An Awareness of Indian Life Insurance Customers : A Study

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ABSTRACT *Life insurance need of a person is the functions of his age, income, number of dependants, supporting bread winners and above all his physical status. The life insurance plans are of many kinds and designed to meet the varied needs. One plan alone may not meet all the needs but appropriate judicious mix of plans gives better result. In order to go for a judicious mix the awareness of insured about the life insurance fundamentals and products is inevitable.*

All the groups of insured under different socio-economic profile are ignorant to the pure life insurance products, as their term plan awareness level is extremely poor and ranges from 12% and 33%. The awareness level of insured is very strong on the savings oriented life insurance products like endowment and money back. The level of awareness is high and ranges from79% to 100%. The new age products like pension plans and ULIPs are known only to the high profiles like Insured of high income, highly qualified and high occupational status.

Introduction :

Life insurance need of a person is the functions of his age, income, number of dependants, supporting bread winners and above all his physical status. The life insurance plans are of many kinds and designed to meet the varied needs. One plan alone may not meet all the needs but appropriate judicious mix of plans gives better result. In order to go for a judicious mix the awareness of insured about the life insurance fundamentals and products is inevitable.

Rationale of the Study :

An overall awareness study of life insurance policyholders and non-policyholders was conducted by Economic Times in collaboration with Accis Indica Research and consultancy in the year 2004 and the report was published on 10th December, 2004 kolkota edition of Economic Times as ET Insurance Survey. The study observes that life insurance is purchased on account of tax saving rather than life cover. The study has no emphasis on the awareness of basic concepts and products. There after a lot of studies are conducted and observed that consumer awareness is vital in life insurance. It ensures an effective market discipline as consumers take an informed decision. It is a difficult product to sell owing to the financial complexity, low financial literacy and lack of awareness among the consumers of the need for such a product. He insists that in a domain where financial literacy is not very high. But no specific measurement of awareness about the life insurance concepts and basic products among the insured have not made till date. This study is an attempt in this regard.

Objective of the Study :
The main objective of the study is :
To measure the awareness of customers about life insurance products and services.

Research Methodology :
The research methodology applied for the study are :

(i) Source of Data: The study is based upon both primary and secondary data. The sources of secondary data are basically the research papers of eminent. The primary data were gathered through questionnaire. In order to meet the objectives of this study and to fulfill the requirements of the pre-designed hypothesis one set of structured questionnaire was administered to 85 number of life insurance customers (technically called as "Insured") on random sampling method. The respondents are belongs to the district of Ganjam of Odisha state and of different socio-economic profiles viz. living place, level of income, occupation status and educational background.

(ii) Tools of analysis : Statistical tools like percentage, average are very frequently used in this study. For testing of hypotheses the test of variance popularly called as "ANOVA" is used. This study measures the depth of knowledge of insured under seven parameters by asking several basic questions pertaining to each parameter.

Level of Awareness:
Very selective questions about the basic features of seven available popular life insurance products and basic services associated with the products like riders, bonus, loan facility, risk coverage, combination of products etc are asked to study the level of awareness of the insured. The questions carry answer either in Yes or No and awarded with score of 1 or 0 point respectively. Demography wise awareness level is tabulated below in Tables 1,2,3 and 4.

Reliability Test :
A reliability test was carried out using SPSS software and the reliability of the items was measured. The result is as follows:

No. of Cases = 78,   No. of items   = 7 and   Alpha= 0.7874

As the reliability value (Alpha) is more than 0.6, the questionnaire is highly reliable. Minimum criteria for alpha value are > 0.60 (Nunnally, 1978) and according to Sahu, Jaiswal and Pandey (2009) is > 0.70.

Table -1

Level of Awareness (Living Place wise)

In terms of Mean Score* and Percentage of Awareness Level in bracket

Serial No./Aspects	Rural	Urban
1. General Awareness	2.1116(71)	2.3539 (78)
2. Term Insurance Plan	0.3462 (12)	0.8462(28)
3. Whole Life Insurance Plan	1.2692(42)	1.4808(49)
4. Endowment Insurance Plan	2.6154(87)	2.7692(92)
5. Money Back Insurance Plan	2.7692 (92)	2.8269 (94)
6. Pension Plan	1.6538(55)	2.3269 (77)
7. Unit Linked Insurance Plan	1.5000(50)	1.8269(61)
Overall Awareness	12.2654(58)	14.1327(67)

Source : Primary Data, *The mean scores are out of 3 points each, and the percentage is calculated accordingly.

