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**A Study Socio Economic Status And Buying Behaviour Of Rural
Life Insurance Customers In Mysore District**

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ABSTRACT

The insurance industry has both economic and social purpose and relevance. It provides social security and promotes individual welfare. It reduces risk and helps to raise productivity in the economy. In India, initially it was only LIC that had a monopoly on life insurance business but with liberalization many private companies (both domestic and foreign companies) entered into life insurance business. The entry of private companies into insurance business has increased choice for customers while choosing life insurance service providers and it also increased competition among the various service providers.

The rural population in India accounts for around 628 million which is exactly 74.3 percent of the total population. The rural market in Indian economy generates almost more than half of the country income. Rural markets are for marketers with perseverance and creativity. The market is extremely attractive with its vast potential but also provides challenges. A market needs to understand that those rural consumers are not a homogeneous lot. The consumer groups differ by occupation, income, social and cultural groupings. The success of any firm in the rural market depends on the awareness about the product, acceptance of the product idea, affordability in terms of price and availability of the product. Communication plays very crucial role in creating awareness and generating acceptance in the minds of rural consumer.

The present study attempts to understand socio-economic profile of rural life insurance customers and their buying behavior. The insights over rural insurance market could be useful in formulating more effective strategies in the expansion of rural life insurance market.

Key words: *life Insurance, market expansion, rural marketing strategies, buying behavior*

SOCIO ECONOMIC STATUS AND BUYING BEHAVIOUR OF RURAL LIFE INSURANCE CUSTOMERS IN MYSORE DISTRICT

Introduction:

Insurance is a device for indemnifying or guaranteeing an individual against loss, and reimbursement is made from a fund to which many individuals exposed to the same risk have contributed certain specific amounts, called premium. Insurance is a socio-economic institution that reduces risk both to the society and to the individuals. It is a cooperative device to spread the losses and a social device to accumulate funds to meet uncertain losses (Jha, 1998). Thus, insurance is a trade on future promise where an insurance company makes promises to meet contingencies and to indemnify the insured against risks, which are specially agreed on between the parties to be covered.

In life insurance business, India ranked 9th among the 156 countries, for which data are published by Swiss Re. During 2010-11, the estimated life insurance premium in India grew by 4.2 per cent (inflation adjusted). However, during the same period, the global life insurance premium expanded by 3.2 per cent. The share of Indian life insurance sector in global market was 2.69 per cent during 2010, as against 2.45 per cent in 2009 (IRDA Annual Report 2011). No surprise if India is now one of the most favored destinations for global insurers. According to the sigma study India is fast racing ahead as the most attractive insurance destination worldwide led by the country's strong economic growth and rising disposable incomes.

The rural population in India accounts for around 627 million which is exactly 74.3 percent of the total population. The rural market in India economy generates almost more than half of the country income. The spread of life insurance in rural areas was poor and that has been one of the prime reasons behind the reforms in this sector. The poor performance of Indian Life Insurance Industry was mentioned by the Malhotra Committee in its report and advocated for the participation of private domestic and foreign insurers in the Indian Insurance Industry. The Insurance Regulator IRDA has recommended some mandatory obligations for the new participants in the life insurance industry (Debabrata Mitra & Amlan Ghosh, 2009).

Dynamics of rural markets differ from other market types and similarly rural marketing strategies are also significantly different from the marketing strategies aimed at an urban or industrial consumer. Marketers need to understand the psyche of the rural consumers and then act accordingly. Rural marketing involves more intensive personal selling efforts compared to urban marketing.

Need for the study:

There is no comprehensive and authoritative empirical study in the field of buying behavior of Life Insurance Policyholders in India has been conducted. No comprehensive study has been undertaken in Mysore District on the socio economic profile and buying behavior of rural customers. This "Research Gap" is sought to be filled by the present study entitled

Socio economic profile and buying behavior of rural life insurance customers in Mysore District.

