjoyed absolute monopoly over Indian life insurance market from 1956 i.e. nationalization to the year 2000. As a government company LIC has done a remarkable job in providing social security to the masses. It provided life insurance cover to crores of people. LIC of Indian has introduced different social insurance plans for the weaker sections of the society in the form of Micro Insurance and Group Insurance. Further, as a government undertaking, LIC works as an executing organization for the central government social security schemes. Through its vast agency network it has reached all strata of the society. Till today, the brand 'LIC' is the most popular brand in Indian life insurance market. Government ownership and absolute monopoly over the market (till 2000) are the major reasons for the confidence and faith of the people in LIC. However, with the entry of private life insurers in Indian market since 2000 the era of LIC's monopoly has come to an end. The year 2000 opened doors of Indian life insurance market to the private insurance companies. This has led to the competition in this sector. On one hand there is government giant LIC with huge experience of Indian life insurance market and well spread network of branch offices in every corner of the nation and on the other hand there are 23 private insurers in joint venture with the foreign life insurance companies with innovative products and professional attitude. In the first quarter of the financial year 2013-14 share of LIC in the new business premium underwritten was 74.39% (IRDA Report 2012-13 p12). In the year 2012-13 the market share of LIC in Indian life insurance market was 72.70% (IRDA Report 2012-13 pp21). This clearly indicates that the dominance of LIC has been threatened by the private insurers since the year 2000.

In the era of LPG the role of government is going to be the controller rather than the businessman. Further, customers are also slowly becoming used to the privatization. Therefore, the problem before LIC is and will be to maintain its status as the most dominant popular brand in Indian life insurance market. Hence, LIC has to make efforts to persuade the people to buy from it not just because it is a government company but through its customized & innovative products and efficient services. Taking into account the above discussion, this paper is an attempt to know what the LIC customers feel about LIC.

#### **Review of Literature:**

Rajeswari K. and Karttheeswari S.(2012) revealed that different people have different insurance needs and yield/return is the most important reason for making investments in the policies of LIC of India. LIC of India being a government undertaking, even after the entry of private players, majority of the customers have patronage towards it.

Vikas Gautam (2011) found that public insurance company LIC is perceived to be more reliable than private insurance company ICICI Prudential. However, the researcher further found that LIC has significantly high quality perception among insurance customers as compared to private sector insurance company ICICI prudential about all five dimensions tangibility, reliability, responsiveness, assurance and empathy. Thus the paper states that respondents are attracted towards LIC not only because it is a government company but also the service quality. For the present study, the effort will be made to find out whether the same pattern exists in Kolhapur district about the same. However, the study of Rajeswari K. and Karttheeswari S.(2012) show different findings. The researchers found that LIC of India being a government undertaking, even after the entry of private players, majority of the customers have patronage towards it. Thus there are variations in the findings of these two studies. Therefore, an effort will be made to find out whether the same pattern exists with LIC customers in Kolhapur district of Maharashtra.

#### **Research Methodology:**

The research is descriptive inferential in nature that shows the opinions of the samples about LIC as a government undertaking. The study was undertaken with an objective to find the opinions of the respondents on LIC as a government company. The hypothesis set to test was 'The Customers buy insurance policies from LIC of India just because it is a public undertaking' A sample of 2500 was selected which consists 1321 samples from urban area and 1179 samples from rural area amongst the policyholders of LIC of India in Kolhapur district of Maharashtra (India). Quota sampling method has been used to collect data from all twelve tahasils in Kolhapur district and all eleven branches of LIC in the district. Effort has been taken to collect the data from samples with different demographic profile. The secondary data related to conceptual framework and review of literature was collected through reference books, journals, newspapers, websites, office records of LIC of India, Branch Offices of LIC in Kolhapur District.

A Structured Schedule was used to collect primary data from the respondents. The schedule was divided into different parts. The questions in the schedule were close ended and codified so as to facilitate data feeding and analysis. The first part of schedule consisted of information related to demographic profile of the respondents and the later part consisted of four statements related to the opinions of the respondents on LIC as a government company. the statements are 'LIC is preferred over private sector insurance companies because it is a government owned company', 'Risk factor increases in dealing with private sector insurance companies', 'Dealing with LIC is safer than private sector insurance companies' and 'If I am going for multiple insurance plans, at least one policy I should have from LIC' The statistical tool, Mean, SD, rank on mean was used for analysis and interpretation while One

Sample 't' test was brought in use for hypothesis testing. SPSS software was brought in use for analysis.

