

Determination of Key Success Factors for Winning Achievement of Indian Insurers: A PCA Approach

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ABSTRACT : In today's economy, the service sector is one of the important sectors which are contributing more to the GDP and the insurance sector is one among them. Here, the study is an attempt to identify the factors which are crucial for the success Indian Insurance Industry. Now a days it became necessary for identifying the critical success factors for the Indian Insurance industry because it provides value in giving due focus to a limited set of factors which are deemed to be the most critical for an organization. CSFs are used by organizations to give focus on several factors that help to define its success and these factors will help the organization and its personnel to understand the key areas in which to invest their resources and time. The study uses both primary and secondary data and from both public and private companies and the Statistical tools such as descriptive statistics, factor analysis and PCA for analyses the data. Finally, this study found out some selected prominent factors responsible for the success of Indian Insurance Industry by using PCA technique. The findings so drawn from the study can be used by the Indian insurers and as well as foreign insurers and provide the scope for further research with different Socio-economic environment.

Keywords: Indian insurance industry, descriptive statistics, factor analysis, PCA

1. Introduction

Indian insurance market is basically a seller's market rather than buyer's market as compared to anywhere else in the world. Indian Insurance Industry is lagging the other countries with respect to penetration, density and in terms of premium and profit volume. The important reason behind this is the poor understanding of the insurance concept and lack of awareness. Now a day's most of the people of India are buying insurance as a tax saving instrument or due to an investment tool rather than seeing insurance as a risk mitigation option. During the last years, many research were done to identify the critical success factors in insurance industry to separate successful factors with unsuccessful ones. In this respect the factors necessary for commercial success guaranteeing them are declared as the critical success factors (CSFs). Critical success factors are the ones that are necessary for producing deliverable items considered by the customer or they are the properties, conditions or variables which can have a considerable influence on the success of the company. CSFs are used by organizations to give focus on several factors that help

define its success. They help the organization and its personnel to understand the key areas in which to invest their resources and time. CSFs can be utilized in both the organization and the individual levels. Their identification is largely qualitative and can result in differing opinions in pinpointing them. Nevertheless, it is an approach that should be pursued as it provides value in giving due focus to a limited set of factors, which are deemed to be the most critical for an organization or individual.

2. Objectives & Research Methodology

The study is pursued with the objective to identify both the different factors and the critical factors which are influential for the successful performance of the Indian Insurance Industry. The research has been carried out on a stratified random sampling basis with a sample size of 320. The primary data collection was through self-administered questionnaire. The primary data was done through SPSS and in-depth interviews with the customers and insurance companies. The strata included two types of companies' viz., private, and public. The respondents (insurance policy holders) were based in Orissa. Statistical tools such as descriptive statistics, factor analysis and PCA has been used to analyses the data.

3. Literature Review

Farokhian & Toorga (2011) highlighted about the critical success factors of Iran Insurance Industry and suggested that better service quality, innovative products, policy terms, product customization and awareness about insurance are main important factors for the success of the industry. PEFINDO Rating Criteria & Methodology (2019) took into consideration market share, penetration of office branch, asset quality with reference to customer requirements, distribution channels and customers awareness are the weapon component for the success of the Indian Insurance Industry. Mohesen Miri (2019) pointed out that for the growth and long-term survival of the Indian Insurance Industry innovative & customized products, customer satisfaction, supply chain and pricing of the product is very much vital.

According to CII, (2018) pay more attention in two key areas like how to increase the conversion rate of policy holders, increased awareness and simple and easy terms of policy documents which are very crucial for the success of the industry. Zainuddin Zakaria et al. (2016) suggested that reducing the feelings of uncertainty among the customers and influencing the customers to develop the precautionary motive against life or non-life risk can enhance the Indian Insurance Industry. Boynton and Zmud (1984) stated that critical success factors are areas that deserve special and continued attention which help the organisations to attain high performance and achieve the success in future. According to his perception the factors like awareness, advance technology, better service quality followed and implemented by insurers will surely help to become success. Sanvido et al.

