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Customer Perception Toward Investing in Life Insurance: A Study Conducted in Rural Area

Dr. Jyoti Gulwani

Assistant Professor, Rajju Shroff ROFEL University, Vapi

Dr. Chirag V. Sukani

Assistant Professor, Rajju Shroff ROFEL University, Vapi

Abstract:

This study investigates customer perception towards investing in life insurance within a rural area. Recognizing the importance of life insurance for financial security, the research explores the factors influencing purchase decisions in this specific demographic. Primary data was collected through structured questionnaires administered to a sample of rural residents. The analysis aimed to identify key perceptions related to the benefits of life insurance, trust in providers, understanding of policy features, and the influence of socio-economic factors. The findings provide valuable insights into the unique considerations and challenges associated with promoting life insurance adoption in rural areas, offering implications for insurance companies seeking to expand their reach and tailor their offerings to this significant market segment.

Research Objectives: To study perception of investor while investment in life insurance and to assess the relationship between demographic factors and purpose of investment in life insurance.

Keyword: Investors, Life Insurance, Perception, Rural area.

Introduction:

Life insurance is a contractual agreement where the policyholder (an individual or organization) pays premiums to an insurer (insurance company). In return, the insurer pledges to pay a specified sum to a designated beneficiary upon the occurrence of an insured event, such as death. Some policies may also include payouts for events like terminal or critical illness.

Essentially, a life insurance policy is an agreement between you and an insurer. You pay premiums for a defined period, and the insurer promises to provide a lump sum payment upon your death, thereby securing the financial future of your family. Beyond providing a life cover, certain life insurance policies also offer opportunities for long-term wealth creation. A variety of insurance plans exist, including term insurance, endowment plans, and money-back policies, designed to meet diverse financial needs. The fundamental advantage of life insurance lies in safeguarding the financial well-being of one's family and ensuring crucial aspects like children's education remain protected against financial hardship arising from events like the policyholder's critical illness or death.

Life insurance offers several key benefits:

- **Risk Coverage:** Provides a lump sum to beneficiaries upon the policyholder's death, ensuring financial security and independence.
- **Tax Benefit:** Premiums paid are eligible for income tax deductions under Section 80C of the Income Tax Act, 1961, reducing taxable income.
- **Loan Option:** Selected policies allow for loans against the policy with potentially lower interest rates and faster processing than personal loans.
- **Health Cover:** Some life insurance plans include coverage for illness-related expenses and hospitalization.
- **Variety of Policies:** A wide range of policy types are available to suit individual needs and financial goals.
- **Riders:** Optional add-ons can enhance coverage for critical illnesses, disability, and premium waivers.

Meaning of Investor Perception

Investor perception refers to how shareholders and key financial institutions view a company, its management, and its future prospects. It involves analyzing the critical factors that collectively shape a company's investment appeal and ultimately influence its market valuation. Understanding investor perception is a vital management tool for both strategic planning and corporate governance. By being aware of investor opinions, companies can enhance their communication with the market, ensure their investment proposition is clearly understood and reflected in their share valuation, and consequently optimize their cost of capital.

Literature Review:

Manisha Kaushal Arora et al. (2019) have conducted study on "Factors Affecting the Perceptions of Investors Investing in Life Insurance Schemes." Study concludes that technology plays an important role in providing the highest quality of service to the end customer as well as the negotiator. This helps reduce costs and is therefore reflected in the prices of products. Life insurance providers will come up with creative products made with high risk policies, high returns and low consumer insurance premiums. Dr. P. Annamuthu et al. (2019) have conducted study on "A Study on Customer Perception towards Investing in Life Insurance (With Special Reference To LIC, Coimbatore District)". Sample size is 100 policyholders of LIC. This study indicated that the life insurance industry has great potential among the people. Understanding the customers purchasing behavior and level of satisfaction on life insurance products and services, customer perception on the brand image and brand loyalty are of great utility in this sense. Dr. R. Padmaja et al. (2018) have conducted study on "A Study on Investors Perception Towards LIC.". The present study is an exploratory and descriptive type of research study. Sample size of the study was 100 respondents. Study concludes that the respondents require more security and the remaining respondent requires more benefits in the coming LIC policies. The investors are having positive perception towards LIC policies and even they are willing to take another policy for investment. Dr. KRISHNA BANANA, R.VIJAYA NAIK (2018) conducted study on "Customer Perception on Life Insurance Policies in India". 100 respondents were selected through convenience sampling method. Study concludes that out of 100 respondents, 78 respondents have positive perception and 22 respondents have negative perception towards LIC. Further study also concludes that out of 100 respondents, opinion for fully satisfied are 75, partially satisfied are 20 and 5 not satisfied. Sandeep Chaudhary, Jasneet kaur (2016) conducted study on "consumer perception regarding life insurance policies." Sample of 100 respondents is taken through convenience sampling method. The study has extracted six factors that affect the buying decision of a consumer are: customized and timely services, better company reputation, effective service quality, customer convenience, tangible benefits and healthy customer client relationship. Further they perceived that company must offer new and innovative products to build better customer relationships and amount of premium being charged for insured must be kept low in order to reduce the dissatisfaction of policy holders. V. Subashini et al. (2016) have conducted study on "A Study on Investors Perception on Life Insurance with Special Reference to Max Life Insurance Private Limited". Study conclude that majority of the respondents have self-motivated and influenced through newspapers while trade cover policies. Study also reveals that majority of the investors are expecting 11 to 15 return on their investment. As a whole, majority of the investors are either satisfied or highly satisfied with the products of max life

