



A Study Of Consumer Behavior Towards Life Insurance In Kolhapur City

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Abstract:

Life insurance is a tool against protection of life of individuals. Basically it is protection against unforeseen death of an individual. So his/her family is financially protected against such risk. The purpose of life insurance for every individual may be different. There are large number of insurance companies having wide range of insurance products. On the other hand, consumers are so much confused as to which policy and of which company to be purchased. So marketers are interested to know the buying behavior of life insurance consumers in order to form their marketing strategies.

The present paper is an attempt to know the investment behavior of individuals with related to life insurance and also to know the problems faced by them. The study revealed that Insurance Advisor is the main influencer in buying decision of life insurance consumers. They depend largely on the insurance advisor.
Key words: Life Insurance, Consumer Behavior, Insurance Advisor, Life Insurance Corporation (LIC), Private Insurance Company.

INTRODUCTION:

Consumer behavior is a study of how individuals make decisions to spend their available resources (time, money and effort) on consumption related items. It helps the marketers to understand what, why, where, when and how a consumer buys a product or service. Knowing answers to these questions helps marketers to plan their marketing strategies accordingly.

In India, Life Insurance Corporation of India (LIC) enjoyed monopoly in life insurance business for 44 years (from 1956 to 1999). From the year 2000 the insurance sector was made open to private as well as foreign companies. This led to opening large number of insurance companies. So today we find many players with wide range of products.

Every company wants major market share. So they have become very aggressive in pushing their products. The 'Insurance Advisor' plays a very important role in selling life insurance policy. On the other hand, consumers are so much confused as to which policy and of which company (private or public company) to be purchased.

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Hence the researcher has selected the present study.

REVIEW OF LITERATURE:

The researcher has reviewed the following articles related to consumer behavior in various financial products:-

(1) **Saha S. & Dey M. (2011)** focused on measuring the investor's expectations & their preferences to Mutual Fund and to know the factors that the investor takes into account before making any investment in mutual fund. The study revealed that, consumers prefer safety first, then followed by good returns, liquidity, flexibility & tax benefit as features for investing in mutual funds. Investors gained awareness about mutual funds mostly through reference groups followed by newspapers, financial magazines, televisions, brokers.

(2) **Raghunathan P.N. (2010)** carried out study to know who are the influencers of the investors in their mutual fund investment decisions. Also the aim was to know the relationship between factors like level of knowledge & family income with reason for investment. The study showed that there was significant relationship between investor's level of knowledge & reason for investment, family income & reason for investment. It also showed significant relationship between investor's educational qualification & level of knowledge about mutual fund. Brokers & colleagues were the important influencers of investment decision. Most investors considered 'fund performance' as an important criterion for choice of funds.

(3) **Sultana S.T. (2010)** carried out study to know the profile of investors and also to know their characteristics in order to understand their preferences with respect to their investments. An attempt was also made to know the risk tolerance level of investors. The study revealed that investor's decision are based on their own. Most of them preferred investment in fixed income avenues like PPF, Bonds & Bank FD followed by Equities & Mutual Fund. It was seen that there was no relation between gender & risk tolerance level of investors.

(4) **Singh D. (2011)** conducted the to determine the important factors influencing the customers for selecting an insurance company. The study was also carried out to identify the weak areas which need improvement in order to enhance the quality of services of Insurance companies. The study revealed that product features, accessibility, low premiums, advertising, proper redressal of complaints & better claim settlement are factors that drastically influence the choice of a company. The weak areas which needs improvement were agents knowledge & their ethical behavior, low accessibility of private insurance companies & claim settlement system.

(5) **Khurana S. & Singh S.P. (2011)** carried out a study to identify the factors that influence the choice of credit cards. The objective was also to know the customer satisfaction factors & consumer behavior regarding credit card. The result showed that the choice of credit card depends upon income, gender & profession of customers. Customer satisfaction depends upon income, frequency of usage in a month & amount of usage per month. The most important factor which influences the customer to use credit card is 'saving time' followed by 'group influence.'

