Analysing investor's demographic and decision behaviour while purchasing a life insurance policy: A survey within the Jalpaiguri district of West Bengal

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Abstract

Insurance companies play a very crucial role in the welfare of human well-being by providing safeguard to millions of people against life risks, such as uncertain death or accident. Life insurance is amongst the fastest growing service sector in India after privatisation and increase in Foreign Direct Investment (FDI). But still, Life Insurance-industry has not been able to attract more than 30% Indians under its coverage. By considering its importance, it has become essential to study the buying pattern of the life insurance products. Several studies have been done by different researchers of India and abroad and got different factors which lead to the decision-making process of these customers/investors. Some of these factors are behavioural and others are demographic. The present study examines the several factors that affect the consumer perception towards life insurance policy. Data has been collected by using structured schedules. The sample constituted of 250 respondents from Jalpaiguri district. The relationship among these behavioural and demographic factors has been established statistically with the help of charts and diagrams. Main findings of the study replicated are timely and customised services, company reputation, effective service quality, customer accessibility, tangible benefits and healthy customer-client relationship that influence the consumer perception towards life insurance policy.

Key Words: *Awareness, Life Insurance Industry, Perception, Preference, behavioral and Variable.*

Introduction:

Life is full of uncertainties and hardships and most of them come without prior intimations. Certain events can have an irreversible impact on one's life and leave his/her loved ones orphaned. To reduce the financial burden on those loved ones in his/her absence, taking a suitable life insurance policy is highly desirable. At the same time, life insurance is a crucial form of investment that can help a family to meet their essential needs even when the main earner of the family is not around. The most basic aim of buying a life insurance policy is to provide

financial support to the family members after sudden demise of the life insured. Apart from the above-mentioned basic need of income replacement, some other benefits that come with buying life insurance plans are Secure Investment, Assured Income through Annuities, Tax Benefits etc. Although there are quite a lot of benefits, people do not want to buy life insurance policies due to different reasons. Before the opening of Indian life insurance sector for Multinational Insurance Companies, Life Insurance Corporation (LIC) was the only company which dealt in Life Insurance and after opening of this sector to other private insurance companies, worlds' leading life insurance companies have started their operation in India. Understanding customers, their needs and expectations helps to provide the insurer quality of products and services. Life insurance penetration is low among Indian families, with insurance premiums accounting for only 3.1 percent of GDP. Compared with developed countries, the life insurance industry in India is minimized due to low consumer awareness, low availability and customer service delays and lack of favorable products. With a rise in competition, life insurance industries should focus on better customer service, awareness, giving priority to innovative and affordable products from which everyone can benefit and protect their life from future uncertainties, so as to withstand the competitiveness.

The purpose of this study was to determine the link between primary variables influencing consumer purchasing decisions when selecting life insurance products, and changes in their preferences and choice owing to different demographic parameters such as Household Income, Age or Occupation in Jalpaiguri district. A greater knowledge of customer behavior through demographic analysis might help forecast demand for insurance. As a result, an endeavour has been made to analyse consumer purchasing behaviour with the goal of identifying the primary determinants and how it fluctuates with demographic change. Many life insurance-related factors were found in prior studies, and respondents were asked about product variables that greatly impact their purchasing choice.

Review of literature:

Babita Yadav (July 2012) meant to study factors affecting customers investment towards life insurance policies. The main objective to identify and analyse the preferences of the customer investment decision making. The findings indicated that private insurance companies gaining more importance over Life Insurance Corporation of India, for their huge variant of insurance policies, brand name, people trust and better service.

Jothi (2012) this research conducted with an objective to determine consumer's attitude towards buying life insurance products. The main variable such as knowledge and information about insurance identified as important variables and those have a vital role in times of buying any insurance product. The result shows that the purchase decision making is heavily dependent upon the demographic factors.

Reddy and Jahangir (2015) observed great impact of different demographic factors like age, gender, marital status, household income and educational qualification over customers' perception for buying insurance policy of Nalgonda Distrct, AP. They also suggested the method of enhancement of market share by the insurance companies through customer loyalty.

Bath (2016) studied the impact of demographic variables on behaviour of the insurance buyers of Moga district, Punjab and got a result that there is no impact of age, sex, income level or education over buying

behaviour. It has also identified from this research that most of the respondents are unaware about life insurance or of policy details.

