

A Study on Perception of Investors towards Investment on Life Insurance Policies

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Abstract

Life insurance is an instrument which provides security and financial protection to one self as well as the family. It helps the family in the time of uncertainty and also helps in reducing damages. We can rightly say that life insurance also helps in generating the habit of savings among the people. In India there is LIC of India in the public sector and many other companies in the private sector. These companies play a very important role in creating awareness about the risks associated with uncertain death or accidents and thus contributing to welfare of the society. The present study is done with the objective of identifying those factors which influence the customers to buy the insurance policies and also to check their perceptions towards making investment decisions in life insurance. The area for the above study is Thane district. Demographic factors as well as perceptions of investors towards service attributes are analysed. The reasons as to why investors do not prefer life insurance were also enquired.

Keywords: Perceptions, Investors, Life insurance, Demographic factors, service attributes

Paper Type: Primary Research

Introduction

There is no one who can estimate the value of your own life. India is seen as a land of opportunities. It is rapidly developing. More and more companies are setting up. Earlier there was only one option i.e. LIC of India. Since 1999, the business of life insurance has been privatised. The monopoly of LIC of India came to an end, bringing dynamic changes in the insurance industry where foreign players entered into joint ventures with Indian private companies.

Customers started being the main pillar of life insurance business. New policies were framed considering the customer needs and expectations. There were a lot of changes in the industry as all the companies were striving to attract and retain the customers. All the companies wanted to earn good profits and survive long term in the insurance industry.

When compared with developed foreign nations, the Indian insurance industry has achieved very little. There are a many factors for the above, like lack of awareness, lower incomes, improper and delayed services by the insurance companies, products not matching the needs of the investors, etc.

Now-a-days, therefore it has become important that emphasis must be given more on spreading awareness, developing need based products, providing better services and charging a reasonable premium. This is necessary so that all the investors can make correct decisions and avail the benefits of life insurance and protect their lives against any arising uncertainties in future. The life insurance companies have now understood this and are spoiling the customers with a range of choices in new age products and high service levels. This is further enabling the conversion of life insurance industry from a seller's market into a buyer's market.

Literature Review

- Through their research they determined that the socio-demographic and economic factors have played a significant role in influencing demand for life insurance products in Malaysia. A hurdle count-data model was used to study the demand and quantum of life insurance policies. This provides for a great insight for marketers to create and target innovative products suiting the preferences of various cultural groups. (Loke and Goh, 2012, p. 415-420)
- They established that the insurance industry contributes significantly to the financial performance of the economy and also provides an important social security net in developing countries. In this regard, the growth of the insurance sector in India has been phenomenal. Additionally, the insurance industry has undergone a massive change over the last few years and the metamorphosis has been noteworthy. (Srivastava et al., 2012, p. 93-98.)
- They expressed that the Indian Insurance Industry is as old as it is in any other part of the world. At the time of the study, she found that there were number of foreign and Indian insurers operating in the Indian market. Regulations were passed to regulate the Indian insurers but not the foreign companies providing insurance services in India. And hence the need to have rules and regulations to be put in place in order to create a positive eco-system and spur accelerated growth of the industry. (Karthiga and Vadivalagan, 2012, p. 75-81)
- He, in his research, developed a utility maximising model for a married couple, who could choose the amount of life insurance it wanted for each earning member. The study focussed on the buying behaviour of the couple and relevant to the current context. In the end, the researcher managed to establish a conclusion that increased family earnings can have a direct impact on the increase in demand for insurance on the husband's (not the wife's) life. (Fitzgerald, 2004, p. 86-99)
- A study about women's general attitude towards life insurance policies is that, these days, insurance players go out of their way to woo women customers, perhaps because they are now finding them receptive to the idea of taking out policies in their names. Earlier, a husband's life was considered more precious than the wife's. These days, if it's a working woman, her contribution to the family is also measured in terms of her earning capability and the changed perception is that her life security is as important as that of the husband's. This research studied a sample of women who still felt that their lives were not as valuable as their husbands'. They perceived insurance as a tool for risk coverage and not a tax-saving device. (Saibaba et al, 2002, p. 10-12)

- He concludes that “the insurance industry is fast growing and becoming a customer-driven and customer-centric.” He further reasons that the industry has better chances of flourishing only when the insurance products are thoughtfully designed to answer specific needs of different consumer sets. (Balachandran, 2001)
- He concludes in his thesis that product innovation must be the main driving force of the insurance industry. However this innovativeness must also be practical. Changes in existing products can't be done only for the sake of innovation. They have to make sense to the consumer and serve their real interests. “....economic justification of that innovativeness also (must) be analysed,” (Wadikar Ashok Laxaman, 2001)

Need of the Study

The insurance industry has created great opportunities for the life insurance companies. It is rapidly growing and is constantly upgrading itself to provide better services to the customers. Indian population is ever rising as well as the demographics of the Indian population are changing. The study is intended to find out the factors affecting the investment decisions of the customers on the basis of demographic and service oriented factors.

