



DEVELOPMENT IN INDIAN INSURANCE SECTOR: E- GOVERNANCE AND ITS CHALLENGES

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Abstract

E-governance is the application of information & communication technologies to transform the efficiency, effectiveness, transparency and accountability of informational & transactional exchanges with in government, between govt. & govt. agencies of National, State, Municipal & Local levels, citizen & businesses, and to empower citizens through the access or use of information. In the current growth scenario of every industry, E- governance is playing an essential role. Similarly, it is contributing maximum in the fast development of insurance sector. But, the insurance industry is challenged by competitive pressures, changes in customer loyalty, entry of new players and a stringent regulatory environment, all of which are pressuring insurers to change their business models, streamline operations, and improve processes. The Insurance companies are utilizing the Information technology applications for better customer service, cost reduction, new product design and development and many more. New technology gives the policyholders / insured better, wider and faster access to products and services. Similarly, this paper attempts to analyze the role of Insurance business in the economic growth of India, role of E-Governance in the Insurance and various challenges faced by the E-governance practices in India.

Keywords – E-governance, Insured, Transparency, Innovations, Technology, Revolution



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INTRODUCTION

The concept of e-governance has its origins in India during the seventies with a focus on development of in- house government applications in the areas of defense, economic monitoring, planning and the deployment of IT to manage data intensive functions related to elections, census, tax administration etc. The efforts of the National Informatics Center (NIC) to connect all the district headquarters during the eighties was a very significant development. From the early nineties, IT technologies were supplemented by ICT technologies to extend its use for wider sectoral applications with policy emphasis on reaching out to rural areas and taking in greater inputs from NGOs and private sector as well. There has been an increasing involvement of international donor agencies under the framework of e-governance for development to catalyze the development of e-governance laws and technologies in developing countries. Every state government has taken the initiative to form an IT task force to outline IT policy document for the state and the citizen charters have started appearing on govt. websites.

Govt. leaders in India are starting to realize that e-governance is the key to drive today's economy with an increased participation from citizens. Providing services online is no longer going to remain optional for local and central government as demand for providing services @ internet speed has been coming from the citizens. The Internet has become the prime driver of contemporary electronic commerce. The increasing use of Internet in the business world has, to a varying degree, broadened and redefined the scope of business transactions and services. The insurance industry is by no means lagging behind in engaging the Internet as an alternative medium for conducting business particularly in marketing of insurance products and servicing of clients. Different types of insurance-related websites, which are launched by authorized insurers, insurance intermediaries or other parties, have emerged in the market. Some of the websites cover one authorized insurer or a group of authorized insurers, whereas others are in the form of a supermarket in which a number of authorized insurers participate. The services provided are wide-ranging, such as introduction of authorized insurers and their respective products, brief comparison of a particular type of product offered by different authorized insurers, collection of premiums, handling of claims and provision of information on an insurer's credit rating, etc. It is noticed that there are some other websites which provide affiliated insurance services whilst in the course of conducting the main business which is non-insurance in nature.

As firms grow in size and scope, agency costs or coordination costs rise because owners must hire more and more managers to supervise, monitor, and coordinate activities of employees. IT, by reducing the costs of acquiring and analyzing information, permits organizations to reduce agency (and hence governance) costs because it becomes easier for managers to oversee a greater number of employees. IT enables firms to increase revenues while shrinking the number of middle management and clerical workers – also called flattening of organizations.

REVIEW OF LITERATURE

Ranade & Ahuja (2001) analyse the development of the Indian insurance sector over time under the impact of softening regulatory constraints. In the initial setting, the Indian subcontinent's insurance sector was controlled by the state monopoly, hence competition was nonexistent and the price barrier thwarted access to insurance services for private households. **Nir B.kshetri(2001)** attempt to identified and synthesized the available evidence on predictors of magnitude, global distribution and forms of e-commerce. The analysis indicated that the twin forces of globalization and major revolutions in ICT are fuelling the rapid

growth of global e-commerce. **Haiss and Sümegi (2008)** study the application of a cross-country panel data analysis from 29 European countries in the period from 1992 to 2005. The insurance variable is measured by premium income and total net investment of insurance companies. Premium income is split into life and non-life premium income. **Wadlamannati (2008)** examines the effects of insurance growth and reforms along with other relevant control variables on economic development in India in the period from 1980 to 2006. Growth of insurance penetration (life, non-life and total) is used as proxies of insurance sector growth. The author applies ordinary least squares, co integration analysis and error correction models. The study confirms positive contribution of insurance sector to economic development and a long run equilibrium relationship between the variables.

