Study on Customer Preference for Life Insurance In North Gujarat Region

Abstract

The study focuses on the customer preference for Life Insurance in the regions of North Gujarat region. The policies of Life Insurance by the Government of India have seen an improvement in favour of consumers. The Life Insurance sector has grown and the financial infrastructure have been influenced by the process of liberalization and globalization in India. The study analyses the customer preference for Life Insurance in Sabarkantha, Banaskantha and Mahesana districts of North Gujarat.

The present study intends to examine that which factors (amongst Cost, Risk protection, Savings, Income- tax benefits, Returns, Safety, Liquidity) play a vital role in customer preference for Life Insurance. The study has been found that majority of respondents believe in life insurance and they have at least one insurance policy. It has been observed that majority of the respondent considers life insurance as a tax saving tool, and most of the respondents prefer to opt for life insurance policy from government onward company. It has been revealed that safety reasons have been prime factor motivating purchasing the life insurance policy and hardly the policy has lapsed due to non payment or irregular payment of premiums.

Key Words

Life Insurance, Customer Preference, North Gujarat.

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1. Introduction

Technological growth in various countries as part of economic growth has placed the service sector in a strategic position. The services economy has been growing at a fast pace after the Second World War. Insurance is the outcome of man's constant search for security. The urge to provide insurance or protection against loss of life and property prompted people to make some sort of sacrifice willingly in order to achieve security through "Collective Co-operation". Indeed risk aversion provides a basic explanation for why we buy insurance. Insurance, similar to savings and borrowings, is a part of risk mitigation strategy. It is a financial control technique and is one of the cheapest modes generally used by individuals for risk management. Insurance contributes to economic growth through risk management, protection of assets, and mobilization of savings leading to capital formation in the country.

In India, the role played by the insurance industry so far has been legendary not only in terms of payment of taxes, payment of dividend but also in contributing to the growth of infrastructure in the economy by its investment policies. The contours of insurance business have been changing across the globe and the ripple effects of the same can be observed in the domestic markets as well. An evolving insurance sector is of vital importance for economic growth. While encouraging savings habit it also provides a safety net to both enterprises and individuals. Customer preference specifically for Life Insurance product have found to hovers around the features like Cost (premium), Risk protection, Savings, Income- tax benefits, Return, Safety and Liquidity.

2. Literature Review

Various studies have been done in the field of insurance. Vijayalakshmi and Keerthi (2007) discussed the significance of customer service the marketing of Insurance. It was found that the most important factors in the insurance industry are, security of the amount insured and customer satisfaction. She opined that the best way of surviving and prospering in the competitive environment is through providing prompt, relevant and efficient customer services at measurable cost. J.D. Power and Associates (2008) found that "Customer Satisfaction" reveals that frequent interaction between the customer and insurer about the services rendered by the insurance company influences the customer satisfaction.

Borah (2012) analysed the service quality perception of customers in Jorhat, Assam for Kotak Mahindra Life Insurance Company to access their satisfaction level and identified service factors which have the maximum impact on customers' satisfaction using non-probabilistic judgment-cum-convenience sampling technique. Chaudhary (2012) analysed the awareness and satisfaction level of insurance buyers / consumers in Panipat city. He maintained that the income earning capacity and increasing rate of literacy are the key factors of the growth of the Insurance industry. He observed that the investors in life insurance are looking for both good return and life risk coverage. Thakkar (2012) examined the investment behavior of individuals related to life insurance and the problems faced by the investors (policy holders) of Kolhapur city. He revealed that Insurance Advisor is the main influencer in buying decision of life insurance consumers.

Khurana (2013) explained that life insurance is a service in which customer face more difficulty in evaluation of quality as compared to goods. He analysed the relationship between customer satisfaction and services quality of ten life insurance companies in Haryana state. He found that customer expectations and perception toward tangibility, assurance, competency & credibility dimension of service quality have more impact on customer satisfaction.

Mahdzan and Victorian (2013) investigated the determinants of life insurance demand among Life Insurance holders of five major life insurance companies in Kuala Lumpur, Malaysia to analyse the influence of demographic variables, saving motives and financial literacy, on life insurance demand. He studied the relationship between financial literacy and saving motives (precautionary, bequest, life cycle and wealth accumulation motives) with life insurance demand was then analysed using a multiple regression. Results revealed that demographic variables and saving motives were significantly related to life insurance demand. Financial literacy, however, was found to be insignificant in determining life insurance demand.

Mushtaq (2013) studied the effect of services provided by the insurers and its role in building customer attitude in Lucknow city. He derived that competence of insurance companies depends more on the attribute that how they treat their customers their needs, demands and attitudes.

Narendar and Sampath (2014) observed that the level of awareness towards the rights and duties regarding insurance is negligible. He studied the awareness of the people towards the rights and duties towards life insurance products after the privatization of the insurance sector with special reference to Indian insurance sector. He studied awareness towards the rights and duties of the policy holders across demographic profiles and about the level of awareness towards life insurance policies prevailing in the Indian market.

3. Research Methodology

As the study focuses on consumer preference for Life Insurance in north Gujarat region, it has descriptive & exploratory research design. Population represents residents of Sabarkantha, Banaskantha and Mehsana district's policy holder. Sample selected comprises of policy holders / policy buyers. Convenient sampling method has been used for the study.

Objectives of Study

The major objective of the study is to determine the customer preference for Life Insurance in North Gujarat region. The study intends to examine that which factors (amongst Cost, Risk protection, Savings, Income- tax benefits, Returns, Safety, Liquidity) play a vital role in customer preference for Life Insurance. The study has been confined to Sabarkantha, Banaskantha and Mahesana districts.

Research Design

The sample size has been 295. The pre-coded questionnaires have been used as a tool for data collection. The required data has been collected through sample survey using structured and close ended pre-coded questionnaires. SPSS 20 and MS EXCEL have been used for data processing, while tables and charts have been used as data presentation tools. Statistical tools such as chi square test and frequency distribution are used for analysis.

4. Results

The respondents have been classified according to their age, gender, marital status, family type, occupation and family income. Majority of the respondents (67.3%) were from the age group of 21 to 40 years, while most of the respondents (55.3%) were male, where majority of the respondents (73.3%) were married. Majority of the respondents (52.7%) were graduate, while majority of the respondents (53.3%) had job as a main source of earning. Although, most of the respondents (55.4%) had full time employment, but 31.8% respondents reported their annual income below 1 lakh.

However, majority of the respondents (86.7%) have insurance plan on their name and almost 64.0% respondents have only 1 insurance policy. It was observed that majority of the respondents (58.0%) have insured their self for savings purpose, while majority of the respondents (54.7%) have endowment policy. Nevertheless, greater part of the respondents (63.3%) preferred to purchase investment plan from government owned company. Majority of the respondents (70.7%) have safety reason for choosing particular life insurance company, whereas, almost 49.3% respondents prefer only Life Insurance.

Majority of the respondents (68.7%) were aware about the new insurance plans in the market, while majority of the respondents (56.7%) have up to 5 years of the term in policy. Majority of the respondents (52.7%) reported to pay monthly premium, while majority of the respondents (52.7%) paid premium regularly. Furthermore, most of the respondents (66.7%) have not lapsed the policy anytime due to non-payment of insurance premium.

5. Limitations

In this study limited demographic and preference variables are considered, however, more variables can be considered for extensive research. Further, the study has been based on possibility of generality of results which was restricted due to convenience sampling. However, it can be reached to better result by expanding the study in other cities, districts, states in the country with diversified characteristics and dynamics.

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