It is observed from the table-1 that neither the urban nor the rural insured are adequately aware to the basics of life insurance still the urban people are more aware than rural by 9%. It is unfortunate that both the groups are ignorant to the pure term life insurance products, as the term plan awareness level is 12% and 28% respectively. Rural people need education in new age hot plans like pension and linked products; the awareness level in these two products is very less, i.e. 55% and 50% respectively. How ever both the groups are at comfort in savings based life insurance products like money back and endowment plans- the awareness level is more than 85% in each.

Table-2

Level of Awareness (Income wise)

In terms of Mean Score* and Percentage of Awareness Level in bracket

Serial No./ Aspects	Low Income	Middle Income	High Income
1. General awareness	1.9143(64)	2.3833 (79)	2.4429(81)
2. Term Insurance Plan	0.1429(5)	0.6111(20)	1.3333(44)
3. Whole Life Insurance Plan	1.2381 (41)	1.1667(39)	1.9524(65)
4. Endowment Insurance Plan	2.3810(79)	2.8889(96)	2.7619(92)
5. Money Back Insurance Plan	2.8095(94)	2.8889(96)	2.5714(86)
6. Pension Plan	1.6190(54)	2.0833 (69)	2.6667(89)
7. Unit Linked Insurance Plan	1.1905 (40)	1.6389(55)	2.3810 (79)
Overall Awareness	11.2953 (53%)	13.6611 (65%)	16.1096 (77%)

Source: Primary Data, *The mean scores are out of 3 points each, and the percentage is calculated accordingly

It is seen from the table- 2 that the low income group is extremely poor in ULIPs, pension and whole life plans in additions to the term plans. Middle income group is not so sharp in this regard. High income group is almost aware except whole life plans because they don't believe in that, so the awareness is relatively less . Awareness level is quite strong (79% - 96%) in money back and endowment plans irrespective of the income level of the insured. Overall awareness level increases at the increase in income of the assured.

Table - 3

Level of Awareness (Occupational Status wise)

In terms of Mean Score* and % of Awareness Level in bracket

Serial No./ Aspects	I	II	III	IV	V
1.General awareness	2.2357 (75)	2.3455 (78)	2.5800 (86)	1.6500 (55)	2.3000 (77)
2.Term insurance Plan	0.5000 (17)	1.0909 (36)	1.0000 (33)	0.0000 (00)	0.8333 (28)
3.Whole Life Insurance Plan	1.0952 (37)	1.3636 (45)	1.6000 (53)	1 .0000 (33)	2.1667 (72)
4.Endowment Insurance Plan	2.7143 (90)	2.7273 (91)	2.4000 (80)	1.5000 (50)	2.9444 (98)
5. Money Back Insurance Plan	2.8095 (94)	2.9091 (97)	1.8000 (60)	3.0000 100)	3.0000 (100)
6.Pension Plan	1.9762 (66)	2.5455 (85)	2.2000 (73)	0.5000 (17)	2.2778 (76)
7. Unit Linked Insurance Plan	1.6429 (55)	1.4545 (48)	2.2000 (73)	0.0000 (00)	2.1111 (70)
Overall Awareness	12.9732 (62)	14.4364 (69)	13.7800 (66)	7.6500 (36)	15.6300 (74)

Source: Primary Data, Notations for the occupational status: I-Government Employees,

II- Private Employees, III-Professionals, IV-Agricultural Workers, V-Businessmen, Self Employed & Others. *The mean scores are out of 3 points each, and the percentage is calculated accordingly.

The table- 3 exhibits the rank of awareness among the insured by their occupational status. The businessmen and Self Employed stand first followed by the Private Employees (2nd), Professionals (3rd), Government Employees (4th) and Agricultural workers (5th). Overall awareness is found negligible with the agricultural workers i.e. 36%. Businessmen and self-employed are concuss and sincere to life insurance, their level of awareness is 74% followed by the private employees 69%. It is interesting that the professionals are comparatively less aware than businessmen because they are busy at their core job and no time in their hand to think about life insurance. Moderate awareness level of 66% is found with them. Average awareness of 61 % only is found with the government employees.

