

# **AWARENESS OF LIFE INSURANCE- A STUDY OF JAMMU AND KASHMIR STATE**

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## *ABSTRACT*

To find out the awareness of life insurance in the population of J and K state, a community-based cross-sectional study was carried out. A total number of 242 respondents from 242 households were interviewed by using a pretested questionnaire after obtaining informed consent from the participants. The awareness of life insurance was found to be 64.0 per cent. Around 45.0 per cent of the respondents came to know about life insurance from the media which played an important role in the dissemination of information. The mean premium amount agreeable to be paid by the respondents for life insurance was found to be Rs 1804.00; even the low socio-economic group of people was also willing to part with a reasonable amount of Rs. 697.00 annually for life insurance. The middle and low socio-economic groups favored government life insurance compared to private life insurance as they have more faith on Government Company. The findings indicate that government should come out with a policy, where the public can be made to contribute to a life insurance scheme to ensure unnecessary events and also better utilization of life insurance facilities

**Key words:** Life insurance, Awareness, Determinants

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# **AWARENESS OF LIFE INSURANCE- A STUDY OF Jammu And Kashmir STATE**

## **Introduction**

Life insurance plays an important role in individuals' and families' financial lives because it is a hedge against the loss of income following the death of an earner. Premature death of a family head can bring serious financial consequences for the surviving family members because the family head's earnings are lost forever leaving unfulfilled financial obligations, such as dependents to support, children to educate, and a mortgage to repay. Life insurance allows individuals and families to share the risk of premature death with many others and to alleviate the financial loss from the premature death of the primary wage earner (Garman & Forgue, 2006). Thus, the main reason for the purchase of life insurance is to provide financial security for the family. There is more to it, however; people also buy life insurance as a medium to long-term tax favored savings and investment vehicle. Life insurance is fast emerging as an important mechanism to finance the needs of the people. The need for an insurance system that works on the basic principle of pooling of risks of unexpected costs of persons falling ill and needing hospitalization by charging premium from a wider population base of the same community. With improved literacy, modest rise in incomes, and rapid spread of print and electronic media, there is greater awareness and increasing demand for better services of insurance. There is growing evidence that the level of insurance spending in India – currently at over 7 per cent of its total GDP – is considerably higher than that in many other developing countries. This evidence also suggests that more than three-quarters of this spending includes private out-of-pocket expenses. There is a vast untapped insurance market in India (Roy and Vishal, 2007). India accounts for 16% of the world population, but accounts for only 1.68% of the world life insurance market in 2006 (World Insurance Report 2008). India is also far behind world averages in terms of insurance penetration, and insurance density.

The opening up of the insurance to the private sector by the Insurance Regulatory Development Authority (IRDA) Act 2000 has provided immense opportunities for both the public and the

private industry for better utilization of insurance facilities. With this kind of situation prevailing, there has not been much progress in the coverage of our population within this system of insurance; only a meagre per cent coverage has been reported. Whether this is due to lack of awareness on part of the public is to be determined.

## **Review of Literature**

Bhat, (2005) Professor, Finance and Accounting at IIM, Ahmedabad writes that the penetration of insurance critically depends on the availability of insurance products and services. He further explains that huge untapped market, proliferation of schemes, new product innovations, perception of insurable risks of Indian consumers, competitive pressures arising from integration of bank and insurance, impact of information technology, and the role of insurance industry in financial services industry are some of the forces which shape the competitive structure of the insurance industry. Based on empirical studies, Krishnamurthy (2005) confirms that awareness of insurance in India has improved substantially. A recent nationwide survey of over 60,000 households (Shukla, 2007) by National Council of Applied Economic Research (NCAER), New Delhi and Max New York Life has revealed awareness about insurance is quite high in India. The study clearly indicates that there is a definite scope for increasing the volume of savings in life insurance even at the existing levels of income, given its distribution and the employment structure. The world insurance report (2008) reveals that in India, reforms have helped to foster growth, but the insurance sector still remains mostly under-penetrated. It further finds that the average number of policies (life and non-life) held by an Indian consumer is just 1.33, compared with the average of 5.2 policies per client for mature markets. Thus the penetration of insurance is very low in India. Kannan and Thangavel (2008) state that life insurance has today become a mainstay of any market economy since it offers plenty of scope for garnering large sums of money for long periods of time. A well-regulated life insurance industry which moves with the times by offering its customers tailor-made products to satisfy their financial needs is, therefore, essential if we desire to progress towards a worry-free future. Sastry (2010) says that India is among the important emerging insurance markets in the world and that life insurance will grow very rapidly over the next decades in India. He reveals that the major drivers of this growth