Chaudhury (2016) from his survey it is identified that most of the life insurance investors are fully aware of their plans. As per the study investors satisfaction varies due to perceived high level of premium. From this research he finds that there are differences in investors' satisfaction level between public and private companies and it varies significantly.

Gaikwad and Vibhute (2013) detected that marital status has a significant impact on the buying behaviour of the customers. Middle level income group is more prone towards purchase of life insurance products in comparison to both higher and lower level income groups. From the study researcher identified that, respondents choose life insurance policy commonly as an option of pure protection, and a very few as an option of savings. The purchasing behaviour of the customers are totally influenced by advisors, who are either their friends or relatives.

Mahajan (2013) studied the purchase decision behaviour of the customer from the concept of marketing and reached to the conclusion that the decision process of purchasing life insurance policies are as good as other consumer durables. Whereas Yadav and Tiwari (2012) discovered the highest preference of money back plans over the other plans as it yields multiple benefits. Customers' preference is maximum on LICI in comparison to other private companies.

Objectives of the Study:

From the literature it is clear that buying behaviour of the insurance customer is determined by their perception about the product or product line. But the perception may only develop when the customers/investors do have wide awareness about the competitive product range available before them. Further, the repurchase decision is only taken by an investor if he/she received satisfactory benefits from the product for which the previous investment had taken place. Following are the objectives for this research:

   i)   To study the demographic profile of the respondents.

   ii)   To study and analyze the impact of various demographic factors affecting perception of investors towards life insurance products.

   iii)   To determine the customer's decision behaviour towards life insurance policy.

Research Methodology:

The present study is descriptive and exploratory in nature. This study highlights the factors influencing a customer's life insurance purchasing decision and his/her preferences at the time of policy buying decision. In order to conduct this study, 250 policyholders of Jalpaiguri District have been surveyed with a structured scheduled to collect the primary data from the respondents.

- **Sampling Design**

   a) **Population:** Population will be included investors in the Jalpaiguri region of West Bengal.

   b) **Sample frame:** Since the data has been collected through personal contacts, the sample frames will be the individuals who are investing in life insurance policies.

c) **Sampling Techniques:** Convenience sampling technique has been used to select the samples. (Convenience sampling will be use while selecting the sample for the study. As the name suggests, when population elements are selected for inclusion in the sample based on the ease of access, it can be called convenience sampling.)

d) **Sample Size:** To fulfill the research objectives 250 respondents has been considered as sample size for the study.

e) **Data analysis:** The rules of statistics in research are to function as a tool in designing research, analyzing the data, drawing its conclusion from research studies resulting in large volumes of raw data that must be suitably reduced, so that the same can be read easily and can be used for future analysis. Microsoft Excel and Google Sheet are used as tool for analyzing the collected data.

DATA ANALYSIS AND INTERPRETATION

Table 1. Age Distribution of the Respondents

Age.	No. of Respondents	Percentage
Under 20	45	18.0%
21-30	75	30.0%
31-40	40	16.0%
41-50	45	18.0%
Above 50	45	18.0%
Total	250	100%