RESEARCH METHODOLOGY:

A structured questionnaire was prepared which contained multiple choice, close ended questions with some having likert scale. The questionnaire was filled by the respondents accordingly.

The collected data was classified, tabulated and analysed using statistical tools like Percentage and Weighted Average. From this interpretation was done.

Sample size: There are large number of policy holders in Kolhapur city. But it was not possible to contact all of them. So the researcher selected 100 policy holders from them as sample size.

OBJECTIVES OF THE STUDY:

The study was carried out with the following objectives :-

- 1) To know the investors' objective of investing in life insurance.
- 2) To know the factors influencing buying decision of investors in life insurance.
- 3) To study the problems faced by investors with life insurance investment.



4) To give suggestions to the insurance companies and policy holders.

SCOPE:

The study was conducted amongst the investors (policy holders) of Kolhapur city. It was carried out from January 2012 to March 2012.

LIMITATIONS OF THE STUDY:

The study was carried out in Kolhapur city. So the results obtained may not be applicable to the country as a whole, since insurance consumers differ in preference, culture and demographics in various parts of the country. The small sample of 100 may also be error-prone.

DATA ANALYSIS:

TABLE 1: MONEY INVESTED BY INVESTORS IN VARIOUS AVENUES:-

Avenues	Scale					Weighted Average
	1	2	3	4	5	
Bank Deposits	4	6	11	35	44	4.09
National savings Certificate	58	11	15	9	7	1.96
Post office savings	62	15	13	4	6	1.77
Life Insurance	9	10	15	30	36	3.74
Public Provident Fund	28	21	17	15	19	2.76
Shares	27	28	17	18	10	2.56
Debentures	61	19	9	7	4	1.74

INTERPRETATION :-

The above table shows that, most of the investors give first preference to Bank Deposits, then followed by Life Insurance & PPF. Then they have given preference to Shares. Very few prefer NSC, Post office savings & Debentures. So after bank deposits they have given importance to Life Insurance. This may be due to the fact that most of the investors are risk averse, so they may be preferring fixed income instruments having assured returns. Also they want to secure their family's future by covering their life.

TABLE 2: REASONS FOR INVESTING IN LIFE INSURANCE:- (PURPOSE)

Reasons to invest	Scale					Weighted Average
	1	2	3	4	5	
Investment	27	28	17	18	10	2.56
Risk coverage	4	6	11	35	44	4.09
Children's education	9	10	15	30	36	3.74
Tax benefits	28	21	17	15	19	2.76
Retirement planning	58	11	15	9	7	1.96



INTERPRETATION :-

The above table shows that most of the people (WA 4.09) invest in life insurance for risk coverage, some (WA 3.74) invest for children's education followed by tax benefits (WA 2.76), some as an investment (WA 2.56) and few invest for retirement planning (WA 1.96). So risk coverage and tax benefits are the main reasons for most investors to invest in life insurance.

TABLE 3: NUMBER OF POLICIES INVESTORS HAVE OF VARIOUS LIFE INSURANCE COMPANIES:-

Ins Company	No. of policies
LIC	437
Pvt Ins Co	98
Total	535

Interpretation :-

From the above table we can see that the 100 respondents are having 437 policies of LIC and only 98 policies of Pvt Companies. So majority of investors have more policies of LIC than private insurance company. This shows trust they have on LIC.

TABLE 4: TYPE OF POLICIES INVESTORS HAVE:-

Type of policy	No. of investors	Percentage
Traditional	46	46
ULIPs	19	19
Both	35	35
Total	100	100%

INTERPRETATION :-

The above table shows that most investors (46%) have traditional plans, 19% investors have ULIP plans while 35% investors have both types of plans. So most of them have traditional plans as they have some assured returns.