RESEARCH METHODOLOGY

Research is a process of systematically obtaining accurate answers to significant and pertinent questions by the use of scientific method of gathering and interpreting information. Similarly, this paper attempts to analyze the various application of E-governance. This study is based on the secondary information about the growth and development of insurance sector in India. Therefore it is an exploratory study and carried out through analytical approach and states the various challenges for E-governance in India.

OBJECTIVES OF THE STUDY

Following are the objectives of the study:

1. To study the role of E-governance in the Insurance sector
2. To analyze the contribution of Insurance services in the Economic growth of India
3. To determine the various Challenges of E-governance in India.

ANALYSES OF THE STUDY

Insurers are the earlier adopters of technology. Because of the Information revolution, customers are free to choose from a wide range of new and innovative products. The Insurance companies are utilizing the Information technology applications for better customer service, cost reduction, new product design and development and many more. New technology gives the policyholders / insureds better, wider and faster access to products and services. The impact of Information Technology in Insurance business is being felt at an accelerating pace. In the initial years IT was used more to execute back office functions like maintenance of accounts, reconciling broker accounts, client processing etc. The real evolution is however emerged out of Internet boom. The Internet has provided brand new distribution channels to the Insurers. The technology has enabled the Insurer to innovate new

products, provide better customer service and deeper and wider insurance coverage to them. At present, Insurance companies are giving customers a distinct claim id to track claims on-line, entertaining on-line enrollment, eligibility review, financial reporting, billing and electronic fund transfer to its benefit clam customers.

There is an evolutionary change in the technology that has revolutionized the entire insurance sector. Insurance industry is a data-rich industry, and thus, there is a need to use the data for trend analysis and personalization. With increased competition among insurers, service has become a key issue. Moreover, customers are getting increasingly sophisticated and tech-savvy. People today don't want to accept the current value propositions, they want personalized interactions and they look for more and more features and add ones and better service. The insurance companies today must meet the need of the hour for more and more personalized approach for handling the customer. Today managing the customer intelligently is very critical for the insurer especially in the very competitive environment. Companies need to apply different set of rules and treatment strategies to different customer segments. Personalization helps organizations to reach their customers with more impact and to generate new revenue through cross selling and up selling activities. To ensure that the customers are receiving personalized information, many organizations are incorporating knowledge database-repositories of content that typically include a search engine and let the customers locate the all document and information related to their queries of request for services.

Due to the effective emergence of E-Governance in the Insurance sector, the insurance companies are offering various e-services that are as follow:

- **Web sites:** Almost every insurance company has a homepage providing information about the company and products. However, these homepages are little more than passive online versions of the company's brochures. For example, the Indian insurance leader in the non-life segment National Insurance Corporation (NIC) details the policies that it carries. These sites are used primarily for marketing support and do not support interactive dialog with interested clients.
- **Product portals:** Portals are sites that provide a collection of links to sites of interest. Examples of such sites are Assure India and Bima Guru. Unfortunately, these sites are also equally passive as company Web pages.
- **Point-of-sale portals:** Unlike most other conventional commodities where a buyer approaches a seller to purchase a product, the seller of an insurance product is the party that

initiates the sale of the product. Certain Web sites exploit this approach by offering additional insurance products while selling insurable goods. For example, an automobile seller might offer vehicle insurance while a medical equipment seller might offer health insurance.

• **Intermediate brokers:** Brokers are intermediate sites that do not sell insurance products directly but assist clients in matching their requirements with the policies offered by insurance companies.

• **Reverse auction:** In this model, the client is usually an organization interested in group insurance. The client announces its requirements and selects the best offer made by an insurance company.

