

# Study of HRM practices on life insurance company in India (special reference for Vidarbha)

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## Abstract

Human resource is considered as the back bone of any economic enterprises while it is public, private or co-operative. The human resources are the most important resource of the various resources that are needed to move the wheels of an economic activity. Today's competition in area of business is spread very fastly there far the organization must use good HR practices for development of their employees. To overcome the competition and to have edge, a company uses human resource practices for performance. Over the last 15 years, the life insurance sector has undergone phenomenal change in terms of insurance operations and insurance coverage with 24 life insurers, including LIC, has achieved a lot and there are many more to achieve. This study focuses on HR practices in life insurance sector and their effect on organizational performance.

**Keywords:** *HR practices, Performance appraisal, Staffing, Training & development*

## 1. Introduction

Competitive advantages of a company can be generated from human resources (HR) and company performance is influenced by a set of effective hrm practices. HRM practices are very important factor for productivity in the service sector. Both the customer and employee are involved in co-production of the product. The direct contact factor emphasizes the importance of HRM in the services. Studies have recognized the employees make an important source of competitive advantage for an organization (Barney, 1991). Thus, every firm implements HRM practices to realize best of its employees. Past research, established the positive relationship between HR practices and organizational performance (Huselid, 1995; Becker et al. 1997; Guest 1997; Boselie et al., 2001,

Kundu. Subhash C., Divya Malhan 2009). Today service organizations give emphasis on human resources due to the globalization and liberalization of the markets. Life Insurance Corporation of today is altogether different one as compared to the pre-liberalization of the sector. Most of the business processes being on-line, provides easy access through new satellite sampark offices, with small, lean in size and close to the customers. Launched innovative practices for its people and the results helped to be largest player in this sector. The organization continues to enjoy enormous faith of its customers and made inroads into length and breadth of the country. After the liberalization of the industry, the firm has undertaken many changes in its business operations. Employee unions have given full support to professionalize the organisation. It has established extensive training facilities at all levels and being worked in partnership with premier management institutes for training. The Human Resource practices playing active role to improve the employee's performance and to sustain edge over the others. The external environment has profound impact on the employees. The challenge before the firm, in the initial years of private life insurance companies the company lost large number of employees at every level. As the years passed on, the company withstood the competitive and able to contain the employee turnover, and at present, the employee turnover is very less

## 2. Definition of Human Resource Management

“ Human Resource Management(HRM) is the term used to describe formal systems devised for the management of people within an organization. The responsibilities of a human resource manager fall into three major areas: staffing, employee compensation and benefits, and designing work.”

“ Understanding and application of the policies and procedures that directly affects the people working within the project team and the overall workforce. The management of the workforce of a business is important to guarantee sufficient staff levels with the right skills, properly rewarded and motivated.”

### **3. Objective and importance of the study**

In today scenario competition in insurance sector grow very fastly many pvt. Insurance companies establish in market their far it is necessary to achieve desirable sales target. It can be achieve not only with the marketing strategy but also with the help of effective HR practices. The main objective of the study was to assess the human resource Management practices being implemented in insurance companies.

- 1 To identify the effect of HR practices on employee performance.
- 2 To assess practices regarding human resource planning and recruitment.
- 3 To identify the training practice use in insurance sector.

### **4. Literature Review**

Kundu. Subhash C., Divya Malhan (2009) in their article on "HRM Practices in Insurance Companies: A Study of Indian and Multinational Companies" opined that Competitive advantage of a company can be generated from human resources (HR) and company performance is influenced by a set of effective HRM practices. The results of this study indicated that both multinational companies and Indian companies have to significantly improve their practices regarding performance appraisal, training and financial benefits, and hr planning and recruitment. Service sector is human resource intensive business. To gain competitive advantage, service organizations should emphasize on human resource management practices, as

has been indicated in the results. A well-defined framework of human resource management practices benefits not only the organization but also the employee. HR policies of an organization benefit the employee by providing better opportunities for growth in terms of better compensation, benefits, training and development opportunities, and career management, in turn leading to job satisfaction and self fulfillment.

Subramanian, V. (2005) expressing his views regarding recruitment and selection of employees stated that any organization which gives a fair share of attention to the recruitment and selection of its people is bound to get good returns. Recruitment and selection should be viewed in the wider context of the organizational future. What are the strategic objects and hence what capabilities will the enterprise need in the future? Must be the questions the organization should always address itself to. Therefore, an important strategic issue to consider is how the recruitment and selection activity can contribute to long term business goals.

