

Fintech and Insurance in India INC

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INTRODUCTION : The market for insurance companies, particularly in the retail sector, has been refined over the course of the late 20th century, for example with door to door sales, by telephone sales introduced by Direct Line and, more recently, in the form of price comparison websites which entered the market at the start of the 21st century with great success.

According to the Planning Commission (2009), *Financial inclusion refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products.*

With this vision in mind, Insurance Industry has now moved on to adapt deployment of technology in its operations and as a result of which function more effectively and contribute significantly in sustained economic development.

With Fintech coming up with time, the business scene is changing by reducing and at times removing intermediaries for customers and promoting direct Client to Insurance relationship with enhanced product development experience and better risk assessment alongwith optimized costs.

NEED FOR THE STUDY

With Globalisation and Economic Liberalization the world has overall become one with blurred or highly liberated barriers of geographic boundaries. Financial Services (Banks, Insurance, Financial Securities – BFSI) have been key sector of any economic development and with this, the need to evolve and integrate them globally has increased to support and contribute in this rapid development.

After Banks, it is now Insurance's turn to evolve and develop rapidly as it contributes to nearly 20% of GDP (of India). With rapid technological development it is now possible to implement technology and attain greater operational efficiencies.

OBJECTIVES OF THE STUDY:

- To examine the impact of technology on the performance of Insurance companies.
- To suggest measures for effective implementation of Fintech and areas for expansion.

RESEARCH METHODOLOGY

- Primary Data was collected through questionnaire cum interview technique and through review of literature. Data was collected on 5 point Likert scale depending on relative importance of a factor.
- Secondary Data was collected from books, publication and annual reports of organisation under study.

HYPOTHESIS DEVELOPMENT

The first step was to find out the extent unto which Fintech has penetrated into Insurance by conducting a telephonic survey. Then a questionnaire was developed on Likert Scale type question by reviewing the research made in related fields on impact of technology on Insurance Companies after implementation.

TABLE No 1.1

PARAMETERS OF MEASUREMENT OF IMPACT ON INSURANCE COMPANIES AFTER FINTECH IMPLEMENTATION / ADAPTION

Increase Revenue	Increased Number of Customers	Increased Sales	Increased Productivity	Increased Operational Efficiency
Increased Job Opportunities for Skilled Manpower	Increased Business Data Storage	Reduced Costs	Reduced Overhead	Better Access to Information
Better Customer Profiling	Better Responsiveness to Customers	More Secured Business Transactions	Increased Customer Loyalty	Improved Delivery Time to Customers
Greater Employee Satisfaction	Greater Efficiency in New Product Development	Increased Market Share	Enhanced Competitive Advantage	Reliable Business Forecast

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The table lists the 20 important question areas of Fintech impacts after implementation. The available responses were evaluated by Likert scale wherein the responses are of the following nature Very High, Middle Low and Very Low. The questions were made on the factors listed in the table and same factors will be considered for evaluation.

For example: The first Null Hypothesis and Alternate Hypothesis will be as below

H0: The Company's revenue did not increase after implementing existing technologies of Fintech.

H1: The Company's revenue increased after implementing existing technologies of Fintech.

Similarly each of the factors will be criteria for research.

HYPOTHESIS TESTING:

Alternate Hypothesis is impact of Fintech on Insurance Companies after implementation consisting of 20 Questions of the table indicates that Fintech has improved overall company's situation in the areas mentioned.

Hence

H0 : Mean ≤ 3

H1 : Mean > 3

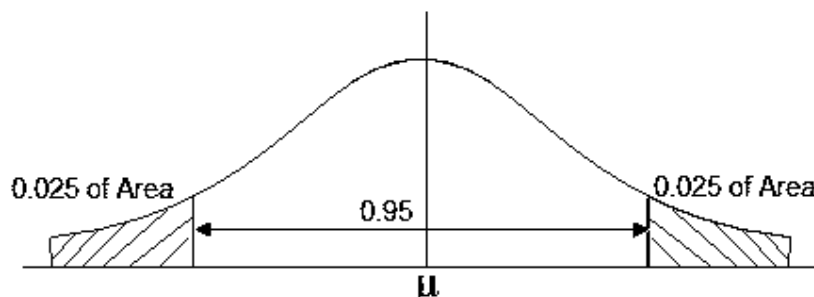
Null Hypothesis indicates that observed mean is smaller than or equal to the hypothesis mean, in which case it means Null Hypothesis is accepted and the impact is low to be considered and Alternate Hypothesis indicates that observed mean is greater than Hypothetical Mean in which case impact is strong enough and Alternate Hypothesis is accepted.

VARIABLE	DESCRIPTIVE INDICES			TEST VALUE = 3					
	Mean	S.D.	S Error Mean	t	Df	Sig (2-tailed)	Mean Diff	95% Confidence Interval Diff	
								Upper	Lower
Mean A	3.44	0.54	0.038	6.68	80	0.02	0.40	0.489	0.267

TABLE 1.2 : RESULTS OF THE NULL HYPOTHESIS TEST

Results show a calculated observed value of t as 6.68 ($t=6.68$) which is greater than the critical point of 1.96. Since "t" value is positive the critical value is higher than the scale area.

We reject the null hypothesis 5 per cent level, it implies that only 5 per cent of sample values are extreme or highly improbable and our results are probable to the extent of 95 per cent (i.e. $1 - .05 = 0.95$). Hence the Null Hypothesis with values of 0.95 and 0.99 is rejected.



Therefore we can say that implementation of existing technologies of Fintech has improved the factors mentioned in Table 1 .

RESEARCH FINDINGS

- The study includes both India based as well as Foreign based Insurance Companies in collaboration with Indian Companies. Out of Insurance Companies 29 are General Insurance and 24 are Life Insurance Companies.
- Fintech Implementation has made positive impacts on Insurance Company's operation except Greater Employee Satisfaction and Increased Market Share. All other 18 variables of Table 1 have mean value of more than Hypothetical Mean of 3.

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- Insurance Companies are satisfied implementing Fintech and have voted with the fact that 18 out of 20 variables have shown positive signs after implementation.
 - Friedman Rank of 20 variables was calculated and is as follows : First Rank is given to Increased Revenue; Second to Reduced Costs; Third to Increased Operational Efficiency; Fourth to Improved Delivery Time to Customers; Fifth to Increased Customer Loyalty while last being Increased Market Share.

SUGGESTIONS

With this research we also identified maximum possible areas of challenges faced by Insurance Companies while Implementing Fintech and suggest strategies that can help them overcome these and to enable them to run their business more efficiently.

- The Management's horizon needs to be widened to enable them to understand how Fintech implementation will lead to better integration of systems with better operational efficiency.
- Bolt-on systems need high level of compatibility with mother system to enable free and seamless exchange of data.
- Tight Control of Project for implementation of Fintech. Therefore it is advisable to constitute a team from internal and external organisations.

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