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Standing of Insurance to the People of Bangladesh: Present Position and Future Prospect

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Abstract:

Insurance is considered as a significant tool of risk minimization where one party transfers the risk that might come from a particular source to another party against a consideration. Insurance companies are trying in every moment to reduce risk of assets and lives through their multifarious services. Despite of their intense hard work, the position of insurance in Bangladesh is not up to expectation. This study basically attempts to find out the current position of insurance in general peoples' mind and to discover future adoptability of this service to general mass. To conduct this study primary as well as some secondary data have been collected. Primary data have been collected through a questionnaire survey. This study basically would be helpful to insurance companies to take insurance business in Bangladesh a step ahead.

Keywords: Insurance, Standing of insurance, present position, Future prospect

1. Introduction

Insurance is a means of risk transfer, more or less familiar word to general mass. Indeed it's not a new idea to the people of Bangladesh. Since British period insurance has been practiced in this country. Till then government has been taking various steps to provide this service to each and every individual. At present there are two state owned insurance companies in Bangladesh, one of which is general insurance company namely Shadaron Bima Corporation and another one is life insurance company namely JibonBima Corporation. Besides these there are 45 non- life insurance companies and 30 life insurance companies that are playing a significant role in the economic development of the country. Moreover foreign trade is almost impossible without insurance. According to the report of Bangladesh Bureau of Statistics (BBS) the contribution of insurance sector is 11.14% of total Gross Domestic Product (GDP). Though insurance is a superior risk management tool, a large proportion of total populations are underprivileged of this service only because of less awareness about the necessity of this service and lack of insurance knowledge. Even after passing a long time, people of Bangladesh still hesitates to take this service. So this industry is still struggling to create a strong position in peoples' heart. It is high time to move ahead. It truly important to see whether people have taken insurance positively or negatively, whether they consider it as a crucial risk management tool in real sense or not and also necessary to judge the future adaptability of insurance to the people in Bangladesh. It's time to make people realize that insurance is indispensable for ensuring a safe, secured and sound life because it's only the insurance which can minimize risk of catastrophe loss to a great extent.

2. Review of Literature

Huq.A. defines insurance as a system of spreading risk onto the shoulders of many. To manage the risk one needs to rely on the services provided by insurance companies. Though it's not a new concept, despite of this the position of insurance to general mass is a matter to be measured.

Berry (1995) defines life insurance is a professional service which provide services tailored to individual needs, variety of products, involving every customer in every aspect of transaction so that these can cause customers to seek long-term relationship with the insurance agents in order to reduce risk and uncertainties.

Bodla and Verma (2007) conducted a study to understand the consumers' insurance buying behavior in rural areas of Haryana. The study found that the respondents in the age-group of 31-40 years dominated the rural insurance market; agents were the most important source of information and motivation to choose a policy.

Namasivayam, Ganesan, and Rajendran (2006) reported in his study that socio economic factors, like- age, education level and gender of the policyholders are insignificant but income level, occupation and family size are significant factors influencing the preference of life policyholders.

Dr. Ashfaque A. (2013) revealed that there is low level of awareness and understanding of life insurance is very low.

Raman and Gayatri (2004) found that 53% of the respondents belong to the aged group below30, 24% of the age group 31-40%, 2% belong to the age group of 41-50, and the rest of the respondents belong to the age group of above 50.

Sharma (2005) performed a study the objective of which was to enquiry about the reasons behind the purchase of insurance products. It was found from the study that 93.86% respondents considered insurance as indispensable for protection against risk.

Ahmed, Masud and SyedaRownak (2007) exhibited clients' behavior and attitude regarding public Private insurance companies (Local and Foreign) in Bangladesh. They drew up with a conclusion that foreign private insurance companies are more popular than local private insurance companies because of their trustworthiness, experience in operation and wide area coverage. They also found that quality of private insurance companies is better than that of public insurance companies.

Khurana (2008) in his study found that protection was the main purpose of buying an insurance policy and he also found that 50% of the respondents faced claim settlement problem and the remaining half faced problems while collecting the relevant information from the insurance company.

Praveen S, GauravJ. and Vijay K.P. (2009) found in their study that individuals have their own perception towards various types of investment plans.

Observing the literature, it is indeed clearly understood that scholars have found out different matters related to insurance, but no efforts have been made beforehand to see peoples' perception regarding insurance especially in Bangladesh. This paper would be beneficial to the readers, policy makers and academicians for their future endeavor.

