

# Consumer Behaviour and Perception towards Life Insurance Products In Coimbatore City

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## ABSTRACT

Insurance is the backbone of a country's risk management system. Risk is an inherent part of our lives. The insurance providers offer a variety of products to businesses and individuals in order to provide protection from risk and to ensure financial security. They are also an important component in the financial intermediation chain of a country and are a source of long-term capital for infrastructure and long-term projects. Through their participation in financial markets, they provide support in stabilizing the markets by evening out any fluctuations. Insurance may be described as a social device to reduce or eliminate risk of loss to life and property.

Keywords: Insurance, Risk, Product

## INTRODUCTION

Insurance industry is the mainstay of any financial system which plays a major role in reducing risk and uncertainties. It has not only been a leading function in financial system but also has an important socio economic function, making inroads into the heart of the economy. Since the nationalization, it has generated a significant growth and has gradually increased its contribution to financial savings of households. Hence it is treated as one of the rapid developing areas in the Indian financial system.

Consumer Behaviour is a wave of the totality of consumers' decisions with respect to the acquisition, consumption and disposition of goods, services, time and ideas by (human) decision making units. Consumer behaviour is a decision process and physical activity of individuals engaged in when evaluating, acquiring, using or disposing of goods and services. The American Marketing Association (AMA) defines consumer behaviour as "the dynamic interaction of cognition, behaviour and environmental events by which human beings conduct the exchange aspect of their lives".

Perception is defined as "the process by which an individual selects, organizes and interprets stimuli into a meaningful and coherent manner". Consumer perceptions are vital to marketers and often underlie the success or failure of products. Life insurance is not an exception. Three concepts are intimately related to perception: exposure, attention and sensation. The selective exposure, selective attention, perceptual defense, selective sensitization, and selective interpretation of prospects are matters of concern for the marketers,

which is a tendency of individuals to heed information/stimuli that interest them and to avoid information/stimuli that is irrelevant.

### **Objectives of the study**

This study aims to examine the various aspects of Consumer behaviour and Perception towards life insurance products in the present economic scenario of Coimbatore context with the following specific objectives:

1. To study the awareness of consumers with respect to life insurance products and services of different life insurers.
2. To examine the perception of consumers with respect to life insurance products and services.
4. To analyse the behaviour of consumers with respect to life insurance products

### **STATEMENT OF THE PROBLEM**

India has the highest number of life insurance policies in-force and the total investible funds with the Life Insurance Corporation of India (LIC) are almost eight percent of GDP. The LIC has more than one lakh of employees who in turn supervise through 2048 branch offices and more than five lakh agents. Yet life insurance business in India is spread very thinly and shallowly and the role of LIC as a mobiliser of long-term savings is insignificant. Savings through life insurance contract guarantee protection against monetary risk caused by the death of the insured. In life insurance contracts generally the lumpsum assured is payable with bonus, whereas in other forms of savings the amount saved is repayable with interest. Life insurance facilitates long-term savings through easy instalments. Now-a-days housing loans and other types of loans for meeting urgent financial commitments are being easily granted. Policyholders are also desirous of keeping their savings to meet the current needs and to provide for their old age requirements. In a large number of cases, policyholders take life insurance policies with the LIC for the purpose of tax planning.

Even though policyholders take up life insurance policies for the purpose of covering their risk, many policyholders have a strong feeling that life policies act a cushion for long-term investment. In these competitive days, the LIC offers a variety of life insurance policies such as Whole-Life Policy, Endowment Policy, Money-Back Policy, Joint Life Policies, Jeevan Mitra Policy, Jeevan Akshay Policy, Jeevan Balya Policy, Jeevan Suganya and many other plans. As a matter of fact, new life insurance plans are introduced to meet the demands of the changing social, cultural and economic environment. By introducing a variety of new schemes the LIC mops up the savings from the public for providing the money for welfare schemes.

### **Hypotheses of the Study**

Based on the objectives of the study, the following hypotheses are framed:

1. The awareness of consumers as regards the life insurance products do not differ significantly according to their socio-economic background.
2. The perception of consumers as regards life insurance products do not differ significantly according to the nature of ownership of their life insurer.

3. The behaviour of the consumers of life insurance products do not differ significantly according to the nature of ownership of their life insurer.

