

Attitudes of Rural Customers about the Need for Life Insurance Protection – A Study in Udupi District

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***Udaya Shetty K**

Department of Commerce

Government First Grade College, Thenkanidiyur, Udupi District, India

**For correspondence (e-mail: udayasoorya@rediffmail.com)*

Abstract

Insurance, in its many forms, touches the life of virtually every person in this country. Any society could not function effectively, efficiently or safely as it does were insurance-free. If there was no insurance, there would be so much uncertainty and exposure to loss that no business would be able to function and exist. Business would have an extremely difficult time obtaining any type of financing because few lenders would risk their capital without having a guarantee of safety for their investments.

Insurance's value to society is enormous and irreplaceable. Insurance protects hard-earned, accumulated assets while minimizing financial risk. Insurance does this by reimbursing people and business for covered losses, encouraging accident prevention and safety-oriented practices, providing funds for investment, enabling people to borrow money, and reducing anxiety. Even though insurance does do all these things, many people do not fully understand how insurance works or the value and security it brings to them. A strong insurance sector is of vital importance to every modern economy. It encourages the savings habit, provides safety to rural and urban enterprise and productive individuals. It generates long term investible funds for infrastructure building.

India as a country is under-insured in the urban as well as the rural areas. Only 35 percent of the 250 million insurable population is insured. There exists a vast potential in the rural areas where more than 70% of our population lives. But it is common perception and belief amongst the insurance companies that it is expensive to do business in rural areas.

The present Study on attitudes of rural customers throws lights on all vital issues of rural insurance, and covers opinion of insurance customers, insurance agents and business development executives selling life insurance policies. The study attempts to understand level of awareness of rural customers in order to suggest strategies for tapping untapped market. The study aimed at a thorough investigation into various issues which are the challenges in promotion of life insurance business in rural areas.

Keywords: Rural Insurance, Marketing challenges, Customer awareness, Customer satisfaction

Introduction

The rural population in India accounts for around 627 million which is exactly 74.3 percent of the total population. The rural market in India economy generates almost more than half of the country income. The rural market in India is vast and scattered and offers a plethora of opportunities in comparison to the urban sector. It covers the maximum population and regions and hereby, the maximum number of consumers. The social status of the rural regions is precarious as the income level and literacy is extremely low along with the range of traditional values and superstitious beliefs that have always been a major impediment in the progression of this sector.

In life insurance business, India ranked 9th among the 156 countries, for which data are published by SwissRe. During 2015-16, the estimated life insurance premium in India grew by 4.2 per cent (inflation adjusted). However, during the same period, the global life insurance premium expanded by 3.2 per cent. The share of Indian life insurance sector in global market was 2.69 per cent during 2015, as against 2.45 per cent in 2012 (IRDA Annual Report 2015). No surprise if India is now one of the most favoured destinations for global insurers. According to the sigma study India is fast racing ahead as the most attractive insurance destination worldwide led by the country's strong economic growth and rising disposable incomes.

Though rural markets are a lucrative option for capturing market share and increasing penetration levels, it still requires heavy investments to educate the people. Special kinds of awareness programs have to be undertaken for this purpose, because of the low literacy levels and suspecting nature among the villagers. Another major challenge is, in terms of product innovation. Traditionally, rural Indians are averse to purchasing an insurance policy and also different people require different kinds of policies. What may be suitable to one may not be suitable for the other.

Insurance companies carry out promotion in order to bring more people under insurance cover. Promotion tries to generate immediate consumer response with respect to company's overall marketing strategy. As advertising builds long term customer awareness and attitude, sales promotion generate immediate sales effect. The promotional plans can become counterproductive in the long term perspective as when the promotion is withdrawn the sales may start dipping. Promotion can help to build brand equity and awareness both for long term and short term gains. The promotional function of any service organization involves the transmission of messages to present, past and potential customers. At the very least these customers need to be made aware of the existence of a service. Eventually in some way they should be influenced towards purchase. Promotion of brands in rural markets requires the special measures. Due to the social and backward condition the personal selling efforts have a challenging role to play in this regard.

The word of mouth is an important message carrier in rural areas. In fact the opinion leaders are the most influencing part of promotion strategy of rural promotion efforts. Relevance of Mass Media is also a very important factor. Various types of promotion methods work as integrative systems between service provider and consumers. Due to technological innovations people can now communicate through both traditional and newer methods of media. Both mass communication and/or target communications can be used as per requirements.