3. Objective of the Study

Insurance has become a major part of our life. More or less people have started to believe this fact. At this state what their next step depend on some factors like to know to what extent common people know about insurance, what are their expectation from them so that they can take actions accordingly in their future actions. The prime objective of the study is to estimate the present position of insurance to the people of Bangladesh and getting idea about the future outlook of this sector so that clear conclusion can be drawn whether this industry can play a magnificent role in the economic development of the country or not.

4. Methodology and Data Analysis

To analyze the position of insurance to general people, data has been collected from primary sources with some secondary sources. A structured questionnaire has been furnished to collect primary source of information. The questionnaire is designed in two forms. First part contains some personal information. Second part is designed in such a way that both insurance holder and non-insurance holder can answer. Total numbers of respondents were 181 of which 131 were policy holders and 50 were non policy holders. Collected data has been analyzed through personal computer. Statistical tools like Mean, Standard Deviation have been used. Also Hypothesis test has been done by using F test. Along with Primary source of information secondary source of information have been collected from related journals, websites, books etc.

Data that have been collected through questionnaire survey are interpreted as follows:

Background characteristics	Category of variable	Number of respondents	Percentage of respondents
Gender	Male	106	58.6
	Female	75	41.4
Age	20-30	52	28.7
	31-40	45	24.9
	41-50	54	29.8
	51 and above	30	16.6
Marital Status	Married	151	83.4
	Unmarried	30	16.6
Education	Postgraduate	61	33.7
	Graduate	56	30.9
	Higher Secondary	25	13.8
	Primary or less	39	21.5
Occupation	Business & others	101	55.8
	Govt. Service	15	8.3
	Private Service	52	28.7
	Housewife	13	7.2
Income	1000-10000	50	27.6
	10000-30000	44	24.3
	30000 and above	87	48.1
Having knowledge about insurance	No or little	66	36.5
	Good	107	59.1
	Very good	8	4.4
Necessity of insurance policy	Strongly agree	17	9.4
	Agree	125	69.1
	Neutral	27	14.9

	Disagree	12	6.6
Having insurance policy	No	50	27.6
	Yes	131	72.4
Duration of policy	1-5	59	32.1
	6-10	13	7.2
	11-15	34	18.8
	16 and above	25	14.3
	Having no policy	50	27.6
Information about newly products	Always	16	8.8
	Sometimes	104	57.5
	Never	61	33.7
Getting prompt services	Always	20	11.0
	Most of the times	34	18.8
	Sometimes	73	40.3
	Never	54	29.8
Capable to fulfill expectation	Capable	103	56.9
	Neutral	21	11.6
	Not capable	57	31.5
Awareness in general mass	No	54	29.8
	Yes	127	70.2

Table 1: Socio-economic and demographic profile of the respondents

Source: Field investigation

Table 1 presents the socio-economic and demographic factors such as gender, age, marital status, level of education, Occupation, Income, Having knowledge about insurance, Necessity of insurance policy, Having insurance policy, Duration of policy, Information about newly products, Getting prompt services, Capable to fulfill expectation, Awareness in general mass of respondents. Gender is the most important determinant to prefer an insurance company. The result shows that 58.6% selected respondents are male and 41.4% are female. From the age distribution of respondents, it reflects that 28.7% respondents' age is 20-30 years, 24.9% respondents age is 31-40 years. A high proportion (29.8%) of the respondents belongs to the age group is 41-50 and the rest 16.6% respondents age is 51 and above. Marital status is believed to have influence on the choice of insurance policy. It is found that vast majority of the respondents are married (83.4%) and 16.6 percents are reported as unmarried. Education is the key determinant of the life style and status on individual that affects almost all aspects of human life. In our study we find that 33.7 percent of respondents are post-graduated, 30.9% are graduated. This is followed by those with primary or less (21.5%) and higher secondary (13.8%). For implicating any policy, occupation of the respondents is important factor. For this purpose the analysis include occupation of respondents as an important variable. Large proportion of the respondents (55.8) is engaged in business and others whereas a small proportion of respondents (7.2 percent) belong to housewife. The percentage of the respondents in Govt. service and private services are 8.3 and 28.7 respectively. In our present study we observe that 48.1% respondents monthly income more than tk 30,000 per month, 24.3% respondents income is 10,000-30,000, 27.6% respondents income is 1000-10000. Studies have shown that, the indicator having knowledge about insurance policy, the percentage of the respondents have no or little, good, very good knowledge are 36.5%, 59.1% and 4.4% respectively. Necessity of insurance policy is an important factor in socio-economic discrepancies. From above table it is important to mention that 69.1% respondents are agreed with insurance policy while only 6.6% respondents are disagreeing. Table 1 shows that 72.4% respondents are associated with insurance policy and 27.6% do not have any insurance policy. Duration of policy may be reasonable indicator of broad socio-economic status. In our sample study, 32.1% respondents have an insurance policy in 1-5 years' duration whereas the percentage of 6-10, 11-15, and above 16 years' policy holders are 7.2, 18.8, 14.3 respectively. From the findings of the study it is found that 8.8% respondents always get information about newly launched products spontaneously. It is also observed that, sometimes 57.5% respondents informed and 33.7% respondents do not get any information about products. Studies have shown that, 11.0% respondents always get prompt services from the officers whenever needed. 18.8% respondents get most of the times, 40.3% respondents get sometimes and the rest 29.8% respondents do not get prompt services. From our analytical table reflects that, the insurance company capable to fulfill people's expectation and the percentage is 56.9. 11.6% answered neutral and 31.5% said that they did not capable to fulfill expectation. Most of the people (70.2%) think that more awareness should be created among the general mass for the development of insurance in our country and the rest 29.8 % people do not agree in this opinion.

