

ROLE OF INSURANCE FOR MARGINALIZED SECTION OF THE SOCIETY

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Abstract

The rural insurance is a major concern for the government today. The various financial institutions are also showing their keen interest towards fulfilling all insurance assistance to the rural people. Most of the banks, financial institutions, and insurance companies are now focusing on rural banking and rural insurance. The main objectives of these institutions are to provide agriculture insurance, crop insurance, life insurance, and rural health insurance. At present, about 80% of the rural population is not insured in any form of insurance. The government has stressed more on the Foreign Direct Investment limit but it is not a permanent solution because foreign investors are having their own vested interest. In the recent development, 49% of FDI is allowed in the insurance sector from earlier 26% to increase the inflow of funds in this sector. There is a need to make an aggressive approach towards increasing insurance penetration in those areas where it is very low. The insurance companies need to make all efforts to reach out to every section of the society with customized rural insurance products. This will lead to the inclusive growth of the marginalized section of the society and thus it will lead to the economic development of the society as well. This paper is primarily based on the study of insurance companies and their approaches towards the marginalized section of the society. It is also to find out the main reasons behind the underutilization of insurance in rural areas.

Introduction

The marginality concept was first laid down by Robert Park (1928). According to the author, the concept of marginalization refers to the process by which individuals or groups are kept at or pushed beyond the edges of society. Marginalized people are sometimes called outsiders in their own locality. According to The Encyclopedia of Public Health, the term marginalization has been defined as, “to be marginalized is to be placed in the margins and thus excluded from the privilege and power found at the center”. Ghana S. Gurung and Michael Kollmair mention that “the concept of marginality is generally used to analyze socio-economic, political, and cultural spheres, where disadvantaged people struggle to gain access to resources and full participation in social life”. We can further say that marginalized people are those who are socially, economically, politically, and legally ignored, excluded or neglected, and therefore vulnerable to livelihood change in the society. Most of the people in the developing nations are below the poverty line. The basic needs of life such as health, education, housing, food, security, employment, justice, and equity are not fulfilled adequately by the marginalized section of the society. The Indian Government's approach towards giving basic rights to people who belong to rural areas has failed to some extent as they are still not in a position to enjoy their basic rights. Looking after the present scenario, various international organizations came up with basic rights that must be given especially those who are

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from the marginalized section of the society. The concept of insurance is still not reaching out to the rural masses and there is still a vast scope to capture the unexplored area.

Objectives

This paper is about the study of marketing techniques adopted by insurance companies for the marginalized section of the society. Further, it is to find the reason behind low insurance penetration in the rural market and finding the future prospects for the unexplored market. The rural insurance is still at a nascent stage in India and needs to be tapped by adopting various new marketing strategies.

Scenario of Insurance in India

Insurance reforms took place in India right at the starting of the year 2000 and opened the gate for all the private players to participate in economic growth. There is a drastic change that took place in the insurance sector with the entry of private players in the market. The insurance sector still remains mostly under-penetrated and needs to be explored with new marketing strategies. Insurance reach is still very low in India and particularly in rural areas. The insurance penetration (premiums as % of GDP) in India was 4.6 percent in 2019, providing a huge unexplored market. Life insurance is largely used as a means to meet the financial uncertainty, whereas non-life is still not treated as essential insurance. The middle class is growing, per capita income is rising, the nature of savings and investments are growing, and this will lead to the development of this sector. Insurance companies are now aggressively adopting a marketing strategy which will help in increasing in new multiple distribution channels to penetrate the rural market. The total number of potential customers can be reached out by dividing the total market into different small segments like pre-modern, post-modern, rural and semi-urban market. These market segments will present an opportunity for insurers that can customize their products according to the needs and wants of the rural market.

Rural insurance problems

- There is an inadequate number of bank officials for selling insurance products.
- Non-availability of market-oriented training in the rural insurance companies.
- The bank staff for not involved in marketing all the time.
- Outdated marketing and selling skills.
- Inefficient technical staff which results in difficulties in reaching out to the end customer data.
- Inadequate customer-oriented product.
- When more than two government agencies or microinsurance are involved in one bank, it is not possible to give more importance to the selling of insurance.
- The higher-level officers of the bank sometimes are unable to meet the required enthusiasm to the bottom level staff and this resulted in low selling of insurance.
- Insurance is primarily an incentive-based business but when the right amount of commission will not be given to a lower level, the motivational level will go down.

- The new business targets to the bank staff led to the non-renewal of the old policies.
- The concerned authority, who is responsible for the insurance businesses, gets frequent transfers and this results in no follow up with old customers for renewal payments.
- When there is a new commission oriented product introduced in the market, the number of renewal rates comes down and this leads to the lapse of the policy.
- There is a lack of proper insurance awareness programs in rural areas.
- Insurance products which are not customized according to the need of rural areas, it is very difficult to find customers easily in the rural market as compared to other standardized markets.
- The premium payment methods in rural areas have not succeeded as it deprived of flexible payment options on the part of marginalized people.
- The quality of recruitment for insurance agencies is not up to the mark in meeting the desired goal and objectives.

The above-given reasons for underutilization of insurance in rural areas need to be addressed by introducing more Bancassurance, rural oriented insurance products, multiple channel distribution in connecting the masses. According to FY 2015-16, the insurance funds represent 17.48 % of STHS (Savings through Household Sectors), 19.18 % from PF (Pension Funds), 13.19 % from SS (Small Savings) and BD (Bank Deposits) 42.46 %. The given data reveals that some areas are still left to be explored in the composition of household savings which is yet to be tapped in the insurance sector.

