Customer Perception Towards Life Insurance Services in Rural Market

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ABSTRACT *The spread of knowledge, education, internet, and the act of privatization has contributed to an exceptional growth of the Indian insurance sector. Insurance has moved out from being a mere risk coverage activity to that of very attractive investment avenues for the common man. The insurance companies have made big inroads into the rural insurance market in India because more than 70 percent of people live in rural. It is expected that rural insurance will become the biggest beneficiary of the new product and of the technology innovation in the sector of insurance, in the next decade. The present study examines perceptions of India's rural masses with regards to life insurance services and the diverse factors which influence their choice. Findings of the research show that basic socio demographic and economic variables have significant impact on consumers' perception towards insurance services.*

INTRODUCTION

In the woes of a layman, insurance means managing risk. Insurance is a legal contract that transfers risk from a policyholder to an insurance provider Services are activities and/or benefits that one party offers to the other and that services are necessarily intangible and do not result in the ownership of anything. Insurance service is unlike other services, as it is multifaceted and potential reliant service involves extensive legal characteristics. The life insurance policies are intangible in nature companies have to identify the means to make their services more tangible. The insurance providers in India perform a wide range of activities such as service designing, preparing contract and policy, marketing and selling, underwriting, rating, reinsurance and other services and claim settlement. India's rural consumers account for about 73 percent of the total consumers. Life insurance decisions are often complex, more so, in the context of rural masses. The choice of life insurance product for an Indian rural consumer is surrounded by plenty of problems, even when confined to only traditional life insurance products. It is difficult to apply any rule-of-thumb, because the amount of life insurance one individual needs depends on factors such as his/her wealth, sources of income, numbers of dependents, debts, and lifestyle. The buying behavior of the rural consumers in India is influenced by several factors, such as socio-economic conditions, cultural environment, literacy level, occupation, geographical location, extensive efforts on the part of sellers, exposure to the media, etc.

Life Insurance in Rural channel & its Perception: At present 8-10% rural households are covered under life insurance schemes and remaining 90% can be targeted for new innovative insurance schemes. About 200 million rural populations out of 700 million have the surplus money to save money to their available option post offices and a few limited commercial banks rural extension counters. With the majority of the population still residing in rural areas, the development of rural insurance will be critical in driving overall insurance market development over the longer term. There is a need to create a broader awareness about life insurance in all geographic areas in India through specific collective campaigns. This is an important precondition to develop-

ing insurance and increasing penetration. Awareness is lacking not only in rural areas, small towns and among the less educated persons. Even in urban areas, vast segments of population seem to have erroneous perception or impression which needs to be corrected. Before proceeding to rural channels we try to give concepts of perception.

Rural Customer Perception of Life Insurance: Customer awareness or perception as a concept is of universal concern for all economies of the world. In the context of a booming Indian economy and unprecedented growth being witnessed by Insurance industry - especially life insurance -, it would be interesting to examine this concept in depth. Perception is defined as "the process by which an individual receives, selects, organizes, and interprets information to create a meaningful picture of the world". Perception is the process by which an individual selects, organizes and interprets information to create a meaningful picture of the world. Individuals act and react on the basis of their perceptions, not on the basis of objective reality. Hence, for a marketer to know the customers' perception is more important than their knowledge of objective reality. What consumers think about a product and what it actually is affects their actions. Individuals make decisions and take actions based on what they perceive to be reality is very important to marketers to understand the whole notion of perception and is related concepts, so they can more readily determine what factors influence consumers to buy. The companies are trying to trigger growth in rural areas. They are identifying the fact that rural people are now in the better position with disposable income. The low rate finance availability has also increased the affordability of purchasing the insurance products by the rural people. Marketer should understand the price sensitivity of a consumer in a rural area. The buying behavior of the rural consumers in India is influenced by several factors, such as socio-economic conditions, cultural environment, literacy level, occupation, geographical location, extensive efforts on the part of sellers, exposure to the media, etc.

REVIEW OF LITRETURE

Dr. Ashfaque Ahmed *(2013) in his study "perception* of life insurance policies in rural India" reveled that there is low level of awareness and understanding of life insurance

products. There are various factors that influence consumer thinking when they are planning to invest in insurance scheme. Most of the customers show their interest in life insurance having higher risk coverage and also for good return with safety. The roles played in perception of life insurance policies in rural market by members of the family varies with knowledge parameters as well as with the typed of products and sometimes with the company name also. While a number of psychological variables are useful in obtaining into consumer's perception towards buying life insurance policies in rural areas. The insurance company name also plays an important role in purchasing.

