

Factors Influencing Customer Preference Towards Investment in Life Insurance Policies

Nivedha V

Research Scholar, Department of Commerce, Vels Institute of Science Technology and Advanced Studies (VISTAS), 0225nive@gmail.com

Dr. S. Vennila Fathima Rani

Associate professor of commerce. Vels Institute of Science Technology and Advanced Studies (VISTAS), Pallavaram, Chennai, Vennilafathimarani@gmail.com

Abstract

Insurance companies play an important role in the welfare of human well-being by providing protection to millions of people against life risks such as uncertain death or accident. Even the life insurance is fastest growing service sector in India after privatisation and increase in FDI. Thus it has become essential to study the buying pattern of the life insurance policies. The current study examines the various factors that affect the consumer perception towards life insurance policy. Data was collected with the help of structured questionnaire. The sample constituted of 100 respondents from Chennai District. The statistical technique used for the analysis is descriptive and factor analysis. The main finding of the study reflected that there are six factors i.e. customised and timely services, better company reputation, effective service quality, customer convenience, tangible benefits and healthy customer client relationship that influence the consumer perception towards life insurance policy.

Keywords: *Customers, Life insurance policies, Investment, Demographic factor.*

INTRODUCTION

Life insurance is necessary for everyone to overcome the risk of life. Until 1999, the business of life insurance in India was the monopoly under the life insurance corporation (LIC) of India. Due to increase in Privatization there was a dynamic change in the insurance industry and came up with many private insurance company and foreign players. Customers are the main pillar of life insurance business. Every company tries to attract and retain existing customers to maintain the profitability. By properly understanding customers' needs and expectations helps insurance companies to come up with innovative 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 competition, it becomes essential for life insurers to provide better customer services, spread 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.

Insurance sector is one of the major players in financial system. Insurance sector in India is growing at a very fast. As a result of liberalization of Indian economy, new private sector insurance companies had come into existence which competed with both foreign

insurance companies and Indian companies for market share. Insurance companies are competing not only with themselves but also with other financial institutions within the financial industry. With the entry of private sector insurance companies the number of insurance companies in all over the country has gone up. High level of competition is the most important factor in influencing the structure and activities of the insurance system around the globe. More and more insurance facilities are made available in every part of the country even to small cities, towns and rural areas. With the growing awareness among the people about the insurance, various services provided by the companies and availability of insurance facilities across the globe, the insurance sector is emerging very rapidly and there is a need to identify the main factors that affect customer's choice for insurance.

LITERATURE REVIEW

Kavitha M (2020) examined factors affecting customer's investment towards life insurance policies. The main objective of the study was to protect individuals and also to encourage savings among people. Demographic factors and premium amount of the insurance play a major role in deciding the purchase of the life insurance policies. The paper suggests that spread of more awareness about life insurance is needed.

V Balaji and K Anbazhagan (2019) examined factors influencing investor's behaviour towards life insurance policies the objective of the paper is to identify professionals preference and savings. The review reveals that most of the professionals have high level of awareness level of insurance policy and they are satisfied.

Babitayadav (July 2012) intend to study factors affecting customers investment towards

life insurance policies. The main objective to identify and analyse the preferences of the customer investment decision making. The findings indicated that private insurance companies gaining more importance to insurance policies, brand name, people trust and better service.

Jothi (2012) this research aims to determine consumer's attitude towards buying life insurance products. The main variable such as knowledge and information about insurance plays a vital role. The result shows that the purchase decision making is heavily dependent upon the demographic factors.

OBJECTIVES

1. To study the demographic profile of the respondents
2. To study the types of insurance policies available in present scenario.
3. To study the relationship between the demographic profile and their preference towards insurance.

RESEARCH METHODOLOGY

The present study is descriptive and exploratory in nature. This study emphasis on the factors influencing customer's life insurance investment decision and their preferences at the time of policy buying decision. In order to conduct this study, 112 policyholders of Chennai city have been surveyed for a period of one month from December 2022 to January 2023 and questionnaire method was used for data collection through a well-drafted interview schedule. Secondary data being collected from Insurance journals, magazines and insurance website.

TABLE 1: Demographic Details of The Respondents (In Percentage).