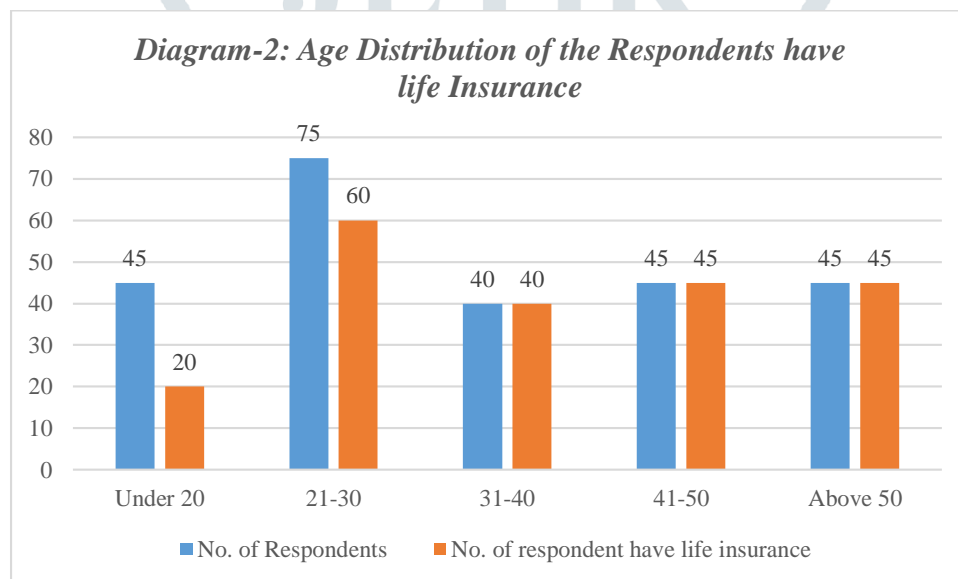*Source: Primary data collected through questionnaire*
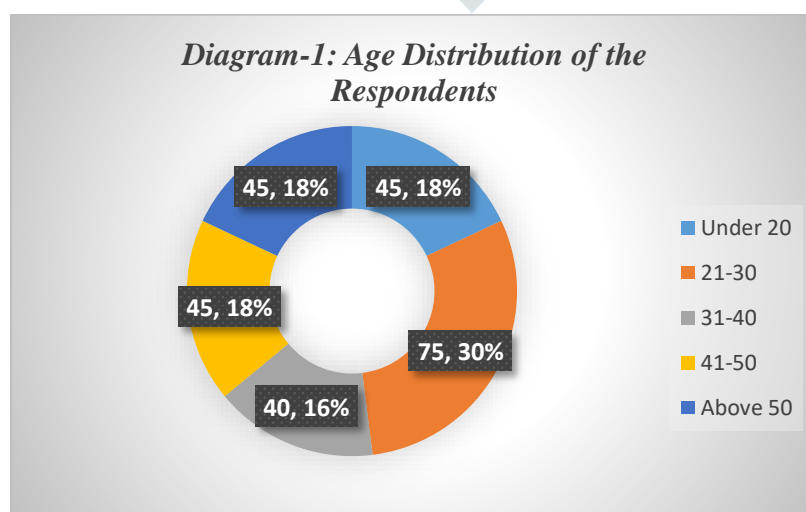
Source: Primary data collected through questionnaire

Table 1, shows the ages of the respondents. There are 250 respondents, 45 of whom are under the age of 20, 75 of whom are between the ages of 21 and 30, 40 of whom are between the ages of 31 and 40, 45 of whom are between the ages of 41 and 50, and 45 of whom are above 50. In this table, out of 250 respondents 75 (30.0 percent) are between the ages of 21 and 30, followed by the age group of 31-40 years, which accounts for 16 percent of the total respondents.

*Table 2: Age Distribution of the Respondents have life Insurance*

Age.	No. of Respondents	No. of respondent have life insurance
Under 20	45	20
21-30	75	60
31-40	40	40
41-50	45	45
Above 50	45	45
Total	250	210

Source: Primary data collected through questionnaire

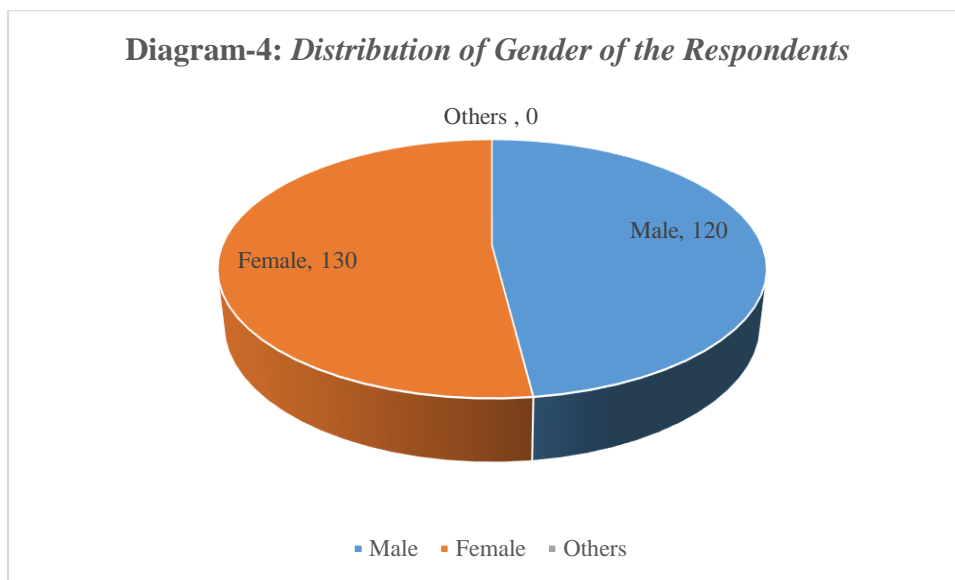*Diagram-2: Age Distribution of the Respondents have life Insurance*