Background characteristics	Category	Mean	SD	F-value	Significant value
Gender	Male	.79	.41	6.18	0.014
	Female	.63	.49		
Age	20-30	.58	.50	3.34	.021
	31-40	.71	.46		
	41-50	.81	.40		
	51 and above	.83	.38		
Marital Status	Married	.75	.43	6.18	.014
	Unmarried	.57	.50		
Education	Postgraduate	.64	.48	2.19	.091
	Graduate	.71	.46		
	Higher Secondary	.72	.46		
	Primary or less	.87	.34		
Occupation	Business & others	.81	.40	3.71	.013
	Govt. Service	.67	.49		
	Private Service	.63	.49		
	Housewife	.46	.52		
Income	1000-10000	.70	.46	3.51	.032
	10000-30000	.59	.50		
	30000 and above	.80	.40		
Having knowledge about insurance	No or little	.70	.46	.577	.562
	Good	.73	.45		
	Very good	.88	.35		
Necessity of insurance policy	Strongly agree	.88	.332	18.667	.000
	Agree	.83	.375		
	Neutral	.33	.480		
	Disagree	.25	.452		
Duration of policy	1-5	.02	.140	1.580E3	.000
	6-10	1.00	.000		
	11-15	1.00	.000		
	16 and above	1.00	.000		
	Having no policy	1.00	.000		
Information about newly products	Always	1.00	.000	268.207	.000
	Sometimes	1.00	.000		
	Never	.18	.388		
Getting prompt services	Always	1.00	.000	517.472	.000
	Most of the times	1.00	.000		
	Sometimes	1.00	.000		
	Never	.07	.264		
Capable to fulfill expectation	Capable	1.00	.000	435.517	.000
	Neutral	1.00	.000		
	Not capable	.12	.331		
Awareness in general mass	No	.07	.264	1.570E3	.000
	Yes	1.00	.000		

Table 2: Test of independence between having policy of insurance and background characteristics of the respondents
Source: Field investigation

This study basically included some factors through which it has been attempted to draw conclusion regarding whether these factors have significant impact on perception of insurance to the general mass or not. From the analysis it has been found that gender has significant impact on perception of people regarding insurance. Mean value of male respondents is higher than mean value of female respondents. Considering age factor it can be seen that higher aged group are more interested about insurance than lower aged group because high aged group are more in secured than lower aged group and age has a significant impact on insurance. Marital status is truly a significant factor for insurance. Based on mean value it can be seen that married people are more intent about insurance than unmarried people.

Occupation also has noteworthy impact on insurance. People with high income and businessmen are more positive about insurance because of personal factor and business related issues as insurance is inevitable for minimizing business risk.

Knowledge about insurance has significant impact on insurance. People who are well aware about the insurance are more interested about having an insurance policy. From the table number: 1 it can be seen that mean value of people who have very good knowledge stands in the first position.

Necessity of having insurance policy is strongly significant. Mean value of people who strongly agree that insurance is necessary for everyone is the highest. Very small group of people don't feel the necessity of having insurance policy.

The factors like Duration of policy, information about newly launched products, and getting prompt services show that these are strongly significant. Medium to high duration policies are more attractive to the people and instant information about new products as well as good service quality really works on people.

