

IMPACT OF DEMONETIZATION ON INSURANCE AGENTS OF LIFE INSURANCE CORPORATION OF INDIA

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ABSTRACT: *Insurance agents are the people who are responsible for selling the insurance policies of LIC. The success of LIC largely depends upon the efforts and hard work of their insurance agents. In real sense, the insurance agents of the LIC are their assets. Without the insurance agents efforts and devotion the business of LIC cannot grow and flourish. Insurance agents are the real worth for LIC. Insurance agents are not permanent employees of LIC and not get regular or fixed salary. They have to sell insurance policies to receive their incomes as commission. The rate of commission varies and depends on the nature of policies. In India on 8th November, 2016 Prime Minister Shri Narendra Modi took a decision of withdrawing currency note of Rs. 500 and Rs. 1000. This process is named as Demonetization. Due to demonetization almost 86% of legal Indian currency became invalid. Because of demonetization the common people did not have money to spend on their necessities. As a result of scarcity of legal currency note common people did not spend more on investment such as insurance. Because of demonetization people did not want to spend the new notes and they postponed all the other expenditure including investment and insurance. As a result, they were not interested on buying insurance policies. It was very difficult situation for insurance agents who were not getting insurance policies and ultimately not getting commission for their survival. This paper emphasizes the problems faced by insurance agents during the demonetization and adverse impact on their income and financial position.*

Introduction:

On 8th November, 2016 our Prime Minister Shri Narendra Modi took a decision of withdrawing currency note of Rs. 500 and Rs. 1,000 from the circulation. This decision was taken to curb black money, to control corruption and to stop terrorist activities in India. Because of demonetization almost 86% currency in India became invalid and was turned to mere piece of paper. Government also decided to bring new note of Rs. 500 and Rs. 2,000 in the circulation. Government had given 50 days time to deposit old currency note into the bank and exchange. During the initial stage new currency was not printed that time there were some limitation on withdrawing cash from the bank.

During this process, on first couple of week only Rs. 4,000 can be withdrawn from the bank and ATM. Then this limit was increased to Rs. 10,000 and now it is Rs. 24,000. At initial level everybody who was standing in a long queue was fed up with this decision but the condition become normal and very much in control with passage of time.

Demonetization badly impacted on businesses. People do not want to spend more because there was scarcity of new notes. People were not spending much on their necessity. During the first couple of month investment was impossible because of non availability of cash. During this phase every business unit suffer. There was the sack season for every business. The same was in case of the insurance industry. Nobody was interested in buying insurance policies. This impacted harshly on the insurance agents. Because they are not salaried employees they sell insurance policies in return of commission. Commission is the only their source of income. If they do not sell insurance policies they don't get commission. It was posing a risk of loss of jobs for the insurance agents.

There are two types of insurance agents working in LIC. Firstly who have agency license and doing business along with other business or services. It means they do part time work of selling the insurance policies. And secondly who work full time and do not have option other than selling policies. Collection of data is done from only those insurance agents who are full time for this research paper.

Selling the insurance policies is very difficult job and to sell insurance policies when no cash is available in the market, it's like selling the refrigerators in Kashmir. So during this phase the numbers of insurance policies sale reduced very tremendously. It impacted on the income of the insurance agents resulting in their reduced income. Many insurance agents did not get a rupee as commission. During the demonetization financial condition of insurance agents was very bad.

History of Demonetization:

Demonetization announced in India on 8th November, 2016 was not for the first time. Some decade ago same kind of decisions were taken by then Government. On 16th January, 1978 Shri Murarji Desai withdrew currency note of Rs. 1,000, Rs. 5,000 and Rs. 10,000. The basic assumption behind this demonetization was to control the corruption and illegal cash transaction. It was shocking decision for that time but this decision was accepted by 60 crore Indian population and also welcomed by Shri Yashvantraoji Chavan then leader of opposition congress. During this time Population of India was 121 crore and this time currency note of Rs. 500 and Rs. 1000 were withdrawn from circulation. This decision was also taken to curb black money transactions, to control the corruption and to control terrorist activities. This decision was also welcomed by the all political parties and people of India. But due to the large size of population, huge percentage of currency involved, it took nearly 2 months to get the position normal.