Source: Primary data collected through questionnaire

Explanation: Diagram-2 clearly shows that, the majority of respondents have their life insurance. Only 40 respondents don't have any life insurance, i.e. 16% of the total respondents (250). In this regard, the most number of people who don't have any life insurance are people who belong to the age group of under 20 and respondents from age group of 21-30. This is due the unstable source of income of this generation of respondents. Mostly, the teens and juveniles are dependent upon their parent's allowance and generate from saving from miscellaneous sources which is limited. Also, this group of people don't have access to the awareness programme of financial literacy so they may find the life insurance important.
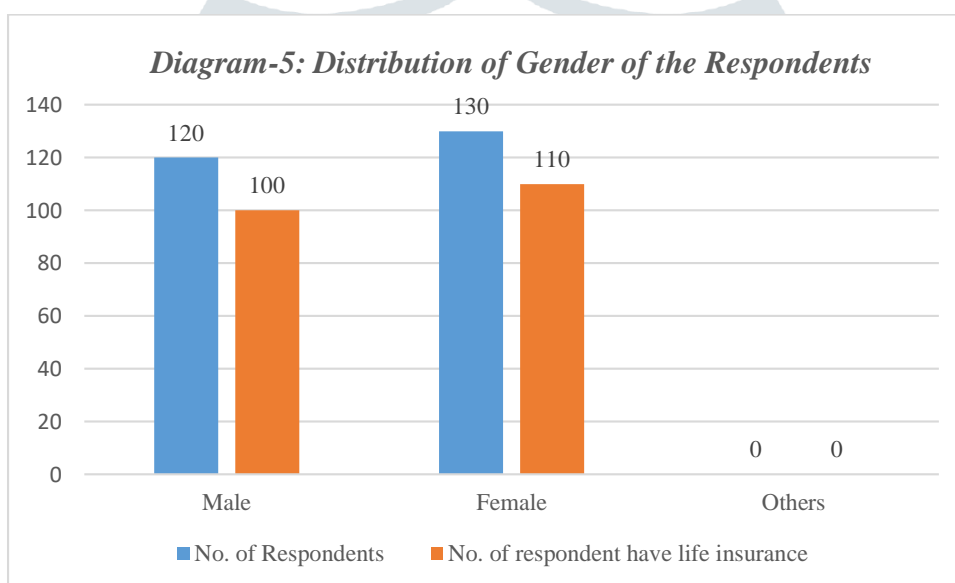
Diagram 3: Distribution of Monthly Income of the Respondents who have any life insurance
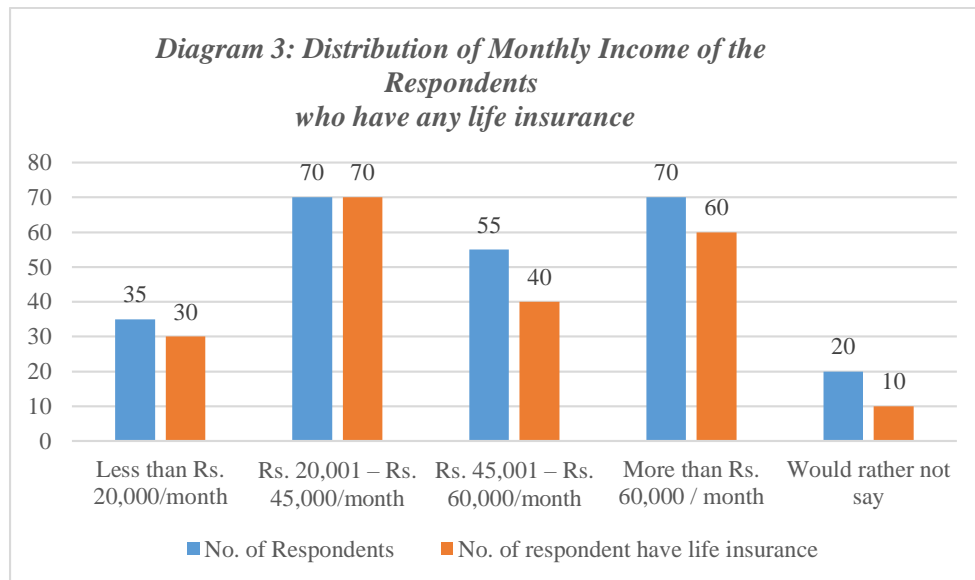
Source: Primary data collected through questionnaire