Table - 4

Level of Awareness (Educational Background wise)

In terms of Mean Score* and Percentage of Awareness in bracket

Serial No./Aspects	Below Graduate	Graduate	Post Graduate
1.General awareness	1.9800(66)	2.3160(77)	2,3163(77)
2.Term Insurance Plan	0.0000 (00)	0.5200(17)	0.9302(31)
3.Whole Life Insurance Plan	1.1000(37)	1.2400(41)	1.5814(53)
4.Endowment Insurance Plan	2.7000 (90)	2.7600 (92)	2.6977(90)
5.Money Back Insurance Plan	3.0000(100)	2.8800 (96)	2.7209(91)
6.Pension Plan	1.2000(40)	2.2800(76)	2.2093 (74)
7.Unit Linked Insurance Plan	1.2000(40)	1.4400(48)	2.0000(67)
Overall Awareness	**11.1800**(53)	**13.4360**(64)	**14.4558**(69)

Source: Primary Data, *The mean scores are out of 3 points each, and the percentage

is calculated accordingly.

The overall awareness level of the low income group (Table- 2) and below graduate group (Table-4) is tantamount. Their overall awareness level is 53% only. These two groups are highly aware to the money back and endowment plans but very poor in term plans and linked products. This table- 4 exhibits; the graduates are also poor knowledge in term and linked policy. It is obvious that awareness level moves upward with the increase in educational qualification. The survey also establishes this idea; the overall awareness level of the insured moves up by their educational status and is measured as 53%, 64% and 69% respectively. But high qualified insured are yet poor in knowledge about pure term plans; the awareness level of 31% shows their poorness. They are also lack in complete technical knowledge of unit linked plans.

Major Findings :

High awareness level enables an insured to take scientific/judicious decisions while purchasing life insurance products. The primary survey tells, the awareness level of life assureds under different profiles ranges from 36% to 77%. It is observed from the above tables that life assureds are not properly aware to most of the products except money back and endowment. Little awareness in term insurance plans (0% to 36%) signifies that the life assureds are ignoring to the pure cover. High awareness (60% to 100%) in savings oriented products like Money Back Plans and Endowment Plans strengthens the idea that life insurance is purchased by most to meet the income tax and savings needs. The general awareness of all the insured is quite satisfactory. Awareness about the new age products like ULIP and pension plans is not satisfactory with the under profile insured but amazing with the high profile insured. Gradually it will spread and cover the entire market.

The convergence of financial markets is changing the dynamics of life insurance business. A few decades ago, the concept of opting for pure term insurance products with the objective of investing the balance in securities and stock markets was prevalent in certain developed market. That itself was considered as a hedge against inflation at that point of time. What was considered as a practice in a few advanced markets seems to becoming reality in the Indian context. With the opening up, the life insurance market is gradually transforming itself by attaching priority to capital market-linked products and this is the Changing Paradigm.

Testing of Hypothesis :

It generates a concept whether the socio-economic profile affects the awareness of the insured or not. In order to measure the difference in awareness on the basis of socio- economic profile of the insured the test of one way ANOVA is applied. When two or more means of independent groups/samples are involved, the analysis of variance "ANOVA" technique is used to test the difference among such mean. It calculates the F ratio by using the formulae-

$$F = \frac{\text{Variance between the group}}{\text{Variance within the groups}}$$

The following null hypothesis is formed.

Hypothesis:

The level of awareness significantly differs among the insured as regards to their socio-economic profile.

Alternative Hypothesis:

The level of awareness does not differ significantly among the insured as regards to their socio-economic profile.

Note

* The socio-economic profile is defined previously as --- living place, income level, occupational status and educational background of the insured.