**Respondents' opinions about LIC as a government undertaking:**

To assess the opinions of samples on LIC and comparative opinion of LIC against private sector insurance companies four statements were executed to samples to opine on five point Likert scale 1 for strongly disagree and 5 for strongly agree. The analysis independently performed for urban and rural samples along with consolidated samples. Mean, SD, rank on mean and one sample 't' test has performed.

**Table 1**  
**Respondents' opinions about LIC as a government undertaking**

Sr. No.	Statements	Consolidated (n=2500)			Urban (n=1321)			Rural (m=1179)		
		Mean	SD	Rank	Mean	SD	Rank	Mean	SD	Rank
1	LIC is preferred over private sector insurance companies because it is a government owned company.	4.14	0.78	3	4.12	.79	4	4.15	.77	3
	One Sample 't' test	(t)72.464	(sig).000		(t) 51.413	(sig).000		(t) 51.142	(sig).000	
2	Risk factor increases in dealing with private sector insurance companies.	4.11	0.76	4	4.15	.73	3	4.07	.80	4
	One Sample 't' test	(t)72.422	(sig).000		(t) 56.607	(sig).000		(t) 46.057	(sig).000	
3	Dealing with LIC is safer than private sector insurance companies.	4.18	0.70	2	4.20	.70	2	4.16	.71	2
	One Sample 't' test	(t)83.617	(sig).000		(t) 62.151	(sig).000		(t) 56.016	(sig).000	
4	If I am going for multiple insurance plans, at least one policy I should have from LIC.	4.20	0.72	1	4.20	.73	1	4.20	.72	1
	One Sample 't' test	(t) 82.370	(sig).000		(t) 59.613	(sig).000		(t) 56.823	(sig).000	
	Spearman's rank correlation between consolidated and urban								1.000**	
	Spearman's rank correlation between consolidated and rural								1.000**	
	Spearman's rank correlation between urban and rural								1.000**	

**	Correlation is significant at the 0.01 level (2-tailed).
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Source: (compiled from Field data)

Table number 1 shows the opinions of the samples about LIC as a government company.

It has observed that the mean values on the opinions of all samples fall between 4.11 and 4.20 with standard deviation ranging from 0.70 to 0.76, mean values on the opinions of urban samples fall between 4.12 and 4.20 with standard deviation ranging from 0.70 to 0.79 and mean scores on the opinion of rural samples is between 4.07 and 4.20 with standard deviation ranging from 0.72 to 0.80.

One Sample 't' test was applied and 't' values ranged from 72.422 to 83.617 which are significant at 5% level of significance.

The Spearman's rank correlation is calculated to find out the relationship between the opinions of the samples and it has found that the Spearman's correlation between the opinions of consolidated samples and urban samples, between consolidated samples and rural samples as well as urban samples and rural samples is 1.000 which is significant at the 0.01 level. This shows that there is perfect positive correlation between the opinions of consolidated samples and urban samples, between consolidated samples and rural samples as well as urban samples and rural samples.

It has observed that all parameters carry mean scores greater than 4.0 on the opinions of all samples as well as urban and rural samples independently with considerable standard deviations shows that the opinions of samples inclined towards complete agreement of the samples on all parameters.

The statement 'If I am going for multiple insurance plans, at least one policy I should have from LIC' carried highest mean on the opinions of all samples including urban and rural samples of 4.20 with 0.72. One Sample 't' test resulted into 't' value of 82.370 which is significant. This indicates complete agreement of the samples on the statement and shows confidence in LIC.

All samples show their complete agreement on the statement 'Dealing with LIC is safer than private sector insurance companies' with mean score of 4.18 with 0.70 standard deviation. One Sample 't' test resulted into 't' value of 83.617 which is significant. This indicates feeling of more safety while dealing with LIC than the private insurers.

There is complete agreement of the samples on the statement 'LIC is preferred over private sector insurance companies because it is a government owned company' with mean value of 4.14 on the opinion of all samples and considerable standard deviation of 0.78. One Sample 't' test resulted into 't' value of 72.464 which is significant. This means samples have accepted that LIC is preferred over private life insurers because it is a government company.

The statement 'Risk factor increases in dealing with private sector insurance companies' carried mean score of 4.11 on the opinions of all samples with considerable standard deviation of 0.76. One Sample 't' test resulted into 't' value of 72.422 which is significant. This reveals that in the opinions of samples the risk increases while dealing with private insurance companies.