Staffing involves managing the course of employee's into and within the organisation and retaining them. The focus of staffing process includes recruitment, selection and employment (Harel and Tzafirir, 1999). Staffing process plays key role in human resource planning. Huselid (1995) found effective staffing process is positively associated with organizational performance. The organizational performance depends of quality of employees, competencies and motivation to exert intended behaviors. Right selection methods are important to place right persons at right places. Levesque (2005) stated the effective staffing process, includes fit between person and organisation in terms of personality, goals, values, skills and behavior. Training and development includes training, education and development, to produce highly competent staff, skilled and motivated to play their roles in the organisation (Mahesh, 1988). To have edge over others, employees should have knowledge, skills, and abilities and that should be unique. Training and development results in better products and services, and helps in optimization of the employees competencies. Studies observed the link between training and development and various measures of performance (Bartel 1994; Delery and Doty, 1996; Delaney & Huselid 1996; Arago' n-Sa' nchez et al. 2003). Performance appraisal process enhances understanding between the employee and superiors. Employee expectations, job responsibilities and communications are evaluated here. Feedback affects on team work and results in enhanced performance. Studies found positive

relationship between performance appraisal and quality, increase in organizational productivity and suggest that this process affects organizational performance (Brown and Hewood, 2005)

Compensation and benefits are financial payment and non-financial benefits received by an employee and forms key dimension of HR practices. The organisation has to review its payments and benefits to match the performance of its employees, business needs and the growing scale of opportunities (Ulrich, 1997). Contingent compensation works as a motivational tool, as employees are aware of their part in the results and affects the performance (Pfeffer, 1998). Delaney & Huselid (1996) observed compensation and benefits yields increase in productivity and organizational performance. A right element of compensation and benefits helps to retain right persons for the organisation (Mathis and Jackson, 2004).

Operational definitions:

1. Recruitment: the aim of recruitment and selection process is to obtain the right number and quality of employee's required to satisfy the human resource need of the organisation.
2. Staffing: refers to the process, which determines and manages the flow of employees interested in the organization, within the organization and out of the organization. This system of flow of employees involves recruitment, selection, decision-making, job offer and retention systems.
3. Training: refers to systematic acquisition and development of knowledge, skills, and attitudes that are necessary for employees to perform a task.
4. Reward: there are different type of rewards which encouraging employee to give best performance to ward their company.
5. Performance appraisal: refers to structured formal interface between a employee and supervisor, usually takes place periodically, where performance of the employee is analyzed and discussed, with a scope to identify strengths and areas to improve by learning.
6. Compensation and benefits: refers to evaluation of the way an organization sharing of financial gains resulted from employee's contributions generously and fairly with them.
7. Work design: defined as deciding factor on the relationships, that exist between the duties and

responsibilities and the relationship exists between the job holder and his/her colleagues.

## 5. Research Design:

Primary data was collected by questioner a schedule was prepared and was administered to all categories of employees eliciting information on background information, awareness about personnel policies, satisfaction with Human Resource Management Practices. Certain information and additional data was gathered by in-depth interviews with all categories of employees. secondary data on HR policies, practices using the Internet. Website of the insurance companies, news reports, and dissertations that discuss about the firms are included. A survey was conducted in the branches of Insurance companies with the structured questionnaire on HRM practices.

### Primary data

Employee data collected by various life insurance companies

Name of Organisation	Frequency	Percent	Valid Percent	Cumulative Percent
Life Insurance Corporation of India	3	2.8	10.0	10.0
TATA AIG Life Insurance Company Ltd.	3	2.8	10.0	20.0
ICICI Prudential Life Insurance Co. Ltd.	3	2.8	10.0	30.0
HDFC Standard Life Insurance Co. Ltd.	3	2.8	10.0	40.0
SBI Life Insurance Co. Ltd.	3	2.8	10.0	50.0
Birla Sun Life	3	2.8	10.0	60.0

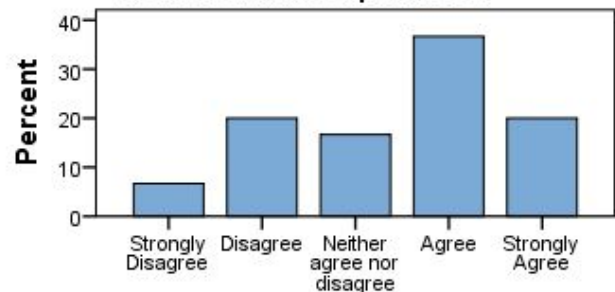
Insurance Co. Ltd.				
Bajaj Allianz Life Insurance Co. Ltd.	3	2.8	10.0	70.0
Future Generali Life Insurance Co. Ltd.	3	2.8	10.0	80.0
Kotak Mahindra Old Mutual Life Insurance Ltd.	3	2.8	10.0	90.0
Max New york Life Insurance Co. Ltd.	3	2.8	10.0	100.0
Total	30	28.3	100.0	
Missing System	76	71.7		
Total	106	100.0		