Statement of the problem:

Socio economic profile and buying behavior of rural life insurance customers in Mysore is a research study to understand and analyze demographic profile and unique characteristics of rural life insurance buyers. Rural market with relatively high untapped potential can be penetrated and marketing objective of sales growth can be achieved with proper knowledge and understanding of buyers if outcomes of the present study are utilized.

Objectives of the study:

The main objective of the study is to know the unique characteristics of life insurance buyers in rural market and role of socio economic conditions on buying decisions at rural areas. The study aims to analyze various demographic variables which determine overall buying process of life insurance customers.

And allied objectives are:

- [1] To study the extent of insurance coverage in rural areas
- [2] To study the awareness of rural population on the need for and availability of life insurance products
- [3] To analyze the factors which motivates the rural population to buy life insurance products?

Scope of the study:

The present study is not exhaustive and is restricted to surveying of rural consumers of insurance products in Mysore district of Karnataka State. The study attempts to undertake investigations into the level of consumer awareness and socio-economic profile of rural customers in Mysore District.

Research Methodology Adopted:

Population for the purpose of Study includes policy holders of LIC of India and private life insurance companies operating in villages of Mysore District. Sample consists of insurance companies and life insurance policyholders living in rural areas of Mysore district. The sample is selected using simple random sampling technique. Two percent of the total population is being chosen for the study which consists of equal proportion of policy holders from Life Insurance Corporation of India and Private Insurance Companies operating in Mysore District. The secondary data used for the study is collected from periodicals such as magazines, journals, business news papers, and reference books. Mysore district policy holders' information is collected from the respective district head offices and branch offices of Insurance Companies in respective taluks.

Review of related literature:

Life Insurance Marketing and Research Association (LIMRA) conducted a study in late 1980s to understand the life insurance status among women in U.S. The study predicted that women would constitute the largest component (72%) of the overall growth of life insurance

sales in U.S in 1990. With more financial autonomy, working-women assume more responsibility for financial decisions such as the decision to purchase life insurance to protect family income from the loss of their salaries or to begin accumulating wealth (National Life Insurance Academy, 1993).

Narayanan (2001) in his article— "Step Down Plan, Just Right Price" emphasized the importance of insurance plans in the light of declining liability insurance plans. He felt that these plans protect the family from financial shocks particularly the responsibility of having to pay off loans in the event of policyholder's death. He also made a comparative study of plans offered by Allianz Bajaj, AMP Sanmar, HDFC Standard Life, Met Life India and SBI Life. The study highlighted socio-economic role of insurance and achievements of Private Insurance Companies in India.

Rangachary, N. (1999), while making a study to understand the functioning of LIC under the changed economic scenario observed that an average customer was not able to get an insurance cover which he/ she needed; or even if coverage was extended, claims were contested on flimsy grounds. There were innumerable complaints about the non-issuance of policies and notices for payment of premium, non - receipt of the policy documents; non - issue of claim forms; and more than everything, the non - payment of claims promptly. The fact that only 18 percent of the population was covered with insurance and that around 2 percent of GDP was the total premium income from the insurance business; it would clearly establish the position that the insurance penetration in the country was the lowest in the South East Asia Region.

Profile of the respondents:

From the primary data, the demographic profile of policyholders covered under the study as follows, in the age of policyholders. 47% of policyholders belong to the age group of 20-30 years, 30.6% belong to the age group of 31-40 years, 18.1% belong to 41-50 years of age groups and 4.3% of respondents are of 51-60 years age groups. In the classification of policy holders of education qualification, it was found that 12% of respondents had primary education, 23.3% had secondary education, 15.8% had pre-university level education, 38.5% are graduates and 10.4% had post-graduation and professional education. Occupation level of Policy holders, it was noted that 11.4% of respondents were daily workers, 18.7% were farmers, 39% were office employees, 13.7% were professionals and 17.2% were self-employed or businessman. outline of respondents clearly indicates the unique characteristics of rural life insurance market. The distinct features of respondents and the rural population demands special marketing efforts for promotion of life insurance business in rural areas.