TABLE 5: TYPE OF PLAN INVESTORS HAVE:-

Type of plan	Scale					Weighted Average
	1	2	3	4	5	
Children's plan	8	7	24	25	36	3.74
Endowment plan	9	24	36	22	9	2.98
Term plan	15	33	32	11	9	2.66
Pension plan	32	24	23	10	11	2.44



INTERPRETATION :-

The above table shows that among various plans people first prefer Children's plan (WA 3.74) followed by Endowment plan (WA 2.98), Term plan (WA 2.66) and Pension plan (WA 2.44).

TABLE 6: WHETHER INVESTOR PURCHASES POLICY ON HIS OWN:-

Purchasing	No. of investors	Percentage
On his own	17	17%
Approached by Ins Advisor	83	83%
Total	100	100%

INTERPRETATION :-

The above table shows that 83 investors purchase insurance policy only when the insurance advisor approaches them and only 17 investors purchase policy on their own. So most of them purchase only when the advisor approaches them.

TABLE 7: INVESTORS' PREFERENCE TO TYPE OF LIFE INSURANCE COMPANY:-

Preference	No. of investors	Percentage
Pvt Ins Co	11	11%
LIC	89	89%
Total	100	100%

INTERPRETATION :-

From the above table it is clear that 89% investors prefer LIC and only 11% prefer Pvt Life Insurance companies. So most of them prefer LIC.

TABLE 8: REASON TO TRUST LIC:-

Reason	No. of investors	Percentage
Govt. owned	61	61%
Good track record	11	11%
Fast claim settlement	28	28%
Total	100	100%

INTERPRETATION :-

The above table shows that people trust LIC as it is government owned (61%), followed by fast claim settlement of LIC (28%) and good track record (11%). So people prefer LIC as it is Govt. owned.



TABLE 9: CRITERIA TO SELECT AN INSURANCE COMPANY:-

Criteria	Scale					Weighted Average
	1	2	3	4	5	
Advisor's knowledge	5	10	16	14	55	4.04
Company's past record	20	38	27	6	9	2.46
Reference by friends	24	25	34	7	10	2.54

INTERPRETATION :-

While selecting insurance company the investor gives more importance to advisor's knowledge (WA 4.04) followed by reference given by friends (WA 2.54) and company's past records (WA 2.46). So advisor's knowledge is the most important criteria to select an insurance company.

TABLE 10: REASONS TO BUY INSURANCE POLICY OF A PARTICULAR COMPANY :-

Reason	No. of investors	Percentage
Personal relations with Advisor	72	72%
Company's goodwill	17	17%
Advertisement	11	11%
	100	100%

INTERPRETATION :-

It is observed that most of the people (72%) buy insurance policy from a particular company because of personal relations with the advisor, followed by company's goodwill (17%) and advertisement (11%).

TABLE 11: PROBLEMS FACED BY INVESTORS IN LIFE INSURANCE:-

Problems	No. of investors	Percentage
Misselling by advisors	66	66%
Charges not known	18	18%
Premium reminder not received	16	16%
Total	100	100%

INTERPRETATION :-

It is observed that 66% investors face the problem of misselling by insurance advisors, 18% face the problem of not knowing the various charges of the policy and 16% face the problem of premium



reminder not received. So misselling is the major problem the investors face.

TABLE 12: WHETHER ADVISOR COLLECTS INSURANCE PREMIUM:-

Collects	No. of investors	Percentage
Yes	63	63%
No	37	37%
Total	100	100%

INTERPRETATION :-

It is seen that 63% investors say that the advisor comes to collect premium while 37% say that advisor does not come to collect premium. So majority of advisors do not collect premium from their clients.

TABLE 13: RETURNS RECEIVED BY INVESTORS ON THEIR INVESTMENT:-

Returns	No. of investors	Percentage
Low	56	56%
Average	35	35%
High	9	9%
Total	100	100%

INTERPRETATION :-

It is observed that 56% investors have received low returns on their investment, 35% have received average returns while 9% have received high returns. So most of them have received low returns.