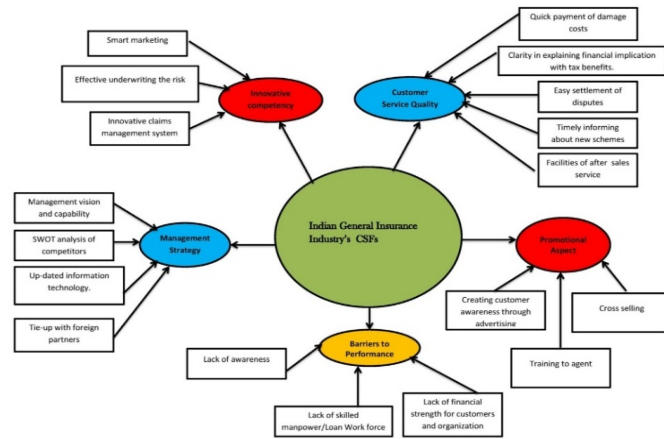
(2008) defined critical success factors as the aspects of business which are identified as unavoidable to achieve and manage the goals that drive for success. These are the aspects which are typically found in the areas such as operation process, production processes, employees' organizational and personal skills, functions, techniques and technologies, personal performance of Management etc.

Schramm (2008) proposed that the new and innovative product line, products which creates new value to customers and same time gives more financial return will motivate the people to go for the insurance product and increased the market as well. According to Venketash Ganapathi (2019) low ticket products, viable and cost-effective products, rural centric attitude of insurers and efficient distribution channel will be proved as critical success factors for the Indian Insurance Companies. Rockart (1979) described the five sources of critical success factors, such as Industry, strategy, and temporal success factors. These success factors result from the distinctive characteristics of the industry, from the enterprise's chosen competitive strategy and from economic or technological changes, internal organizational needs, and changes.

4. Analysis

Here, the study tries to evaluate the most important success factors for the growth, development of Indian General Insurance Industries. This study identifies 30 key areas/factors which insurance industry of India must build/improve for competing successfully in the Indian market. Table (1) indicates that 320 people viewed these 30 factors as of critical importance for the successful performance of Indian insurance industry. The resultant mean importance scores ranged between 3.15 and 4.25 while the mean importance scores were closer to the highly important category in the first five factors, they were nearer to very important category in the case of other six factors.

Figure 1: Diagrammatic Representation of Constructs



While trying to evaluate the most important success factors for the Insurance Industry in the Indian scenario, we have extracted 30 factors from the extensive review of past literature. Then 18 variables elected from 30 variable using principal component analysis (PCA) and finally five constructs have been framed. The selected 18 variables have been extracted from 30 variables by using SPSS 12.0 software and grouped into five constructs which are customer service quality, promotional aspect, strategy of management, barriers to performance and Innovative competency which are the key pillars of Insurance Industry in Indian Scenario.

4.1 Descriptive statistics of factor

The research has been carried out on a stratified random sampling basis with a sample size of 320. The primary data collection was through self-administered questionnaire. The procedure adopted was to distribute 421 questionnaires. The primary data was done through SPSS and in-depth interviews with the customers and insurance companies. The study groups consisted of businessmen, professionals, housewives, govt. employees who are customers of general insurance companies. The strata included two types of companies' viz., private, and public. The respondents (insurance policy holders) were based in Odisha. Statistical tools such as descriptive statistics, factor analysis and PCA has been used to analyses the data.

