

An Empirical Study of Life Insurance Consumer's Behaviour in Uttar Pradesh

- Dr. Harnam Singh

India where there is high unemployment and where social security systems are absent, life insurance offers the basic cover against life's uncertainties. Current study attempts to presents an overview of customer based survey specially focused on Life Insurance Customers of various insurance companies which is working in Uttar Pradesh (U.P.). The Analysis has been made to assess the relationship between age, income and investment in policyholders and also to assess the customer preferences regarding investment issues and customer faith about Life Insurance Companies.

Keywords:- Insurance Industry, Socio-Economic Status, Awareness, Reason for Insurance, Convenient Source,

The insurance sector in India has come to a position of very high potential and competitiveness in the market. Indians who have always seen life insurance as a tax saving device, are now suddenly turning to the private sector that are providing them new products and variety for their choice. The evidence of the enlargement of the market can be seen in various other parameters as well. It was also recognized that India has a vast potential that is waiting to be taped and this could be achieved when sufficient competition is generated and it is exposed to the development. Last decade experience of the public and private sector together opening in the insurance market plays a significant role in shaping the economy and at the same time strengthens the risk taking ability. It also has a great social significance. The Insurance sector has obviously started growing at a rapid place after the sector was opened up. The credit for enlarging the market should however go to the private sector as they came up with an aggressive market strategy to establish their presence. The public sector has in its turn, redrawn its priorities, revamped their marketing strategy, and together the public and private sectors have enlarged the market. All these efforts have brought life insurance closer to the customer and made it more relevant. The insurance companies are increasingly tapping the semi-urban and rural areas to take across the message of protection of life through insurance cover. Looking back in the previous decade, one can be reasonable of the period of the strides made by the insurance industry.

Recognition of the benefits of foreign participation to the Indian economy and consumers is at the heart of the Indian Finance Ministry and IRDA's support for a proposal now before the Indian Parliament to increase the foreign investment limit in the insurance sector from 26 per cent to 49 per cent. This increase will allow insurance companies to absorb new capital, which will facilitate industry expansion, the deployment of technical competencies, and the inflow of the latest products and services.

Purpose of study-

Main purpose of the study is to assess the socio-economic status of respondents and to examine the impact of status on insurance purchasing capacity. It empirically analyzes and assesses the relationship between income and investment in insurance policy. Its attempt to know about respondent's basic reason behind insurance motive and to know day to day changes about insurance industry and what is the convenient source for getting insurance policies. The study also pointed out the private companies have huge task to play in creating awareness and credibility. The perceived benefits of buying a life policy range from security of income bulk return in future, daughter's marriage, children's education and good return on savings, in that order, the study adds.

Review of Literature-

There are various studies related to Insurance Sector in India and abroad. It was found that the numerous numbers of literatures is available on insurance industry and its various aspects. Few relevant reviews are discussed here under:

Palli M. (2004), founds that in present scenario while boundaries between various financial products are innovating, people are looking not just at products, but at

integrated financial solutions that can offer stability of returns along with total protection with flexible options, benefits unbundled and customized to suit their diverse need.

Vijaykumar A. (2007), found that the need of the nation and its people has finally prevailed and privatization of insurance is now a reality towards further liberalization of the Indian economy. The success of the insurance industry will primarily depend upon meeting the rising expectations of the consumers who will be the king in the liberalized insurance market in future.

Palande et.al (2007), found that the present indications are that all economic actors are now in a mood to face the situation and have started preparing themselves for the challenges. The indications are that there is a bright future for the insurance industry in India.

Sabera (2007), Indicated that the Government of India liberalized the insurance sector in March 2000, which lifted the entry restrictions for private insurance players, allowing foreign players to enter into the market and start their operations in India. The entry of private players helps in spreading and keeping the operation in the Indian insurance sector which in turn results in restructuring and revitalizing of public sector companies.

Rao, C.S. (2007), reported that Insurance is a vital economic activity and there is an excellent scope for its growth in the emerging markets. The opening up of the insurance sector has raised high hopes among people both in India and abroad. The recent dettarification in the non-life domain has provided a great deal of operational freedom to the players.

Arora & Mehta(2010), shown that Insurance companies will have to take initiative in educating people about the benefits of taking insurance and also they should come with more innovative and flexible plans so that the people are encouraged to take policies. If people aware of the insurance policy, they should understand the reality of why they are insured and should try to understand its essence.

Selvakumar& Priyan (2010), found that insurance companies are increasingly taping the semi-urban and rural areas to take across the message of protection of life through insurance cover. Higher level of protection implies that customers are more conscious of the need for risk mitigation, grater security, and about the future of their dependents. Insurance sector has been evolving and improving its underwriting and risk management abilities.