Probability to fulfill expectation is strongly significant. To make insurance business successful this factor will really change the attitude of people regarding insurance, because without meeting customers' requirements no insurance company can succeed.

More awareness should be created among the general mass to make insurance popular. Creating awareness is truly a crucial factor on which insurance companies should concentrate on.

		Frequency	Percent
	insurance sales agents	38	21.0
	electronic media	52	28.7
	friends/relatives	70	38.7
	Others	21	11.6
	Total	181	100.0

Table 3: Information about insurance
Source: Field investigation

From table:3 it's seen that 21% of the people come to know about insurance through insurance agents, 28.7% through electronic media, 38.7% of the people through friends and relatives and 11.6% people through other sources like, direct marketing, personal initiatives etc.

		Frequency	Percent
	Life	125	69.1
	Fire	6	3.3
	Marine	11	6.1
	Accident	39	21.5
	Total	181	100.0

Table 4: Type of insurance coverage availed by customers
Source: Field investigation

From table:4 it has been found that 69.1% customers take insurance policy to cover the risk against accidental death or bodily injury of themselves. 3.3% customer take fire policy and 6.1% customers take marine insurance policy to protect them for accidental damage to their business property. Again 21.5% customer avail insurance facility for accident insurance which basically cover personal accident insurance. Erection all risk, Contractors all risk, Crop insurance, livestock insurance, Glass insurance etc. It can be seen that very small portion of people feel necessity of having fire and marine insurance policy as these policies are mostly suitable for businessmen.

		Frequency	Percent
	Very well informed	13	7.2
	Informed	85	47.0
	Little informed	28	15.4
	Very little informed	55	30.4
	Total	181	100.0

Table 5: Disclosure of information about Products offered
Source: Field investigation

Above table shows how much customers are informed about the product that is offered to them. Among the respondents 7.2% said that they are very well informed and 47% respondents said that they are informed about the product but moderate. 15.4% customers are little informed and 30.4% are very little informed about the products. This is because they are not concerned about the matter; they only take insurance policy as it is necessary for risk minimization. They are reluctant to judge how much risk can truly be minimized through this policy.

	Frequency	Percent
Reliability	60	33.1
Less harassment	39	21.6
Accountability towards the clients	10	5.5
Mentioned all criteria	72	39.8
Total	181	100.0

Table 6: Expectation from insurance company

Source: Field investigation

Though insurance is not a new concept to the people of Bangladesh, instead people expect more convenient service from the insurance companies as they still face problem in dealing with them. 33.1% customers expect that insurance companies should gain reliability of customers, 21.6% expects less harassments from them, 5.5% customers want the insurance companies to be more accountable towards their clients and 39.8% clients expects all the criteria altogether among the insurance companies.

	Frequency	Percent
Islamic	144	79.6
Commercial	37	20.4
Total	181	100.0

Table 7: Preference between commercial (Conventional) and Islamic insurance

Source: Field investigation

From the table it is seen that 79.6% customers prefer Islamic insurance and only 20.4% customers prefer conventional insurance. The reason behind these is in Bangladesh Muslims constitute 90.40% of the total population (Wikipedia). Religious value is an important factor to the customers.

	Frequency	Percent
Lack of confidence	17	34.0
Lack of awareness	5	10
Lots of formalities	4	8
Never felt necessity	24	48
Total	50	100

Table 8: People don't feel interested about insurance:

Source: Field investigation

People who don't have insurance policy were asked about the reason behind not having insurance policy. 34% people replied that they do not have confidence on insurance companies, 10% people have no knowledge about insurance, 8% people think that there are lots of formalities and 48% never felt necessity of having insurance policy which is very alarming.

	Frequency	Percent
More publicity	3	6.0
Cheap products	4	8.0
Quality service	13	26
All criteria	30	60
Total	50	100.0

Table 9: What can make them feel interested about insurance

Source: Field investigation

6% of total respondents feel that more publicity to create awareness is necessary, 8% people want cheap products, 26% people want quality service and remaining 60% people feel the necessity of all criteria what can make them feel interested about insurance as most people think that insurance is expensive as well as sometimes insurance companies fail to provide quality service to the clients because of flexible regulatory control.

	Frequency	Percent
Acquires confidence of general mass	13	7.2
Acceptable from religious perspective	147	81.2
Assures no loss of principal amount	19	10.5
Highly innovative	2	1.2
Total	181	100.0

Table 10: Ideal insurance Company

Source: Field investigation

Above table shows peoples' perception about an ideal insurance company. As most of the people of this country are Muslims, 81.2% people think that an ideal insurance company is one that is acceptable from religious perspective. 7.2% think that insurance companies that acquire confidence of general mass are ideal, to 10.5% people insurance companies that gives assurance of no loss of principal amount are ideal and only 1.2% people consider highly innovative companies as ideal insurance company.