Table 1: Descriptive Statistics of Factor

Factors	Mean	Standard deviation	Median	Kurtosis	Skewness
1. The Identification of customers' Need	4.25	0.65	4	0.375	-1.059
2. Creating customer awareness through advertising	4.15	0.725	4	0.161	-1.061
3. Development of innovative products and processes	3.325	0.955	4	-0.543	-0.451
4. Management vision and capability	3.25	0.89	3	-0.672	0.034
5. Lack of awareness	4.05	0.745	4	0.053	-0.749
6. Clarity in explaining tax implication	3.95	0.820	4	-1.137	-0.950
7. Appropriate pricing	4.1	0.878	4	-0.123	-0.523
8. Lack of skilled manpower	3.15	0.916	4	-0.385	0.000
9. Training to agent	3.35	0.834	3	-0.463	0.185
10. Innovative way of underwriting the risk /effective underwriting.	4.1	0.868	4	-0.143	-0.563
11. Timely informing about new schemes	3.95	1.017	4	0.323	-0.702
12. SWOT Analysis of competitors	3.75	0.825	4	-1.131	-0.855
13. Insurance contracts with high quality appearance and proper packaging	3.15	0.995	3	0.330	0.025
14. Providing education to customer	3.65	0.855	4	-1.040	-1.002

15.	Risk of adverse selection	3.225	0.735	3	-0.332	0.026
16.	Tie-up with foreign partners	3.45	1.075	4	-0.970	-0.498
17.	Bank assurance	4.10	1.015	4	0.536	-0.698
18.	Cross Selling	3.4	0.945	4	-1.002	-0.745
19.	Moral& Morale hazards	3.95	0.976	4	-0.174	-0.216
20.	Role of information technology	3.90	0.788	4	-0.123	-0.523
21.	Facilities of after sales service	3.35	0.905	3	0.053	0.468
22.	Smart marketing	4.20	0.685	4	0.000	-0.477
23.	Incentive to policy holders	3.85	1.037	4	-0.897	-0.427
24.	Lack of financial strength for customers and organizations	4.25	0.65	4	-0.332	0.026
25.	Easy settlement of disputes	4.15	0.725	4	0.532	-0.825
26.	Environment, location, and physical factors	3.35	0.955	4	-1.085	-1.034
27.	Competency of declared rate with competitors	3.25	0.89	3	-0.463	0.085
28.	Creation of strong network	4.05	0.745	4	0.531	-1.055
29.	Quick payment of damage costs	3.9	0.820	4	-0.354	-0.626
30.	Lack of epidemiological information	4.1	0.878	4	-0.958	-0.429

Table 1 indicates the mean, median, standard deviation, kurtosis, and skewness of response values of factors and factor analysis was performed on the responses to the questionnaires with the help of the SPSS-14 package. Table 2 indicates that out of 30 factors listed in the questionnaire, 18 factors captured 86% of the total variance of the data set.

Table 2: Constructs Derived from Questionnaire

Constructs and constituent factors and narration		Factor loading	Cronbach's Alpha	Standardized regression weight
1.	INNOVATIVE COMPETENCY	-	0.867	-
	Smart marketing	0.854	0.816	0.792*
	Innovative way of underwriting the risk /effective underwriting.	0.827	0.804	0.732*
	Claims management system	0.871	0.802	0.853*
2.	CUSTOMER SERVICE QUALITY	-	0.861	-
	Clarity in explaining financial implication with tax benefits.	0.807	0.831	0.808*
	Quick payment of damage costs	0.813	0.818	0.818*
	Easy settlement of disputes	0.801	0.803	0.855*
	Timely informing about new schemes	0.812	0.855	0.692*
	Facilities of after sales service	0.873	0.845	0.638*
3.	PROMOTIONAL ASPECT	-	0.881	-
	Creating customer awareness through advertising	0.834	0.869	0.815*

	Cross Selling	0.802	0.817	0.889*
	Training to agent	0.864	0.801	0.915*
4.	BARRIERS TO PERFORMANCE	-	0.889	
	Lack of awareness	0.889	0.873	0.896*
	Lack of skilled manpower	0.864	0.874	0.801*
	Lack of financial strength for customers and organizations	0.841	0.843	0.413*
5.	MANAGEMENT STRATEGY	-	0.883	-
	Management vision and capability	0.769	0.799	0.800*
	SWOT Analysis of competitors	0.788	0.832	0.874*
	Role of information technology/ Emphasizing updated Information technology	0.767	0.881	0.821*
	Tie-up with foreign partners	0.749	0.866	0.812*