Explanation: Diagram-3 clearly shows that, out of 250 respondents, 210 have their life insurance, making 84% of the total respondents (250). From the above diagram, it is observed that respondents who belong to the income group of 20, 000-45001 per month have the highest number of insurance policy holders (70 respondents) followed by the income group of 'More than Rs. 60,000 per month' with 60 insurance policy holders. 40 policy holders belong to the income group of 'Rs. 45001-Rs.60000 per month'. Insurance policy holders are concentrated among the respondents with higher income group. This is due to the affordability of middle class and higher class of people. These people considered insurance as a good avenue of investment and also they treated insurance as the basic necessity to their life. From the above diagram, it is clear that income is also an important demographic profile that influence consumer's buying behavior.

Diagram-4: *Distribution of Gender of the Respondents*

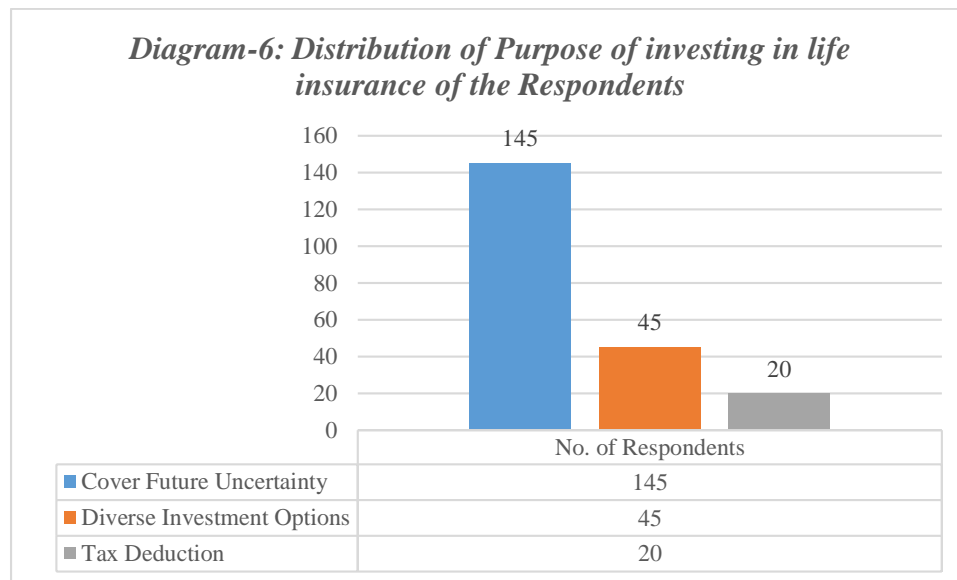*Source: Primary data collected through questionnaire*

Source: Primary data collected through questionnaire

Explanation: Diagram-4 clearly shows that out of 250 respondents, 120 are males and 130 are females, no respondents belong to the 'Others' category. Number of insurance policy holders are higher amongst the female respondents in comparison to male respondents. Out of 130 female respondents, 110 are having their own life insurance policy whereas in case of male respondents, out of 120 respondents 100 are having their own life insurance policies. There may be various reasons to why more women are choosing life insurance over men, which include increased needs of social security for them, widespread availability of micro-insurance plans, increased marketing in rural regions, and insurance bundling with low-cost or subsidized schemes for women insurance.

