

# THE EFFECT OF DEMOGRAPHIC FACTORS ON THE AWARENESS OF LIFE INSURANCE IN RURAL AREAS

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According to the theoretical and empirical literature, life insurance plays a very important role in the rural development. The aim of this paper is to analyze the awareness of the insurance among rural areas of Mahaboobnagar district of Telangana state. The study is based on the data collected from the sample of 300 respondents. The research results shows that there is no association between the awareness of insurance and the demographical factors of the respondents. The study also shows that marketing of the policies and the availability of the insurance agents need to be focused in the rural regions.

## Introduction

Insurance plays a significant role in individuals and families because it is a hedge against the loss of income following the death of a income earner. The use of life insurance is to insure against lifetime uncertainty resulting for the risk of individuals. Insurance companies determine several factors to define a demographic profile. These factors will be used to develop a marketing strategies and help in marketing the insurance policies. Understanding the demographical factors plays a very important role in estimating the demand for the policy. However changes in the life style or the preferences of the people in preventing the financial risk and emerging of the new financial products makes this difficult. Selling insurance policies to few wealthy people in the society or in the urban areas is not going to fulfil the scope of the insurance companies. They have to realize that every individual has to be insured and then only the objective of life insurance can be attained. A common marketing strategy cannot be used in all the geographical regions. In depth study and analysis of the perspective buyers of the insurance policy is necessary to know the demographical factors of the region. This will help the insurance companies to prepare their marketing strategies better according to the requirements of the people in the region.

## Literature review:

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.

Banerjee T. K (2004) revealed that though the Government has tried to promote insurance business in rural India through Public Sector Insurance Companies for nearly two decades there still remains a vast untapped potential considering that 74.3 percent of the total population lives in rural India. At present in rural areas insurance cover is low, and there are few insurance covers, available on affordable terms, for rural producers and consumers. The insurance industry has been opened up, with a restriction of 26% on foreign ownership to Indian insurers.

Burnett and Palmer (1984) in the study examined various demographic and psychographic characteristics in terms of how well they relate to differing levels of life insurance ownership. Owners of large amounts of life insurance are better educated, have larger families, have higher incomes, are not opinion leader, are geographically stable, are greater risk takers, are not price conscious, are not information seekers, are low in self-esteem, are not brand loyal and believe in community involvement but they do not rely heavily on the government. They conducted extensive research using Multiple Classification Analysis. Their study proved that demographic variables, as well as psychographic variables, are important predictor variables

### **Need for the study**

There is a serious need to expand the insurance in the rural region, both by the central government state government and the insurance companies. In spite of an immense potential, the rural market faces many challenges for the insurance segment. The marketing tactics used by the insurance companies at the rural level are not significant. Insurance sector plays a significant role in the development of the economy as most of the population in India reside in rural areas if the government and the insurance companies make an action plan to bring the awareness among the rural population that in turn will help in the economic growth of the country.

According to section 32B and section 32C of the Insurance Act, 1938, insurance companies are expected to provide certain percentages of businesses to people of the rural sector

### **Types of rural policies**

- Personal Accident insurance – To financially protect the insured's family in case the earning member faces death or disability due to death.
- Critical Illness insurance – To provide financial aid in times of financial distress caused by the diagnosis of a critical illness.
- Motor insurance – To offer coverage for agriculture-related vehicles such as tractors or equipment such as pump sets.
- Property insurance – To cover damages caused to shops, outlets, schools, etc. located in rural areas.
- Livestock insurance – To provide financial security to the owners of cows, buffaloes, bulls, sheep, goat, etc.

### **Research Methodology**

Location of study: Rural areas of Mahaboobnagar Dist, Telangana state .

Sampling Method: Convenient Sampling method .

Sample Size: 300 .

Sampling Unit: population of Talakondapally Mandal, Mahaboob Nagar Dist, Telangana state .

Data Collection: Primary data collection through questionnaire by google forms and personal.

## Objectives of the study :

1. To determine the awareness level of insurance among the rural population
2. To determine the association of demographical factors on the awareness level of insurance
3. To know the reasons for not purchasing insurance from the non insurance holders.

## Hypothesis

Ho: There is no significant association between awareness of Life Insurance and the demographical factors like gender, age, education etc.

## Statistical Tools and Techniques

To determine the association of awareness and the demographical factors chi-square is use and to know the awareness level and reasons for not purchasing percentage method is used.

## Data Analysis and Interpretation

Demographic profile of the Respondent based on different categories

S No.	Particulars	Categories	No of respondents	Percentages %
1	Gender	Male	170	56%
		Female	130	44%
2	Age ( Years )	20-30	70	23%
		30-40	60	20%
		40-50	95	31%
		50-60	55	18%
		Above 60	20	6%
3	Education	Illiterate	66	22%
		up to schooling	110	36%
		Graduation/ above	29	9%
		Others	95	31%
4	Occupation	Govt employee	45	15%
		Private employee	65	22%
		farming	190	63%
5	Annual Income ( Rs )	upto 60,000	74	25%
		60,000 - 1,00,000	40	13%
		1,00,000- 2,00,000	60	20%
		2,00,000- 3,00,000	40	13%
		Above 3,00,000	86	28%
6	Idea of insurance	Yes	86	28%
		No	214	72%
7	Do you have a policy	Yes	32	37%