Research Methodology:

For this research, data has been collected from the 30 Insurance Agents of Nagpur, those are working in LIC. The opinions are collected from the Insurance Agents by taking telephonic personal interviews and questionnaire. Monthly sales record of individual insurance agent has been studied.

Methods of Data Collection:

Data has been collected from 30 insurance agents by using primary source of data collection and secondary source of data collection

a) **Primary Source of data collection:** In primary method of data collection, data has been collected by taking personal interviews of insurance agents as well as sales managers and collect the responses from questionnaire and by observing the behavior.

b) **Secondary Source of data collection:** In secondary source of data collection, data has been collected from the monthly sales record of individual insurance agent, newspapers, magazines, and websites.

Objectives of study:

The following are the main objectives of this study

1. To throw the light on problems faced by insurance agents.
2. To know the impact of demonetization on income of insurance agents.
3. To know the impact of demonetization on financial position of insurance agents.

Hypothesis of study:

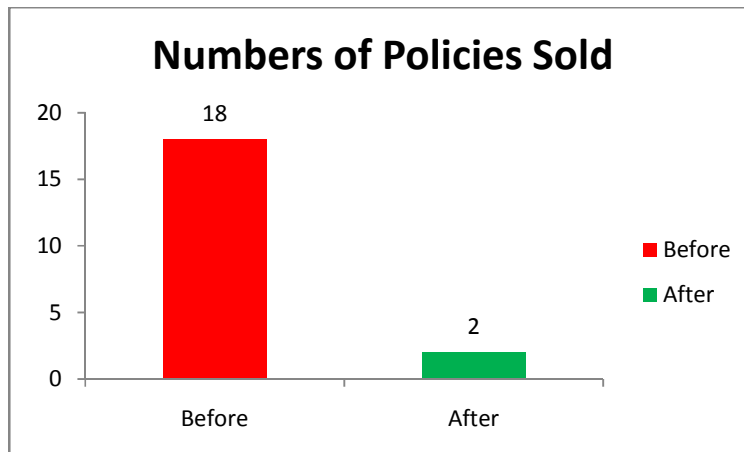
The study is based on the following hypothesis:

1. The income of insurance agents fell down during the phase of demonetization.
2. Demonetization negatively impacted on the financial condition of insurance agents.

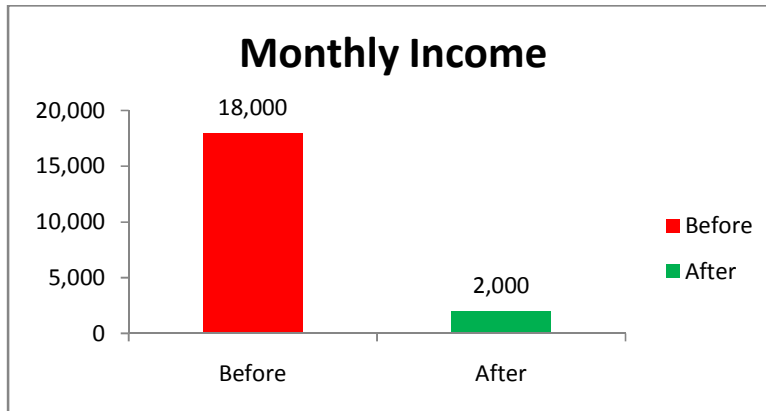
Interpretation of data:

The data is collected through questionnaire. Collected responses are tabulated and presented in the graphical format.

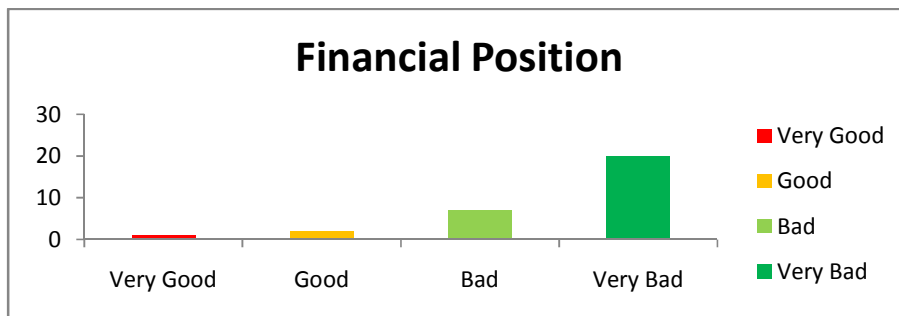
Impact	No. of Policies sold(per Month)
Before demonetization	18
After demonetization	2



