



A STUDY ON FACTORS AFFECTING CUSTOMER'S PREFERENCE TOWARDS INSURANCE POLICIES

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ABSTRACT

Human life is a most important asset and life insurance is the most important type of insurance which provides financial protection to a person and his family at the time of uncertain risks or damage. Life insurance provides both safety and protection to individuals and also encourages savings among people. Lic of india plays a vital role in the welfare of human well-being by providing insurance to millions of people against life risks such as uncertain death or accident. The present exploratory and descriptive based study was selected with an objective to identify those factors which influence customers policy buying decision and also analyze the preferences of customers while life policy investment decision-making. Various insurance related factors have been discussed in the paper. The data for the study has been collected from both primary and secondary sources. The study area is limited to Coimbatore district, of Tamilnadu and sample size is 150 policyholders of lic and different private life insurers have been selected through a stratified and purposive sampling method. Researcher has taken few hypothesis based on demographic and insurance based preference factors and tested them with the help of various statistical tools like chi-square, correlation and weighted average method. Lic is the most accepted and popular brand in life insurance, the market share of private insurers are gradually increasing with people trust and better services offered by them are some of the main findings of the study. Insurance companies should spread more awareness about life insurance, reduction in premium amount and giving more attention on need based innovative products are some of the suggestions provided by the researcher. The paper concludes with that demographic factors of the people play a major and pivotal role in deciding the purchase of life insurance policies.

KEYWORDS: Customers, Life Insurance Policies, LIC, Investment, Socio-Economic Factors.

I.INTRODUCTION

Life insurance is a must for everyone because life is very precious. With a population of over one billion, national and international life insurance companies, see India as a land of opportunities and a market for big business. Until 1999, the business of life insurance in India was the monopoly of life insurance Corporation of India (lic). Privatization witnessed dynamic changes in the insurance industry and most of the private insurance companies are joint ventures

with recognized foreign players across the globe. Customers are the main pillar of life insurance business. Every company tries to attract and retain existing customers to keep their profits high. The proper understanding of customers, their needs and expectations help insurance providers to bring improvement in product as well as services offered. When compared with the developed foreign countries, the Indian life insurance industry has achieved only a little because of low consumer awareness, poor affordability, delayed customer services, lack of suitable products. In today's cut throat competition, it becomes essential for life insurers to provide better customer services, spread more awareness, emphasis on need based innovative products and reasonable price. So that, every individual may avail the benefits of insurance and protect their lives against future uncertainties.

II. REVIEW OF LITERATURE

Athma. P and Kumar. R (2007) in the research paper titled "an explorative study of life insurance purchase decision making: influence of product and non-product factors". The empirical based study conducted on 200 sample size comprising of both rural and urban market. The various product and non-product related factors have been identified and their impact on life insurance purchase decision-making has been analyzed. Based on the survey analysis; urban market is more influenced with product based factors like risk coverage, tax benefits, return etc. Whereas rural population is influenced with non-product related factors such as: credibility of agent, company's reputation, trust, customer services. Company goodwill and money back guarantee attracts many people for life insurance.

Girish Kumar and Eldhose (2008), published in insurance chronicle ICFAI monthly magazine august 2008 in their paper titled "customer perception on life insurance services: a comparative study of public and private sectors", well explained the importance of quality services and its significance in raising customer satisfaction level. A comparative study of public and private sectors help in understanding the customer perception, satisfaction and awareness on various life insurance services.

Jayakar (2003) in his study emphasized that new products innovation; distribution and better use of technology are helping the new private life insurers to take market share away from lic, a only company before liberalization of insurance industry. With the privatization of insurance sector and with the entrance and cut throat competition with the private sectors gaining an ever increasing edge over the public sector.

Narayan. H. Jai (2009), in an article has made an emphasis on importance of customer in the business of insurance. He explained in phase of growing market competition, there is an intense need to go beyond mere efficiency in designing products. To understand the customer's needs and to convey what they have to offer would perhaps bring in higher efficiencies in customer service. Insurance business revolves around the customer and fair treatment to



customers is need of an hour to win their loyalty and trust. In a service based organizations, customer service is the most dominating feature that differentiate and gives good return to the insurers. Proper dealing with customer complaints, effective customer grievances handling mechanism and fast claim settlement procedure are some of the ways through which satisfaction level of customers can be increased. Hence to serve the customers promptly and effectively is the key success of a life insurance business.