ROLE OF INSURANCE BUSINESS IN ECONOMIC DEVELOPMENT OF INDIA

There are several ways in which insurance services contribute maximum to the economic development of the countries that are categories as follow

1. ***Insurance promotes financial stability for both households and firms.*** Insurance services transfer and pool risks, thereby encouraging individuals and firms to specialize, create wealth and undertake beneficial projects they would not otherwise consider.
2. ***Life insurance companies mobilize and channel savings.*** They mobilize savings from the household sector and channel them to the corporate and public sectors. As the maturity of life insurance liabilities is generally longer than the maturity of bank liabilities, life insurers can play a large role in the equity and bond markets. In addition, their portfolios are less prone to liquidity crises. Countries with higher savings rates tend to show faster growth.
3. ***Strong insurance can relieve pressure on the government budget.*** Because life insurance can play an important role in personal retirement planning and health insurance programmes, and to the extent that private insurance reduces demands on government social security and health programmes, it can relieve pressure on the government budget.
4. ***Insurance supports trade, commerce and entrepreneurial activity.*** Given the heavy reliance of all economic activities (e.g. manufacturing, shipping, aviation, medical, legal, accounting and banking services) on risk transfer, insurance services play a key supporting role. More broadly, insurance can give investors the financial confidence to make investments, since they know they will be able to recover their investment.

5. **Insurance may lower the total risk faced by the economy.** This risk reduction arises from the portfolio diversification and incentives to better measure and manage the risks to which they are exposed, as well as to promote risk mitigation activities.
6. **Insurance improves individuals' quality of life and increases social stability.** It does this through, for example, individual health and life insurance, pension funds and workers' compensation.

CHALLENGES OF E-GOVERNANCE IN INDIA

E-governance of insurance sector facing many challenges in India there is lack of usage of internet in Indian customers and they don't know how to use the internet for buying insurance policies. Following are the challenges faced by the insurance sector in india.

Illiteracy and awareness: There is general lack of awareness regarding benefits of e-governance as well as the process involved in implementing successful G-C, G-G and G-B projects. The administrative structure is not geared for maintaining, storing and retrieving the governance information electronically. The general tendency is to obtain the data from the files (print) as and when required rather than using Document Management and workflow technologies. Lately the use of DMS and workflow technologies has been able to find its use only in those departments where there is perceptible lightening of workload of the subordinate staff.

Underutilization of ICT infrastructure: To a larger extent, the computers in the department are used for the purpose of word processing only, resulting in the underutilization of the computers in terms of their use in data mining for supporting management decisions. The time gap between the procurement of the hardware and development of the custom applications is so large that by the time application is Ready for use, the hardware becomes obsolete.

Attitude of Government Employees: The psychology of government servants is quite different from that of private sectors. Traditionally the government servants have derived their sustenance from the fact that they are important repositories of govt. data. Thus any effort to implement DMS and workflow technologies or bringing out the change in the system is met with resistance from the govt. servants.

Lack of coordination between Govt. Department and Solution developers: Designing of any application requires a very close interaction between the govt. department and the agency developing the solutions. At present the users in govt. departments do not contribute enough to design the solution architecture. Consequently the solution developed and implemented

does not address the requirements of an e-governance project and hence does not get implemented.

Lack of Infrastructure for sustaining e-governance projects on national level:

Infrastructure to support e-governance initiatives does not exist within government departments. The agony is that the government departments are not equipped to be in a position to project the clear requirements nor are there any guidelines for involving private sector. Whatever efforts have been made by various govt. organizations may be defined as islands of computerization. The infrastructure creation is not guided by a uniform national policy, but is dependent on the needs of individual officers championing a few projects.

CONCLUSION

It is an evident from above discussion that objectives of achieving e-governance and transforming India go far beyond mere computerization of standalone back office operations. It means, to fundamentally change as to how the government operates, and this implies a new set of responsibilities for the executive and politicians. It will require basic change in work culture and goal orientation, and simultaneous change in the existing processes. Foremost of them is to create a culture of maintaining, processing and retrieving the information through an electronic system and use that information for decision making. In spite of the rapid growth of information technology over the last ten years, e-commerce in India is still in a beginning stage of development. Insurance sector is using E-governance for growth and better services providing to the costumers. Similarly, the analysis of the study concludes that the insurance development promotes the economic growth of the country. Thus, functions of insurance companies providing means of risk management and performing mobilization and allocation of resources are important for economic growth.

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