Review of Literature

Aggarwal, Preeti (2015), in their article - with the insurance status in India for the poor. Insurance is more concentrated in relatively financially stable urban areas, but the requirement for a cushion to absorb risks is greater among rural and urban poor. Even after the opening of insurance to private players in India, its penetration is very low compared to that in developed nations. Therefore, for the development of the economy, insurance penetration in India should grow, but that growth will be possible only when suitable products become available. The poor and needy find insurance a

risky proposition with their uncertain and irregular incomes and with their limited ability to read about its benefits. The male literacy rate in India in the year 2010 was 68.4 percent and the female literacy rate was only 45.4 percent. Thus, access is not sufficient in rural areas in India. Health insurance, whether social or private whether formal or informal, is extremely limited in India. Although a number of private insurance companies have entered the field, no significant change in health insurance has been observed either in the availability of new health insurance products or in the volume of business. Agriculture in India is the industry on which most poor in villages depend, and therefore provisions, products and reforms must be designed after considering this segment of the population seriously.

Balachandran S. (2013) in his article –‘The Secret Weapon Technology and the Indian Insurer’ explained the various measures taken by insurance companies to increase insurance awareness among people. She also felt that due to the entry of private players, insurance awareness has increased as a result of which insurance is now bought as well as sold. Prahalad C K(2005) in his book argues that the poor can be a profitable segment and the multinationals are interested to do business with them. He warns, however, that the existing knowledge and business models were inadequate for these markets of the poor. He emphasized the need for unconventional thinking and new knowledge to cater to these markets. The case studies that he has provided do merit the attention of both academic and practitioners to create such a new knowledge.

A study conducted by Patil Kallinath (2003) revealed that the insurance coverage of agricultural groups and agricultural labor is very low. The performance of children-related policies such as Jeevan Kishore, Jeevan Balya, etc., is very poor except the children money back policy, which has also not been contributing significantly. The demonstration of product features by the agents is not satisfactory.

Rama Murthy (2002) in his article—”Life Insurance Corporation- Advantage of Strong Base” discussed the organizational structure and performance of LIC. He also examined the various customer orientation programs undertaken by the Corporation. He felt that LIC is invisible due to its strong presence in the market as well as its corporate image.

Sanal Kumar Velayudhan, (2009), highlight the need for personalized approach for handling the customer. They conclude their studies with words: “In the Insurance industry today, there is a clear trend away from selling a broad range of products to a large volume of customers in a one size-fits-all manners. Instead of focusing on their different product lines, insurers are looking for ways to offer highly targeted insurance products that are tailored to the individual customers with the highest propensity to buy them. The insurance sector remains a very competitive market and those companies that are able to best utilise their data and provide their customer with the most personalised options will have the distinct competitive advantage. The insurers that come up to the top will be those who leverage the appropriate technology solutions effectively in order to foster customer loyalty, attract new customers and improve operational efficiency by providing common information across their lines of business”.

The review of previous studies and researches highlighted the growth of insurance sector over the years and their contribution to the economic and social development of a country. These studies have emphasized the need to extend life insurance coverage to rural areas. It is evident in the review of literature that no comprehensive and authoritative study has been conducted in India in general and Karnataka state in particular on the marketing strategies of insurance companies which are best suited to cover the rural life insurance market. To fill up this research gap, the study is undertaken to analyse the rural marketing strategies for life insurance products.

Need for the Study

In India there about 23 insurance companies are in life insurance business. But the distribution of insurance in rural areas is not satisfactory. To increase the penetration levels insurance companies will need to look at newer segments especially the relatively untapped rural market rather than fighting for a share in the same pie in the urban markets (V.Yadgiri Prashant, 2008). The studies in the area of rural insurance shows there are some expectations from the new players-ensuring credibility and not adopting unethical practices, educating the consumers, raising awareness through marketing and sales practices and developing a strong sales force of consultants and agents to improve services to the consumers. Now with the entry of competitor the rules of the game are set to change. The market is already witnessing a rise in number of players and is introducing more products. The new companies will have to adopt systems to observe which factor are all potential risks. In such a scenario, it will difficult to visualize the scope of different player's-products, pricing or service. The profile of the Indian customer is also very fast changing. The insurer needs to identify his role to address those issues that adversely affecting the social fabric of our country. The contribution to the nation-building through strengthening the economy of a country, improvement of the health care facilities, education as well as employment shall go long way to ultimately improve the quality of life individual members of society.