Basis	Respondents	Percentage
Age		
Below 30	76	67
31-50	31	27
Above 50	5	6
Total	112	100
Gender		
Male	61	54
Female	50	45
Transgender	1	1
Total	112	100
Education Qualification		
Below Graduation	12	11
Graduation	79	71
Post-Graduation	19	17
Not Specified	2	1
Total	112	100
Employment details		
Self employed	17	15
Professional	18	16
Private organization	65	58
Government sector	8	7
Other	4	4
Total	112	100
Marital Status		
Married	61	54
Unmarried	50	45
Divorced	0	0
Widow/Widower	1	1
Total	112	100
Income Per Month		
Less than Rs 15,000	4	3.57
Rs15,000 toRs30,000	69	61.6
Rs30,000 toRs45,000	32	28.58
Above 50,000	7	6.25
Total	112	100
Type of family Structure		
Joint	21	18.75
Nuclear	91	81.25
Total	112	100

Number of dependents		
Nil	22	19.65
2 to 4	84	75
More than 4	6	5.35
Total	112	100

The above table no 1 shows the respondents profile. The table consists of insurance policy holder. The sample size is 112 nos. The demographic details of the respondents such age, sex, education, Occupation etc. The demographic profile of the respondents is quite evident from the table that majority of the respondents (67%) fall under the age group of below 30. Out of 112 samples drawn (54%) are male and it depicts the domination of male in the life insurance sector. Education qualification wise (71%) of the respondents fall

under the Graduation category. The next demographic factor Employment wise (58%) of the respondents are Private sector organization employees and (61.6%) of the respondents fall under the income group of Rs 15000 to Rs 30000 per month category. Followed by Martial status wise (54%) of the respondents are married, (81.25%) of the respondents are in the Nuclear family structure and (75%) of the respondents have 2 to 4 number of dependents respectively.

Table No 2: Types of Insurance policy preference of the policy holders.

Basis	Respondents	Percentage
Interest having the Insurance policy		
Very much	74	66.08
Not much	17	15.17
Moderate Interest	21	18.75
Total	112	100
Do you Have an Insurance Policy		
Yes	96	85.71
No	16	14.29
Total	112	100
No of Insurance Policy Taken		
0	18	16.07
1	74	66.07
2	17	15.18
more than 2	3	2.68
Total	112	100
Able to pay Insurance policy smoothly		
Yes	87	77.67
No	7	6.25
May be	18	16.08
Total	112	100
Type of Insurance policy preferred		
Endowment	38	33.92

Term plan	19	16.96
Money back	47	41.96
Others specify	8	7.16
Total	112	100
Rank the reason to invest in insurance policy		
To protect from loss/risk	26	23.21
Tax benefits	48	42.85
Risk coverage	12	10.75
cover big expenses	4	3.51
Security with high returns	22	19.68
Total	112	100
Mode of Insurance premium payment		
Online payment	61	54.46
Direct deduction from salary	43	38.39
Direct payment	6	5.36
DD or Cheque	2	1.79
Total	112	100

Interpretation: it is revealed from the table no. 2, preference of policy holder and interest towards insurance policy. The response for the interest having the insurance policy (66.07%) of the respondents have very much interest towards having insurance policy. then details regarding insurance policy and how many policy they hold were asked (85.71%) of the respondents have and insurance policy and (66.07%) of the respondents have One insurance policy holder and (77.67%) of the

respondents are able to pay there premium smoothly with their monthly income, (41.96%) of the respondents are preferred in Money back Insurance policy and the important reason for investing in insurance policy was asked about (42.85%) of the respondents invest in insurance policy to overcome Tax benefits and (54.46%) of the respondents have chosen online payment method for paying the insurance policy premium since it is flexible to pay.

Table no 3 THE MOST ATTRACTIVE FEATURES OF POLICY PEOPLE WOULD LOOK IN INSURANCE COMPANY

SL.NO	STATEMENT	STRONGLY AGREE	AGREE	NEUTRAL	DISAGREE	STRONGLY DISAGREE	TOTAL
1	Trust worthiness	55%	20%	15%	8%	2%	100
2	Better schemes offered	33%	45%	12%	7%	3%	100
3	Good service and response	35%	28%	19%	14%	4%	100
4	Money back guarantee	60%	25%	10%	3%	2%	100

5	Low premium cost	19%	30%	22%	14%	15%	100
6	Risk coverage	25%	33%	27%	11%	4%	100
7	Reputation of the company	68%	23%	8%	–	–	100
8	Easy access of agent	28%	24%	19%	15%	14%	100

A research was conducted to know what is the most attractive features of policy which people would look in insurance company the factor trust worthiness where (55%) of the respondents were strong agreed,(20%) of the respondents agreed for the statement ,(15%) of the respondents were neutral remaining (8%) respondents disagreed and (2%) respondents strongly disagreed for statement.

