

A Detailed Study on Awareness of Life Insurance and the Factor Affecting the Buying Decision of Insurance Policy



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ABSTRACT

India is a vast sub-continent consisting of numerous villages with a population predominantly devoted to agricultural pursuits. In this agricultural society, each village became a self-sufficient unit and the exchange of goods and services was conducted larger on a barter basis. In view of this small self contained unit, there was very limited scope for investment of large capital and modern life insurance meant accumulation of funds and their investment on a long term basis. The influence of Islam too was against usury. During 19th century the Indians were generally unaware of the advantages and utility of life insurance but there was a widespread superstition that to insure one's life was to court death. In local languages of the country life insurance was often described as Registration for Death.

Keyword: Agricultural Society, Goods and Services, Life Insurance, Investment.

INTRODUCTION

The Insurance Industry occupies a very important place amongst financial services all over the world. Reforms in the Insurance Sector were initiated with the passage of the IRDA Bill in December 1999. The IRDA has a task of framing regulations amongst others grievances handling mechanism of customers of Life Insurance Companies. At Present along with Life Insurance Corporation of India, being a public sector Life Insurance Company, there are twenty two other private limited Life Insurance Companies operating in the Insurance Sector.

Life insurance sector is the crucial for any country. It is the contract which involved insurance company and an individual. The amount paid by the individual to the insurance company is known as premium. While against premium the insurance company in case of any calamities grants claims.

Thus, it is a professional service which is characterized by high involvement of the consumers, due to the importance of tailoring specific need, the variability of the products available, the complexity involved in the policies and processes and ultimately the need to involve the consumer in every aspect of the transaction.

REVIEW OF LITERATURE

Hammond et al. (1967) also investigated the relationship between life insurance premium expenditures and various demographic characteristics of households. Marital status and race were included among the independent variables. The authors believed that race mirrored some cultural differences, such as attitudes toward death, family, individualism, and risk aversion. These differences may explain some variation in premium expenditures among households. Using the

cross-sectional data, they found that marital status was negative and significant and race was not significant in the multiple linear regression analysis where premium expenditure was the dependent variable.

Headen and Lee (1974) indicated that the interest rate has a different effect on the demand of insurance depending on whether it is in a short or a long run situation. In the short run, the demand increases with higher interest rates, whereas in the long run, the interest rate has no obvious influence on the demand for life insurance. In another paper, Pliska and Ye (2007) found that a wage earner buys less life insurance as the interest rate increased. They reasoned this result was due to the wage earner tending to spend less on consumption including buying life insurance and saving more money for the future as interest rates increase. Inflation has also been studied as a factor in the life insurance purchase decision and has been found to not be significant factor in the demand for life insurance (Neumann, 1969; Chang, 1995).

RESEARCH METHODOLOGY

Research is a process and means to acquire knowledge about any natural or human phenomena.

OBJECTIVES OF STUDY

1. To find out the factor affecting the buying decision of Insurance Policy among Nagpur District's people with the help of different variables like demographic, geographic, psychological, behavioral and product variables.
2. To study the awareness of life insurance among the people.

HYPOTHESIS

H0- Life Security, Tax Saving, Recommendations from friends and family, Death burden on family and Peace of mind are equally responsible for selection of Insurance policy

H1- Life Security is one of the major factors for selecting Life Insurance policy

Sample Size

Total 600 customers of LIC, ICICI Prudential Life Insurance, Aditya Birla Sun Life, SBI Life, Tata AIA Life, Aviva Life Insurance, Kotak Mahindra Life Insurance, Bajaj Allianz Life, HDFC Life Insurance

DATA ANALYSIS

Life Security is the Major Factor for selecting Life Insurance policy

H0-Life Security, Tax Saving, Recommendations from friends and family, Death burden on family and Peace of mind are equally responsible for selection of Insurance policy

H1- Life Security is one of the major factors for selecting Life Insurance policy

Chi-Square Test

	Observed (O)	Expected (E)	O-E	(O-E) ²	(O-E) ² /E
Life Security	220	104	116	13456	129.384
Tax Saving	120	104	16	256	2.461
Friends/family Recommendation	60	104	-44	1936	18.615
Death Burden on family	80	104	-24	576	5.538
Peace of mind	40	104	-64	4096	39.384

$$\Sigma = 195.382$$

Hypothesis testing

Degree of Freedom = 4 $\alpha = 0.05$

Critical Value = 9.49

$X^2(4) = 195.382$

$P < 0.05$

$X^2 > \text{Critical Value}$

Hence H_0 – Life Security, Tax Saving, Recommendations from friends and family, Death burden on family and Peace of mind are equally responsible for selection of Insurance policy is rejected and

H1- Life Security is one of the major factor for selecting Life Insurance policy is accepted

FINDINGS

- 1) 77% are married, while 15% respondents are unmarried while least 8% respondents are widow.
- 2) 21.15% respondents have taken life insurance policy from LIC India while 19.23% respondents have taken from ICICI Prudential and 18.46% from SBI Life.
- 3) 42 % of respondents have taken life insurance policy because of Life Security, while 23 % of respondents have taken life insurance in order to save taxes 11 % of respondents have taken life insurance policy because their friends and relative s have recommended it.
- 4) 77 % of respondents felt that their life insurance companies are taking sincere efforts in arranging the awareness programmes for promoting life insurance.
- 5) All the insurance offices are performed well and the premium income of life insurers especially in the private sector increased, this is due to the increase in household sector savings.
- 6) The Respondents are satisfied with the services provided from their respective life insurance company.

RECOMMENDATIONS

- 1) For any life insurance company, it is essential to identify customers with respect to their net worth and retaining them. Customer demand personalized services across all channels, and organizations must align their resources appropriately to create to the needs of the customers. A successful organization should have a deep insight into the departmental initiatives as well as the departmental jurisdictions, which should be kept flexible.
- 2) Life insurance companies need to priorities customer centricity and this will lead to a positive effect on corporate performance. Otherwise, this will further reflect in high customer churn, low customer satisfaction, falling employees morale, decreasing market share and increasing costs because of fragmented business approach.
- 3) Documentation should be less while issuing the life insurance policy to the customer.

CONCLUSION

The Life Insurance Corporation of India were Spread life insurance widely and in particular to rural areas and to the socially and economically backward classes with a view to reaching all insurable persons in the country and providing the adequate financial cover against death at a reasonable cost. Maximize mobilization of peoples saving by making insurance linked saving adequately attractive. Bear in mind, in the investment of the fund, the primary obligation to its policyholders, whose money it holds in trust, without losing sight of the interest of the community as a whole; the funds to be deployed to the best advantage of the investors as well as the community as a whole, keeping in view national priorities and obligations of attractive return. The market share of the entire private players has sharply risen with the

entry of private players in life insurance market. This indicates that the private players are doing quite well and are improving year by year, thus affecting the performance of LIC.

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