#### **Hypothesis Testing:**

**The hypothesis 'The Customers buy insurance policies from LIC of India just because it is a public undertaking' was set to test.**

To check the opinion of respondents regarding the LIC preference over to private insurance companies 4 statements were prepared and the opinions are measured with five point scale as 1 for strongly disagree, 2 for disagree, 3 for neutral, 4 for agree and 5 for strongly agree. The mean and standard deviation score of each statement are as follows

**Table: 2**  
**Customers buy insurance from LIC because it is a public undertaking**

One-Sample Statistics					
Sr.	Parameters	N	Mean	SD	Std.
					Error Mean
	LIC is preferred over private sector insurance companies because it is a government owned company.	2500	4.14	.784	.016
	Risk factor increases in dealing with private sector insurance companies.	2500	4.11	.767	.015
	Dealing with LIC is safer than private sector insurance companies.	2500	4.18	.707	.014
	If I am going for multiple insurance plans, at least one policy I should have from LIC.	2500	4.20	.727	.015

Source: (Processed field data)

Table number 2 shows the mean score of the all parameters are 4.14, 4.11, 4.18 and 4.20 which are more than 4 that reflects samples prefer LIC.

**Customers buy insurance from LIC: test of significance:**

One sample 't' has applied to test the hypothesis following table shows the result of the same.

Table 4.72 depicts the one sample 't' test statistic of all these statements 72.464, 72.422, 83.617 and 82.370 respectively at 2499 df. Since the 'p' value of all statements shows is 0.000 which is lesser than alpha 0.05, that gives the evidence that the test is significant at 95% of confidence at two tailed. Thus result supports to reject the null hypothesis and accept alternative hypothesis the customers buy insurance policies from LIC of India just because it is public undertaking.

**Table 3**  
**Customers buy insurance from LIC test of significance.**

One-Sample Test							
Sr.	Parameters	Test Value = 3					
		T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
						Lower	Upper
	LIC is preferred over private sector insurance companies because it is a government owned company.	72.464	2499	.000	1.136	1.11	1.17
	Risk factor increases in dealing with private sector insurance companies.	72.422	2499	.000	1.112	1.08	1.14
	Dealing with LIC is safer than private sector insurance companies.	83.617	2499	.000	1.182	1.15	1.21

One-Sample Test							
Sr.	Parameters	Test Value = 3					
		T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
						Lower	Upper
	LIC is preferred over private sector insurance companies because it is a government owned company.	72.464	2499	.000	1.136	1.11	1.17
	Risk factor increases in dealing with private sector insurance companies.	72.422	2499	.000	1.112	1.08	1.14
	Dealing with LIC is safer than private sector insurance companies.	83.617	2499	.000	1.182	1.15	1.21
	If I am going for multiple insurance plans, at least one policy I should have from LIC.	82.370	2499	.000	1.197	1.17	1.23

Source: (Processed field data)

Thus result supports to reject the null hypothesis and accept alternative hypothesis the customers buy insurance policies from LIC of India just because it is public undertaking.

#### Findings:

1. It has found that all parameters regarding responses of samples about LIC as government company carry mean scores more than 4.0 on the opinions of all samples as well as urban and rural samples independently with considerable standard deviations showing complete agreement of the samples on all parameters.
2. It has found that there is perfect positive correlation in the opinions regarding LIC as Government Company between the opinions of consolidated samples and urban samples, between consolidated samples and rural samples as well as urban samples and rural samples with Spearman's rank correlation is 1.000 for all three relationships.
3. It has found that the existing customers/samples are ready to buy at least one policy in future from LIC. This shows confidence of the samples in LIC.
4. Samples showed their complete agreement on the statement 'Dealing with LIC is safer than private sector insurance companies'
5. Samples opined that LIC is safer than the private life insurers and LIC is preferred over private life insurers because it is a government company.
6. The study found that in the opinions of samples, the risk increases while dealing with private insurance companies.

#### Conclusion:

It is the fact that still LIC is a dominant player in the Indian life insurance sector. However, it is going to be a great challenge to maintain the same in future due to the competition. Therefore, LIC needs to create its own image is as a good service provider through customized products, professionalism and quality after sale services. It should make use of its vast network of branches to tap the uninsured and underinsured market and reach the remote areas along with urban and rural areas.

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