include sound economic fundamentals, a rising middle class, an improving regulatory framework, and rising risk awareness. Presently, life insurance is seen as a mechanism through which investors can receive a tax break only. Often, these considerations act as incentives to buy life insurance policies but people need to look at insurance as a long term saving instrument. There is a great need to study the awareness of the society on insurance to improve this situation. Though there are studies from other parts of India on this topic, there is hardly a study in Tamilnadu which focuses on the awareness of insurance among the public.

### **Research Methodology**

The Jammu and Kashmir State has a geographical spread of 2, 22,236 Sq. Kms, (including an area of 1, 20,849 Sq Kms under illegal occupation of Pakistan & China), accounting for 7.02% of total area of the country, making it the 6th largest state in the country. With 101.44 lakh population, as per census 2001, it ranks 19<sup>th</sup> state in India and constitutes approximately 1% of the country's population. Density (100 persons per sq.km.) places it to be the 31st populous state among the states/UTs of India. The population of the state in 2011 is projected as 125.11 lakh. The literacy rate of J&K stood at 55.52% with male literacy of 66.6% and female literacy of 43.00% (census 2001) and as per Literacy survey 2008 the literacy rate of J&K has increased to 65.67% with male literacy of 73.30% and female literacy of 57.11%.

The study was carried out in and around the Srinagar City of J and K state. The socio economic status and awareness pattern of the people was studied.

### **Objective of the study**

1. To understand and determine the awareness of people under study on insurance.

### **Sampling**

The sample size was 242 respondents from state.

## **Collection of Data**

During the visit, the purpose of the study was explained to the people and informed consent was taken from them. The tool used for data collection was questionnaire which was explained to them in their native language. This was pre-tested by conducting a pilot study through which primary data was collected from the respondents. Analysis was done and changes were made to overcome the errors. The final data were collected by a modified questionnaire from a respondent group of 242. From each selected family the required information was collected by the investigator himself from the head of the family or any other responsible member of the family. From each family only one member was interviewed. The socio-economic status of the family was assessed.

The statistical tools employed Chi-square test for association and linear trend were used and p value less than 0.05 was considered as significant.

## **Statistical Analysis**

Data were entered into the computer database and statistical package of social sciences (spss) version 16 was used for analyzing data. Data were analyzed to find out the association between awareness of life insurance and independent variables like, socio-economic status and religion. Data were further analyzed to find out the association between awareness and other variables.

## **FINDINGS AND DISCUSSION**

A total of 242 respondents were interviewed, one from each household.

**TABLE 1**  
**SOCIO-DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS**

<b>Characteristics of the Respondent</b>	<b>Number</b>	<b>Percentage</b>
<b>Age (years)</b>		
25 – 34	66	27.3
35 – 44	82	33.9
45 – 54	36	14.9
55 – 64	36	14.9
>= 65	22	9.1
<b>Sex</b>		
Male	93	61.6
Female	149	38.4
<b>Religion</b>		
Muslim	201	83.1
Non-Muslims	41	16.9
<b>Type of family</b>		
Nuclear	150	62.0
Joint	92	38
<b>Socio-economic status</b>		
High	22	9.1
Middle	131	54.1
Low	89	36.8
<b>Family income (Rs.) monthly</b>		
1000 – 5000	93	42.1
5001 – 10000	65	29.4
10001 – 15000	32	14.5
15001 – 20000	16	7.2
20001 – 25000	7	3.2
> = 250001	8	3.6

**Source: Survey data collected by the scholar for the present.**

Majority of the respondents were in the age group of 35–44 years of age (33.9%) followed by 25–34 years of age (27.3%). Only 9.1 per cent of respondents were in the age group of >=65 years of age. Males constituted 61.6 per cent and females 38.4 per cent of the respondents. 83.1 per cent of respondents were Muslims while 16.9 were Non-Muslims. 62 per cent of the respondents stayed in nuclear family and 38 per cent in the joint family, 54.1 per cent of the respondents belonged to middle socio-economic status. 36.8 per cent and 9.1 per cent of the

respondents belonged to low and high and low socioeconomic status respectively. 42.1 per cent of the respondents had monthly family income between Rs. 1000 and 5000 and 3.6 per cent respondents had an income of  $\geq$  Rs. 25001.