Following table shows implementation of hr practices in insurance companies

Insurance companies operating in Vidarbha use human resource planning and recruitment practices

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	1.9	6.7
	Disagree	6	5.7	20.0
	Neither agree nor disagree	5	4.7	16.7
	Agree	11	10.4	36.7
	Strongly Agree	6	5.7	20.0
Total	30	28.3	100.0	
Missing System	76	71.7		
Total	106	100.0		

Insurance companies operating in Vidarbha use human resource planning and recruitment practices



Insurance companies operating in Vidarbha use human resource ...

Respondents were asked about Insurance companies operating in Vidharbha use Human Resource planning and recruitment practices, so 6.7% strongly disagreed, 20% disagreed, 16.67% neither agree nor disagree, 36.67% agreed and 20% strongly agreed.

Insurance companies operating in Vidarbha use practices regarding training and benefits

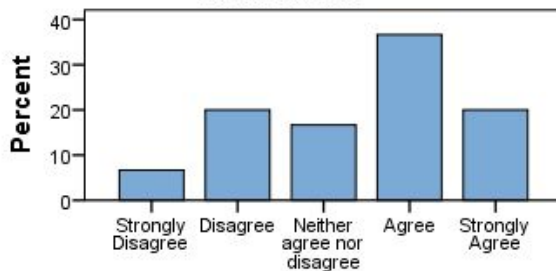
Insurance companies operating in Vidarbha use human resource planning and recruitment practices

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	1.9	6.7
	Disagree	6	5.7	20.0

Neither agree nor disagree	5	4.7	16.7	43.3
Agree	11	10.4	36.7	80.0
Strongly Agree	6	5.7	20.0	100.0
Total	30	28.3	100.0	
Missing System	76	71.7		
Total	106	100.0		

Strongly Agree	2	1.9	6.7	100.0
Total	30	28.3	100.0	
Missing System	76	71.7		
Total	106	100.0		

**Insurance companies operating in Vidarbha use practices regarding training and benefits**



**Insurance companies operating in Vidarbha use practices regarding ...**

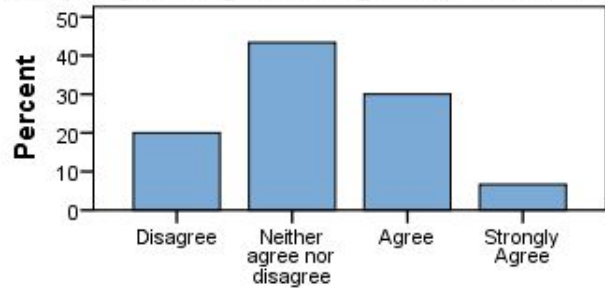
Responses for the question, Insurance companies operating in Vidarbha use practices regarding training and benefits, 6.7% strongly disagreed, 20% disagreed, 16.67% neither agree nor disagree, 36.67% agreed and 20% strongly agreed.

**Human relations competencies are adequately developed in your insurance company through training in human skills.**

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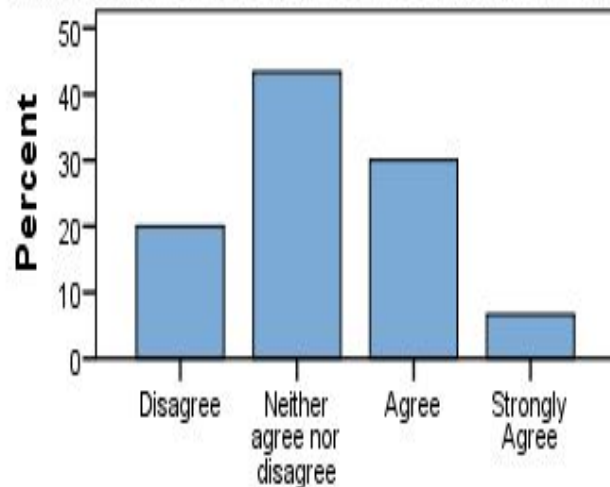
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	6	5.7	20.0	20.0
	Neither agree nor disagree	13	12.3	43.3	63.3
	Agree	9	8.5	30.0	93.3

**Human relations competencies are adequately developed in your insurance company through training in human skills.**



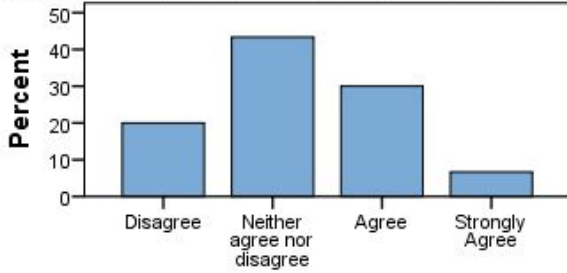
**Human relations competencies are adequately developed in your ...**