Praveen Kumar Tripathi (2008), in his summer training project report titled “customer buying behaviour with a focus on market segmentation” conduct a research based study on buying pattern in the insurance industry with a special focus on HDFC standard life insurance. The various segments of the markets divided in terms of insurance needs, age groups, satisfaction levels etc were taken into account to know the customer perception and expectation from private insurers.

NEED OF THE STUDY

The insurance industry is one of the fastest growing industries in the country and offers abundance growth opportunity to the life insurers. When compared with the developed foreign countries, the Indian life insurance industry has achieved only a little because of the lack of insurance awareness, ineffective marketing strategies, poor affordability and low investment in life insurance products. The huge and ever rising population levels in our country provide an attractive opportunity but still nearly 70% Indian lives is un-insured. The study is basically intended to discover and examine the factors affecting customers decision towards investment in life insurance policy.

II. RESEARCH METHODOLOGY

The present study is an exploratory and descriptive type of research study. The study aims to find out the factors influencing customers’ life insurance investment decision and their preferences at the time of policy buying decision. In order to conduct this study, 150 policyholders of Coimbatore district have been surveyed for a period of one year from July 2009 to July 2010 and questionnaire method was used for data collection.

III. SOURCES OF DATA

The data for the study has been collected from both primary and secondary sources. The primary data has been collected through a well-drafted interview schedule. The secondary data has been collected from IRDA annual reports, insurance journals, magazines and insurance website.

DATA COLLECTION METHODS

The data collection method used to obtain the desired information from primary sources has been through direct interview, and questionnaire has been used as an instrument.

STATISTICAL TOOLS AND TECHNIQUES

For measuring various phenomena and analyzing the collected data effectively and efficiently to draw sound conclusions, a number of statistical techniques including chi-square, correlation, weighted average score have been used for the testing of hypotheses.

DATA ANALYSIS & INTERPRETATIONS FACTORIAL ANALYSIS AT COIMBATORE

The respondents of different age groups, occupation, income and gender for study have been selected through purposive sampling method in order to achieve the research objectives.

DEMOGRAPHIC PROFILE OF THE RESPONDENTS

Socioeconomic factors such as age, income, occupation and gender are some of the important determinant in the decision of life insurance. The study is conducted with reference to the customers of Coimbatore district, Tamil Nadu. The demographic profile of the respondents is analyzed on the basis of age, monthly income, gender and occupation. The distribution of sample respondents is shown in table no. 1 and it is quite evident from the table that a majority of the respondents (52%) fall in the age band of 30-40 years. Out of 150 sample drawn, 108 (72%) are male and it depicts the domination of male in the life insurance sector. Occupation-wise, around 44% respondents are govt. Employee followed by private/businessman, professionals, agriculture occupied respondents with 18.6%, 14.6% and 22.8% respectively.

**TABLE 1
DEMOGRAPHIC DETAILS OF THE RESPONDENTS
(IN PERCENTAGE)**

Basis	Respondents	Percentage
Age		
20-30	39	25.3
30-40	78	52
40-50	30	20
Above 50	03	2
Total	150	100
Monthly income		

5,000-10,000	18	12
10,000-15,000	29	19.3
15,000-20,000	48	32
20,000-25,000	32	21.3
Above 25,000	23	15.3
Total	150	100
Occupation		
Govt. Class employee	66	44
Businessman/private	28	18.6
Professionals	22	14.6
Agriculture	34	22.8
Total	150	100
Gender		
Male	108	72
Female	42	28
Total	150	100

Source: primary data

Age and customer investment decision in life insurance

H1: age and income has a significant impact on the customer life insurance investment decision.

TABLE 2
CALCULATION OF COEFFICIENT CORRELATION BETWEEN AGE OF RESPONDENTS & LIFE INSURANCE INVESTMENT DECISION

Age	X	Dx= (x-40)	Dx ²	Y	Dy (y-38)	Dy ²	Dxxdy
20-30	25	-15	225	39	1	1	-15
30-40	35	-5	25	78	40	1600	-200
40-50	45	5	25	30	-8	64	-45
Above	55	15	225	03	-35	1225	-525
Total	160/4=40	0	500	150/4=37.5	0	2890	785

Here, the value of correlation (r) Correlation (r) = 785/1202.08=0.65 since the calculated value of r is positive, it is concluded that there is a significant relationship between age and customer insurance investment decision. Hence age affects the customer life policy buying decision.

