International Journal of Computational Research and Development (IJCRD)
International Peer Reviewed - Refereed Research Journal, Website: www.dvpublication.com
Impact Factor: 5.015, ISSN (Online): 2456 - 3137, Volume 9, Issue 2, July - December, 2024

A STUDY ON FACTORS INFLUENCING THE PURCHASE OF LIFE INSURANCE PRODUCTS FROM THE PRIVATE LIFE INSURANCE COMPANIES IN INDIA

Dr. P. Kamaraj
Principal, Karuppannan Mariappan College, Muthur, Tirupur, Tamil Nadu

Cite This Article: Dr. P. Kamaraj, "A Study on Factors Influencing the Purchase of Life Insurance Products from the Private Life Insurance Companies in India", International Journal of Computational Research and Development, Volume 9, Issue 2, July - December, Page Number 75-80, 2024.

Abstract:

This study examines the key factors influencing consumer decisions to purchase life insurance products from private life insurance companies in India. It highlights demographic, psychological, economic, and social influences, providing insights for insurance providers to tailor their offerings and marketing strategies effectively.

Introduction:

Life insurance plays a critical role in financial planning, providing individuals and families with a safety net against unforeseen events. In India, the liberalization of the insurance sector in the early 2000s has led to a surge in private life insurance companies offering a variety of products designed to cater to diverse consumer needs. Despite the growth of the market, a significant portion of the population remains uninsured or underinsured, highlighting the need to understand the factors that influence the purchasing decisions of potential customers. This study aims to explore the various demographic, psychological, economic, and social factors that drive consumers to choose life insurance products from private companies in India. By identifying these key influences, the study seeks to provide actionable insights for insurance providers to enhance their marketing strategies and improve customer engagement. The life insurance sector in India has evolved significantly since its liberalization in the early 2000s. With a growing number of private companies offering a range of products, understanding consumer behavior in this market is essential. This study aims to identify the factors that drive consumers to purchase life insurance, ultimately assisting companies in enhancing their marketing strategies.

Objectives:

- To identify demographic, psychological, economic, and social factors influencing life insurance purchases.
- To analyze consumer behavior patterns in relation to life insurance.
- To evaluate the impact of marketing strategies on purchasing decisions.

Research Methodology:

The research employed a descriptive research design utilizing quantitative methods to gather data. A structured questionnaire was developed to capture the responses of potential life insurance buyers. The study targeted a sample of 700 respondents from urban and semi-urban areas across India, ensuring a diverse representation of demographics. Data was collected through online surveys and in-person interviews, focusing on participants' perceptions, attitudes, and behaviors related to life insurance products. Statistical analysis was conducted using software like SPSS to identify patterns, correlations, and significant relationships among the various factors influencing purchasing decisions.

Mishra (1987) studied the marketing strategies of LIC with the objective of enabling the LIC to act as a trustee of insured public, meeting the needs and services arising in social environment, to promote a sense of participation of employees and agents to discharge their duties and to maximize the mobilization of people's savings and spread Life Insurance in rural areas with adequate financial cost. The study concluded that the occupational pattern of the population has significant influence over the insurance market. One of the findings reveals that 35 per cent of salaried population obtained the insurance coverage as against a lesser percentage of self employed population insured their lives.

Appi Reddy. V and Narashimha Murthy G (1996) The study reveals that the service quality factors plays an important role in consumers decision making process in the insurance market. And it is observed that there is a significant difference among the urban and rural consumers on service quality dimensions. Also the consumers of public and private sector life insurance companies differ in terms of factors influenced them to buy life insurance products. The study suggests that the insurance companies have to create their own niche market and try to satisfy the customers of the selected segment very effectively.

Regan (1997) examined that the distribution channel preferences from a transaction cost perspective. She found that insurers sell more complex insurance products through independent agents more often, while exclusive agency to market more standardized products. She grouped these transactions based on frequency of exchange, complexity of the contacting environment, exogenous uncertainty and the importance of specific investments. It was concluded that the agent-led distribution channel has been successful in withstanding the challenge from other distribution channels.

