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FINANCIAL LITERACY AS AN ANTECEDENT OF DECISION MAKING ABILITY IN ENHANCEMENT OF EFFICACY FOR INSURANCE ADVISORS OF LIC

Economics

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ABSTRACT

The researcher has attempted to examine the impact of financial literacy on decision making ability in enhancement of efficacy of insurance advisors. Correlation and regression were applied on 500 insurance advisors from major cities of India.

KEYWORDS

Financial Literacy, Competitive Advantage, Efficacy, Decision Making Ability, Financial Education Strategies.

Introduction

For the promotion of financial inclusions, financial literacy is considered an important aide and eventually financial stability. In India because of the low level of literacy and large size of population, the need for financial literacy is getting greater which remains out of the formal financial set up. So the need of financial literacy could be an important factor in the very access of various individuals to finance has become broader and it acquires greater significance. India's resources are poor and who operates on the margin to feed a large segments of people. These groups towards persistent downward financial pressures are really vulnerable. The poor sections are pushed towards expensive alternatives, moreover with no established banking relationships. Challenges could be accentuated by the lack of skills or knowledge in the areas of household management that make well informed financial decisions.

In a simple term, financial literacy is an understanding of the most basic economic concepts needed to motivate their customers for saving and investment decisions and the understanding that ordinary investors should have regarding market principles, instruments, organizations and regulations. Financial illiteracy or low of financial literacy is resulted into the lack of healthy financial ways of thinking, lack of necessary financial knowledge and difficulties in applying financial knowledge. Financially illiterate individual either voluntarily do financial exclusion or will get the financial information from unreliable sources, the analysis of which may be resultant into the misallocation of private wealth can cause social decline and increase public expenditure in the form of social security. Absence of this knowledge and skill pose a variety of risk to individual, societal and economy as a whole. Individuals who are financially literate are:

- Knowledgeable and informed on the issues of managing financial resources of funds.
- Understand the basic concepts underlying the management of financial assets
- To plan and implement financial decisions.

Review of Literature

Joseph, Stone and Anderson (2003) in their study reported that in the financial services sector has faced competition exclusively.

Day and Allen (2004) examined the effects of motivation and self-efficacy on the work related performance improvements of the financial advisors. The link between career mentoring and successful performance is found to be extremely mediated through career motivation whereas this link is only slightly moderated through career self-efficacy.

U. Jawaharlal and N. Pareek (2004) in their study, "Service Quality and Customer Satisfaction in Life Insurance Market" examined in the life insurance industry, the importance of having efficient customer services Chakraborty, A. K. (2006) in his study 'The Efficiency of LIC during the Post-Liberalization & Globalization Period': A Case Study of West Bengal' revealed that the services are provided by the insurance agents to their customers for procuring business in terms of timely information about the due premium, solve the customers' problems, efficiently, assist in payment of renewal premium etc.

Ramachandran (2006) in his study 'The Best Selling approach to Sell Life Insurance' revealed some weaknesses of the insurance advisors in selling operations such as; pressurize to buy policies, inaccurate and incomplete information, deception, inefficiency in providing after sales services etc.

Objective of the Study

- To determine the impact of decision making ability on efficacy of insurance advisors.

Research Methodology

Research Approach: The research approach is descriptive and study has tried to determine the impact of decision making ability on the efficacy of insurance advisors.

Research Method: The purposive method is used in this study as those agents/broker of LIC were targeted.

Sample Size: Total 500 insurance advisors were selected.
Research Area: The study was carried out in major cities of India.
Research Instrument: For the collection of data, a self-structured questionnaire was developed on the basis of past studies. This scale is consisted of 38 questions related to efficacy of insurance advisors.
Data Analysis T

Results & Discussion

H03: There is no significant impact of decision making ability on the efficacy of insurance advisors.

Table 1: Descriptive Statistics on impact of decision making ability on the efficacy of insurance advisors

	Mean	Std. Deviation	N
efficacy of insurance advisors	33.3440	7.76003	500
decision making ability	21.2200	5.73842	500

In the above mentioned table, the mean score difference between decision making ability and efficacy of insurance advisors is given. The mean value of efficacy of insurance advisors is 33.3 and the mean of decision making ability is 21.2 on the parameters. The table on mean descriptive is followed by the table of correlation of dependent (efficacy of insurance advisors) and independent variable (decision making ability).

