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## National Insurance Company Limited, Kolkata: Analysis of the contribution of insurance company to the growth of the SMEs

Paras Kohli

Student, 6<sup>th</sup> SEM

Amity school of Economics

Amity University, Noida, Uttar Pradesh, India

**Abstract:** *The main objective of this study was to analysis of the relationship between the contributions of insurance company and the growth of small and medium enterprises in India, using National Insurance Company Limited, Kolkata as a case study. Also, the main objective is to study main factors that affects the growth of SMEs, to evaluate the role of insurance companies to the progress of SMEs and to examine the factors obstructing the purchase of insurance cover by SME. Two research hypotheses were formulated and tested using the chi square, to achieve the objectives of this study. Percentages and frequencies are also employed in the analysis. The research was descriptive in nature involving quantitative methods which was administered through secondary data. Findings revealed that innovation is a strong empirical evidence for fast growing SMEs, competition has a great effect on SMEs industry and credit remains a great challenge to the growth of SMEs. Besides that, insurance companies mitigate risks and enhance loan acceptability by SMEs sector with banks.*

*It was concluded that improvement in business skills increases the performance of SMEs. Also, National Insurance Company Limited need to have a fresh look at the scope and spectrum of services provided to SMEs and have a better understanding on the scale of enterprise sector. However, insurance companies do not lower the insurance rates and offer protection to SMEs income statements. In addition, SMEs being small in size and their inability to fully understand the document limits them to get insurance cover. It was recommended that management of National Insurance Company Limited needed to build a great relationship with SMEs as their customer in order to develop and grow trust in them & also lower the premium rates to SMEs in order to develop their performance. Also, National Insurance Company Limited needs to have a fresh look at the scope & spectrum of services provided to SMEs and get a better understanding of the scale the enterprise sector.*

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**Rationale behind choosing the topic:**

“A small business is an amazing way to serve and leave an impact on the world you live in.” - Nicole Snow

The substantial growth of SMEs activity clearly marks SME collectively of the foremost outstanding economic phenomena. SMEs could be a business that's in private owned and operated with a small variety of workers and comparatively moderate volume of sales.

Therefore, my quest after researching through this subject are: first, to understand main factors that affects the expansion of SMEs. Secondly, to evaluate the role of insurance corporations to the progress of SMEs. Thirdly, to look at the factors obstructing the acquisition of insurance cover by SMEs. And at last, to see the link between the contributions of insurance corporations and therefore the growth of SMEs.

**Introduction: -**

The substantial growth of small and medium enterprises (SMEs) activity clearly marks SME as one of the most remarkable economic phenomena. Small and medium enterprises is a business that is privately owned and operated with a small number of employees and relatively moderate volume of sales. The definition of small and medium enterprises varies from country to country depending on the level of development and the strength of the economy. The lower limit for small scale enterprises is set at between five and ten workers and the upper limit is set at between fifty and one hundred workers. The upper limit for medium scale enterprises is set between one hundred and two hundred and fifty workers.

In Kolkata there are approximately 52,69,814 SMEs currently in operation and they comprise over 90% of the private sector. They contribute to employment, provision of basic goods and services, and generation of export and tax revenues for national socio-economic development. SMEs and informal enterprises account for over 60% of Gross domestic product [GDP] and over 70% of total employment in low-income countries, while they contribute about 70% of Gross domestic product [GDP] and 95% of total employment in middle income countries. The location of these SMEs is mostly in urban areas with 80% located therein. They operate business like restaurants, accountants, hairdressers, conveniences stores and guesthouses.

On the other hand, insurance is a contract by which one party undertakes in consideration of a payment called premium to secure the other against pecuniary loss by payment of a sum of money in the event of destruction or damage to property, fire, accidents or death of a person. Economy, investment and finance reports (2010) defines insurance as a policy from a large financial institution that offers a person, company, or other entity reimbursement or financial protection against possible future losses or damages. An insurance contract is an agreement by which the insurer promises, from a premium or assessment, to make a payment to a policy holder or a third person if an event that is the object of a risk occurs. SMEs often face a variety of problems related to their size. Frequent causes are bankruptcy, theft, fire, death, automobile accidents and workers injuries.