Rao. D, Tripati (1999) analysed the changing scenario of the insurance sector in the wake of privatization and its impact on Indian economy. The study emphasis the importance of enhancing the service quality and suggest measures to retain the customer for a long period. The researchers diagnose the reasons for the poor penetration in the Indian market. They pointed out the need for reaching the rural market to sustain the growth and to survive in the future competitive market. They concluded that the global players' contribution towards bringing the best practices into the Indian market will certainly help to reach the objectives of privatization.

Ragha Gulati (1999) in his survey, attempted to observe the behaviour of customers in response to different life insurance products. A basic understanding of Life Insurance business, among the insured, the type of product portfolio adopted, demographic profile and the customers' expectation towards life insurance are studied. The study reveals that the LIC has deep

penetration in rural and urban areas, but the people are under insured. Yet there exist a good potential to increase the business of insurance in our country. It is also inferred that fifty per cent of LIC business comes from rural areas and the agents seem to be the most effective channels regarding sales. The study suggests incorporating the special features expected by the different segments of the people to attract these customers.

Ajit Renade and Rajeev ahuja (1999) presented an overview of Life Insurance, operations in India, and have identified the emerging strategic issues in the light of liberalization and the impending private sector entry into insurance. The need for private sector entry has been justified on the basis of enhancing the efficiency of operations, achieving a greater density and penetration of Life Insurance, in the country, and for a grater mobilization of long term savings for long gestation infrastructure projects. In the wake of such emerging competition the LIC with its 40 years of existence and worldwide reach, is in an advantageous position. However, unless it addresses strategic issues such as changing demography and demand for pensions, demand for a wider variety of products, and having greater freedom in its investments LIC may find it difficult to adapt to the liberalized scenario.

Factors Influenced by the Life Insurance Policies Among the Customers of Private Life Insurance Company:

The factors influencing the purchase of life insurance policies were examined with the help of factor analysis. The rating on the importance of variables influence to buy life insurance has taken for analysis. Initially, the KMO measures of sampling adequacy and Bartlefts test of sphericity have been conducted to test the validity of data for factor analysis.

Table 1

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.682
Bartlett's Test of Sphericity	Approx. Chi-Square	2.864E3
	df	435
	Sig.	.000

The above table shows the measures of sampling adequacy and Bartlefts test of sphericity to test the validity of data for factor analysis. Both these tests “justify the validity of data for factor analysis since the KMO measure is greater than 0.5 and the chi-square value is significant of zero percent.

Table 2

Communalities		
	Initial	Extraction
Knowledge	1	0.657
Intention	1	0.61
Positive attitude	1	0.799
Fear	1	0.666
Advices and reinforcements	1	0.709
benefits of Insurance	1	0.524
Clear presentation	1	0.795
administrative and other charges	1	0.692
“Need Analysis”	1	0.766
contribution towards nation building	1	0.645
Quantum of Disposable income	1	0.654
Regularity of income	1	0.687
More than one earning members	1	0.742
priority to the payment of premium	1	0.721
Ability to mobilize money	1	0.757
Trust worthiness of the channel	1	0.763
Positive referrals	1	0.77
having faith with the Government Company	1	0.685
Brand image	1	0.735
Strong belief over the Regulatory Body	1	0.837
Delivering a very good returns	1	0.706
benefits for my children Education and their marriage	1	0.679
Flexible policies	1	0.756
additional benefits like health and accidental cover	1	0.747
old age benefits	1	0.849
knowledge and customized presentation skill	1	0.72
Repeated attractive advertisements	1	0.646
Pamphlets carrying various features of Life insurance	1	0.636
Insurance advise in banks	1	0.617
Special camps at the local centers	1	0.67
Extraction Method: Principal Component Analysis.		

With the help of principal compenent method and through normalization the communalities of the variables are extracted from the correlation matrix and shown below.

