

Consumer buying behavior towards life insurance: An analytical study

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Abstract

Insurance industry in India is flourishing with number of national and global players in the form of Joint ventures are excelling with the exponential growth in business. With government infusing several rules and regulations, Insurance industry has been experiencing tremendous progress in terms of increasing number of customers with considerable number of new entry of companies into the sector. Currently there are 24 numbers of domestic and foreign players operating in the sector. In India insurance still has been considered as a tax saving tool instead of an investment option for future. The present study analyzes the factors that influencing a typical customer in choosing a particular insurance company when he needs an insurance policy. The study was conducted among the respondents in Visakhapatnam city.

Keywords: insurance, investment, customer, benefits, behavior, influences

Introduction

As a human being every person have the risk from one or other source. At the same time, being individual he has the responsibilities to discharge. Indian consumers are influenced by emotional factors. But the same time their purchase behavior is influenced by rational factors. A Typical Indian believes in future and try to have better and secured life for his family in future. A rupee earned by the person will be spent towards leading the family in present and for the better life in future. Life insurance covers both the components viz., risk coverage and saving. As the economy comprises of people in which majority of them are middle classed and salaried, Insurance has emerging as the best option for saving and risk coverage.

But in India insurance is frequently well thought-out as a tax saving tool instead of its additional implied long term financial benefits. Indian people are predisposed to invest in property and gold followed by bank deposits. They selectively invest in shares also but the percentage is extremely small.

Need for the Study

The study that was taken was to take a survey in the market, various life insurance policyholders with an aim to analyze what the customers has in mind for taking the particular insurance policy. For a reason from a particular company, this study aims in identifying the influencing factors to take insurance policies, awareness of various promotional packages, policies offered by the insurance companies. Since many people will consider insurance as a savings option, given this apprehension in this minds of customers about the insurance policies and different insurance companies, the present study was undertaken. The current Insurance Industry in India, taking benefits of optimistic conditions in the economy, has seen a remarkable expansion by leveraging LPG policy (Liberalization, privatization, Globalization). It has endured a major face-lift and surfaces with conspicuous developments. A gigantic bang has been perceived in life insurance industry in recent stretches. A Large number of new

players have entered the market and are vying to expand market share in this swiftly improving marketplace. The study is conducted in the city of Vishakhapatnam and deal with the factors touching a person for going for a life insurance. The study then goes on to estimate and analyze the findings so as to present a clear picture of trends in the life insurance sector with respect behavior of benefits of life insurance policies in the mind of the people.

Literature review

Antony Beckett, Paul Hower and Barry Howcraft (2000) ^[1] found that new technology have created highly competitive market conditions which have huge impact on consumer behavior in financial services. The researchers have stressed that the service providers need to understand the buying behavior of customers. A model was proposed to understand the concept of consumer behaviour towards financial products. Kyoko Fukakawa (2012) ^[2] based on the data collected from 72 UK customers explored the possible occurrence ethically questionable consumer behavior. Sandeep Chaudary (2016) ^[3] has extracted six factors that influencing consumer behavior namely customized and timely services, better company reputation, customer convenience, better service quality, tangible benefits and effective customer relationship management. This study revealed that new and innovative products will enhance better customer relationship management basing on sample study of 100 respondents. S.Narender and L. Sampath (2014) ^[4] have stated that though insurance industry is old, the awareness on rules, regulations and rights is very negligible. Through the empirical study conducted among the respondents, it was concluded that major financial need for the customer during coming future will be children's education and marriage expenses. Harinam Singh (2014) attempted to identify the overview of customers on various life insurance companies of Uttar Pradesh. The authors revealed that insurance is the mainstay of any market economy which has a scope to pool large financial sources FPR longer periods of time. The study suggested that insurance companies

should provide customized solutions for the customers in a customized manner by understanding the needs of customers. Dipin Madhr and Ashish Tripathi (2014) [6] have studied 29 factors out of literature that influence choice of customer in choosing an insurance company among 120 sample in Ajmeer city. From the study, the researchers found that there are 9 key factors among 29 which contains clubbing variables that highly influencing the choice of customers in choosing insurance companies. M.Vijaya Raghu Nadhan (2016) [5], in his study on consumer behaviour towards life insurance companies with reference to two private insurance companies revealed that consumer behavior and customer purchase service attempts are depends on factors like Search, experience and credence factors. The study concluded that customers will give preference to wealth insurance schemes.

Methodology

For present study a structured questionnaire was designed and

canvassed among the sample respondents. A simple random sample method was chosen in collecting the required data from the respondents. A sample of 150 was considered for the study from a huge population of various policy holders of life Insurance. The collected data was analyzed and interpreted through tables and graphs and findings are reported and suggestions made accordingly.