After an intense review of literature (as above) and going through various available recording data, it can be safely asserted that-

1. Private players need to completely gear up to face the competition. Such competition will bring more benefits to the untapped customers in kinds of products and product range according to their needs.
2. By mobilizing significant long-term funds by contractual savings products, and investing them in diversified bonds and stocks, insurers help encourage the growth of debt and equity markets.
3. With India's increased global market, Institutional investors, insurer pressure equity markets to adopt stronger corporate governance, rules and regulation quantify the greater transparency.

Research Methodology-

In this study evaluative research methodology has been applied. Primary Data were collected via paper questionnaires from existing customers of the insurance industry. The study is based on 255 random samples (policy-holders as respondents) which are collected from major cities of Utter-Pradesh with the help of questionnaire, group discussion and personal interview. For data analysis MS-Office (Execel-2007) has been used.

Analysis and Results: Present study is based on respondents' feedback and suggestions. Variables like income group, purpose of investments, medium of updating about insurance plans and convenient source for getting insurance policies, etc has been taken for the analysis which is shown in tables and figures.

Investment Purpose: Investment in Insurance policy fulfilled so many purposes at a time. It may be financial compensation, family safety, tax rebate, risk cover and returns. Analysis done between Investment purpose and different income Ranges of the respondents. Purpose of investment of the respondents in insurance policies shown in below

Table-1.
Table 1: Investment Purpose
(N=255)

Income Range (In INR)	Tax rebate	Secure Retirement	Financial Compensation	Family Safety	Risk cover	Maximum Return	Other
Less than 50000	2 (1.80)	9 (17.65)	4 (17.39)	22 (16.92)	9 (13.43)	9 (14.75)	0
50000-100000	3 (2.70)	12 (23.53)	3 (13.04)	21 (16.15)	8 (11.94)	10 (16.39)	0
100000-300000	59 (53.15)	13 (11.71)	7 (30.43)	49 (37.69)	34 (50.75)	20 (32.79)	1 (33.33)
300000-500000	35 (31.53)	14 (27.45)	7 (30.43)	30 (23.08)	11 (16.42)	13 (21.31)	2 (66.67)
More than 500000	12 (10.81)	3 (5.88)	2 (8.70)	8 (6.15)	5 (7.46)	9 (14.75)	0

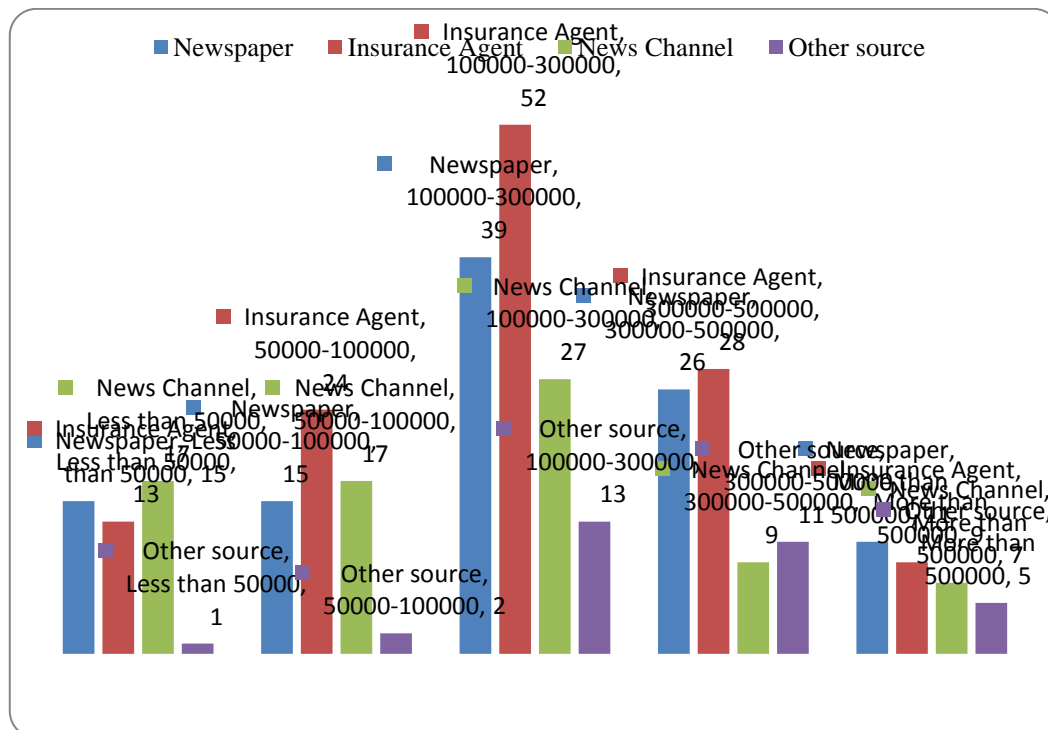
Source: Surveyed data

Note: Data in parentheses is showing the percentage of actual data.