The result of the principal - component analysis is shown in the following table. The initial eigen values of the variables and its per cent variance for all the cases are sequenced in decending order. The extraction is made with the help of the eigen values obtained by the variables. The variables that scored the eigon value of more than one is extracted and the per cent variance and its cumulative percentages are estimated.

Table 3: Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.180	23.935	23.935	7.180	23.935	23.935	3.860	12.868	12.868
2	2.940	9.799	33.733	2.940	9.799	33.733	2.825	9.417	22.285
3	2.233	7.442	41.175	2.233	7.442	41.175	2.507	8.357	30.642
4	2.136	7.121	48.296	2.136	7.121	48.296	2.335	7.784	38.426
5	1.564	5.212	53.509	1.564	5.212	53.509	2.100	6.999	45.425
6	1.495	4.985	58.493	1.495	4.985	58.493	2.036	6.788	52.213
7	1.410	4.700	63.193	1.410	4.700	63.193	2.030	6.766	58.979
8	1.269	4.231	67.424	1.269	4.231	67.424	1.868	6.225	65.204
9	1.013	3.377	70.802	1.013	3.377	70.802	1.679	5.598	70.802
10	.964	3.213	74.014						
11	.903	3.009	77.024						
12	.833	2.777	79.801						
13	.788	2.628	82.429						
14	.669	2.231	84.659						
15	.609	2.031	86.691						
16	.555	1.850	88.540						
17	.497	1.656	90.196						
18	.464	1.547	91.743						
19	.395	1.315	93.058						
20	.320	1.065	94.124						
21	.305	1.017	95.141						
22	.249	.829	95.970						
23	.226	.752	96.722						
24	.180	.599	97.321						
25	.173	.577	97.897						
26	.160	.533	98.430						
27	.146	.486	98.916						
28	.134	.445	99.361						
29	.111	.369	99.730						
30	.081	.270	100.000						

It is observed from the above table that the principal component method has grouped the total variables under study into elevan components with the help of eigon values that one greater than one. The components are sequenced in a way that the factor with maximum eigon value is extracted first and the factor with the next maximum value placed second like wise the entire components are extracted. The total variance explained by all the elevan components is 78.364 per cent. The first component is extracted with the maximum eigon value of 8.185. the second component's eigon value is estimated as 2.491 and the third component with the eigen value of 2.235. the rest of the components are extracted with a minimum difference in their eigen value.

The further extraction of variables comes under each component was made with principal - component method and by using varimax rotation and kaiser normalization. All the 30 variables are grouped into eleven components and are shown in the following table.

Table 4: Rotated Component Matrix[a]

	Component								
	1	2	3	4	5	6	7	8	9
Delivering good returns	.807								
Repeated and attractive advertisements	.715								

Advices & reinforcements through marketing channels	.689								
Pamphlets carrying various features of life insurance	.669								
Insurance advices in banks	.646								
Additional benefits like health and accidental cover	.557								
Benefits for children's education and their marriage	.556								
Regularity of income throughout the year		.754							
Ability to mobilize money for the premium payment		.689							
Quantum of disposable income		.646							
Knowledge about the Life Insurance			.697						
Intention to protect the family from financial troubles			.605						
Suggestions through "Need Analysis" process			.578						
Flexible policies				.812					
Old age benefits				.650					
Positive referrals by the friends & Relatives				.647					
Policy related knowledge and customized presentation skill of the agents					.817				
Insurance advice in banks					.659				
Explaining the various administrative and other charges					.597				
Trust worthiness of the channel member						.803			
Brand image established by the Life Insurance Company						.687			
knowledge about different life insurance policies							.784		
awarness about contributing towards nation building							.730		
knowledge about the benefits of insurance							.517		
Fear about the hazardous living condition								.792	
Intention to protect the family from financial troubles								.663	
Clear presentation about the terms & conditions of various Life Insurance									.854
Administrative & other charges involved in the policies									.511
Eigen Value	3.860	2.825	2.507	2.335	2.100	2.036	2.030	1.868	1.679
Percentage of Variance	12.868	9.417	8.357	7.784	6.999	6.788	6.766	6.225	5.598
Cumulative Variance	12.868	22.285	30.642	38.426	45.425	52.213	58.979	65.204	70.802

