

**Comparative Analysis of Impact of Privatization on
Both Public and Private Sector General Insurance
Companies**

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Abstract

Since its independence, the Government of India has pursued socialist model policies within the framework of a mixed economy. Both the public and private sectors coexist. In addition to the private sector, the public sector has also received considerable importance. The important and strategic sector of the economy is solely entrusted to public funding. The government has banned 4,444 private companies from investing in these sectors. The insurance sector is also under the control of the government these days. The government depends on these agencies for financial aid. Gradually in the 1990's India slowly moves towards the introduction of new economic policy that is privatization, globalization, and liberalization. Indian economy made its way for unfamiliar players, Introduction of LPG rolled out a few radical improvements in the Indian financial climate. The objective of the study is to identify the perception regarding procedure and formalities of taking insurance policies for customer satisfaction between public and private general insurance companies. Samples were collected from 100 private general insurance holders and 100 public general insurance companies. SPSS software is used to derive statistical inference for the study.

Key Words: Public and private general insurance companies, General Insurance Companies, Economy, financial aid, LPG

Introduction

The insurance industry in India has changed dramatically since the implementation of economic reforms. With many private sector insurance companies entering the insurance business, India's general insurance industry is now facing intense competition. Before 1999, the general insurance industry in India was a public monopoly controlled by four public giants: New India Assurance Company Limited, The Oriental Insurance Company Limited, The National Insurance Company, and United India Insurance Company Limited. The insurance industry in India has gone through many radical changes in the nearly 190 years since its inception. Up until 1956, the insurance industry was dominated by private insurers with little government intervention. The government nationalized both life insurance and general insurance companies in 1956 and 1972, respectively, allowing them to have a monopoly in the field. However, unlike life insurance, the general insurance industry has a unique structure. In the year 2000, A holding company with four subsidiaries was established, and the private sector was permitted to re-enter the insurance business. The Government of India passed new legislation on December 7, 1999, to allow foreign direct investment in the Indian insurance industry and to open the insurance sector to private players. This marks a watershed moment in the history of India's insurance industry. From then on, the government granted private companies license so conduct business in India. The monopolies of the public sector general insurance companies have been reduced as a result of privatization in this sector, and it now faces stiff competition from private players. The Indian general insurance industry is currently operating in a competitive environment. Before privatization the general insurance sector in India was completely controlled by public sector companies. They are not taking any strides to increase their business volume. This industry lacked adequate customer service, new products, and innovative practices. During these times, there was no sector diversification. However, the situation has completely changed. The establishment of the Insurance Regulatory and Development Authority (IRDA) signaled the end of public sector companies' monopoly in the Indian insurance sector. It became critical for the public area insurance agency in India to confront the extreme contest brought by the passage of new confidential general insurance agency. In such conditions, the whole economy will be benefited, assuming these public organizations work on their exhibition. It assists with expanding the low protection entrance and low protection thickness in India. Then again, the passage of privately owned businesses into this area makes a few terrible impacts too. This paper is an endeavor to concentrate on the exhibition of the overall protection area of India in this serious circumstance.

Review of Literature:

Anand Bansal (2005) in his article on "Insurance Sector: Is Privatisation is on the Right Track" expressed that the result of the privatization cycle throughout some time has been demonstrated positive and distinguished as the start of another period with a huge number to

accomplish. In any case, there is a dire need to take on an expert methodology for the brilliant eventual fate of the business.

Pooja Bhalla and Gangadeep Kaur (2007) in their article on “Private Players and Life Insurance Industry” express that the opening up of the protection area to private players have represented a test to the public area monster that is LIC of India. However, it actually partakes in the predominant position the proportionate offer is diminishing a large number of years. Then again, the confidential players with their imaginative items, savvy showcasing, more extensive dispersion organizations, and better client administrations have been fruitful in drawing in an enormous number of clients.

Faiz Abdullah (2008) in his thesis on “Issues and Challenges of Privatisation of Insurance sector” states that privatization of the protection area has helped in drawing out a few positive improvements in light of the development of an enormous number of private and unfamiliar players, more extensive decision regarding item development, a colossal flood in the progression of innovation and the extended market. Yet, there are many provokes looked by the safety net providers to bring into training the worldwide guidelines in the country. These difficulties are capital ampleness, dissolvability edge, cap of unfamiliar direct speculation, monetary productivity, framework advancement, incorporation, and externalities.

The objective of the Study

- To know about the privatization of General insurance companies
- To analyse the perception regarding procedure and formalities of taking insurance policies for customer satisfaction between public and private general insurance companies.
- To recommend public sector general insurance companies to develop their business outcome.

Hypothesis

H₀₁= There is no significant difference in the perception regarding procedure and formalities of taking insurance policies for customer satisfaction between Public and Private General Insurance Companies.

H₀₂= There is no significant difference in the perception regarding behavior and efficiency of employees and agents for customer satisfaction between Public and Private General Insurance Companies.