		No	54	62%
8	Reasons for not having	Flucuating annual income	8	14%
		Lack of insurance Agents	17	31%
		low knowledge of policies	9	16%
		Long maturity period	16	29%
		Too much documentation	4	7%

## Findings

1. From the study it is observed that out of 300 sample respondents nearly 56% are male and 44% is female.
2. It is analysed that 23% of the respondents are from the age group of 20 -30 years , 20% from 30-40 years , 31% from 40-50 years , 18%from 50-60 years and 6% above the age group f 60 years
3. The study shows that 23% of the respondents have no educational back ground , 36% are from schooling back ground , 9% of the respondents are graduates post graduates , and the remaining 31% are from other educational background like vocational , technical .
4. Of the total respondents 15% are government employees , 10% private employees, 63 % depend on farming for their livelihood and remaining 25% are from other activities.
5. From the study it is observed that maximum of 28% of the respondents has an annual income of above 3,00, 000 and a minimum of 13% of the respondents fall under the income level of 60,000 – 1,00,000 and 2,00,000 – 3,00,000
6. It is very clear from the study that only 28% of the respondents are aware of the insurance it means remaining 72% are unaware
7. It is analysed that among the 86 respondents who are aware of the insurance its only 37% of the people have the insurance policy and the remaining are the non insurance policy holders.
8. It is also observed that 14% of the aware respondents don't have the policy due to the fluctuated annual income , maximum of 31 % don't have the policy due to non availability of insurance agents and lack of information
9. 7% of the aware respondents say that they dint take the policy because of too much of documentation.

## Statistics Analysis :

### Association between Awareness on Life Insurance and Demographic variables

For testing the association between the respondent's awareness on life insurance and the demographic variables, chi-square test has been employed.

1. Association between gender and the awareness of life insurance

Ho : There is no significant association between the awareness of life insurance and the gender

Awareness	Male	Female	Total
Aware	49	37	86
Not aware	121	92	214
Total	170	130	300

**Findings**

From the above chi square table it is found that there is a no significant association between Awareness on Life Insurance and Gender of the respondents

Calculated value is 0.923 and the table value at 5% significant level is 3.84 . Hence the null hypothesis is accepted and the alternate hypothesis is Rejected.

2. Association between age and the awareness of life insurance

Ho: There is no significant association between the awareness of life insurance and the age

Awareness	20-30	30-40	40-50	50-60	Above 60	Total
Aware	24	30	15	15	2	86
Not aware	46	30	80	40	18	214
Total	70	60	95	55	20	300

**Findings**

From the above chi square table it is found that there is a no significant association between Awareness on Life Insurance and age of the respondents

Calculated value is 3.8 and the table value at 5% significant level is 9.84 . Hence the null hypothesis is accepted and the alternate hypothesis is rejected.

3. Association between education and the awareness of life insurance

Ho: There is no significant association between the awareness of life insurance and the education.

Awareness	20-30 ( Years)	30-40	40-50	50-60	Above 60 Years	Total Respondants
Aware	24	30	15	15	2	86
Not aware	46	30	80	40	18	214
Total	70	60	95	55	20	300

### Findings

From the above chi square table it is found that there is a no significant association between Awareness on Life Insurance and educational background of the respondents. Calculated value is 3.8 and the table value at 5% significant level is 7.8. Hence the null hypothesis is accepted and the alternate hypothesis is rejected.

#### 4. Association between education and the awareness of life insurance

Ho: There is no significant association between the awareness of life insurance and the occupations

Awareness	Govt employees	pvt employees	Farming	Total
Aware	30	36	20	86
Not aware	15	29	170	214
Total	45	65	190	300

### Findings

From the above chi square table it is found that there is a no significant association between Awareness on Life Insurance and occupation of the respondents

Calculated value is 3.4 and the table value at 5% significant level is 5.9. Hence the null hypothesis is accepted and the alternate hypothesis is rejected .

#### 5. Association between no of policy holders and the income levels of the respondents Ho: There is no significant association between no of policy holders and the income levels of the respondents

Annual Income ( Rs)	No of policy holders	No of non policy holders	Total
up to 60,000	1	10	11
60,000-1,00,000	5	8	13
1,00,000-2,00,000	10	8	18
2,00,000-3,00,000	6	18	24
Above 3,00,000	10	10	20
Total	32	54	86

### Findings

From the above chi square table it is found that there is a no significant association between number of policy holders and the income levels of the respondents

Calculated value is 0.05 and the table value at 5% significant level is 9.49. Hence the null hypothesis is accepted and the alternate hypothesis is rejected.

**Conclusion:**

1. From the study it is very clear that there is no significant association between the awareness of life insurance and the demographical factors like gender , age , occupation , education and the income levels of the respondents .
2. It is also observed that maximum of 31 % of the respondents don't have the policy because of non availability of the insurance agents in their regions
3. It is also observed that there are very low insurance services , complex formalities and a very long maturity period.
4. It is observed that a special focus is required with related to marketing of the policies , availability of the insurance agents.
5. Special marketing strategies need to be implemented to convert the non insurance holders to insurance policy holders
6. The results of the study and the findings of the study should be taken into consideration by the insurance companies because insurance is meant for every one irrespectively of the place where they reside

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