Table 1 shows maximum respondents invests their money with the motive of tax rebate that is 53% and they falls in 100000-300000 Income Range. In the Income Range of 300000-500000 maximum 27% respondents getting insurance policy for securing their retirement. The maximum equally respondents with the motive of financial compensation that is 30% falls in 100000-300000 and 300000-500000 Income Range respectively. In the Income range of 100000-300000 maximum 38%, 51%, 33% and 33% respondents getting Insurance Policy for the motive of family safety, risk cover, maximum return and other purposes respectively. It shows maximum people getting insurance for tax rebate and family safety, so insurance companies should focus more innovative products as like child plan and pension plans etc.

Medium of Updating about Insurance Plans: In the era of information many information providing agencies running throughout the world and everyone free to get information to various sources. Insurance Industry is not an exception of it. In this present study analysis has been done by taking Income Range as base and Medium of Information agency about insurance plans for the respondents. It shows in figure1.

Figure 1: Medium of Updating about Insurance Plans



Source: Surveyed data

Figure 1 depicts in every income range of respondents getting maximum information through Insurance advisor. News channel and newspaper also play an important role for getting information regarding insurance policy. After the increasing informative agency even today insurance agent is dominate all the information sources regarding insurance policy changes.

Convenient Source for getting Insurance Plans:

In present competitive scenario of the Insurance Industry 23 Life Insurance companies providing their services throughout the country. They provide their services through various distribution channels like Bank, Broker, and Insurance Agent etc. In study attempt to find out what is the most convenient source for getting insurance policy/product for customers. This analysis takes two variables Income group and various insurance policy provider agencies. It shows table 2.

Table -2: Convenient Source for getting Insurance Plans
(N=255)

Income Range (In INR)	Insurance Agent	Bank	Financial Institutions	Brokers	Direct Insurance Company	Other
Less than 50000	21 (13.38)	12 (20.69)	4 (26.67)	0	4 (7.02)	0
50000-100000	21 (13.38)	11 (18.97)	2 (13.33)	2 (3.51)	14 (24.56)	0
100000-300000	67 (42.68)	25 (43.10)	4 (26.67)	1 (16.67)	21 (36.84)	0

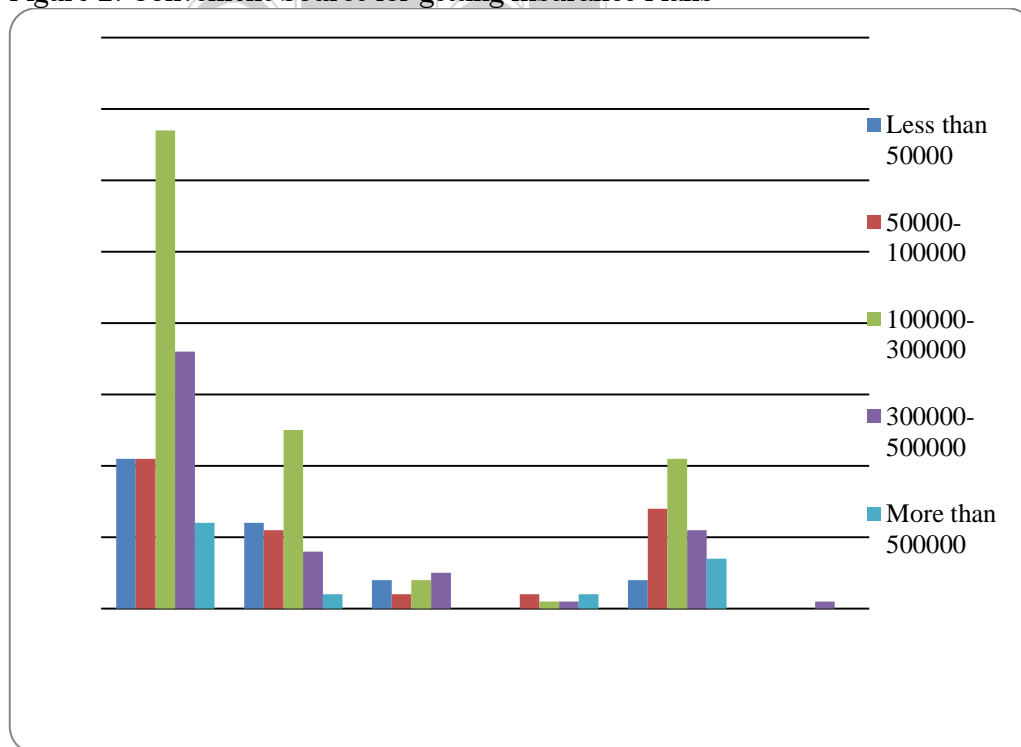
300000-500000	36 (22.93)	8 (13.79)	5 (33.33)	1 (16.67)	11 (19.30)	1 (100)
More than 500000	12 (7.64)	2 (3.45)	0	2 (33.33)	7 (12.28)	0