TABLE 14: WHETHER INVESTOR COMPARES PLANS OF VARIOUS COMPANIES:-

Collects	No. of investors	Percentage
Yes	32	32%
No	68	68%
Total	100	100%

INTERPRETATION :-

It is observed that before investing 32% investors compare plans of various companies while 68% do not make such comparison. So majority of them do not compare plans of various companies.



TABLE 15: WHICH COMPANY MAKES PROPER FOLLOW-UP FOR SERVICING POLICIES :-

Company follow-up	No. of investors	Percentage
LIC	39	39%
Pvt Insurance Co	61	61%
Total	100	100%

INTERPRETATION :-

As per investors' opinion 39% say that LIC makes proper follow-up for servicing of policies while 61% feel that Private insurance companies make proper follow-up for policies. So majority feel that Pvt Ins Co make proper follow-up of policies.

FINDINGS:

The study revealed the following findings :-

- 1) Among various investment avenues Life Insurance is given importance after bank deposits. So a good amount is invested in life insurance.
- 2) Individuals invest in life insurance mainly for risk cover followed by children's education and tax benefits. Insurance is not looked much as an investment tool or for retirement planning.
- 3) People trust LIC than private life insurance companies as it is Government owned and very old. So people have more policies of LIC than of Pvt life insurance companies. For every 1 policy of Pvt Company people have 4 policies of LIC.
- 4) Traditional plans are preferred than ULIPs as they have some assured returns.
- 5) People have preferred Children's plan and endowment plans as they have good maturity benefits.
- 6) Insurance Advisor is the major influencer in insurance investment decision of the investor. So most of the people buy insurance policies only when the advisor approaches them due to personal relations of the advisor with their clients.
- 7) Advisor's knowledge is the most important factor which the investor considers while purchasing a policy than advertisement.
- 8) The major problem which the investor faces is mis-selling by the advisors. They make false commitments to their clients. This is mostly found in case of private companies.
- 9) People do not take any efforts to compare plans of various companies before buying a particular policy from a company.
- 10) Pvt companies make proper follow-up than LIC with policy holders. Their customer care centres are efficiently run.

SUGGESTIONS:

The researcher would like to give following suggestions :-

- 1) Insurance should not be looked as an investment avenue like other financial instruments like Bank fixed deposits, Public provident fund, National savings certificate, etc. The profits of the fund are distributed to the policy holders after deducting the expenses (in form of bonus). So the returns are low. Only in case of ULIPs the returns may be high, but not assured.
- 2) Investors should not depend more on advisors for purchasing a policy. They should compare plans of various companies, evaluate them and then take decision. They should go through the terms, charges, disclaimers, etc. of the policy.
- 3) Insurance companies should train their advisors to ethically provide up-to-date information of various plans to their customers. Strict follow-up with the advisors should be done and to be seen that advisors do not make false commitments to customers.
- 4) Advisors should provide proper service to their clients such as collection of premium, providing fund statement, reminding about renewal premiums, helping in closing the policy, etc.
- 5) Private insurance companies should take strict action against advisors who are indulged in misselling



activities. They must build their goodwill by serving their clients ethically.

6) LIC must improve their follow-up with their clients with respect to servicing of policies. Their customer care is not efficient like private companies. So proper customer care centre should be developed to solve customers' queries. Otherwise it may affect their goodwill.

7) IRDA should introduce strict code of conduct for insurance advisors. They must warn insurance companies regarding cancelling of licenses of advisors involved in misspelling activities.

CONCLUSION:

Life insurance is basically protection against risk of life of an individual. Without insurance the family of the deceased may suffer a lot. So investors should be serious about their life insurance investment. Investors trust LIC than private life companies.

Investors are depending or buying policies mostly only when the advisor approaches them. This shows that they are not taking decision in insurance rationally and seriously as in case of investment in other avenues. As a result they feel cheated by the advisors. But they should not blame the insurance company or advisor for their own negligence.

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