**Human relations competencies are adequately developed in your insurance company through training in human skills.**



**Human relations competencies are adequately developed in your ...**

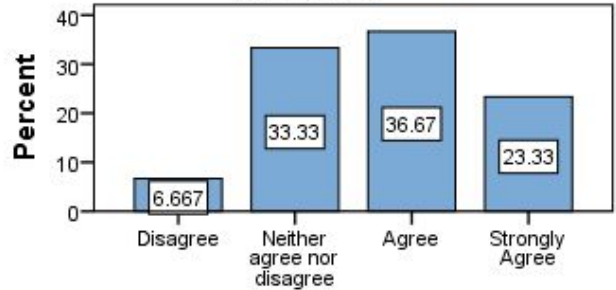
**Human relations competencies are adequately developed in your insurance company through training in human skills.**



**Human relations competencies are adequately developed in your ...**

Responses for the question, Human relations competencies are adequately developed in your insurance company through training in human skills. 20% disagreed, 43.33 % neither agree nor disagree, 30% agreed and 6.7% strongly agreed.

**Insurance Corporation encourages and support self learning an education by its managers.**



**Insurance Corporation encourages and support self learning an ...**

Responses for the question, Insurance Corporation encourages and support self learning an education by its managers. 6.7% disagreed, 33.33 % neither agree nor disagree, 36.7% agreed and 23.3% strongly agreed.

**Insurance Corporation encourages and support self learning an education by its managers.**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	2	1.9	6.7	6.7
Valid Neither agree nor disagree	10	9.4	33.3	40.0
Valid Agree	11	10.4	36.7	76.7
Valid Strongly Agree	7	6.6	23.3	100.0
Total	30	28.3	100.0	
Missing System	76	71.7		
Total	106	100.0		

**Training helps in increasing employee's Productivity**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	1	.9	3.3	3.3
Valid Disagree	3	2.8	10.0	13.3
Valid Neither agree nor disagree	8	7.5	26.7	40.0
Valid Agree	11	10.4	36.7	76.7
Valid Strongly Agree	7	6.6	23.3	100.0
Total	30	28.3	100.0	
Missing System	76	71.7		
Total	106	100.0		



Responses for the question, Training helps in increasing employee's Productivity. 3.3% Strongly disagrees, 10 % disagreed, 26.7 % neither agree nor disagree, 36.7% agreed and 23.3% strongly agreed.

## Summary and Conclusion:

### Summary

Human resources play a very important role in the success of the organization. Human resources are the people that staff and operate an organization. Human resource management is an organizational function that deals with the people and issues related to people such as compensation, hiring, performance management, and training. Hence human resource management is vital to the organization. Efficient management of the finances and markets depend upon human resources. Hence there is the need for effective HRM practices irrespective of the size and nature of the organization. The objective of hr practices is at achieving goal of the organization and for ensuring effective utilization of their services. As the success of any organization largely depends on the quality of its human resources and the extent to which they are motivated, human resource management acquires special significance in an organization.

## Conclusion

1. Insurance companies in vidarbha using HR practices.
2. The insurance companies in India follow the hr practices, mostly they use HRD practices HRD is very good and useful if it is practiced in right direction, and the desired results from HRD are possible when employees are sincere and updated.
3. It is conclude that participation of private player in insurance sector competition is being very high and for survive in that sector companies are using hr practices and move their step toward their company objective.
4. Practices regarding reward, self learning, knowledge sharing improve the quality of employees.
5. HRM play an important role in insurance sector it is a back bone for the insurance sector.
6. Employees will be productive and committed toward their job only when they are provided with the required inputs, let it be machine, material or the skills sets.
7. Training is a tool which improves the productivity and profitability of the organization.

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1. Armstrong, M.A. 2005. Handbook of human resource management.
2. Annual report of IRDA 2002 to 2007
3. Bansal Neera. " Life insurance awareness".
4. Ball, K.S. 2001. The use of human resource information system.
5. Kundu. Subhash C., Divya Malhan (2009) in their article on "HRM Practices in Insurance Companies: A Study of Indian and Multinational Companies".

## Web sites visited

1. ref;  
<http://www.inc.com>encyclopedia/human-resource-management.html>
2. [www.irda.co.in](http://www.irda.co.in)
3. [www. Wikipedia.com](http://www.Wikipedia.com)
4. <http://scrid.com/>

5. <http://traninganddevelopment.naukrihub.com>