In the statement Better schemes offered where (45%) of the respondents were agreed,(33%) of the respondents strongly agreed for the statement ,(12%) of the respondents were neutral remaining (7%) respondents disagreed and (3%) respondents strongly disagreed for statement.

In the statement Good service and response where (35%) of the respondents were strongly agreed,(28%) of the respondents agreed for the statement ,(19%) of the respondents were neutral remaining (14%) respondents disagreed and (4%) respondents strongly disagreed for statement.

In the statement Money back guarantee where (60%) of the respondents were strongly agreed,(25%) of the respondents agreed for the statement ,(10%) of the respondents were neutral remaining (3%) respondents disagreed and (2%) respondents strongly disagreed for statement.

In the statement low premium cost where (30%) of the respondents were agreed,(22%) of the respondents were neutral for the statement ,(19%) of the respondents strongly agreed for

the statement (15%) respondents strongly disagreed and (14%) respondents disagreed for statement.

In the statement risk coverage where (33%) of the respondents were agreed,(27%) of the respondents are neutral for the statement ,(25%) of the respondents were strongly agreed remaining (11%) respondents disagreed and (4%) respondents strongly disagreed for statement.

In the statement Reputation of the company where (68%) of the respondents were strongly agreed,(23%) of the respondents agreed for the statement ,(8%) of the respondents were neutral for statement.

In the statement Easy of access to agent where (28%) of the respondents were strongly agreed,(24%) of the respondents agreed for the statement ,(19%) of the respondents were neutral remaining (15%) respondents disagreed and (14%) respondents strongly disagreed for statement.

It is evident from the Table no 3 . A majority (68%) of the respondents believes that company reputation is the most influencing factor in policy buying decision, followed by the (60%) of respondents influenced with money back guarantee, (55%) of respondent have are influenced by trust worthiness of the company followed by (35%) of the respondents are attracted towards Good service and response then (33%) of the people are influenced by better schemes offered by the company and the remaining respondents (28%)

for Easy of access to agent ,(25%) respondents are for risk coverage and (19%) are for the low premium cost . Hence it can be inferred that reputation of the company is very important factor, which majority of customers looks before buying policy from an insurance company.

FINDINGS

1. The consumer decision to purchase insurance product are mainly affected by several factors like age, gender and income level. From the analysis, it is inferred that respondents belonging to the age group below 30 years (which contribute 67% to the total respondents) found to be more interested in buying a life insurance policy as compare to other age group.

2. The features of policy that attracted policyholders can be ranked as follows: Reputation of the company, money back guarantee, trust worthiness of the company, good service and response, better schemes offered, easy access to agents , risk coverage, and low premium as 1st , 2nd , 3rd , 4th, 5th, 6th, 7th and 8th respectively. Thus it can be inferred that goodwill of the company is the most influencing factor while policy buying decision.

3. It is found from the analysis that out of 112 respondents, majority (41.96%) respondents preferred money-back policy. This is followed by endowment plans (33.92%) and term plan is preferred by (16.96%). Only 7.16% of the respondents have shown interest towards term plan. Hence it is proved in present days people are more interested towards policy which gives higher return along with risk coverage.

4. Towards mode of Insurance premium payments a large no. Of the respondents (54.46%) said they pay there premium amount thought online payment. Followed by (38.39%) respondent have chosen direct detection from salary method. Remaining (5.36%) of

respondents pay using direct payment and (1.79%) of the respondents pay in DD or cheque mode of payment.

SUGGESTIONS

1. In the present competitive world, customer satisfaction is more important to retain the customer, and main factor to influence the customer is the demographic factors.

2. Insurance companies should come up with more no of insurance policies which covers the risk coverage rather than focusing on tax benefits.

3. Life insurance companies should come up with innovative policies which cover high risk, more return and low premium cost.

CONCLUSION

Life insurance is an important form of insurance and it is essential in every individual. Life insurance in India is very low as compare to other developed country. Customers are the real pillar of the success of life insurance business since they are the policy holders and to make them satisfy also to retain them in the insurance company by offering them a innovative products. There are many products which affect the customer and study has concluded that demographic factors of the people play a very major role in deciding the purchase of life insurance policies.

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