Table 3. Distribution of Purpose of investing in life insurance of the Respondents

Purposes	No. of Respondents	Percentage of Respondents
Cover Future Uncertainty	145	69.05%
Diverse Investment Options	45	21.43%
Tax Deduction	20	9.52%
Total	210	100%

Source: *Primary data collected through questionnaire*

Diagram-6: Distribution of Purpose of investing in life insurance of the Respondents

| No. of Respondents	
■ Cover Future Uncertainty	145
■ Diverse Investment Options	45
■ Tax Deduction	20

Source: *Primary data collected through questionnaire*

Explanation: Diagram-6 clearly shows that out of 210 respondents who have invested to buy their insurance policy, 145 respondents (69.05%) purchased insurance to cover their future uncertainty. 45 respondents (21.43%) purchased insurance as a diverse means of investment and remaining 20 respondents (9.52%) took insurance for their income tax deductions. Thus, it can be depicted that covering future uncertainty is the main concern of customers while making investments in insurance policies.
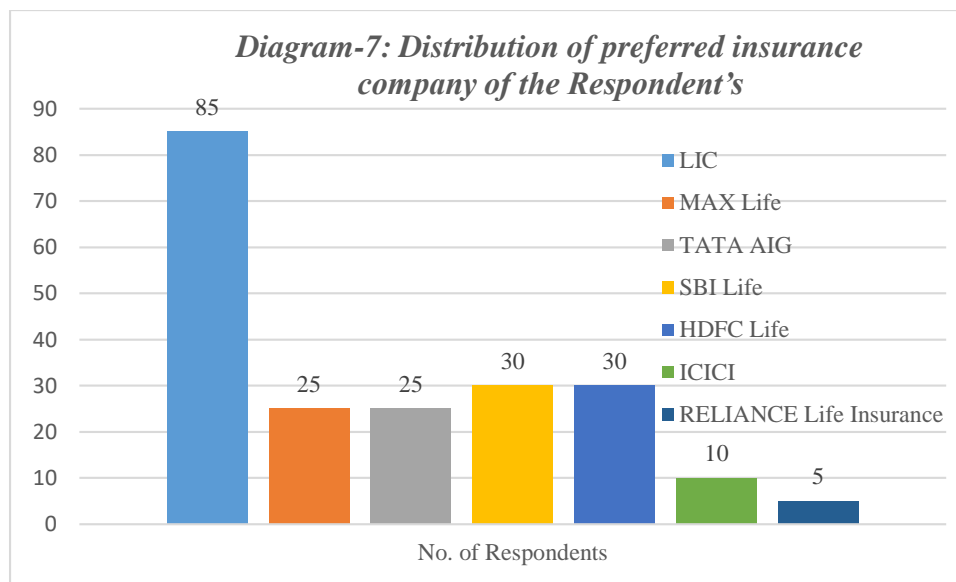
Source: Primary data collected through questionnaire

Explanation: From diagram 7, it can concluded that highest number respondents purchased their policy from Life Insurance Corporation of India (LICI). 85 respondents (40.48%) out of 210 respondents purchased their policy from LIC. 30 respondents (14.29%) in each cases purchased their insurance from SBI Life and HDFC Life respectively. Again 25 respondents (11.90%) in each cases purchased their insurance from MAX Life and TATA-AIG respectively. 10 respondents (4.76%) purchased their life insurance policy from ICICI Life and 5 respondents (2.38%) purchased their policy from Reliance Life. So, it can be concluded that the leader in this sector is LICI. Private insurance companies have a small percentage in comparison to LICI, this may be due to the higher preference on the quality of customer service and high returns from their investment.