Objectives of the Study

1. To find out the level of awareness regarding life insurance among the investors.
2. To analyse the various demographic factors that influence the customers' investment decision.
3. To evaluate the preferences of investors on the basis of services provided by the life insurance companies.

Hypothesis

1. There is strong awareness among the people regarding the life insurance products available in the market.
2. There is a significant relationship between demographic factors and customers' investment decision.
3. There is a significant relationship between services provided by the life insurance companies and the preferences of customers' investment decision.

Types of Data Collection

1. Primary Data is collected from investors belonging to the area of Thane through questionnaire and personal interview.
2. Secondary Data is collected from sources like reference books, journals, magazines, publications, websites, published and unpublished research reports, etc.

Description of Sampling Size

To make this study more concrete and authentic 100 samples comprising of investors between the age group of 18-50 years in the area of Thane were included.

Findings

Data was collected from investors in the area of Thane. The data was collected through a questionnaire having service and demographic factors related questions. Based on the data collected the following are the findings:

Chart 1

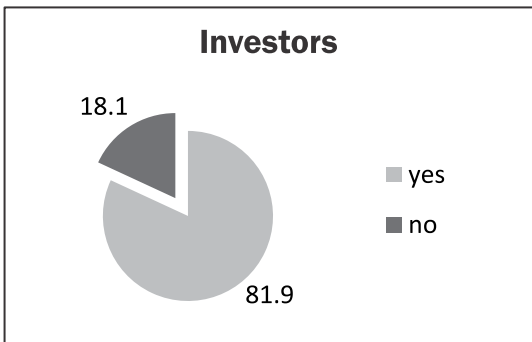


Chart 2

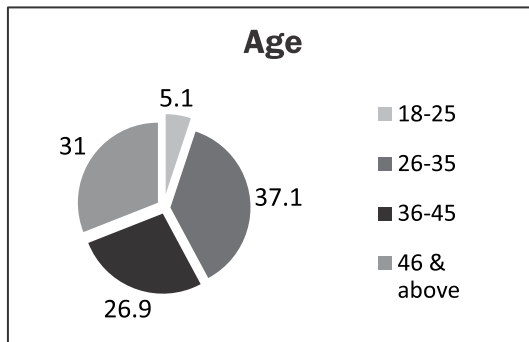


Chart 3

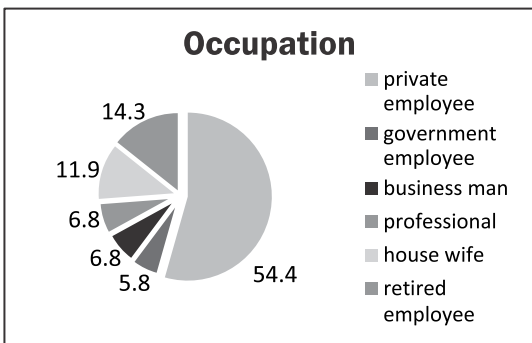
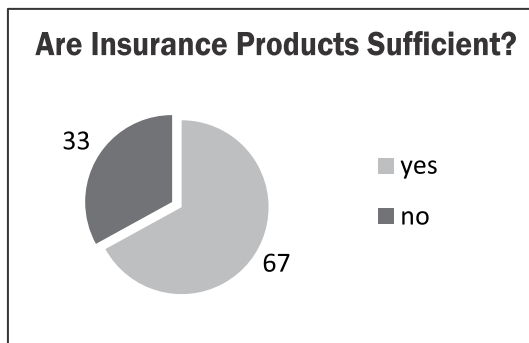


Chart 4



Source: Compiled by Researcher

1. There is strong awareness among the people regarding the life insurance products available in the market.

- 81.90% of the investors believe that investment in life insurance is a good option and helps to safeguard against uncertainties. 18.10% believe that life insurance cannot be termed as investment. (Chart 1)
- Most of the investors have low awareness about the various insurance schemes in the market. Their main source of information is through the agents followed by friends' recommendations.
- The investors are not fully aware about the distribution channels, mode of premium payments, etc.

From the above observations it is clear that investors are aware about the life insurance companies but not about all the life insurance products available. Therefore there is no strong awareness among the people regarding the life insurance products available in the market.