Objectives of the Study

The present study was performed with the following objectives

1. To study insurance industry in general to identify the underlying facts
2. To identify and analyze the factors affecting the choice of investors in choosing a life insurance policy
3. To offer a suggestions based on the study, to improve the marketing strategies to design policies in accordance with customer behavior.

Data analysis and interpretation

Demographic factors

Table 1

Details		Frequency	Percentage
Gender	Male	117	78
	Female	33	22
	Total	150	100
Age	Below30	48	32
	31-40	45	30
	41-50	36	24
	51-60	21	14
	Above60	0	0
	Total	150	100
	Total	150	100
Education level	Under graduate	21	14
	Graduate	45	30
	Post graduate	69	46
	Doctorate	15	10
	Others	0	0
	Total	150	100
Occupation	Student	21	14
	Employee	96	64
	Self-employment	33	22
	Total	150	100
	Total	150	100

From the above table, it was analyzed that 78 of the respondents are male in the present study. Majority if the respondents are in the age group of below 30 with a percentage of 32 followed by another age group 31-40 with a percentage

30. In the study majority of the respondents are graduates are post graduates with a percentage of 46 followed by graduates with a percentage of 30. In this study majority of the respondents are employees whose percentage is 64.

Monthly Investments in salary and kinds of investments

Table 2

Details		Frequency	Percentage
percentage of monthly	Below10%	60	40
	11%- 20%	78	52
	21%-31%	6	4
	31%-40%	6	4
	Total	150	100
Kind of Investment	Short term	33	22
	Long-term	117	78
	Total	100	100

The above analysis shows that most number of respondents i.e. 52% of the respondents have been investing 11-20% of their salary and 40% of the respondents have been investing below 10% of their salary. Very few people are investing beyond 20% of their salary. Among the customers who have

invested, 78% are interested to invest for long term period and minor part i.e. 22% are interested to invest for short term period. This means majority of the respondents are aware of the benefits of long term investments.

Factors consider while choosing an insurance company and policy

Table 3

	Factors	Frequency	Percentage
Factors considered while choosing an insurance company	Company	27	18
	Service quality	21	14
	Product quality	18	12
	Return on Investment	54	36
	Expert opinion	30	20
	Total	150	100
	Factors influencing buying decisions of an insurance policy	Personal interest	33
Friends		17	11
Family		34	23
Agents/Advisors		36	24
Advertisements		9	6
Others		21	14
Total		150	100

The study shows majority of the customers i.e. 36% consider return on investment before they choose an insurance company. Some customers also consider company reputation, service quality, and Expert opinion before they choose to buy a policy from an insurance company. When considering the factors influencing buying decisions of an insurance policy,

majority of the respondents i.e. 24% are influenced by agents and advisors while they buy an insurance policy where as 23% are influenced by family and 22% are buying based on personal interest. Remaining people are influenced by friends and advertisements. Reference groups play a very important role in buying decisions.

Rationale behind investment in Insurance policies

Table 4

	Factors	Frequency	Percentage
Rationale behind investment in Insurance policies	Individual risk coverage	9	6
	Tax benefit	45	30
	Growth and ROI	54	36
	Risk coverage of family	36	24
	Child welfare	6	4
	Total	150	100

If we analyze the rationale behind investing in insurance policies, 36% of the respondents have felt the rationale behind investment in Insurance policies is growth and return while

30% of the respondents feel tax benefits are the reasons behind investment in insurance policy. Risk coverage of family is the reason behind investment for 24% of the respondents.

Awareness on Insure companies and policy details

Table 5

	No. of Companies	Frequency	Percentage
Awareness of Insurance companies	1to3	71	47
	4 to7	39	26
	8 to10	24	16
	More than 10	16	11
	Total	150	100
Awareness of details of policy before buy	Yes	117	78
	No	33	22
	Total	150	100

The above table shows the number of insurance known by the respondents and awareness details of the policy before they buy. Majority of the respondents' i.e. 71% have known only one to three companies. One of them being Life insurance

corporation of India. Only 11% of the respondents know more than 10 insurance companies. The results shows that majority of the people are unaware of different insurance companies. If we understand the policy awareness levels, 78% are aware of

details about the policy before they buy. The education and awareness towards the fraudulent activities is also a factor

which influences the policy holders to know the policy details before they buy.

Periodicity of the policy and the target

Table 6

Periodicity of the Policy	Periodicity	Frequency	Percentage
	Above5years	24	16
	5-15years	51	34
	15-25years	54	36
	Above25years	21	14
Total	150	100	
For whom the policy is purchased	Target	Frequency	Percentage
	Self	64	43
	Spouse	31	21
	Children	33	22
	Other family members	22	15
Total	150	100	

The above table shows 36% of the respondents are like to invest for a period of more than 5 years, 34% of the respondents are like to invest for a period of 5 to 15 years, 16% of the respondents are like to invest for a period of 15 to 25 years, 14% of the respondents are like to invest for a period of more than 25 years. This analysis shows the large number of customers prefer to invest for periods of 5-15 years and 15-25

years only. At the same time majority of the respondents will buy the policy for their own self and next preference will be given for children followed by spouse. The table shows 43% of the respondents will buy insurance policies for self, 22% will buy for children and 21% will buy for spouse where as 15% of the respondents will buy insurance policies for other family members such as father or mother.