* The mean score awareness for the groups are expressed as $\mu_1, \mu_2, \mu_3, \ldots, \mu_k$

The above hypothesis can be fragmented into four sub hypotheses like:

I. The level of awareness significantly differs among the insured as regards to their living place

H0:   Both the μ are not equal
H1: $\mu_1 = \mu_2$

II. The level of awareness significantly differs among the insured as regards to their income profile.

H0 :   All the μ are not equal
H1: $\mu_1 = \mu_2 = \mu_3$

III. The level of awareness significantly differs among the insured as regards to their occupational profile.

H0 :   All the μ are not equal
H1: $\mu_1 = \mu_2 = \mu_3 = \mu_4 = \mu_5$

IV. The level of awareness significantly differs among the insured as regards to their educational profile.

H0 :   All the μ are not equal
H1: $\mu_1 = \mu_2 = \mu_3$

As per the seven different parameters the awareness level of insured are measured and the sum total of mean scores is denoted as total awareness. The total awareness is taken into the consideration for the application of ANOVA. It is decided to use 0.05 level of significance. If the calculated value of F is less than the critical value of F at 0.05 level of significance for required degrees of freedom (df) then no difference is there. In SPSS, reference to critical value is not necessarily required to be referred, because the level of significance for F value is readily given. Small significance value (<.05) indicate group difference.

Table - 5

Analysis of Variance (ANOVA) on the base of Living Place (Groups-Rural and Urban)

ANOVA		Sum of Squares	df	Mean Square	F	Sig.
Total Awareness	Between Groups	129.256	1	129.256	6.035	0.016
	Within Groups	1627.731	76	21.418		
	Total	1756.987	77			

Source: Result from primary data by SPSS,   significant at 95% confidence level, p>.05

Inference: In one-way ANOVA, the total variation is partitioned into two components. Between groups represents variation of the group means around the overall mean. Within group represents variation of the individual scores around their respective group means. Degrees of freedom for the

numerator are k -1, where k is the number of groups (Here 2-1 = 1) for the denominator is n - k (Here 78 - 2 = 76). Sig. (Column- 7) indicates the significance level of the F value. Small significance value (<.05) indicate group difference. In our case the significance level .016 is less than .05. Hence, at 95% confidence level the Sub-hypothesis- I is accepted.

Table - 6
Analysis of Variance (ANOVA) on the base of Income Level (Groups-Low Income, Middle Income and High Income)

ANOVA		Sum of Squares	df	Mean Square	F	Sig.
Total Awareness	Between Groups	399.146	1	199.573	11.023	.000
	Within Groups	1357.841	75	18.105		
	Total	1756.987	76			

Source:Result from primary data by SPSS, significant at 95% confidence level, p->0.01

Inference: The F value 11.023 is significant at 95% confidence level as the significance level 0.000 is less than 0.05. Hence, at 5% level of significance the Sub-hypothesis- II is accepted

Table – 7
Analysis of Variance (ANOVA) on the base of Occupational Background (Groups- Government Employees, Private Employees, Professionals, Agricultural Workers, and Businessmen)

ANOVA		Sum of Squares	df	Mean Square	F	Sig.
Total Awareness	Between Groups	224.302	1	56.075	2.671	.039
	Within Groups	1532.685	73	20.996		
	Total	1756.987	74			

Source: Result from primary data by SPSS, significant at 95% confidence level

Inference: The F value 2.671 is significant at 95% confidence level as the significance level .039 is less than .05. Hence, at 5% level of significance the Sub-hypothesis- III is accepted

Table - 8
Analysis of Variance (ANOVA) on the base of Educational Background (Groups- Below Graduate, Graduate and Post Graduate)

ANOVA		Sum of Squares	df	Mean Square	F	Sig.
Total Awareness	Between Groups	134.864	1	67.432	3.118	.049
	Within Groups	1622.123	75	21.628		
	Total	1756.987	76			

Source: Result from primary data by SPSS, significant at 95% confidence level

Inference: The F value 3.118 is significant at 95% confidence level as the significance level 0.049 is less than .05. Hence, at 5% level of significance the Sub-hypothesis- IV is accepted

Acceptance of all the four sub-hypotheses establishes that the level of awareness significantly differs among the insured as regards to their socio-economic profile. Hence the 'Hypothesis" is accepted

Conclusion :
All the groups of insured under different socio-economic profile are ignorant to the pure life insurance products, as their term plan awareness level is extremely poor and ranges from 12% and 33%. The awareness level of insured is very strong on the savings oriented life insurance products like endowment and money back. The level of awareness is high and ranges from79% to 100%. The new age products like pension plans and ULIPs are known only to the high profiles like Insured of high income, highly qualified and high occupational status.

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