**TABLE 2**  
**AWARENESS AND SOURCE OF INFORMATION ABOUT LIFE INSURANCE**  
**AMONG THE RESPONDENTS**

<b>Awareness</b>	<b>Number</b>	<b>Percentage</b>
Yes	155	64.0
No	87	46
Total	242	100
<b>Source of Information</b>		
Television	25	10.3
Radio	6	2.48
Newspaper	72	30
Family/Friends	24	9.9
Internet	43	17.76
Insurance agents	72	29.75
Total	242	100

**Source: Survey data collected by the scholar for the present**

The whole study was based on the awareness of the respondents. 64 per cent of the respondents were aware of life insurance. Of the total 242 respondents, 64 per cent of the respondents were aware of life insurance whereas 36 per cent of them had no idea about it (Table 2). In a similar study done by Patro<sup>8</sup> *et al* only 22.7 per cent of the study population was aware of insurance. The high awareness in the present study may be attributed to the high literacy percentage among the respondents.

Table 2 depicts the source of information and awareness of life insurance. 9.9 per cent of the respondents said that family/friends were the source of information followed by from newspaper (30%), television (10.3%) and radio (2.48%). A good number of respondents also got to know about it from insurance agents (29.75%), and from the internet (17.76%).

Gumber and Kulkarni in their study found out that the need for education for rural and urban population was alike on the concept of information which is a crucial aspect on extending

awareness about insurance on a large-scale. This calls for an effective information, education and communication activities which will improve the understanding of the people about insurance.

**TABLE 3**  
**DETERMINANTS OF AWARENESS OF LIFE INSURANCE**

Determinants	Aware		Total		X <sup>2</sup> /fisher test	P Value	
	No	%	No	%			
Religion					8.65	P= 0.034	
Muslim	131	67.16	201	83.06			
Non-Muslims	24	42.11	21	17.04			
<b>Type of family</b>					0.68	P= 0.71	
Nuclear	97	64.67	150	61.98			
Joint	58	43.33	92	38.20			
<b>Occupation</b>					43.78	P<0.001	
Professional	3	100	3	1.24			
Govt. Servant	30	93.75	32	13.22			
Business	51	71.83	71	29.34			
Abroad	5	83.33	6	2.48			
Skilled worker	28	50.00	56	23.14			
Unskilled worker	9	26.47	34	14.05			
Retired	25	73.53	34	14.05			
None	4	66.67	6	2.48			
<b>Family income</b>							



1000–5000	38	40.86	93	42.08	40.72	P<0.001	
5001–10000	46	70.77	65	29.41			
10001–15000	28	87.50	32	14.48			
15001–20000	15	93.75	16	7.24			
20001–25000	7	100	7	3.17			
25001 & Above	6	75.00	8	3.62			
<b>Literacy status</b>							
Illiterate	2	25	8	3.31			
Primary	6	14.28	42	17.36	83.07	P<0.001	
Secondary	42	59.15	71	29.34			
Higher Sec	26	72.22	36	14.88			
Graduate	66	92.96	71	29.34			
Post-graduate	13	92.86	14	5.79			
<b>Socio-economic status</b>					76.94	P<0.001	
High	22	100	22	9.09			
Middle	107	81.68	131	54.13			
Low	26	29.21	89	36.78			

**Source: Survey data collected by the scholar for the present**

The determinants of awareness were religion, type of family, occupation, family income per month, educational status and socio-economic status, when considered except family type, the other determinants had a statistically significant association. A large number of professionals were aware of life insurance (93.75%). While taking the educational background into consideration, 93 per cent of graduates and above were aware of life insurance. Socio-economic status had better awareness of life insurance. Results of studies carried out elsewhere were also in agreement with the findings of the present study. Mathiyazhagan and Patro *et al* concluded in their respective studies that their study population had reasonable knowledge about insurance (Table 3).