Preferable source of buying Insurance policy and premium payment methods

Table 7

Preferable source for buying insurance policy	Source	Frequency	Percentage
	Advisors of company	65	43
	Insurance companies	19	13
	Bank	37	25
	Other sources	29	19
Total	150	100	
Premium Payment Methods	Monthly	Frequency	Percentage
	Quarterly	26	17
	Half yearly	57	38
	Annually	53	35
	Total	150	100

The above table shows the preferable source of investment. It depicts that 43% of the respondents buy insurance policy from Insurance advisors or agents of the company where as 25% people will buy from bank. Parallel to this a small portion i.e. 13% will prefer to buy from insurance company directly and 19% will buy from other sources such as external brokers. If we analyze premium payment options of the respondents,

majority of the respondents prefer to pay the premium during half yearly where as 35% prefers to pay once in a year. Whereas 17% likes pay quarterly and only 9% of the respondents prefers to pay the premium once in a month. The study depicts that majority of the respondents prefers to pay half yearly and annually.

Nature of Insurance policy and preference of Insurance company

Table 8

Nature Of Insurance Policy	Options	Frequency	Percentage
	Low Risk And Secured	98	65
	Moderate Risk With Minimum Return	34	23
	High Risk With High Return	18	12
	Total	150	100
Preferable Insurance Company	LIC	Frequency	Percentage
	Private Insurance Companies	29	19
	Total	150	100

This table and analysis shows the nature of insurance policy taken by the respondents. This analysis shows majority of the respondents i.e. 65% of the respondents prefers to invest in low risk and secured policies such as saving plans where as 23% of the respondents prefer to invest in the plans which carries moderate risk with assured minimum return investments such as payback policies. Only 12% of the respondents only likes to invest in the policies with high risk and high investment. Among the people invested majority of the respondents prefers to invest in LIC since it's a public sector organization. The study shows 81% of the respondents will invest in LIC and only 19% of the respondents prefers to buy insurance from private insurance companies other than LIC.

Findings

The study on consumer buying behavior towards life insurance has depicted several facts. It was found that majority of the customers towards life insurance are male in number when compared with females. The age group which prefers to invest more in Insurance are below 30 years age group and 31-40 years age group. These two groups have income potential to invest in Insurance companies. Post graduates and graduates are showing more interest in taking insurance policies as they have more awareness levels. As salaried employees are more towards saving, majority of the people prefers to save 11% to 20% of their salary towards savings. From the study it was found that majority of the people likes to invest in short term policies than long term policies. It was found that family, advisors and self-interest are major drivers in investing in insurance. The study shows that tax benefits, risk coverage and growth. The study shows that majority of the customers of life insurance know upto 3 insurance companies only and LIC is being one among them. Majority of the customers tries to seek insurance policies from insurance advisors and they prefers to take insurance for himself/herself and for his children. From the study. It was found that maximum number of the respondents prefers to take Insurance form Public sector insurance companies than private sector insurance companies. The periodicity of investment lies from 5 years to 20 years basing on the nature of the policy. Majority of the respondents are interested to invest in low risk and safe return policies than high risk and high return policies. It was found that a customer of life insurance likes to pay premium half yearly and annually than monthly and quarterly. The study presents an interesting fact that majority of the customers have awareness on details of the policy they buy. Overall, the study on consumer buying behavior towards insurance policy in Visakhapatnam city have given us the scope to understand the facts that are influencing a typical Indian insurance customer to take an Insurance policy.

Conclusion

Indian consumers have different consuming habits which can be changed very quickly due to the passage of time. The Indian consumers have different perception towards investments. This research has focused on understanding the behavior of customers towards investment in life insurance. This study was focused to identify the underlying reasons, facts that drive customers to invest in life insurance. Majority of the customers feels insurance as a tax saving option than the risk protection and saving options. If their investment patterns are analyzed, majority of the customers prefers long term investments and low risk-moderate return options. The major influencing in

choosing an insurance company are customer relationships, company image. India is a developing country where income levels of the people are increasing with increased opportunities. As a result their disposable incomes are also increasing which paves a path for insurance companies to gather and explore the opportunities. The overall attitude of customers towards life insurance is positive. If the private insurance companies try to provide and serve the customers with service quality coupled with empathy and assurance, India could become a biggest market for any insurance company.

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