2. There is a significant relationship between demographic factors and customers' investment decision.

- Most of the investors investing in life insurance i.e. 37.1% belong to the age group of 36-45 years. It shows that they believe that insurance will provide them security at a later age. (Chart 2)

- Male and females have equal perceptions towards life insurance. But it is mostly the married investors who invest in life insurance considering the security of their family. Being from a joint family or nuclear family doesn't make any difference in investment decision.
- Occupational status of the investor also affects the decision of the investor. It can be rightly observed from the chart that private employees are the major investors in life insurance. The reason behind it being lack of job security. (Chart 3)
- Also it has been found that the maximum investors in life insurance are with an annual income of 2-5 lakhs followed by below 2 lakhs. This clearly indicates that people with less security prefer investing in life insurance.

From the above observations it is very clear that there is a strong relationship between the investment decision and demographic factors like age, marital status, occupational status and income of the investors. But on the other hand, factors like gender and type of family do not have much impact on decision making.

3. There is a significant relationship between services provided by the life insurance companies and the preferences of customers' investment decision.
- 76.2% of the people have faith and trust in LIC of India and only 23.8% of the investors invest with private insurance companies. This proves that although the LIC of India has lost its monopoly, it still enjoys a better trust status as a service provider amongst all the insurance companies in the insurance industry.
 - Almost 68% believe that product flexibility is important. They should be able to change their policy terms and conditions as per changing situations.
 - 70% believe that they will trust only those agents who assure them of good consideration and maintain confidentiality.
 - More than 50% of the investors expect that customers' involvement during policy designing is necessary.
 - 88 out of 100 investors believe that tax benefit feature is important and that they have invested in life insurance mainly with the motive of availing tax benefit.
 - 48% of investors agree that use of latest technology directly relates to good quality of services. They believe that the reputation of the company is dependent on the type of updated services it provides.
 - 60 out of 100 investors strongly agree that right service in first instance directly correlates with quality performance where as 40 disagree and 20 have neutral expectations regarding services provided first time.
 - 62 out of 100 investors strongly agree that dependable and reliable staff, trustworthy and honest employees are a must to believe in the services of the company. Whereas 20 disagree and 18 have neutral expectations. The investors also agree that staff knowledge and competence is of great regard when it comes to assuring customers of the quality services and reputation.
 - 66% of investors strongly agree that uniqueness in services and schemes is an important factor attracting the investors to invest in a particular company. They also believe that personal attention to customers is important and that the customers must be identified individually. All data regarding the investors must be readily available, whenever required.

- 72% investors strongly agree that being informed about services and prices charged forms an important part of company reliability.
- 67% of the investors believe that the insurance products currently available in the market are covering most of the needs and expectations of the investors. Whereas, 33% of them believe that insurance industry can still bring more innovative and need based products. (Chart 4)

From the above findings it can be rightly concluded that there is a strong relationship between services provided by the life insurance companies and the investors' investment decision. The investors are directly relating the service attributes to the growth, performance and quality of products of the insurance company.

Suggestions & Recommendations

1. In today's competitive market, customer satisfaction has become an important aspect. To attract and retain the customers and along with that to continuously fight to survive in the market is very important.
2. Insurance companies should emphasize more on creating awareness as most of the investors are still unaware of the various schemes. A memorable advertisement may help in attracting and informing customers.
3. To survive in the market, insurance companies should come up with new innovative schemes to offer greater variety or choices to the customers and also make improvement in the quality of services. This should be done as investors are not just investing for saving taxes but preferring plans as per their expectations, need and suitability.
4. Also as per the findings, customers need personal attention. Therefore the insurance companies must make use of latest technology and stay in contact with the investors.
5. The companies must provide effective training to the agents as they are one of the most important criteria through which the investors are making their investment decision. Therefore the staff must be knowledgeable and dependable.

Conclusion

Eventually, it can be concluded that although LIC still holds the lion's share of the market, it no longer is the only option that investors are considering. Product differentiation is at its peak in the life insurance sector, with private players providing additional sops, such as allowing maximum grace period for payment of premium, prompt service and doing away with delays in giving payment receipts, and sending quick reminders and alerts to customers on delayed premiums. The demographics of the nation are also changing rapidly with financial literacy, better incomes and change in spending patterns are all the factors that need to be considered. For service quality modelling, a set of dimensions is required, but there seems to be no universal dimension in life insurance sector to fulfil this need; as this factor needs to be modified as per the service in consideration. Thus, the dimensions issue of service quality requires re-examination in context of life insurance services.

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