Diagram-8: Distribution of Type of insurance policy of the Respondent's
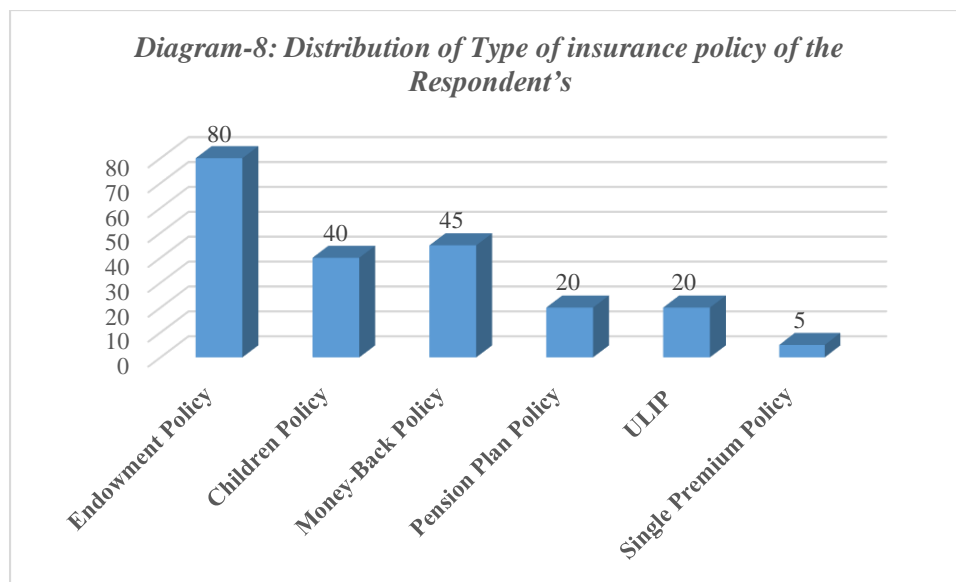
Source: Primary data collected through questionnaire

Explanation: It is clearly visible from diagram-8, that there are different types of life insurance policies that have specifications and values that meet the needs of certain target of the policy holders. The majority of respondents (38.10%) use the Endowment policy, 21.43% of respondents prefer Money Back policy and 19.05% prefer Children plans to ensure their child's future. 9.52% in each of the cases prefer Pension Plan and Unit Linked Insurance Policy (ULIP) respectively. Only 2.38% of the respondents preferred Single Premium Policy as their life policy. From the above diagram researcher can conclude that, the most popular plan is the Endowment policy scheme. This plan will help investors to keep their money systemized and insured, and is also known for its high liquidity advantage. Other products like unit linked plans are popular because they serve many purposes such as it providing high return, tax holidays, life insurance, critical illness costs, and flexibility in paying bonuses.

Table 4. Distribution of Reason for opting any insurance policy by the Respondent's

Purposes	No. of Respondents	Percentage of Respondents
Reputation of the Company	85	40.48%
Money-Back Guarantee	15	7.14%
Low Premium	60	28.57%
Larger risk coverage	30	14.29%
Easy access to the agents	20	9.52%
Total	210	100%

Source: Primary data collected through questionnaire
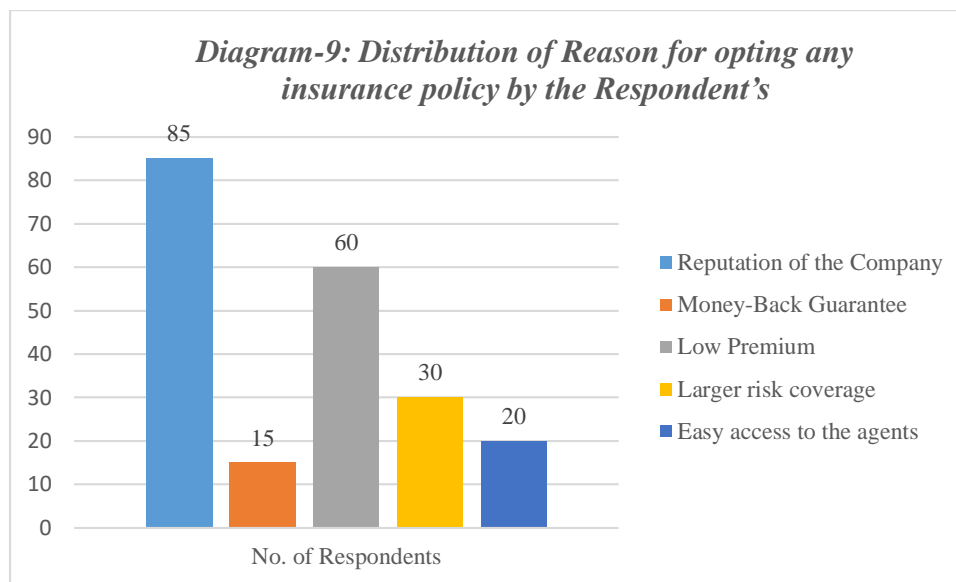
Source: Primary data collected through questionnaire