Data analysis
Table 1

Profile	Options	Private		Public		Total	
		Frequency	%	Frequency	%	Frequency	%
Gender	Male	72	72%	61	61%	133	66.5%
	Female	28	28%	39	39%	67	33.5%
	Total	100	100	100	100	200	100
Age	Below 30	24	24	30	30	54	27%
	30-45	46	46	33	33	79	39.5%
	45-60	24	24	32	32	56	28%
	Above 60	6	6	5	5	7	5.5%
	Total	100	100	100	100	200	100
Monthly Income	Below 15,000	15	15	21	21	36	18%
	15,000-50,000	27	27	39	39	66	33%
	50,000-75,000	42	42	29	29	71	35.5%
	Above 75,000	16	16	11	11	27	13.5%
	Total	100	100	100	100	200	100

Interpretation

Gender: Exhibit that the numbers of male respondents are more than the females in both the public and private sector general insurance companies under study. In the private sector companies, 72 (72%) of the customers are male and 28 (28%) are female. However, in the public sector companies, 61 (61%) respondent customers belong to male category and the remaining 39(39%) belong to female category.

Age: shows that respondents from both private and public insurers are maximum below the age of above 60 years. As 24 (24%) and 30 (30%) respondents fall in the age of below 30 years, 46 (46%) and 33 (33%) respondents fall in the age category of 30 to 45 years, whereas 24(24%) and 32 (32%) in 45 to 60 years, in the private and public sector companies respectively. The table reflects that majority of the respondents are up to the age of 45 years in both the sectors.

Monthly Income: exhibiting monthly income-wise distribution of the respondents belonging to the public and private sector general insurance companies, majority of respondents for private sector insurers belongs to monthly income of Rs. 50000 to Rs. 75000 i.e., 42%, while for private companies, it is Rs. 15000 to Rs. 50000 i.e., 39%. While 27%, 16% and 15% respondents belong to Rs. 15000 to Rs. 50000, Above Rs. 75000, and Below Rs. 15000 category of income group and for public companies, it is 29%, 21%, and 11% respondents belong to the income group of Rs. 50000 to Rs. 75000, below Rs. 15000, and above Rs. 75000 respectively

Hypothesis

H_{01} = There is no significant difference in the perception regarding procedure and formalities of taking insurance policies for customer satisfaction between Public and Private General Insurance Companies.

Table 2
Respondent's perception regarding procedure and formalities of taking insurance policies

Dimension	Private Sector		Public Sector	
	Frequency	Percentage	Frequency	Percentage
Badly Deteriorated	3	3	1	1
Deteriorated	14	14	17	17
Remained Same	6	6	23	23
Approved	59	59	51	51
Highly Improved	18	18	8	8
Total	100	100	100	100

Table 3
Test of Significance

Test	Private Sector	Public Sector	T Value	P value
t-test	3.75	3.48	1.993	0.048

Table 2 indicates that 77% of favorably perceived the impact of privatization on the overall working of the private sector general insurance companies, of whom 18% ranked highly improved, 59% ranked improved, 6% ranked remained same, 14% ranked deteriorated and 3% ranked badly deteriorated. On the other hand, 59% of customers have favorably perceived the impact of privatization on the overall working of the public sector general insurance companies, of whom 8% ranked highly improved, 51% ranked improved, 23% ranked remained same, 17% ranked deteriorated and 1% ranked badly deteriorated. The table further reveals that the mean values of the responses towards the impact of privatization on the overall working of the private and public sector general insurance companies are 3.75 and 3.48 respectively which indicates that the impact of privatization on improving the overall working of the private sector is better than the public sector. The results in table 3 indicates regarding the t-test ($P < .05$) also indicate that the working of private insurers has improved more than the public insurers over the period of reforms in the general insurance sector.

H02= There is no significant difference in the perception regarding behaviour and efficiency of employees and agents for customer satisfaction between Public and Private General Insurance Companies.

Table 4
Perception Regarding Behaviour and Efficiency of Employees

Perception	Private Sector		Public Sector	
	Frequency	Percentage	Frequency	Percentage
Badly Deteriorated	1	1	4	4
Deteriorated	8	8	11	11
Remained Same	16	16	31	31
Approved	57	57	46	46
Highly Improved	18	18	8	8
	100	100	100	100

Table 5
Test of Significance

Test	Private Sector	Public Sector	t Value	P value
t-Test	3.83	3.43	3.16	0.002

Table 4 highlights the impact of privatization on the improvement of behaviour and efficiency of the employees and agents of general insurance companies. As it is evident from the table that 75% respondents of the private sector companies have perceived favorably towards behaviour and efficiency of the employees and agents. Among the respondents of the public sector companies, 18% ranked 'highly improved', 57% ranked 'improved', 16% ranked 'remained same', 8% ranked 'deteriorated' and 1% ranked 'badly deteriorated'. Among the respondents of the public sector companies, 54% have perceived favorably, of whom 8% ranked 'highly improved', 46% ranked 'improved', 31% ranked 'remained same', 11% ranked 'deteriorated' and 4% ranked 'badly deteriorated'. The mean values for the response obtained from the respondents belonging to the private and the public companies are 3.83 and 3.43 respectively, which contains that there has been more improvement in the efficiency and behaviour of employees and agents in the private sector than in the public sectors due to privatization. Table 5 also proves that there is a significant difference between efficiency improvement and behaviour of the public 156 and private sector general insurance companies

and private companies' employees and agents are having good improvement in behaviour and efficiency than to public sector insurance companies.

Suggestions

- To maintain their market share, public insurance companies should try to boost their business by issuing more policies.
- General insurance businesses' operating costs should be kept under control.
- In a competitive market, public-sector businesses should maintain their market share.
- Companies in the public sector should put their money into safe assets.
- Companies in the public sector should keep their operational costs under control; otherwise, they will lose money in the future.
- The need for and importance of general insurance should be made known to the general people.

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