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

Dr. K. Navarathinam

Associate Professor, R. L. Institute of Management Studies, TVR Nagar, Aruppukottai Road, Madurai

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
Total		38	29	25	19	9	120

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	82.625[a]	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.

References
1. Athma, P. and Kumar, R. (2007)) " an explorative study of life insurance purchase decision making: influence of product and non-product factors ", ICFAI journal risk & insurance, vol. IV, October 2007, pp. 19-21.
2. Eldhose.V and Kumar. G (2008), "customer perception on life insurance services: a comparative study of public and private sectors", insurance chronicle ICFAI monthly magazine august 2008, pp. 32-36.
3. Jayakar. R (2003), "covering lives", business today, June 8, P. 68
4. Imtiyaz.vasi do (2007), "retention of the customers is the essence of insurance business", insurance times, Feb. 2007, P. 20
5. Narayana. J (2009), "Role of CRM in life insurance business", IRDA Journal, April 2009.
6. Tripathi. P.K (2008), "Customer buying behavior with a focus on market segmentation", Summer Training Project, Chandigarh Business School Mohali, pp. 42-46.
7. V.G.Murugan (2012) "Evaluation of investors behavior towards mutual funds", International Journal of Multidisciplinary Management Studies, vol. 2, issue 1, January 2012, pp. 278-280
8. Arora, R.S. "Financial Reforms and Service Sector-A Study of Life Insurance Industry in India", In B.B. Tandon and A.K. Vashisht (Eds.), Financial Sector Reforms-An Unpublished Agenda for Economic Development: 259-270, New Delhi: Deep & Deep, 2002.