Table 2: Correlations on impact of decision making ability on the efficacy of insurance advisors

		efficacy of insurance advisors	decision making ability
Pearson Correlation	efficacy of insurance advisors	1.000	.719
	decision making ability	.719	1.000
Sig. (1-tailed)	efficacy of insurance advisors	.	.000
	decision making ability	.000	.
N	efficacy of insurance advisors	500	500
	decision making ability	500	500

It is evident from the above table that Pearson's correlation between decision making ability and efficacy of insurance advisors is 0.719 which is significant at 0.000<0.05. Therefore, it is explained that there is significant association between efficacy of insurance advisors and decision making ability. Furthermore, a strong positive correlation is seen between decision making ability and efficacy of insurance advisors, so regression Model can be used to depict the relationship between the variables.

Table 3: Model Summary[b] on impact of decision making ability on the efficacy of insurance advisors

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.719[a]	.517	.516	5.39780	.517	533.322	1	498	.000
a. Predictors: (Constant), decision making ability									
b. Dependent Variable: efficacy of insurance advisors									

Over all model summary shows the value of multiple correlation coefficient R=0.719, it is the linear correlation coefficient between observed and model predicted values of the dependent variable, Its large value indicates a strong relationship. R2, the coefficient of determination is the squared value of the multiple correlation coefficients. Adjusted R2=.516, R2 change is also 0.517 and these values are significant which shows that overall strength of association is noteworthy. The coefficient of determination R2 is .517; therefore, 51.7% of the variation in efficacy of insurance advisors is explained by decision making ability.

Table 4: ANOVAa on impact of decision making ability on the efficacy of insurance advisors

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15538.989	1	15538.989	533.322	.000[b]
	Residual	14509.843	498	29.136		
	Total	30048.832	499			
a. Dependent Variable: efficacy of insurance advisors						
b. Predictors: (Constant), decision making ability						

Table 5: Coefficientsa on impact of decision making ability on the efficacy of insurance advisors

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	12.709	.926		13.730	.000	10.890	14.527
	decision making ability	.972	.042	.719	23.094	.000	.890	1.055
a. Dependent Variable: efficacy of insurance advisors								

ANOVA is used to exhibit model's ability to explain any variation in the dependent variable. ANOVA table exhibits that the hypothesis that all model coefficients are 0 is rejected at 1% as well as 5% level of significance which means that the model coefficients differ significantly from zero. In other words we can say that there exists enough evidence to conclude that slope of population regression line is not zero and hence, Decision making ability is useful as predictor of efficacy of insurance advisors. From the table of coefficients, the regression equation can be obtained as:

Efficacy of insurance advisors = 12.709 + .972* Decision making ability

Conclusion

The study has analysed the factors of efficacy of insurance advisors and its positive impact on efficacy of insurance services. The study found that customization of services compel the customers to purchase and insurance advisors intelligently.

Regarding the experience in this field, it was found that those insurance advisors have more experience the more they can make understand their customers about each and every aspect of the policies. Insurance advisors learn from their experience about the nature of customers. Their willingness to purchase, what kind of factors motivate them to purchase policies, risk taking capacity, mode of payment etc. The study further revealed that an experience insurance advisors take these considerations while explaining the policies to their customers. The study also found that income plays a major role for insurance advisors persuades their investors in taking the decision as they prefer to invest proportionately according to their income segment.

The insurance companies provide training to their advisors so that they can update regular information and the same would be communicated to their customers. In this study three factors namely; customization of services, discounts' benefits and decision making ability have positive impact on the efficacy of insurance services. In this present scenario, it is necessary to meet the customers' expectations and maximize the returns. The motivational factors included incentive plans for insurance advisors able to increase the performance. The findings disclosed that insurance advisors are efficient in handling the complaints tactfully in resolving and the issues. They need to handle technological services.

Suggestions

- Before going investment, investors should attend various programmes conducted by authorized persons for their increasing awareness towards mutual fund.
- Brokers/agents or employees should encourage their customers to go for all the process online for transaction, services, so that they could refer at any time and check the performance of purchased LIC schemes.
- Brokers/agents or employees should have the knowledge of risk factors in order to provide accurate and authentic information to their customers.
- It would also be clearly mentioned in the reports, how the parameters have been complied with. However, in case any unrated debt security does not fall under the parameters, the prior approval of Board of LIC and Trustee shall be sought.
- In line with the Investment Objective of the Scheme, the fund manager shall construct the portfolio by investing in the Debt instruments and Government Securities maturing on or before the maturity date of the Scheme.
- Investment in debt instruments would generally be in securities that have reasonable secondary market activity.

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