A very few survey based studies have been conducted in U.K, U.S.A, Europe, and Australia, on some views and attitude of life insurance marketers and life insurance policyholders, there is very little in Indian literature on life insurance marketing. Information collected from functionaries, that is, insurance office, insurance agents and policy holders will strengthen decision-making of insurers which in turn, contributes to the efficient and effective marketing of insurance in rural areas. There appears to be almost no published literature to date, on the attitudes of rural life insurance customers. There is no comprehensive and authoritative empirical study in the field of customer attitude and behaviour in India has been conducted. No comprehensive study has been undertaken in Udupi District on the level of customer awareness about the need for life Insurance cover. This "Research Gap" is sought to be filled by the present study entitled "Attitudes of rural customers about the need for Life Insurance protection – A study in Udupi District". Moreover, this study would certainly be a very meaningful and relevant in the context of increasing demand for Insurance due to the financial crisis created by Covid19 pandemic.

Objectives of the Study

- a) To study the extent of insurance coverage in rural areas in India
- b) To study the awareness of rural population on the need for and availability of insurance products
- c) To analyze the factors which motivates the rural population to buy insurance products
- d) To determine the potential rural customer's perceived need for acceptance of and willingness to purchase insurance policies.

Hypotheses

The study attempts to test the following hypotheses:

1. There is low level of consumer awareness among rural population regarding the need for and availability of insurance products
2. marketing strategies played less significant role in promotion of rural insurance business
3. There is inadequate coverage of life insurance in rural areas.

Research Design, Sample and Sample Size

Population

Population for the purpose of Study includes policy holders of LIC of India and private life insurance companies operating in villages of Udupi District. The Insurance agents/advisors of various insurance companies are also contacted through questionnaire to collect the data and analyse their opinion about the success in rural marketing of insurance products.

Sampling Unit

Target respondents are insurance companies operating in Udupi District including LIC and Private Life Insurance Companies. In order to know the effectiveness of various strategies and success rate analysis, policyholders of LIC and Private life insurance companies and insurance agents/advisors are covered under the study. While selecting the sample units, proportionate representation has been given to public sector insurance company (LIC), and Private sector insurance companies.

Sampling Method

Sample consists of insurance companies and life insurance policyholders living in rural areas. The sample is selected using simple random sampling technique. Two percent of the total population is being chosen for the study which consists of equal proportion of policy holders from Life Insurance Corporation of India and Private Insurance Companies operating in Udupi District.

Table 1 Distribution of Sample Population

	LIC of India	Private Insurers	Total
Policy Holders	486	486	972
Agents / Advisers	31	31	62
Sample Size			1034

Methodology

The study is basically empirical in nature relying heavily on Primary Data. The primary data has been collected through the "Questionnaire Method". Primary data is collected from the insurance companies under the study and their policyholders of Dakshina Kannada district through structured questionnaire. Three types of questionnaire are prepared. Separate set of questionnaire is prepared for policyholders, insurance agents and insurance companies. Managers of Life Insurance Companies will be contacted through personal interview method to collect information about the different marketing strategies adopted by them in the promotion of rural insurance.

Limitations of the Study

Insurance is not adequately covered in rural areas of Dakshina Kannada District as such collecting data from all villages of the study area were very difficult, time consuming and costly. Moreover, the low literacy rate in rural areas and difficulty in understanding English language is a hurdle in the process of data collection. There is very few research and other related studies on rural insurance as such the secondary data is not adequately available for the researcher. Insurers have not maintained proper data base for rural insurance business. It was very difficult to collect policyholders and advisor's information from the branch office records of life insurance companies.

Data Analysis and Interpretation

Level of consumer awareness among rural population regarding the need for and availability of life insurance products 58.1% life insurance agents of LIC of India viewed rural customers have

less awareness, 32.3% viewed customers have moderate awareness, 9.7% viewed customers have adequate awareness. In the case of private insurance companies 6.5% customers have no awareness, 48.4% customers have less awareness, 35.5% customers have moderate awareness and 9.7% customers have adequate awareness about the need for insurance. Fishers Test (Fishers Exact Test $p=0.700$ NS) shows there is no significant difference between agents of LIC and private companies with respect of awareness of rural people about the need for insurance where $p=0.70>0.05$

1.5% policyholders stated that they have no knowledge, 26.1% stated less knowledge, 41.8% stated moderate knowledge, 28.3% stated they have good knowledge, and 2.3% policyholders stated they have very good knowledge about life insurance. Research results shows that policyholders have on an average or moderate level of knowledge where the mean value is 3.04. (Criteria for analysis <3 = less knowledge, $=3$ = Moderate knowledge, and >3 = good knowledge).

LIC of India perceived that life insurance is largely covered in rural areas. But 54.5% private insurers stated that life insurance is moderately covered, 36.4% stated it is less covered and only 9.1% private insurers stated life insurance is largely covered in rural areas.