4.2 Principal component analysis (PCA)

A principal component analysis is done in the study to capture those features in the data that help to better understand an issue of interest or to discover interesting new patterns among the relationships between variables affecting the success of Indian general insurance industry. A principal component analysis was performed using varimax factor rotation to group the factors and thus determine the category of factors (constructs). Five constructs were formed. Table 2 gives the constructs and their constituent factors. It also gives various statistics (such as Eigen values, variance, factor loading, and cronbach's alpha) for each factor. We conventionally decide to eliminate items with factor loading and cronbach's alpha values less than 0.6 and 0.8 respectively. The extracted items after the elimination from the comprehensive list of questionnaires are given in Table (1). The purpose of the analysis is to identify and eliminate low factor loadings and non-reliable items.

5. Results and Discussion

The results of PCA are very influencing for evaluating the critical success factors for the Indian general insurance industry. From the factor analysis using PCA, 18 factors emerged. These are (1) Customer Service Quality, which is potent weapon for the success of the industry and includes easy settlement of disputes, providing after sales service, timely informing about new schemes and quick payment of damage cost. (2) Promotional aspect, which is striking component and needs special attention for success of general insurance industry consists of training to agent, awareness creation and cross selling. (3) Barriers to performance, otherwise termed as influential factor for growth of the industry comprise lack of skilled manpower, less awareness among people, and financial strength of customers along with organizations. (4) Innovative competency, which is a crucial and striking factor covers the indicators like smart marketing, effective underwriting, and claims management system. (5) Management strategy, which is considered as prominent

factors captures Management vision and capability, SWOT analysis, up-dated information technology and tie-up with foreign partners.

6. Implication & Scope for Future Study

Although this study focuses on Insurance Industry of India, however the results and recommendations of these findings can be used for knowing the CSF of insurance industry of any other countries as well. This can be performed by adding some necessary changes in the CSF in accordance with socio-economic environment of that nation. There are also scopes for further research; this study will help better understanding for the success of III of other countries also.

7. Conclusion

Now a days it became necessary for identifying the critical success factors for the Indian General Insurance industry because it provides value in giving due focus to a limited set of factors which are deemed to be the most critical for an organization. Nevertheless, CSF is an approach which is necessary and has a considerable influence on the success of the Indian Insurance Industry. The result indicates that customer service quality and promotional activities hold the key to achieve success in competitive Indian scenario. It is well observed from the study that customer services quality is the first ranked factor/constructs, which should be focused more for staying ahead of competition in the Indian scenario. It is understood that service quality with low price can be cited as an effective strategy for the Indian general insurance industry. By maintaining high quality customer service, the general insurers can place them in a competitive position that its opponents / counter parts. Sometimes also providing high quality service creates the capability for a company to pursue premium price strategy. In India there is a vast untapped market basically rural market and high-quality customer service can attract mass customer under the insurance blanket. Across the country, the General Insurance companies should recognize that for success and to survive, the customer service quality will act as a potent weapon as people prefer companies providing good customers services. So, keeping this in view in mind, the general insurance companies of India need to improve and maintain the quality of their customer service, so that customers will rate them accordingly and more customers will be attracted towards them.

Lack of skilled manpower, less awareness among people, and financial strength of customers along with organizations works as obstacle to growth and reflects in poor success. So, it is essential to minimize or to remove them by taking action-oriented plans for being success in the highly competitive market. Another vital factor influencing the success of the Indian General Insurance Industry is innovative competency which includes good underwriting, strong claim management system and smart marketing. To be successful and separating from others it is essential for the insurers to identify the

problems and establish new solutions to serve the problem. From the study it reveals that management vision, thinking and capacity which help the companies to be boost-up and follow right direction is crucial for the success of the industry. It is noteworthy to admit that it will be difficult to underestimate the positive impact of Swot analysis of competitor for suggesting as the successful factors for the general insurance industry. It is very vital to know about the strength, weakness, opportunity, and threats of the opponent to stay success in the industry. The importance of strategic alliance works as a success factor under the construct like management strategy. The tie-up with foreign partners brings enough capital, expert knowledge and innovative products which acts as a pillar for success.

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