insurance.

Research Methodology

Problem Statement:

While life insurance is a significant financial instrument, a comprehensive understanding of investor perceptions, preferred attributes during purchase, the influence of employee demographics on these perceptions, and the challenges faced by customers when investing in life insurance remains limited. This lack of in-depth knowledge hinders insurance providers from effectively tailoring their products, marketing strategies, and customer support to align with investor needs, preferences, demographic variations, and address existing pain points in the investment process. Therefore, this study seeks to investigate the perception levels of investors towards life insurance.

Research Objectives:

1. To understand the perception levels of the investors towards the life insurance.
2. To study relation between demographic factors and purpose of investing in life insurance.

Research Design:

The researchers have used a descriptive research design for the purpose of carrying out the present study.

Source of Data Collection:

Primary Data: Field Survey

Secondary Data: Collection from Internet, Magazines, Newspaper, Journal

Research instrument: Survey/Questionnaire

Sampling Plan:

Sample Size: 100 Respondents

Sample Unit: Investors of life insurance living in rural area.

Sampling method: The samples have been drawn using a non-probability convenience sampling technique.

Hypothesis:

H_0: There is no difference in the purpose of investing in life insurance among demographic factor of investors (gender, age, marital status, occupation and annual family income).

Analysis of Data:

Demographic Profile

The demographic profile of the respondents has been shown in Table-1. It shows that male respondents are higher than female respondents. Majority of the respondents invest in life insurance falls in the Age group of below 30 years and majority of the respondents are salaried persons which belong to annual income fall under Rs.1,00,000 – 4,00,000. And majority of respondents are married.

Table – 1: Demographic Profile of Investors

Demographic variables		Frequency
Gender	Female	45
	Male	55
Age	Below30 Years	48
	30–40Years	23
	40–50Years	18
	50Yearsand above	11
Marital Status	Married	52
	Unmarried	48
Occupation	Salaried(government/private)	65
	Business	16
	Professional	8
	Other	11
Annual Family income (in Rs.)	Below 100000	33
	100000-400000	36
	400000-800000	24
	800000Above	7

The respondents were asked regarding main purpose of investing in life insurance and study shows that about half of respondents invest in insurance for saving purpose followed by security of life. Only few respondents invest in life insurance for tax benefit.
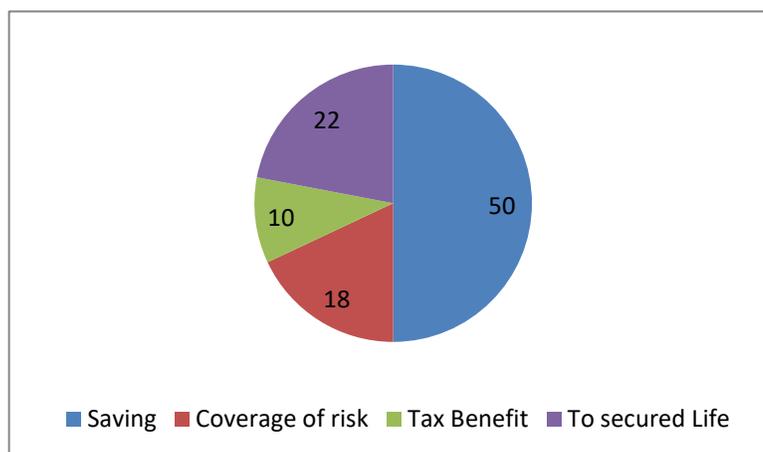
Graph 1- Purpose of investing in life insurance

Table 2: Perception of investors while investing in life insurance

Particular	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The company provide appropriate feedback to customer	3	2	35	48	12
the goodwill of company is important	2	5	38	36	19
Effective grievance handling process	1	5	31	49	14
It provides convenient working hour for customers	0	0	23	39	38
It provides tax benefit	0	8	12	38	42
It provides risk coverage to customers	1	2	21	53	23
Agent shows honesty in services	0	3	26	43	28
Product being cost effective	1	6	31	41	21
The company use updated technology	2	7	27	42	22
The company reduces service charges	4	7	28	37	24
Easy payment facility	5	3	23	47	22
If focus on building healthy customer relation	2	9	28	39	22
The company keep customer updated with latest information	7	9	23	38	23
Easy document processing	3	7	23	44	23
Alert given in case of policy being lapsed	0	8	18	43	31

Study shows that there is positive perception towards their life insurance while investing in life insurance.