S.Pushpalatha1 P. Hima Jagathi2 (2013) are discussed that rural market is vibrant and holds tremendous potential for growth of insurance schemes with easy premium. The marketing challenge lies in creating insurance awareness and the identified agents for promoting life insurance. The preferential factors for opting insurance can be identified as tax planning and risk cover in spite of various factors like financial compensation, maximum return and financial safety. There is a major demand for traditional policies than newly emerged plans such as ULIPS and children plans. Agent's behavior along with brand image made the respondents to choose an insurance company and to select an appropriate plan.

Ramanathan, K.V. (2011) research has resulted in the development of a reliable and valid instrument for assessing customer perceived service quality, awareness level, and satisfaction level of customers towards life insurance industry. Here, service quality needs to be measured using a six dimensional hierarchal structure consisting of assurance, competence, personalized financial planning, corporate image, tangibles and technology dimensions.

Selvavinayagam, K. and Mathivanan, R. (2010) article has revealed that the competitive climate in the Indian insurance market has changed dramatically over the last few years. At the same time, changes have been taking place in the government regulations and technology. The expectations of policyholders are also changing. The existing insurance companies have to introduce many new products in the market, which have competitive advantage over the products of life insurance companies.

Praveen Sanu, Gaurav Jaiswal and Vijay Kumar Panday (2009) in their article, "A Study of Buying Behavior of Consumers towards Life Insurance Company", Prestige institute of Management and Research, Gwalior, revealed that in present Indian market, the investment habits of Indian consumers are changing very frequently. The individuals have their own perception towards various types of investment plans.

Kruse and Ozdemir (2004) explore the relationship between individual's risk perceptions and their willingness-to-pay for increased safety in a low-probability, high-consequence event.

Namasivayam et al., (2006), examined the socioeconomic factors that are responsible for purchase of life insurance policies and the preference of the policyholders towards various types of policies of LIC. From the analysis, the study concluded that factors such as age, educational level and sex of the policyholders are insignificant, but income level, occupation and family size are significant factors.

A study conducted by Patil (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.

Raman and Gayatri (2004) have observed the customers' awareness towards new insurance companies. They found that 53% of the respondents belong to the age group below 30, 24% to the age group 31-40, 2% belong to the age group of 41-50 and the rest of the respondents belong to the group of 'above 50'. They also observed that a large percentage of the insured respondents (32%) are professional, and 56% of the respondents are married. It is also found that 52% of the respondents have taken a policy to cover risk and 44% of them to avoid tax and the remaining to invest their surplus amount.

Sharma (2005) performed a study on 'Insurance perspective in Eastern-up' with the objective of probing into the reasons or the factors behind the purchase of the insurance product. It was found that according to 93.86% of respondents insurance policies are considered indispensable for risk protection.

OBJECTIVES OF THE STUDY

Main objective of the present study is to explore into the perceptions of Indian rural customers towards insurance services in rural market

1. There is no effect of age on customers' perception towards insurance services
2. There is no effect of gender on customers' perception towards insurance services
3. There is no effect of marital status on customers' perception towards insurance services
4. There is no effect of level of household annual income on customers' perception towards insurance services
4. There is no effect of level of education on customers' perception towards insurance services
5. There is no effect of mode of employment on customers' perception towards insurance services
6. There is no effect of family size on customer perception towards insurance services

RESEARCH METHODOLOGY

The Present study is based mainly on primary data and has been collected through the issue of structured questionnaire. Simple Random Sampling procedure was followed to select the sample from Nalgonda district. Total of 120 surveys were analyzed who have insurance policies. To test the reliability of the set of items forming the scale a measure of construct reliability (Cronbach's alpha) was computed. Cronbach's alpha is useful in measuring how well a set of variables or items measure a single, one-dimensional latent construct. The alpha coefficient was found to be 0.806 for present research instrument making the items measuring the perceptions satisfactorily. An alpha value of 0.70 or above is considered to be acceptable for demonstrating internal consistency of the established scales (Cronbach, 1951). In addition, ANOVA and Independent t-test have been used to test the research hypotheses formulated for the present research work. Table 1 present the demographic profile of the respondents and Table2 present the statistical results