**Objectives of the study:**

- 1] To study main factors that affects the growth of SMEs
- 2] To evaluate the role of insurance companies to the progress of small and medium enterprises
- 3] To examine the factors obstructing the purchase of insurance cover by small and medium enterprises
- 4] To determine the relationship between the contributions of insurance companies and the growth of small and medium enterprises.

**Research Methodology: -**

Under this report, quantitative research, qualitative research and descriptive research method were used. Under quantitative different statistical tools are used like Descriptive Analysis & t-Test: Paired Two Sample for Means. Qualitative research, use an emergent design, a design that emerges during the course of data collection. The study also used the descriptive – survey method, in which in which it is uses the questions as who, what, when, where, and how of a topic being answered. Naturalist emphasize understanding the human experience as it is lived usually through the collection and analysis of qualitative materials that are narrative and subjective. The findings from in – depth qualitative research is typically grounded in the real-life experiences of people with first – hand knowledge of a phenomenon. Also, secondary data is used to make the report i.e., different research papers, website, books etc. facts are used for this report.

**Literature review: -**

- 1) “B. Sekar raised some point related to contribution of insurance company to the growth of the Small and Medium Enterprises in the research paper A study on National Insurance Company Limited with particular reference to Tiruchirappalli divisional office and its branches in 2004. The main focus of research paper is to study the awareness of various policies among the general public in Tiruchirappalli & to analyze and to find out the important motivating factors for the customers in choosing the different kinds of policy.”
- 2) “Pankaj Grover raised some point related to contribution of insurance company to the growth of the Small and Medium Enterprises in the research paper an overview of Indian insurance industry to know the importance of Indian insurance industry in Indian economy development in 2019. The main focus of research paper is to know the importance of Indian insurance industry in Indian economy development specially after liberalization e liberalization and entry of private companies in insurance in 1991.”
- 3) “Joy Chakraborty raised some point related to Efficiency and Productivity of Public Sector General Insurance Firms in India in the research paper Efficiency and Productivity Analyses of Public Sector General Insurance Firms in India” in 2016. The main focus of research paper is to evaluate the technical and scale efficiency scores along with total factor productivity changes of the four public sector non-life insurance companies during the post-deregulation study period from 2008-09 to 2014-15.”
- 4) “Mbuuka Ali raised some point related to contribution of insurance company to the growth of the Small and Medium Enterprises in the research paper Analysis of the contribution of insurance company to the growth of the Small and Medium Enterprises (SMEs): A Case of Statewide Insurance Company (SWICO) in 2019. The main focus of research paper is to establish the relationship between the contributions of insurance companies and the growth of SMEs in SWICO based on the following objectives: to examine major factors that affects the growth of SMEs; to assess the contribution of insurance companies to the growth of SMEs; and to investigate the factors inhibiting the purchase of insurance cover by SME operators.”
- 5) “MWANGI LOISE WANJIRU raised some point related to contribution of insurance company to the growth of the Small and Medium Enterprises in the research paper Analysis of the contribution of insurance company to the growth of SMEs: A Case of National Insurance Corporation. The main focus of research paper is to establish the relationship between the contributions of insurance companies and the growth of SMEs in NIC basing on the following objectives; to examine major factors that affect the growth of SMEs; to assess the contribution of insurance companies to then growth of SMEs; to investigate the factors inhibiting the purchase of insurance cover by SME operators and to determine the strength of the relationship between insurance companies and growth of SMEs.”