TABLE 3
CALCULATION OF COEFFICIENT CORRELATION BETWEEN MONTHLY INCOME OF RESPONDENTS & LIFE INSURANCE INVESTMENT DECISION

Monthly income	X	Dx=(Dx2	Y	Dy(y30)	Dy2	Dxxdy
5000-10,000	7500	-100	10000	14	-16	256	-1600
10,000- 15,000	12500	-50	2500	37	07	49	-350
15,000- 20,000	17500	0	0	54	24	576	0
20,000- 25,000	22500	50	2500	29	-1	1 -	50
Above 25,000	27500	100	10000	16	-14	196	-1400
Total	87500/5=17500	0	25,000	150/5=30	0	1078	3400

Here, the value of correlation (r) correlation (r) = $650/3612.4 = 0.65$

Since the calculated value of r is positive, it is concluded that there is a significant relationship between monthly income and customer insurance investment decision. Hence income is one of the important determinants in customer life policy buying decision. H2: occupation and gender are independent of the customer life insurance investment decision.

CHI-SQUARE TEST:

Chi-square test is applied to test the goodness of fit, to verify the distribution of observed data with assumed theoretical distribution. Therefore it is a measure to study the divergence of actual and expected frequencies; Karl Pearson's has developed a method to test the difference between the theoretical (hypothesis) & the observed value. The research has used chi-square test to test the impact of occupation and gender on customer investment decision

TABLE 4
CALCULATION OF ASSOCIATION BETWEEN OCCUPATIONS OF RESPONDENTS AND LIFE INSURANCE INVESTMENT DECISION

Occupation	Investment decision			Total
	High	Medium	Low	
Govt. Service	38	22	6	66
Businessman/private service	18	8	2	28
Professionals	14	6	2	22
Agriculture	21	9	4	34
Total	91	45	14	150

Hi – square test (χ^2) = $(o - e)^2 / e$
 Degrees of freedom = $v = (r - 1) (c - 1)$ were,
 Here χ^2 calculated = $(o - e)^2 / e = 14.09$

At 5% level of significance for 6 df, the calculated value of chi-square is 12.59

Since the chi-square calculated > chi-square tabulated, it is concluded that there is a no significant association between occupation and customer insurance investment decision. Hence occupation does not influence the customer life policy buying decision.

**TABLE 5
CALCULATION OF ASSOCIATION BETWEEN GENDER OF RESPONDENTS AND LIFE INSURANCE INVESTMENT DECISION**

Gender	Investment decision			Total
	High	Medium	Low	
Male	72	28	8	108
Female	26	10	6	42
Total	98	38	14	150

IV.SUGGESTIONS

1. In present competitive world, customer satisfaction has become an important aspect to retain the customers, not only to grow but also to survive. Customer service is the critical success factor and private insurers through their best services would be able to reposition and differentiate itself from lic.
2. Private insurers should emphasis more on advertising and building brand awareness through different modes of communication. This will help in spreading insurance awareness among the common man.
3. To achieve greater insurance penetration, the healthier competition has to be intensified by both the sectors and they should come up with new innovative products to offer greater variety or choice to the customers and also make improvement in the quality of services and sell products through appropriate distribution channel to win-win situation for both the parties.
4. Insurance companies should devise policies which provide effective risk coverage rather than focusing on the tax benefits and also encourages them for long term investment in insurance.
5. Life insurance companies should come up with innovative tailor-made products with high risk cover, more return and low insurance premium to attract more number of customers.

V.CONCLUSION

Life insurance is an important form of insurance and essential for every individual. Life insurance penetration in India is very low as compare to developed nation where almost all the lives are covered and stage of saturation has been reached. Customers are the real pillar of the success of life insurance business and thus its important for insurers to keep their policyholders satisfied and retained as long as possible and also get new business out of it by offering need



International Research Journal in Global Engineering and Sciences. (IRJGES)

ISSN : 2456-172X | Vol. 3, No. 4, December - February, 2019

Pages 125-132 | Cosmos Impact Factor (Germany): 5.195

Received: 11.01.2018 Published : 28.02.2019

based innovative products. There are many factors which affect customers' investment decision in life insurance and from the study it has been concluded that demographic factors of the people play a major and pivotal role in deciding the purchase of life insurance policies.

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