29% of LIC's agents perceived that life insurance coverage in rural areas as less coverage, 48.4% perceived as moderately covered and 22.6% perceived life insurance is largely covered in rural areas. Whereas 9.7% agents of private insurance companies perceived life insurance is less covered, 9.7% moderately covered, and 22.6% perceived life insurance is largely covered in rural areas. Test shows that there is no significant difference ($X^2(2)=4.000$, $p=0.135$ NS) between the agents of LIC and private insurance companies with respect to the perception about insurance coverage where $p=0.135>0.05$

LIC of India stated that life insurance is largely covered in rural areas. But 54.5% private insurers stated that life insurance is moderately covered, 36.4% stated it is less covered and 9.1% private insurers stated life insurance is largely covered in rural areas.

Agent's perception about life insurance coverage in rural areas. 29% of LIC's agents perceived that life insurance coverage in rural areas had less coverage, 48.4% stated life insurance is moderately covered and 22.6% perceived life insurance is largely covered in rural areas. Whereas 9.7% agents of private insurance companies perceived life insurance coverage is less, 67.7% perceived it is moderately covered, and 22.6% perceived life insurance coverage in rural areas is largely covered. Test shows that there is no significant difference between the agents of LIC and private insurance companies with respect to the perception about insurance coverage in rural areas where $p=0.135>0.05$.

Table 2 Agent's Perception on Rural Customer's Awareness about Need for Life Insurance

Insurance Company	Level of awareness about need for life insurance					Total
	No awareness	Less awareness	Moderate awareness	Adequate awareness	Complete/full awareness	
LIC	0 .0%	18 58.1%	10 32.3%	3 9.7%	0 .0%	31 100.0%
PRIVATE	2 6.5%	15 48.4%	11 35.5%	3 9.7%	0 .0%	31 100.0%
TOTAL	2 3.2%	33 53.2%	21 33.9%	6 9.7%	0 .0%	62 100.0%

Fishers Exact Test $p=0.700$ NS

Source: Survey data

Table 2 shows Agents perception on rural customer's awareness about need for insurance. 58.1% respondent agents of LIC of India stated customers have less awareness, 32.3% said customers have moderate awareness, 9.7% said customers have adequate awareness. In the case of private

insurance companies 6.5% stated customers have no awareness, 48.4% stated customers have less awareness, 35.5% stated customers have moderate awareness and 9.7% said customers have adequate awareness about the need for insurance. Test shows that there is no significant difference between agents of LIC and private companies with respect to awareness of rural people about the need for insurance, where $p=0.70>0.05$.

Findings of the Study

Findings based on Literature Review

- Life Insurance market will become more competitive and sensitive where there is a need for shift from sales oriented approach to consumer oriented approach. There is increasing expectations of consumers and upsurge in awareness of consumers which will put immense pressure on the insurance industry and the industry will have to respond to it.
- Life insurance was urban-oriented and more insurance awareness prevailed among the employed and educated class. Insurance coverage of agricultural groups and agricultural labour is very low. The performance of children-related policies is very poor in rural market. Further, more cases of lapse of policies were found among the policy holders having more than one policy which were purchased out of obligation to give business to an agent.
- Indian insurance sector scenario has transformed into a buyer's market, where the customer has the choice to select from a variety of products, services and the service provider. More and more customers are now identifying newer dimension attached to life insurance to match their life cycle needs.

Findings based on the Survey

- LIC has a specialized product to cater the needs of rural market. But 30% of private insurance companies do not have specialized products for the rural market. LIC consults agents for need assessment in rural life insurance market. Private insurance companies conduct market survey, collect customer feedback, and consult agents for the purpose of need assessment. This shows that there is more efforts put by private insurance companies in understanding rural customers which may help them penetrate better in the rural market.
- LIC considered rural life insurance market as a competitive one, but only 50% of private insurance companies consider rural market as competitive and 30% considers highly competitive. Both LIC and private insurance companies knew that suitable strategies need to be developed to become successful in a competitive rural market.
- Agents of both LIC and Private insurance companies perceived segmentation strategy was essential for effective life insurance marketing in rural areas. Income and occupation are the bases suggested by the agents for life insurance market segmentation.
- Radio, television, newspapers and printed pamphlets were perceived as more effective advertising media in rural areas by the agents of both LIC and private insurance companies.
- Rural customers buy life insurance policies as means of saving, provision against future risk and for income tax advantage. Low income is the major restricting factor in purchase of life insurance policies. Illiteracy, lack of awareness, and non availability of branches are the other factors restricting rural customers from buying life insurance. Awareness creation, customer education and opening branches in rural areas help life insurers to expand their market in rural areas.
- Life Insurance customers are satisfied with the performance of the insurance companies, their products, agents support, company support, after sales service, claims settlement and grievance handling. But Policyholders wanted intensive marketing campaign by life insurance companies to create awareness in order to expand insurance coverage.

