

## A STUDY ON IMPACT OF DEMOGRAPHIC FACTORS ON LIFE INSURANCE DEMAND WITH REFERENCE TO MADURAI DISTRICT

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### Abstract

*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. Since the penetration of private companies and policies is low among the consumer, it is necessary to create awareness about life insurance policies and to know the satisfaction level among consumer. Hence the present studies entitled awareness about it among the consumer.*

**Keywords:** *Life Insurance, Customer awareness, Demand and supply*

### 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). 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.

### Meaning of Life Insurance

In 1818 the British established the first insurance company in India in Calcutta, the Oriental Life Insurance Company. First attempts at regulation of the industry were made with the introduction of the Indian Life Assurance Companies Act in 1912. A number of amendments to this Act were made until the Insurance Act was drawn up in 1938. Noteworthy features in the Act were the power given to the Government to collect statistical information about the insured and the high level of protection the Act gave to the public through regulation and control. When the Act was changed in 1950, this meant far reaching changes in the industry. The extra requirements included a statutory requirement of a certain level of equity capital, a ceiling on share holdings in such companies to prevent dominant control (to protect the public from any adversarial policies from one single party), stricter control on investments and, generally, much tighter control. In 1956, the market contained 154 Indian and 16 foreign life insurance companies. Business was heavily concentrated in urban areas and targeted the higher echelons of

society. “Unethical practices adopted by some of the players against the interests of the consumers” then led the Indian government to nationalize the industry. In September 1956, nationalization was completed, merging all these companies into the so-called Life Insurance Corporation (LIC). It was felt that “nationalization has lent the industry fairness, solidity, growth and reach.”

### **Insurance Mechanism**

The mechanism of insurance is very simple. People who are exposed to the same risks come together and agree that, if any one of them suffers loss, the others will share the loss and make good to the person who lost. All people who send goods by ship are exposed to same risks, which are related to water damage, ship sinking, piracy, etc. Those owning factories are not exposed to these risks, but they are exposed to different kinds of risks like, firer, hailstorms, earthquakes, lightning, burglary, etc. Like this, different kinds of risks can be identified and separate groups made, including those exposed to such risks. By this method, the heavy loss that any one of them may suffer is divided into bearable small losses by all. In other words, the risk is spread among the community and the likely big impact on one is reduced smaller manageable impacts on all.

### **Review of Literature**

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.

Mantise and Farmer (1968) showed that marriages, births, personal income, population size, relativeprice index, and employment could affect the insurance purchase, many studies have been conducted to estimate the demand for insurance or to test risk-aversion.

Anderson and Nevin (1975) in the study looked at the life insurance purchasing behaviour of young newly married couples. The study suggested that the wife and the insurance agent are playing an influential role in the type of insurance purchased by young married households.

Campbell (1980) found that not only does a portion of currently accumulated household wealth act as a substitute for insurance; there is also a portion of future human capital that households should self-insure.

### **Research Methodology**

#### **Statement of the Problem**

Insurance sector is a booming sector and the penetration in India is quiet low. So, all the private players are trying to increase the market share in the public. This study also involves creating awareness among the urban and rural consumer about the insurance sector and also the various policies involving various premium rates. Since the penetration of private companies and policies is low among the consumer, it is necessary to create awareness about life insurance policies and to know the satisfaction level among consumer. Hence the present studies entitled awareness about it among the consumer.

#### **Objectives of the Study**

- To understand the concept of life insurance and its role in investment decision.
- To study and evaluate the impact of demographic factors on life insurance product preference.
- To identify the factors influencing life insurance product preference.
- To explore the relationship between personal need of the respondent and life insurance product preference.
- To offer suggestions for popularizing life insurance among the public at large.

### **Methodology**

#### **(a) Research Design**

The research is primarily both exploratory as well as descriptive in nature. The sources of information are both primary & secondary. A well-structured questionnaire was prepared and personal interviews were conducted to collect the customer's perception and buying behavior, through this questionnaire.

#### **(b) Sampling Methodology**

**Sampling Technique:** Initially, a rough draft was prepared keeping in mind the objective of the research. A pilot study was done in order to know the accuracy of the Questionnaire. The final Questionnaire was arrived only after certain important changes were done. Respondents have been selected through Convenient Sampling method and the data is collected from three hundred and twenty respondents in Madurai City only.

### **Analysis and Interpretation**

#### **Demographic Details of the Respondent**

The below table shows the respondents profile. The table consists of insurance policy holder and potential insurance policy holder. The sample size is 120 nos. The demographic details of the respondents such age, sex, education , Occupation etc.,

Table Demographic Details of the Respondents

| Details        |                     | Response |
|----------------|---------------------|----------|
| Gender         | Male                | 78       |
|                | Female              | 42       |
| Age Group      | Below 30            | 38       |
|                | 31-40               | 29       |
|                | 41-50               | 25       |
|                | 51-60               | 19       |
|                | above 60            | 9        |
| Marital Status | Married             | 93       |
|                | Unmarried           | 27       |
| Education      | SSLC/HSC            | 25       |
|                | UG                  | 38       |
|                | PG                  | 21       |
|                | Diploma             | 15       |
|                | Professional degree | 13       |
|                | Others              | 8        |
| Occupation     | Student             | 23       |
|                | Employed            | 61       |
|                | Self-Employed       | 21       |
|                | Professional        | 10       |
|                | Others              | 5        |
| Annual Income  | Below 1 Lakh        | 42       |
|                | 1 Lakh - 3 Lakh     | 49       |
|                | 3 Lakh - 5 Lakh     | 21       |
|                | Above 5 Lakh        | 8        |

Source: Primary data

#### Expectation from Investment Alternative from Investor's Opinion

The respondents are requested to express their opinion regarding expectation from the investment. The expectation is the main feature the respondent preferred from investment alternative.