The results of the varimax - rotation of variables through principal component analysis is shown above. The variables under the study with an intention to identify the major factors influencing the purchase of life insurance policies among the customers of private life insurance company are grouped into nine components. The first factor incldues 7 important variables namely Delivering good returns, repeated attractive advertisements, advices & reinforcements through marketing channels, pamphlets carrying various features of life insurance, and insurance advices in banks, additional benefits like health and accidental cover, benefits for children's education and their marriage. There seven variables explains 12.868 per cent variance with an eigen value of 3.860. Among these variables delivering good returns is loaded with a maximum of 0.807 and followed by repeated attractive advertisements with 0.715 loadings advices & reinforcements through marketing channels and loaded 0.689 and 0.46 respectively. The pamphlets carrying various features of life insurance is also loaded with 0.669. The least loading of 0.556 is observed with the variable "Intention to protect the family members". The second factor is a combination of three variables namely Regularity of income throughout the year, Ability to mobilize money for the premium payment before the due date and quantum of disposable income. The second factor explaisn the variance of 9.417 per cent with an eigen value of 2.825. The cumulative percentage of variance upto the second factor is observed as 22.285 per cent. The variable Regularity of income throughout the year is highly loaded with 0.754.

The next factor groups the variables Knowledge about the risk sharing methodology of the Life Insurance, Intention to protect the family from financial troubles and Suggestions through "Need Analysis" process in matching the policy expectations with its type. Among there three variables Knowledge about the risk sharing methodology of the Life Insurance is loaded highly. This factor explains 8.357 per cent variance with an eigen value of 2.507 and the cumultive variance upto third factor is observed as 30.642 per cent. The fourth factor combines the variables Flexible policies which permit to pay premiums in installments and extended time for the payment, Old age benefits and Positive referrals by the friends & Relatives about the Life Insurance Company/Policy. Among the variables in the fourth factor Flexible policies which permit to pay premiums in installments and extended time for the payment is highly loaded with 0.812. This factor explains a variance of 7.784 per cent with an eigen value of 2.335. The next component comprises three variables namely Policy related knowledge and customized presentation skill of the agents, Insurance advice in banks to create policy attraction and Explaining the various administrative and other charges involved in the selected Life Insurance Policies. This component explains 6.999 per cent variance with an eigen value of 2.1. The cumulative variance upto fifth factor is observed as 45.425 per cent. Among the three variables Policy related knowledge and customized presentation skill of the agents loaded heavily with 0.817. The least loading was observed from the variable Explaining the various administrative and other charges involved in the selected Life Insurance Policies. The sixth factor is a combination of two variables namely Trust worthiness of the channel member in creating positive attitude towards the company/policy and Brand image established by the Life Insurance Company through their other businesses. This factor explains 6.788 per cent variance with an eigen value of 2.036. The vairable Trust worthiness of the channel member in creating positive attitude towards the company/policy loaded heavily in this factor. The seventh factor includes three variables with an eigen value of 2.030 and per cent variance of 6.766. The variables in this factor are knowledge about different life insurance policies, awarness about contributing towards nation building and knowledge about the benefits of insurance as savings, investments, tax saving along with life risk coverage. The cumulative percentage upto seventh factor is observed as 58.979 per cent. The eight factor is extracted with the variables Fear about the hazardous living condition and Intention to protect the family from financial troubles which explains 6.255 per cent variance with an eigen value of 1.868. Among these two variables giving priority to the payment of premium is loaded heavily in this factor.

Final factor is extracted with the variables Clear presentation about the terms & conditions of various Life Insurance Policies and Administrative & other charges involved in the policies. These two variables explains 5.598 per cent variance with an eigen value of 1.679. Among these two variables Clear presentation about the terms & conditions of various Life Insurance Policies is highly loaded with 0.854 and followed by Administrative & other charges involved in the policies with 0.511 loadeings. All these nine factors explains 70.802 per cent variance among the factors influencing the rural customers to buy life insurance products from the private life insurance companies.