**TABLE 4**  
**PERCEIVED PURPOSE AND BENEFITS OF TAKING LIFE INSURANCE V/S**  
**SOCIO-ECONOMIC STATUS OF THE RESPONDENTS**

Purpose	Socio-economic Status			
	High	Middle	Low	Total
Tax gains	2 (10%)	9 (7.6%)	-	11 (4.9%)
Risk cover	14 (70%)	83 (69.7%)	26 (31%)	123 (55.2%)
Compulsion from employers	-	-	2 (1.7%)	2 (0.9%)
Others	1 (5%) 4	(3.4%) 2	(2.4%) 7	(3.1%)
No Idea	3 (15%)	21 (17.6%)	56 (66.7%)	80 (35.9%)
Chi Square/Fischer = 58.9 P = 0.001				
<b>Benefits</b>				
Saving tool	10 (52.6%)	43 (44.3%)	11 (28.2%)	64 (41.3%)
Protection tool	6 (31.6%)	43 (44.3%)	23 (59%)	72 (46.5%)
Both	2 (10.5%)	6 (6.2%)	3 (7.7%)	11 (7.1%)
others	1 (5.3%)	2 (2.1%) -		3 (1.9%)
No idea	-	- 3 (3.1%)	2 (5.1%)	5 (3.2%)
Chi Square / Fischer = 8.09 P = 0.424				

**Source: Survey data collected by the scholar for the present**

Table 4 depicts the purpose and benefits of life insurance as perceived by the respondents when they were queried on their awareness and knowledge of life insurance. A good majority of the respondents (69.7%) belonged to the middle socioeconomic group was of the opinion that the life insurance would risk cover. When asked about the benefits of life insurance, an equal 44.3 per cent each of the middle socio-economic group respondents stated that it is a saving tool and the other group opined that it is a protection tool. About 31 per cent of the low socio economic group also felt that the benefit of life insurance would help in both.

**TABLE 5**  
**SOCIO-ECONOMIC STATUS OF THE RESPONDENTS AND MEAN PREMIUM**  
**AGREED TO PAY**

Socio-economic Status	N	Mean Premium in Rs. Agreed to Pay/Year	F value	P value
Low	58	697	9.75	0.0001
Middle	177	1271		
High	13	3444		
Total	188	1804		

**Source: Survey data collected by the scholar for the present**

Table 5 shows the mean premium amount agreed to be paid by the different socio-economic groups. The result was found to be statistically significant. It is important to note that the low socio-economic group of people were also willing to part with a reasonable amount of Rs. 697.00 annually for a family of 4-5 members to cover their life insurance in case of any unexpected event. Patro et al 8 has reported similar findings from their study involving different socio-economic strata of the study population and found that most of them agreed to pay a premium between Rs.600.00 and1000.00 for a family of five per annum.

## CONCLUSION

The study reveals that the awareness about insurance is low. Insurance companies should reach out to those who are uneducated and the lower age group people, by awareness campaigns like radio (jingles) and television advertisements. The insurance companies should concentrate more on improving their services. The real growth in life insurance will occur when customers realize the true value of life insurance beyond tax saving. The awareness of insurance as a long term

saving should be created both by the government, among the uneducated, low income group and the households having more earning members.

In conclusion, saving can be promoted by insurance companies both government and private companies by building a relationship of trust. This can be only achieved if the insurance companies show the people that they are there not only to do business but that they care for the welfare of all types of the people. The life insurance companies should come out with clear cut policy details, as many of the respondents had vague ideas about the various benefits and risks involved in a policy. The middle and low socio-economic groups are a potential market to be tapped as they are ready to spend a reasonable amount as premium payable per annum. If the private insurance players want to venture in the market, they should try to imbibe trust in the people as most of the respondents preferred government life insurance schemes, the reason being guarantee for their capital. To develop a viable life insurance scheme, it is important to understand people's perceptions and develop a package that is accessible, available, affordable and acceptable to all sections of the society.

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