- 6) “Danica Lecic raised some point related to contribution of insurance company to the growth of the Small and Medium Enterprises in the research paper COOPRATION OF SMEs AND INSURANCE COMPANIES IN CREATION OF MARKETING VALUE OF INSURANCE PREMIUMS in 2014. The main focus of research paper is to examines the degree of existing cooperation of small and medium-sized businesses and insurance companies in Serbia and the current role that SMEs have in this cooperation. The aim of this paper is to highlight the importance of such cooperation and suggest ways of its further improvement.”
- 7) “A.A. Gibb raised some point related to contribution of insurance company to the growth of the Small and Medium Enterprises in the research paper Key factors in the design of policy support for the small and medium enterprise (SME) development process: an overview in 2006. The research paper focuses on key issues in the development & growth small & medium enterprises at different levels in the economy.”
- 8) “E Lukács raised some point related to contribution of insurance company to the growth of the Small and Medium Enterprises in the research paper “The Economic Role of SMEs in World Economy, Especially in Europe” in 2005. The main focus of research paper is to identify the role of SMEs in the economy of the country and the role of government and insurance to improve the SMEs.”
- 9) “Raman Kumar raised some point related to contribution of insurance company to the growth of the Small and Medium Enterprises in the research paper Industry analysis of Major General Insurance Companies of India in 2017. The main focus of research paper is to analyze the prospects of General Insurance companies in India by taking up a few of the Industry Leaders from both the Private and the Public sector to the extent possible and carrying out an in-depth analysis of their core Ratios, the use of which is limited to the Insurance Sector only.”
- 10) “D Camino raised some point related to valuation and cost of credit insurance schemes for SMEs in the research paper “The valuation and cost of credit insurance schemes for SMEs: the role of the loan guarantee associations” in 1999. The main focus of research paper is to provides a model for the valuation of cost and implicit benefits associated with loan guarantee Programmes.”
- 11) “O Akinradewo raised some point related to Overcoming the challenges encountered by construction industry SMEs in the research paper Overcoming the challenges encountered by construction industry SMEs in using insurance in 2019. The main focus of research paper is to study SMEs are faced with the challenge of having leadership with little or no education concerning insurance policies thereby resulting in not knowing how best to minimize chances of risk fruition or how to get the best insurance policy covers.”
- 12) “K Chodokufa raised some point related to Risk management practices and purchase of insurance by SMEs in the research paper Risk management practices and purchase of insurance by SMEs in 2015. The main focus of research paper is to determine whether the risk of outsourcing the IT function can be managed.”
- 13] “Ibrahim Mohammed Babbuli raised some point related to some challenges faced by insurance companies in the discharge of their duties that contribute to Business Enterprises in Nigeria in the research paper THE IMPACT OF INSURANCE COMPANIES TOWARDS THE DEVELOPMENT OF BUSINESS ENTERPRISES: CASE STUDY OF NATIONAL DEPOSIT INSURANCE CORPORATION (NDIC) YOLA in February 2018. The major objective of the study is to assess the impact of insurance company towards the development of business enterprise in Yola of Adamawa State. The research design used for this study is survey research method. The population of this is 53 staff. Therefore, the research tends to carry out research on the whole population; sampling techniques will not be required because of the small size of the population. The findings shows that continual changes in government regulations hindered insurance companies from providing available fund security to business enterprises in Yola. The study therefore, recommended that government should ensure stable and reliable policies and regulations in order to help insurance companies to make appropriate plans towards enhancing and financing business enterprises in Yola and Adamawa state at large.”

**Data analysis & Interpretation:**

Result from Hypothesis Tested

H0: There is strong relationship b/w National Insurance Company Limited, Kolkata and development of SMEs in Kolkata.

Table 1: National Insurance Company Limited, Kolkata has always played an important role in the development of SMEs in Kolkata.