## REVIEW OF LITERATURE

This chapter reviews different studies with regard to service quality connected directly and indirectly with the present study. In any field of study, existing literature constitutes a base for further research. Therefore, probing into the past research studies was felt necessary for a better understanding of the direction of the progress in the present investigation. Therefore, the review of literature is highly useful to design the present study as it indicates the research gap in the study of service quality of the insurance industry. The study of service quality has attracted the attention of practitioners and scholars irrespective of countries, be it developed, developing or least developed.

**Ramesh Babu (2002)** in his research analysis has stated that the satisfaction level and consumer behaviour of the policy holders are to be given significance. This work contained the different factors involved in awareness and satisfaction on personal accident insurance and recommendations to improve them based on the perception of policy holders. The company should consider the essential factors in this report and try to implement the recommendations to increase the sale of more personal accident policies.

**Govardhan, N.M. (2010)** in his article has categorically stated that with increase in the ageing population and governments moving from public to private pension schemes the demand for life insurance products has increased. The professional agent has been the strongest link between the life insurer and the customer. The persistency rate in bancassurance due to the continuous contact with the client is better than any other channel. The use of internet web based sales; e-marketing, tele-calling and mobile short message services (SMS) have made great strides in the distribution task.

### Total Awareness about Services of LIC and Private Life Insurance Companies by Various Socio-Economic Factors

An analysis about total awareness about services of LIC and private life insurance companies by various socio-economic factors such as gender, age and place of residence was made in Table 1

**Total Awareness about Services of LIC and Private Life Insurance  
Companies by Various Socio-Economic Factors  
(Gender, Age and Place of Residence)**

Factors		Insurance Company	
		LIC	Private Company
Gender	Male	5.04	1.29
	Female	4.29	0.64
	Total	4.77	1.05
	25 years and below		

Age	26–35	4.27	1.18
	36-45	5.19	1.23
	46–55	4.55	0.39
	Above 55	5.26	2.69
Place of residence	Rural	4.74	0.98
	Semi-urban	4.63	1.09
	Urban	5.08	1.16
	Total	4.77	1.05

**Source: Primary data**

Table 1 reveals that the male respondents had more awareness about the services of LIC and private life insurance companies than female respondents. The respondents who were in the age group of 55 years and above were more aware about the services of LIC and private life insurance companies. The respondents in the urban area were more aware about the services of LIC and private life insurance companies. Next to urban respondents, rural respondents had high awareness about services of LIC, but rural respondents had only low awareness about the services of private life insurance companies. An analysis about total awareness about services of LIC and private life insurance companies by various socio-economic factors such as education level, major occupation and monthly income was made in Table 1

### **Hypotheses with respect to perception of consumers towards life insurance products**

With respect to the perception of consumers towards life insurance products, the following major null hypotheses were tested:

H0: The perception of consumers as regards life insurance products do not differ significantly according to the nature of ownership of their life insurer

H1: The perception of consumers as regards life insurance products differ significantly according to the nature of ownership of their life insurer

TABLE 2

### **ANOVA showing variations in Total Perception on life insurance products of LIC and private life insurance companies**

	Sum of Squares	Df	Mean Square	F	pvalue	Inference @ 5% Level of Significance
Between Groups (Combined)	33169.567	1	33169.567	457.641	0.000	Significant

Within Groups	86830.412	1198	72.479			
Total	119999.979	1199				

**Source: Primary data**

As portrayed by the ANOVA in Table 2, the p value of 0.000 shows a significant difference. Hence, the null hypothesis is rejected and it could be inferred that the perception of consumers as regards life insurance products differ significantly according to the nature of ownership of their life insurer.

**Conclusion**

This chapter analysed the type of life insurance products purchased and the perception of customers towards these products. People purchase life insurance products on the basis of their perception towards various factors such as image of the company, variety of products offered, office ambience, convenient location and working hours, knowledge and efficiency of office staff, courtesy of office staff, attention towards needs of customers, follow up of premium remittances, claim settlement, convenience in policy surrender, return on policies, procedure for purchase of policies, loan facility and risk management. The perception of people about all these factors except courtesy of office staff was better towards LIC than private life insurance companies. Even though life insurance companies are providing a number of services, most of the customers are not aware about these services. Even though the awareness about various services provided by LIC and private life insurance companies vary, the total awareness about services of LIC was higher than that of private life insurance companies. Consumer awareness leads to perceptions towards the products on offer. Perception thereby leads to learned behaviour which in tandem result in consumer satisfaction in varied degrees.

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