Source: Surveyed data

Note: Data in parentheses is showing the percentage of actual data.

Table-2 shows 43% respondent belongs to 100000-300000 Income Range. They prefer convenient source for getting insurance policy to Insurance Agent and bank both. In 300000-500000 Income Range maximum 33% respondents prefer to financial institutions for getting insurance and 33% respondents prefer to Broker for getting insurance they belongs from more than 500000 income range. In the Income Range 100000-300000 maximum 37% respondents prefer direct insurance company for getting their insurance need and 100% respondent who belongs from 300000-500000 income range prefer other sources for getting insurance products. It can be seen in figure 2.

Figure 2: Convenient Source for getting Insurance Plans



Source: Surveyed data.

Figure 2 depicts maximum customer prefer insurance agent as a most convenient sources for getting insurance policy products and bank get second preference regarding same. A very few customer wants to take insurance policy from financial institutions and brokers. After the involvement of various distribution channel in this field insurance agent is dominated factor for convent source for distributing insurance product. Thus insurance agents still remain the main source through which insurance products are sold.

Findings-

Socio-Economic Remarks: It was found that in post-liberalized-era, government service men of 26-45 age group population are more aware of buying insurance policy for several purposes. A major segment of age group below 25 years and more than 55 years, are not able to buy insurance plan. They cannot identify suitable products according to

their need. Mostly urban educated graduates or post graduate people purchase maximum risk cover plans by insurance companies, as compared to others degree holders. Less number of the Intermediates passed respondents is under insurance covers because they are not able to get suitable products. The 4-6 family size is having maximum insurance policies as compared to other family sizes in the study area.

Income Group Observations:

Middle income group population, who belongs to Rs. 100,000-300,000 income range buying more insurance products as compared to other income groups in the study area, High income group respondents prefer other alternatives of investments and savings other than insurance plans.

Purpose of Investment:

Although Insurance companies are fulfilling so many purposes of investments & savings at a time, but maximum respondents buy insurance policies for tax rebate and family safety. It was found that respondents investing or buying around are 10-20% of their annual income. Very few respondents want to invest more than 20% of their annual income in insurance plans.

Mode of Insurance Awareness: Although there are a lot of modes of communications which are available for getting information, but the study found that the in Insurance industry, insurance agents are more appropriate medium for information transfer and any guidance or change in insurance products. A very few respondents are getting information through websites and modern mode of communications. News papers are also play an important role for updating knowledge about insurance products. During the study it was found, although there are so many insurance distribution channels have grown like banks, financial institutions, corporate agents etc. but even then insurance agents are dominating in case of selling and distribution of insurance products.

Reason for Insurance:

This globalised economy affected the Indians values and family system. So that more nuclear families believed on insurance sector for covering their risk and future plans. After the privatization of insurance markets so many flexible and diversified insurance plans came into existence and they are attracting the young age public for insurance and saving purposes. Product distribution channel in Insurance Industry are deepening and they are reaching up to every segment of the customers and Bancassurance also playing important role in this regard.

Conclusion-

In earlier days, customers could only buy limited prepackaged products pushed by agents chasing quick sales. Life insurance has today become a mainstay of any market economy since it offers plenty of scope for garnering large sums of money for long periods of time. In present customers have access to more and better products that suit their specific needs and a new breed of insurance advisors has taken birth. These agent advisors build enduring relationships with their clients and help them better understand the value of life insurance and sell customized solutions in a needs-based manner. This higher quality of sales interaction has been among the key benefits of privatization. A well-regulated life insurance industry which moves with the times by offering its customers tailor-made products to satisfy their financial needs is, therefore, essential if we desire to progress towards a worry-free future. That's why now is the time to discover the powerful advantages of Customer Relationship Management for the insurance industry. This comprehensive, fully integrated solution provides everything to build a cutting-edge, customer-centric, and highly profitable organization.

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