Gender distribution of respondents	Strongly agree	Agree	Disagree	Strongly disagree	Total
M	20	5	4	0	29
F	0	4	2	5	11
Total	20	9	6	5	40

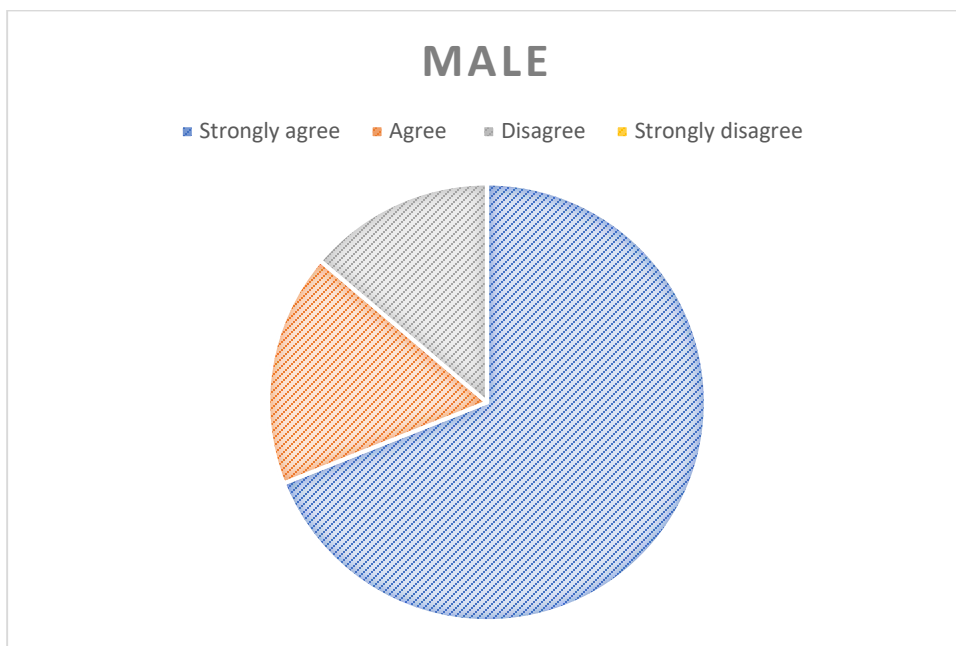


Figure 1: Pie Chart: Male Customer's Opinion About Importance of National Insurance Company Limited, Kolkata in Development of Small & Medium Enterprises

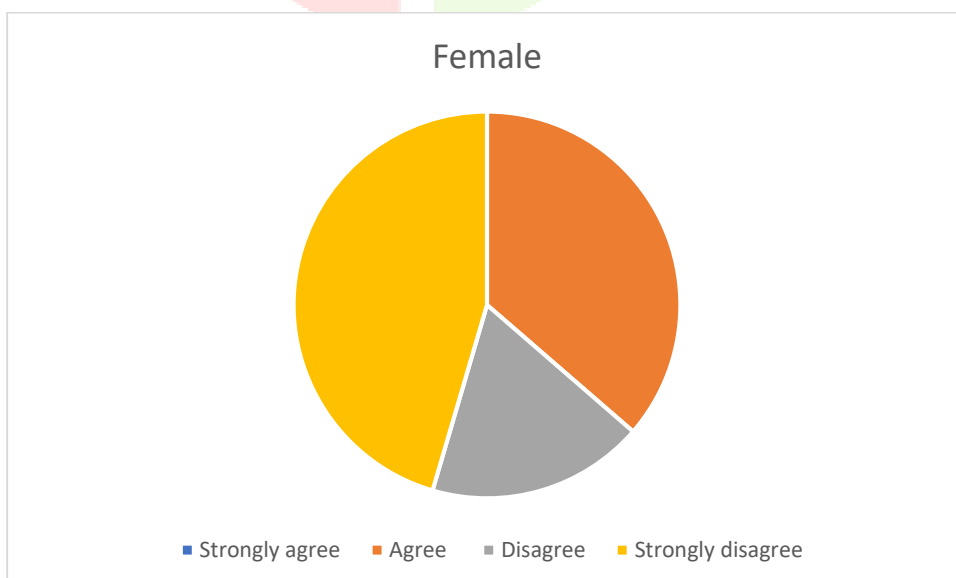


Figure 2: Pie Chart: Female Customer's Opinion About Importance of National Insurance Company Limited, Kolkata in Development of Small & Medium Enterprises