Table-1: Demographical profile of the Respondents

Serial No.	Age of respondents	Number of respondents	Percentage
1	25-30	25	20.8
2	31-35	30	25.0
3	36-40	28	23.3
4	41-45	20	16.7
5	Above 45	17	14.2
	Gender of respondents	Number of respondents	Percentage
6	Male	93	77.5
7	Female	27	22.5
.	Marital status	Number of respondents	Percentage
8	Single	14	11.7
9	Married	106	88.3
	Annual Income	Number of respondents	Percentage
10	Below 100000	56	46.7
11	100001 -200000	40	33.3
12	200001 -300000	14	11.7
13	300001-400000	8	6.7
14	Above 400000	2	1.7
	Education Level	Number of respondents	Percentage
15	Illiterate	13	10.8
16	SSC	11	9.2
17	Intermediate	39	32.5
17	UG	23	19.2
18	PG	25	20.8
19	Others	9	7.5
	Occupation	Number of respondents	Percentage
20	Farmer	59	49.2
21	Agriculture Labor	6	5.0
22	Private Employee	23	19.2
23	Government Employee	8	6.7
24	Business	22	18.3
25	Others	2	1.7
	Family size	Number of respondents	Percentage
26	1	2	1.7
27	2	25	20.8
28	3	14	11.7
29	4	66	55.0
30	More than 4	13	10.8

Table-2: Statistical Results

Age	Mean	SD	F value	Sig.	Gender	Mean	SD	t value	Sig.
25-30	3.56	1.821	8.04	.000	Male	3.76	1.087	.210	.305
31-35	3.63	1.189			Female	2.81	1.039		
36-40	3.57	1.034			Marital status	Mean	SD	t value	Sig.
41-45	3.50	1.051			Single	2.43	.938	1.289	.290
Above 45	5.00	.000			Married	3.82	1.085		
Income	Mean	SD	F value	Sig.	Education	Mean	SD	F value	Sig.
<100000	3.50	1.086	6.06	.000	Illiterate	3.46	1.330	4.87	.000
100001 -200000	3.70	1.091			SSC	3.55	1.440		
200001 -300000	3.29	1.069			Intermediate	4.00	1.147		
300001-400000	3.50	.535			UG	3.61	.941		
Above 400000	3.00	.000			PG	3.92	.759		
					Others	3.56	.882		
Occupation	Mean	SD	F value	Sig.	Family size	Mean	SD	F value	Sig.
Farmer	3.97	1.098	4.76	.000	1	5.00	.000	5.41	.000
Agriculture labor	2.67	.516			2	3.88	1.054		
Private employee	3.35	.982			3	3.43	1.222		
Government employee	3.75	1.165			4	3.71	1.049		
Business	4.18	.733			More than 4	4.08	1.038		
Others	2.00	.000							

DISCUSSIONS

Present study included seven socio demographic and economic factors namely age, gender, marital status, level of education, household annual income, occupation and family size. Results of Analysis of Variance (ANOVA) show that age has significant impact on Indian consumers' perception towards insurance services. In the case of gender, male respondents' perception mean is higher than female respondents, and gender is found to be low significant impact on Indian consumers' perception towards insurance services. Females are not given due importance because of male dominating nature of society in India. It is found that marital status has no significant impact on Indian customer's perception. Education level of rural customer's has significant impact on perception towards insurance services. This may be because education leads them to secure their life. There was no significant difference found between higher educated consumers and others. Occupation has a significant impact on perceptions of Indian consumers towards insurance services. Study shows that Government employees and business people show highest mean score of positive perception towards insurance services as compared to rest categories of occupation variable like farmers, labor, private employees and others. Household annual income came as a significant variable to influence the perception towards insurance services in the study conducted among Indian rural people. The mean perception score of middle income group is found higher than the low income and high income group, however the difference with high income group is statistically insignificant. This can be explained by the fact that in India middle income group is more concerned about their future, whereas wealthy households feel relatively secured. The low income households are also very much uncertain about their future, but their financial limitations generally do not allow them to go for insurance policies. In the study it is found that family size has significant impact on Indian consumers' perception towards insurance services.

LIMITATION:

Firstly, this study was carried out mainly in Telangana; therefore, the results obtained may not be pertinent to the country as a whole. Of course, the study can be extended to other states of India. Secondly, the present study has been conducted by taking a sample of 120 respondents. This cannot lead to the generalizability of the findings and the results may not be implied conclusively to the whole rural market. Additional studies are recommended to fill this gap. Finally, these limitations may decrease the ability of generalizing the results of this study to other life insurance companies" settings. Therefore, the conceptual and methodology limitations of this study need to be considered when designing future research

CONCLUSION

The Indian insurance industry continued to face various problems such as low penetration (only 22% of the insurable population were insured) and low premium to GDP ratio (of 1.3). Growth was also hampered by the existing customer perception that life insurance was a tax saving tool. In present Indian market, the investment habits of Indian consumers are changing very frequently. The consumer's perception towards Life Insurance Policies is positive. It developed a positive mind sets for their investment pattern, in insurance policies. Still some actions are needed for developing insurance market. Insurance industry has to go ahead. A lot of opportunities are still waiting. This research will help in developing the market share, loyalty and further development in insurance sector.

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