- Policyholders' perceived that existing policies are inadequate to meet the requirements of rural customers. Policies with low premium, simple procedure, high maturity value and provision of partial withdrawal of premium paid are the desired policy features of the rural customers.

Suggestions

1. Developing customized life insurance products and effective distribution of those to reach the needy are the two most important measures to be taken for the success of rural life insurance marketing. Therefore, there is a need to introduce more and more customized life insurance (individual and group) products for the lower income strata in India. To serve huge clientele in rural areas, marketers need to develop a separate set of distribution channels to reach, and serve. Though the branch expansion of the insurers has improved in the post insurance reform period it is still not enough to penetrate every corner of the country. In 2011 out of total branches of all life insurers operating in India, only 32% was from rural areas (IRDA Report 2011). Development of viable and cost effective distribution channels promotes customer faith and confidence which guarantee a high market share.
2. There is a need for trustworthy agents to promote insurance business. As life insurance business is people-dominated, the scientific selection, training and motivation of agency force can make a huge difference in reaching of the prospect, to sense, to serve and to satisfy the customers. Insurance companies should encourage educated youth to take up agency profession to ensure good quality service to the customers. A perfect blend of male and female life insurance agency force should be maintained by life insurance companies which can serve as a strategy.
3. Group insurance schemes should be introduced by the Life insurance companies to expand the insurance coverage in rural areas, through active collaboration with village gram panchayats, self-help groups (SHGs) and NGO's.
4. In India, Motor Vehicle Act made it mandatory to every owner of vehicle to have motor vehicle insurance. But there are no such regulations in respect of life insurance. Therefore, in India, there is a situation 'motor vehicle insurance is bought but life insurance is sold'. Life insurance has socio-economic benefits; as such Government should make it mandatory on rural population to buy life insurance policies of a specified sum assured. The subsidy should be given to economically backward rural people (Below Poverty Line Category) to encourage buying life insurance policy as a provision against future contingencies. Insurance companies should be generous in popularising janata policies or low premium policies.

Conclusion

In India, insurance is the most booming industry among all others because of the high Indian population and low insurance penetration levels. When the world insurance market was in a stage of saturation, it is the Indian market which has shown tremendous potential for expansion of business of many insurers. With the substantial growth of the Indian economy, the purchasing capacity of rural communities has increased. This has led to the development of rural insurance (Ramkishan Y, 2002). 70% of India population lives in 627000 villages in rural areas. 90% of the rural population is concentrated in villages with a population of less than 2000, with agriculture being the main business. This simply shows the great potentiality rural India has to bring the much – needed volume driven growth (Purohit H C, 2006).

The success of any firm in the rural market depends on the awareness about the product, acceptance of the product idea, affordability in terms of price and availability of the product. Communication plays very crucial role in creating awareness and generating acceptance in the minds of rural consumer. An effective communication is one that leads to purchase decision, brand recognition

in consumer mind, brand recall and right association. Strategic integration of communication makes synergy among the various promotional tools and leads to purchase decision. A successful integrated marketing communication programme in rural market requires the right combination of promotional tools and techniques. It calls for relationship marketing approach in life insurance marketing.

The insurance companies operating in rural areas should strengthen their branch offices, development officers, and agents through timely support. The insurance functionaries – branch offices, development officers and agents should understand, predict and control the dynamics of pre-purchase and post-purchase behaviour of policyholders. A systematic comprehensive market survey should be undertaken to understand the dynamics of demand and supply forces in rural life insurance market. There should be efforts by the life insurance companies to attract and retain customers by developing a long lasting win-win' relationship. Rural market has huge untapped potential which can be better utilised when insurers hold healthy competition and work with the spirit of social entrepreneurship.

The future success of the life insurance industry depends, above all, upon the knowledge and integrity of the people who contact customers – and are their first and most important point of contact. Customer service and customer satisfaction would become crucial to marketing success. To conclude, the success of the insurance sector depends mainly upon meeting the rising expectations of the customers. Rural population in India is always on higher side. Hence, it is a must to educate them in proper way and motivate them towards insurance policies. It is also necessary to educate the people in rural and urban areas about the rigidity and longevity of the insurance companies and how IRDA safeguards their interest.

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