	Frequency	Percent
Most convenient organization for risk minimization	22	12.2
Organization with wide range of product at the cheapest cost	14	7.7
Getting services at door steps	12	6.6
All above	133	73.5
Total	181	100.0

Table 11: Want to see insurance companies after 5 years

Source: Field investigation

Both clients as well as non-clients of insurance have expressed their opinion about where they want to see insurance sector of Bangladesh after 5 years. 12.2% people want insurance companies as most convenient organization for risk minimization. 7.7% people want insurance companies will prove themselves as organizations with wide range of products at the cheapest cost. 7.7% people want to have insurance service at their door steps. 73.5% people want to see insurance companies to fulfill all the criteria mentioned above.

5. Recommendation

Based on the analysis some recommendations have been drawn to secure the position of insurance in Bangladesh. These are given below:

- Comparatively females have fewer insurance policies as compared to males. Awareness should be created among working woman to make them feel interested about having insurance policy. Housewives should be convinced to make insurance policies by making saving habit among them.
- Consciousness among lower age group should be created so that they can also realize the necessity of insurance. Insurance agents can play avital role in this regard. They will have to make them understand that insurance does not only provide protection after death but also they can save a handsome amount through insurance coverage.
- Unmarried people should be convinced to buy insurance coverage by making them realize that unexpected events can also happen to unmarried people also.
- From the analysis it is found that businessmen and people with high income level are more interested about insurance. Special schemes should be offered to jobholders to make them feel interested about insurance.
- People who have good knowledge about insurance are more interested about making insurance policies. Different Electronic Medias as well as sale agents can take the advantage to educate people about insurance so that they become interested in making insurance policies.
- There was a time when people used to think that taking insurance coverage means doing something against creator's will. But the scenario has been changed. Insurance companies should try their level best to convince people to feel the necessity of insurance.
- Insurance companies should try their level best to provide more reliable service to their clients. Their only motive should not be only to attract customers; their motive should be to make their clients happy through their service.
- Channels through which insurance companies go to their clients should be made more convenient. Information should be more informative and reliable.
- Life insurance policies are very popular in Bangladesh. Steps should be taken to popularize other types of insurance policies. More awareness should be created to make popular other insurance tools.
- Sometimes people avail insurance facilities without being well informed about the privileges of insurance products. The insurance agent should make sure that the insurance policies are taken by the clients with full knowledge about the policy.
- Most people expect reliability, less harassment and accountability of service from the insurance companies. Insurance companies should give effort in ensuring those things in their service.
- Being a Muslim dominated country Islamic insurance (Takaful) companies can enjoy a good opportunity of development. Not only that, most of the people believe that an ideal insurance company is one which is allowed in Islam. Introduction of Takaful companies can make people feel interested about insurance. But these Takaful companies should be uncompromising in Shari'ah compliance. Otherwise they will lose the confidence of people.
- People who don't feel necessity of insurance more steps should be taken to gain their confidence. More and more publicity and to educate them about insurance is the only solution to that problem.
- Most of people of Bangladesh think that insurance is an expensive process and they cannot rely on them as they think this is a means to cheat people. Insurance companies should emphasize on providing quality service at the cheapest cost and gain customers confidence to make insurance popular in Bangladesh.

- Though insurance companies are trying to grab customers' attention through advertisements and recruiting sales agents, the contribution of sales agents is not up to the mark. More efficient, energetic and smart sales agents should be recruited to convince people easily and providing the service at the customers' doorsteps so that busy customers can also get the opportunity to take insurance policy even staying at home.
- Last but not the least; regulatory framework should be much stronger to let this industry survive in this country. Insurance development and Regulatory Authority should increase its effort to ensure a successful industry in the country which can truly take part in obtaining sound and effective financial system.

6. Conclusion

Insurance sector is one of the most important sectors of the country that can help the economy in go up. Proper nourishment of this sector can not only generate employment opportunity in the country but also can help development of trade, commerce and industry through providing security for loss of property and lives, enhancing development of business activities, improving standard of living & security unexpected events. Government as well as total population of Bangladesh should come forward to the development of this industry; more awareness should be created to make a strong position to feel people dire need of this service in today's world.

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