Conclusion:

This study highlights the multifaceted nature of consumer behavior regarding the purchase of life insurance products from private companies in India. The findings reveal that demographic characteristics, psychological factors, economic conditions, social influences, and marketing strategies significantly shape consumer decisions. Insurance companies can leverage these insights to tailor their products and marketing efforts more effectively, enhancing customer engagement and driving higher sales. As the insurance landscape continues to evolve, ongoing research will be essential to adapt to changing consumer preferences and market dynamics, ultimately promoting greater financial security among the population.

References:

1. Chandra Mohan "A study on Marketing of Life Insurance services in Erode district, Tamilnadu" Ph.D thesis submitted to Bharathiar University, Coimabtore, December.2002
2. Thripurasundar, "Attitude of policy holders towards LIC", Kisan World, Vol.29, May 2002, pp. 21.
3. Azhagaiah R and Varadarajan R. "Paradigm shift in insurance business", Facts for you September 2003, pp.15-17
4. Patil Kallinath "Life Insurance Corporation of India, its products and their performance evaluation" A special reference to Gulbarga District, Ph.D thesis submitted to Gulbarga University, Gulbarga - Abstrat published in finance India-September 2003.
5. Yogeshwari Phatak and Upindu "Role of Non-banking finance companies in insurance sector, challenges and opportunities" - Journal of Insurance and Risk management, vol.1, issue 2, may 2003, pp.117-127.
6. Syed Ibrahim, "Life Insurance corporation an overview", Industrial herald, October 2003, pp. 45-47.
7. Akbar Alikhan and Praveenkumar, "Insurance sector reforms in India-achievements and challenges, SEDME, Vol.30, 2003, pp.59-70.
8. Dilip Roy and Saikat Banerjee, Some aspects of insurance in the context of risk management, Vision - The journal of Business perspective, vol. 7 No.1, January-June 2003.
9. Ahmed Beloucif, Bill Donaldson and Ugur Kazanci "Insurance Broker - client relationships: an assessment of quality and duration", Journal of financial services marketing, Hendry steward publications, vol.8, 2004, pp. 327-342.
10. Ranchana Rajatanavin, Mark spice, "The sales force as an information transfer mechanism for new service development in the Thai insurance industry" Journal of financial services marketing, vol.8-3 Hendry Seward publications 23rd July 2003, pp.244-258.
11. C.S. Rao, Chairman, IRDA, "Insurance industry: The happening sector" Charted Financial Analyst, February, 2004, pp.46-48.
12. Raman N and Gayathri Chinnalapatti "A study on customers awareness towards new insurance companies", Indian journal of marketing, Vol .XXXIV, Jan. 2004, pp.6-8.
13. Shobhit and Sanjay Shukla, "An Empirical study and analysis of Failure of private insurance players in rural areas", Insurance Chronoicle, May 2004, pp.56-62.
14. Ranjan Das and Raveendra, "Strategic choices in Life Insurance Business", Strategic marketing, January to February 2004, vol.3, pp.13-15

15. Harsha Walia, "Lapsatino of an insurance policy and its implications", Life Insurance today, vol.1, No.45, August 2005, pp.12-15.
16. Mamilla Rajasekhar, "Customers expectations of Life Insurance policies and services - some influencing strategies", Life Insurance today, vol.1, July 2005, No.4, pp.2-4
17. Banumatny S and Karunanithi G. "Pension-Plan schemes of LIC and other insurance companies - A comparative study Life Insurance today, September 2005, vol.1, No.6, pp.10-13
18. Anil Chandhak and Dr. R.K. Mittal "A critical study of first year lapsation ratio of Life Insurance business", JIMS, July-sep 2005, pp.39-42.
19. Ajay K. Raja and Mukesh Dhunna, "liberalization of Insurance sector: Social implications", Indian Management studies Journal, 2002, vol.6, No.1, pp. 109-117.