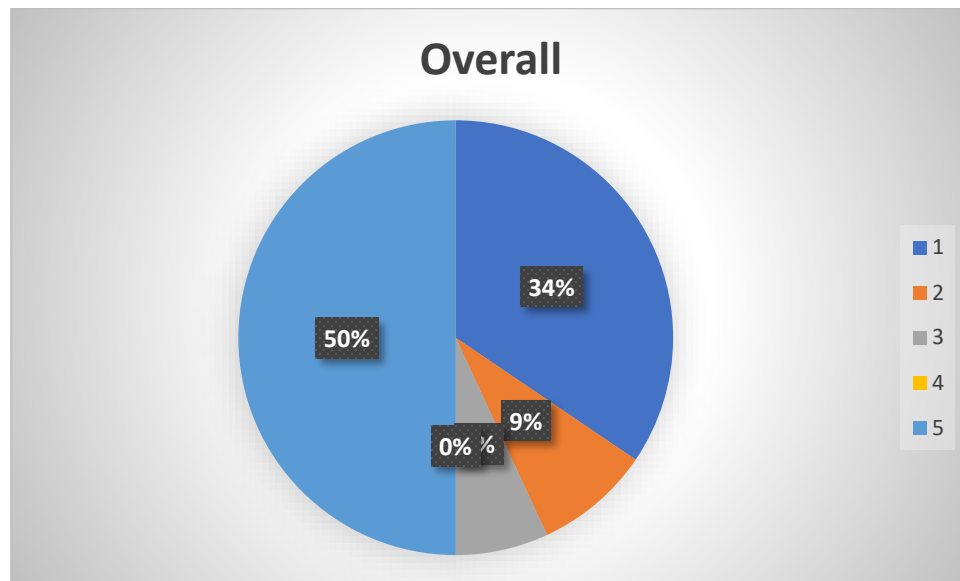


Figure 3: Pie Chart: Overall Customer's Opinion About Importance of National Insurance Company Limited, Kolkata in Development of Small & Medium Enterprises

Table 3: \* Descriptive Analysis:

<i>M</i>		<i>F</i>	
Mean	7.25	Mean	2.75
Standard Error	4.385107372	Standard Error	1.108677891
Median	4.5	Median	3
Mode	#N/A	Mode	#N/A
Standard Deviation	8.770214745	Standard Deviation	2.217355783
Sample Variance	76.91666667	Sample Variance	4.916666667
Kurtosis	3.023392794	Kurtosis	1.699511635
Skewness	1.626578049	Skewness	0.481563048
Range	20	Range	5
Minimum	0	Minimum	0
Maximum	20	Maximum	5
Sum	29	Sum	11
Count	4	Count	4
Largest (1)	20	Largest (1)	5
Smallest (1)	0	Smallest (1)	0
Confidence Level (95.0%)	13.95536876	Confidence Level (95.0%)	3.528307859

Table 3: - \* t-Test: Paired Two Sample for Means: -

	<i>M</i>	<i>F</i>
Mean	7.25	2.75
Variance	76.91667	4.916667
Observations	4	4
Pearson Correlation	-0.88704	
Hypothesized Mean Difference	0	
df	3	
t Stat	0.834431	
P(T<=t) one-tail	0.232633	
t Critical one-tail	2.353363	
P(T<=t) two-tail	0.465266	
t Critical two-tail	3.182446	

Pearson Correlation which indicates that the two variables are rather closely correlated.

The degrees of freedom or df is  $n-1 = 4 - 1 = 3$ , where, n is number of observant 4.