Low Penetration of Insurance

Despite tremendous growth in recent years after privatization, still there remains a large untapped market for rural insurance. India is lagging in insurance penetration with having 3.49% only, as against world insurance penetration of 6.28% in 2016. A mere percentage of the total insurable population aged between 20 to 60 years is currently covered by life and non-life insurance. The insurance density level is also very low in terms of the world average. The Indian economy is moving very fast towards growth and development with the help of science and technology. With the advancement in the field of medical treatment, high-end medicine and technology-enabled equipment led to people of above 55-60 years to live a healthy life beyond 75-80 years. The good quality of life of the people with the help of a better medical facility leads to prolonged existence and thus has to live without earnings for the last 10-15 years of existence. The pension for post-retirement is the best product for these kinds of old age people in the market and needs to be further explored with new customized retirement benefits products.

Marketing techniques of Public and Private Insurers for rural coverage

The Insurance Regulatory and Development Authority of India (IRDAI) has said all insurers whether life or non-life operating for the last 10 years should have at least 5% of the total policies from the social sectors. The IRDAI laid down the rules that the insurance companies which have been operating since FY 2000 need to undertake privilege steps for the rural sector. This is because to make inclusive growth of insurance in the marginalized section of society. For the rural sector- the

places or areas classified as rural in the census- life insurers have to write at least seven percent of the total number of policies written directly from these areas in the 1st FY, going up to nine percent in the 2nd FY, twelve percent in the 3rd FY, fourteen percent in the 4th FY, sixteen percent in the 5th FY. This goes up to twenty percent from the 10th year onwards. For general insurers, two percent of gross premium income should be in the rural areas in the 1st FY, which goes up to seven percent from the 9th year onwards.

The current marketing techniques and trends of Insurers

There is a need to meet these obligations by the insurance players which have evolved over a period of time. There are certain marketing techniques that have been adopted with the passage of time by insurance companies. The various marketing strategies adopted by the life and non-life insurance players can be broadly explained under:

- Creating awareness programs about insurance at the rural level.
- Rebuilding of brand image of existing insurance companies.
- Developing of brand equity for better leveraging benefits to the customers.
- Striving towards building goodwill for the company by satisfying customer needs.
- Developing customer-oriented rural insurance policies.
- Exploring new ventures and opportunities for rural insurance business.
- New ways of selling techniques in which customers have directly interacted with the insurance products.
- New system of incentive/reward systems to intermediaries better selling of rural insurance products
- Innovative advertisement mechanisms for a niche market and the mass market.
- New target-oriented training which caters the need of the rural insurance companies.
- Using updated marketing and selling skills with the help of social media to reach out to maximum customers.
- Online selling insurance with no agent.
- Easing of procedures in claims settlement within stipulated time.
- Social media marketing techniques like E-mail, WhatsApp, Facebook, etc. to reach out to maximum customers with minimum costs.
- Group E-mail, online mass marketing with cost-effectiveness.
- New multiple distribution channels like Bancassurance, online distribution, micro-insurance, and NBFCs have widened the reach to maximum and reduced costs efficiently.
- Insurance firms have tied up with local NGOs for reaching out to rural markets.
- There are many partnerships taking place between different insurance companies and financial and non-financial companies to reach maximum insurable customers.

- Various e-commerce players like Amazon India is also expected to enter the insurance market as an agent.
- Indian Post has started to distribute the products of Bajaj Allianz in September, 2018.
- Meeting the needs and wants of the customers with innovative products like Unit Linked Insurance Plans (ULIPs) in the life insurance business.
- Over the years, the outdated products which are having very low demand in the rural market needs to be revived with new customer-oriented products and capture the untapped rural insurance market.

Conclusion

This can be concluded with the fact and figure there is still a large rural market is un-explored due to various reasons. There is a drastic change taking place in rural India in terms of income status, living standard, longevity, and barring no social class system in the society leads to awareness with regard to financial security for the future. With the advancements in the field of science and technology, the death rates are declining and the cases of longevity beyond 70-75 years are increasing and this leads to a new opportunity for post-retirement or pension products in the market. The ever increasing 60 years of age populations, growing awareness among various strata of society has given new dimensions for insurance companies to do insurance business. With the growing competitive market, new ways of doing business have been adopted in terms of Bancassurance, tie-up with e-commerce players, advance and multiple levels of distribution strategy, aggressive marketing strategy, new sales and promotion techniques, and development of customer-oriented insurance products. The rural insurance market is still covering a few percentages of the total insurable population and this makes an opportunity for various insurance companies to invest and capture the unexplored market. The rural insurance market is not been tapped because of the unavailability of rural oriented products which caters to the needs and wants of the people of the marginalized section of the society. The agents in the rural sector are not paid high commission and lucrative incentives which motivates them to do more and more business. This unattractive payment system for the agents leads to switching off the job with more commission-based business.

Insurance is primarily focused on developing habits of savings and investments among the masses, financial security at the time of unforeseen fatalities and coverage of different types of risks are not seriously addressed. The marketing strategies must be customer-centric and product development should be according to the needs of the rural market. The insurance sector for the marginalized section of the society can be explored by giving the basic rights, uplifting the living standards, giving basic financial education, providing better employment opportunities, eliminating social and caste-based system, reducing poverty, giving equal rights for men and women in education and employment, increasing more representation in banking and other financial systems. These steps will make them more aware about the financial security and understand the importance of insurance to reduce the unforeseen liability.

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