Explanatory Note: As shown in the Table-4 and Diagram-9, these are most of the reasons to opt for any insurance policy by the respondents. The overwhelming majority of the respondents (40.48%) have been influenced by the reputation of the Insurance Company while purchasing any insurance policy, and low premium on policy is also another reason for higher preference over other options by the respondents (28.57%). Larger risk coverage stands third in respect of respondents' preferences over other options for buying any insurance policy (14.29%). 'Easy access to the Agents' has been preferred by 9.52% of the respondents for buying any policy and finally, 7.14% of the respondents opted for 'Money Back Guarantee'. Therefore, the key factor that influences the decision of an individual to buy any insurance policy is the company's reputation.

Results and Discussions:

The consumer's decision to purchase insurance products from different insurance companies is affected by various factors which includes age, gender and income of the respondents. From the analysis it is found that respondents other than the age group of 'Below 20 years' are interested in buying life insurance policies. Results shows that LIC is the most popular company among the respondents. Private Insurance Companies were preferred by the respondents due to the quality of customer service and high returns from their investment. Most of the respondents preferred Endowment Policy for their life as they consider that this policy can keep their money systemized and insured, and is also preferred for its high liquidity advantage. When any respondent decides to buy any insurance policy, company's reputation is the most influencing factor for them. Low premium is another attractive factor to the respondents to buy any insurance policy. 'Larger risk coverage' and 'Easy access to Agents' are also important factors which influence potent customers to buy life insurance policy.

Limitations of the Study:

i) Only 250 respondents were considered as the sample for the study, which may not be sufficient to represent population statistically.

ii) The respondents' prejudice against any particular Life Insurance Product (or for any Life Insurance Provider) may prevent this survey from yielding a valid result.

iii) This survey is confined to Jalpaiguri District only, so due to this, the outcome generated from this research may not be applicable to any other region of the nation.

Conclusion and Suggestions:

Life insurance is an important type of insurance that is required for everyone. Life insurance awareness in India is quite low as compared to industrialised countries where practically all lives are protected and saturation has occurred. Customers are the true backbone of the profitability of the life insurance industry; thus, it is critical for insurers to keep current policyholders pleased for as long as possible while also generating new business by delivering need-based innovative products. There are several elements that influence customers' investment decisions in life insurance, and several studies revealed that the demographic aspects of individuals play a big and major part in selecting the purchase of life insurance policies. The single most essential component in managing change in the life insurance industry will be the consumer. The key to success would be to offer insurance solutions rather than insurance services. In terms of channel diversification, the last few years have seen the creation of corporate agents, brokers, and direct sales force. In addition to the individual financial counsellor; websites have emerged that will give this evaluation service by comparing the policies of various insurers. Arriving at the optimal combination of distribution channels as soon as possible would be key to long-term success. Technology will be critical in providing the best level of service to both the end client and the negotiator. It will help to drastically cut expenses, which will then be reflected in product pricing.

a) In today's competitive environment, investor satisfaction has become a vital factor, not just for growing but also for the survival of the company. Service to the policyholders is a vital success component, and private insurers may reposition and separate themselves from LICI by providing the finest services.

b) Private insurers should place a greater focus on advertising and brand recognition through various channels of communication. This will assist to raise insurance knowledge among the common people of the country.

c) To achieve greater insurance intelligence, healthier competition must be raised by both sectors, and they must come up with new unfamiliar products to offer a greater variety of choice to customers, as well as improve service quality and sell products through the appropriate distribution channel to create a win-win situation for both parties.

d) Insurance firms should develop plans that provide effective risk coverage rather than focusing on tax benefits, and ones that stimulate long-term insurance investment.

e) To attract more consumers, life insurance businesses can provide unique tailor-made solutions with high-risk coverage, higher returns, and lower insurance premiums.

The only important element that can compel any insurance company to modify their insurance products and diversify their catalogue, is the customers. Insurance solutions are the key to success of any Insurance Provider. With the diversification of channels in recent years, we have seen the creation of corporate agents, brokers, direct sales force, individual financial advisors and websites that give rating services with comparison of policies from different insurers which have come up to help potent policy holders to choose their policy. There are several

elements influencing consumers' investment decisions in life insurance, and the study results indicate that demographic aspects of the population play a significant role in opting any life insurance policy.

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