The result of the actual t-test. We will compare this value to the t-Critical two-tail statistic. Note: Use a one-tail test if you have a direction in your hypothesis, i.e., if testing that a value is above or below some level. P (T <= t) two tail (0.232633) gives the probability that the absolute value of the t-Statistic (0.834431) would be observed that is smaller in absolute value than the Critical t value (3.182446). Since the p – value is more than our alpha, 0.05, we accept the null hypothesis.

#### **Findings of the study:**

The major findings of this study have been derived from the analysis and presentation of data for this paper.

- A] Based on the data analysis; insurance companies have contributed immensely to the growth of business enterprises through provision of financial security.
- B] It has also been revealed that insurance companies play a positive role in stimulating activities in all areas of investment ranging from capital and real estate management in National Insurance Company Limited, Kolkata.
- C] It is evident from the study that under insurance of property is another major problem that limits the smoothness of insurance company towards business development in National Insurance Company Limited, Kolkata.

#### **Conclusion:**

This study has succeeded in establishing that a direct or positive relationship exists between investment in insurance companies and business growth of National Insurance Company Limited, Kolkata. This means that insurance companies immensely boost business enterprises and tremendously played a positive role in stimulating activities in all areas of investment ranging from capital and real estate management.

Consequently, lingering problems affecting insurance companies include under insurance of property and continual changes in government policies and regulations, the federal government use policy actions to protect both the insurers and the insured in the country and encourages people to patronize insurance companies.

#### **Suggestions:**

From the above analysis, research findings and hypotheses tested, the study was able to develop some recommendations:

- 
- I] Insurance companies should ensure continuous contribution to business enterprises through financial security to foster economic growth of National Insurance Company Limited, Kolkata. and Kolkata at large.
- II] It recommended that insurance companies should continue promoting their activities in the areas of insuring investment, capital accumulation and real estate management in National Insurance Company Limited, Kolkata.

III] It recommended that insurance companies should educate population on the advantage of properties insurance in order to avoid under insurance of property so as to enable them contribute greatly to business development in National Insurance Company Limited, Kolkata.

### **References:**

- 1) “B. Sekar, 2004, A study on National Insurance Company Limited with particular reference to Tiruchirappalli divisional office and its branches”
- 2) “Pankaj Grover, 2019, An overview of Indian insurance industry”
- 3) “Joy Chakraborty, 2016, Efficiency and Productivity Analyses of Public Sector General Insurance Firms in India.”
- 4) “Mbuuka Ali, 2019, Analysis of the contribution of insurance company to the growth of the Small and Medium Enterprises (SMEs): A Case of Statewide Insurance Company (SWICO)”
- 5) “MWANGI LOISE WANJIRU, Analysis of the contribution of insurance company to the growth of SMEs: A Case of National Insurance Corporation”
- 6) “Danica Lecic, 2014, COOPERATION OF SMEs AND INSURANCE COMPANIES IN CREATION OF MARKETING VALUE OF INSURANCE PREMIUMS”
- 7) “A.A. Gibb, 2006, Key factors in the design of policy support for the small and medium enterprise (SME) development process: an overview”
- 8) “Ludovica Ioana, 2011, The Role of SMEs in Modern Economy”
- 9) “E Lukács, 2005, The Economic Role of SMEs in World Economy, Especially in Europe”
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- 12) “O Akinradewo, 2019, Overcoming the challenges encountered by construction industry SMEs in using insurance”
- 13) “K Chodokufa, 2015, Risk management practices and purchase of insurance by SMEs”
- 14) “A Rey, 2012, The determinants and impact of short-term business insurance on SMEs in South Africa
- 15) “GUO Denghui, 2013, Study on Insurance Company's Involvement in the Financing of SMEs”
- 16) “Ibrahim Mohammed Babbuli, February 2018, THE IMPACT OF INSURANCE COMPANIES TOWARDS THE DEVELOPMENT OF BUSINESS ENTERPRISES: CASE STUDY OF NATIONAL DEPOSIT INSURANCE CORPORATION (NDIC) YOLA.”