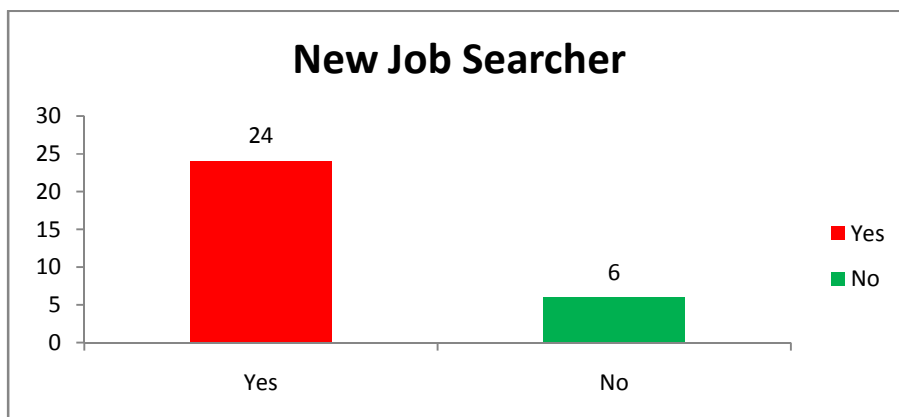
Impact	Monthly Income
Before demonetization	18,000
After demonetization	2,000



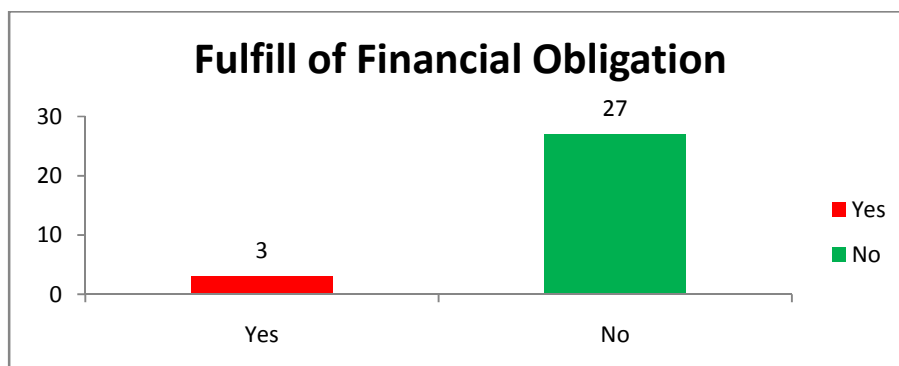
Financial Position	Number of insurance agents
Very Good	1
Good	2
Bad	7
Very Bad	20



New Job Seekers during demonetization	Number
Yes	24
No	6



Financial Obligation Fulfillment	Numbers
Yes	3
No	27



Explanation: From the above data and graphical presentation, it is clear that the impact of demonetization on insurance agent is negative. As per the table no. 1 it is clear that there is reduction in the sale of insurance policies during the first two months of demonetization as there was no supply of new currency in the market. As per the table no. 2 the monthly income of insurance agents has reduced from Rs. 18,000 p.m. to Rs. 2,000 per month as their income is dependent on the sale of insurance policies. As per table no. 3, 90% of the insurance agents responded that their financial position is bad or very bad. It means they suffer a lot because of not selling insurance policies in that month. As per the table no. 4, 80% of insurance agents were in position of searching a new job rather selling in insurance policies. Because, there was no change expected or seen in near future in the scenario. As per the table no. 5, 90% of the insurance agents did not fulfill their personal financial obligation because of reduction of their income. In nutshell, demonetization has negatively impacted the insurance agents of LIC which is not even recognized and identified by the policy makers of Democratic country, India.

Conclusion:

The following conclusions can be drawn by this research:

1. The number of sale of insurance policies fell down.
2. The income of insurance agent was reduced to zero for some agents. They were laid off or retrenched.
3. The financial position of insurance agent was very bad during the demonetization.
4. The insurance agent started finding new job during the demonetization.
5. The insurance agents were not in a position to fulfill their personal financial obligations to their family during the process of demonetization.

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