Hypothesis (Ho): There is no significant relationship between Income of the respondents and expectation from investment alternative.

### Relationship between Income and Expectation from the Investment ANOVA

|                 |                | Sum of Squares | Df  | Mean Square | F       | Sig. |
|-----------------|----------------|----------------|-----|-------------|---------|------|
| safety          | Between Groups | 125.307        | 3   | 41.769      | 114.927 | .000 |
|                 | Within Groups  | 42.159         | 116 | .363        |         |      |
|                 | Total          | 167.467        | 119 |             |         |      |
| capital growth  | Between Groups | 112.272        | 3   | 37.424      | 63.173  | .000 |
|                 | Within Groups  | 68.719         | 116 | .592        |         |      |
|                 | Total          | 180.992        | 119 |             |         |      |
| liquidity       | Between Groups | 144.700        | 3   | 48.233      | 50.760  | .000 |
|                 | Within Groups  | 110.225        | 116 | .950        |         |      |
|                 | Total          | 254.925        | 119 |             |         |      |
| Return          | Between Groups | 121.771        | 3   | 40.590      | 47.970  | .000 |
|                 | Within Groups  | 98.154         | 116 | .846        |         |      |
|                 | Total          | 219.925        | 119 |             |         |      |
| tax benefit     | Between Groups | 147.250        | 3   | 49.083      | 46.246  | .000 |
|                 | Within Groups  | 123.117        | 116 | 1.061       |         |      |
|                 | Total          | 270.367        | 119 |             |         |      |
| company profile | Between Groups | 112.868        | 3   | 37.623      | 106.450 | .000 |
|                 | Within Groups  | 40.998         | 116 | .353        |         |      |
|                 | Total          | 153.867        | 119 |             |         |      |

The above table shows the income of the respondent and expectation from the investment alternative. The significance level in all categories is less than 5%. This led the hypothesis is rejected. The result is of the study shows there is a significant relationship between income of the respondents and expectation from the investment. The income plays a vital role in expectation from the investment alternative.

### Relationship between Age group and periodicity of Insurance

To verify the relationship between age group of the respondents and periodicity of insurance. The researcher applied chi-square test to verify the relationship between two variables. The chi-square is a useful tool to verify the relationship between age group of the respondents and periodicity of insurance.

**Hypothesis (Ho):** There is no significant relationship between age group of the respondents and periodicity of Insurance.

### Periodicity of Policy and Age Group Cross Tabulation

| Periodicity of policy and Age group cross tabulation |             |           |           |           |           |          |            |
|--|-------------|-----------|-----------|-----------|-----------|----------|------------|
|  |             | Age Group |           |           |           |          | Total      |
|  |             | Below30   | 31-40     | 41-50     | 51-60     | above 50 |            |
| periodicity of policy                                | 5 Years     | 18        | 10        | 0         | 1         | 9        | 38         |
|  | 5-15 yrs    | 10        | 19        | 10        | 10        | 0        | 49         |
|  | 15-25 yrs   | 10        | 0         | 7         | 8         | 0        | 25         |
|  | above 25yrs | 0         | 0         | 8         | 0         | 0        | 8          |
| <b>Total</b>   |             | <b>38</b> | <b>29</b> | <b>25</b> | <b>19</b> | <b>9</b> | <b>120</b> |

| Chi-Square Tests             |                     |    |                       |
|------------------------------|---------------------|----|-----------------------|
|                              | Value               | df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square           | 82.625 <sup>a</sup> | 12 | .000                  |
| Likelihood Ratio             | 92.321              | 12 | .000                  |
| Linear-by-Linear Association | 1.771               | 1  | .183                  |
| N of Valid Cases             | 120                 |    |                       |

a. 9 cells (45.0%) have expected count less than 5. The minimum expected count is .60.

The above table shows the relationship between age group of the respondents and period of Insurance policy. The significance level in all categories is less than 5%. This led the hypothesis is rejected. The result of the study shows there is a significant relationship between age group of the respondents and period of Insurance policy. The age group plays a vital role in period of insurance policy preference.

### Findings, Suggestions and Conclusion

#### Findings

- The demographic and insurance awareness details are collected from 120 respondents in Madurai region. The demographic and insurance awareness details are categorized for analysis and calculation purpose.
- The relationship between expectation of the investor from investment and annual income of the respondent is compared with the help of Anova statistical technique. It reveals that a significant relationship between annual income and expectation from investment.
- The period of Insurance policy and age of the respondents is compared with the help of chi-square statistical tool. It reveals that there is a significant relationship between age and period of insurance policy.

#### Suggestions

- 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.
- 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.

#### Conclusion

Life insurance is an important form of insurance and essential for every individual. Customers are the real pillar of the success of life insurance business and thus it's 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 based innovative products. There are many factors which affect customer 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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