Testing of Hypotheses

In order to test the hypotheses formulated for the study, Chi-Square Tests was carried out. The test statistics and results are presented as follows:

H_0: There is no difference in the purpose of investing in life insurance among gender categories.

Table 3: Chi-square Test Statistic

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.150[a]	3	.765
Likelihood Ratio	1.153	3	.764
Linear-by-Linear Association	.673	1	.412
N of Valid Cases	100		

Study conclude that the chi-square value is 1.150 and asymptotic value is 0.765 which is greater than 0.05 so that H_0 is fails to reject hence there is no difference in the purpose of investing in life insurance among gender categories.

H$_0$: There is no difference in the purpose of investing in life insurance among age categories.
Table 4: Chi-square Test Statistic

	Value	df	symp.Sig. (2-sided)
Pearson Chi-Square	23.995[a]	9	.004
Likelihood Ratio	27.169	9	.001
Linear-by-Linear Association	7.488	1	.006
N of Valid Cases	100		

Study concludes that the chi-square value is 23.995 and asymptotic value is 0.004 which is less than 0.05 so that H$_0$ is rejected which indicates that there is difference in the purpose of investing in life insurance among age categories.

H$_0$: There is no difference in the purpose of investing in life insurance among marital status categories.
Table 5: Chi-square Test Statistic

	Value	df	Asymp.Sig. (2-sided)
Pearson Chi-Square	20.061[a]	3	.000
Likelihood Ratio	21.188	3	.000
Linear-by-Linear Association	10.224	1	.001
N of Valid Cases	100		

Study concludes that the chi-square value is 20.061 and asymptotic value is 0.000 which is less than 0.05 so that H$_0$ is rejected which indicates that there is difference in the purpose of investing in life insurance among marital status categories.

H$_0$: There is no difference in the purpose of investing in life insurance among Occupation categories
Table 6: Chi-square Test Statistic

	Value	df	symp.Sig. (2-sided)
Pearson Chi-Square	12.639[a]	9	.180
Likelihood Ratio	13.267	9	.151
Linear-by-Linear Association	.482	1	.488
N of Valid Cases	100		

From the above table it can be interpreted that the chi-square value is 12.639 and asymptotic value is 0.180 which is greater than 0.05 so that H_0 is fails to reject hence there is no difference in the purpose of investing in life insurance among Occupation categories.

H_0: There is no difference in the purpose of investing in life insurance among family income yearly categories.
Table 7: Chi-square Test Statistic

	Value	df	symp.Sig. (2-sided)
Pearson Chi-Square	21.120[a]	9	.012
Likelihood Ratio	22.928	9	.006
Linear-by-Linear Association	.272	1	.602
N of Valid Cases	100		

From the above table it can be interpreted that the chi-square value is 21.120 and asymptotic value is 0.12 which is greaterthan0.05 so that H_0 is fails to reject hence there is no difference in the purpose of investing in life insurance among family income yearly categories.

Limitations and Scope for Further Research:
The study has been conducted in rural area of Umbergaon Taluka, using a sample size of 100 respondents selected using a non-probability convenience sampling method. Thus the study is limited in terms of geographical scope and also the sample size. Hence, it is not possible to generalize the results over larger population. It is, therefore, suggested that several more studies be conducted using different geo – demographic clusters to gain a better insight in the topic studied in the present study.

Conclusion:
Customers generally perceive life insurance and its providers positively, particularly valuing the core benefits, efficient processes, and convenience. However, there are areas where companies can further enhance customer perception by focusing on providing better feedback, potentially re-evaluating service charges, and consistently demonstrating value and building trust. The neutral responses also indicate an opportunity to further solidify positive perceptions across the board. Further based on chi-square test study conclude that The purpose of investing in life insurance appears to be similar across **gender** and **occupation** categories in this study. However, there are statistically significant differences in the purpose of investing in life insurance based on **age** and **marital status**. The findings regarding **family income yearly** suggest no significant difference, although the p-value (.012) is relatively close to the significance level of 0.05, warranting cautious interpretation and potentially further investigation with a larger sample size.

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