TABLE 1: AWARENESS ABOUT NEED FOR INSURANCE			
Life Insurance is Essential		Frequency	Percent
Yes		486	50.0
No		486	50.0
Source: Survey data	Total	972	100.0

Table 1 shows Policyholders awareness of need for insurance.50% policyholders stated that life insurance is essential. Results shows that rural people do not have complete awareness about need for life insurance.

TABLE 2: FACTORS RESTRICTS RURAL CUSTOMERS FROM BUYING LIFE INSURANCE POLICIES						
Restricting factor/ constraint	Yes		No		Total	
	N	%	N	%	N	%
Illiteracy	187	19.2%	785	80.8%	972	100.0%
Lack of awareness	110	11.3%	862	88.7%	972	100.0%
Low income	401	41.3%	571	58.7%	972	100.0%
Less efforts of insurance companies in encouraging rural people	26	2.7%	946	97.3%	972	100.0%
Non availability of Insurance Offices to provide service support	82	8.4%	890	91.6%	972	100.0%
Inadequate service of agents	41	4.2%	931	95.8%	972	100.0%
No agency service	125	12.9%	847	87.1%	972	100.0%
Others	0	.0%	972	100.0%	972	100.0%

Table 2 shows policyholders' opinion on what forces usually restrict rural people from buying life insurance policies. 19.2% respondents identified illiteracy as a constraint, 11.3% said lack of awareness is the constraint, 41.3% identified low income as restricting factor, 2.7% said lack of encouragement to rural people, 8.4% said non availability of branches in rural areas as a constraint, 4.2% stated inadequate agency service is the constraint, and 12.9% respondents stated that no agency service in their locality is restricting rural customers from buying life insurance. Results indicate that low income is the major restricting factor in life insurance buying as such there is a need to develop special policies for the customers of low income.

Findings of the study:

Findings of the study of policyholders are presented below:-

- Women, farmers and daily wage earners are not adequately covered by the life insurance in rural areas. 38% of the total respondent policyholders were females Respondents belonging to the age group 20-30 dominate the rural life insurance market, followed by the age group 31-40 years. More than 50% life insurance customers are graduates and post graduates which show uneducated and less educated are not adequately covered in rural areas. Officials are the major constituents of rural life insurance policyholders.
- Endowment policies are preferred by policyholders of LIC. New generation policies (policies with innovative features) like unit-linked policy are sold more by private companies. More than 40% of policyholders had more than 2 policies. Sum assured in the case of LIC is lesser than private companies. In the case of LIC, 80% policies are

with sum assured of less than 2 lakhs, but in the case of Private 60% of policies are with sum assured of above 2 lakhs.

- Rural customers buy life insurance policies as means of saving, provision against future risk and for income tax advantage. Low income is the major restricting factor in purchase of life insurance policies. Illiteracy, lack of awareness, and non availability of branches are the other factors restricting rural customers from buying life insurance. Awareness creation, customer education and opening branches in rural areas help life insurers to expand their market in rural areas.
- Life Insurance customers are satisfied with the performance of the insurance companies, their products, agents support, company support, after sales service, claims settlement and grievance handling. But Policyholders wanted intensive marketing campaign by life insurance companies to create awareness in order to expand insurance coverage.

Suggestions:

The first priority of insurance companies should be to stimulate demand in areas that are currently not served at all. Awareness programmes should be conducted in the villages explaining the importance of life insurance and the benefits available under various life insurance schemes. It is important to educate the rural people that life insurance should be considered as a security or as a protection to the life/family. Educating the rural people may be done through organizing seminars on the need for insurance, trade fairs, visual media, film shows, and door to door campaign and through mobile publicity vans.

To ensure personalized services and customized marketing strategies, insurance companies should adopt Market Segmentation and Niche Development. Markets should be defined by factors more complex than basic demographics. Knowledge of what one likes, what one does and what one buys should be used to better predict the insurance needs. Life Insurers can attempt to segment rural market on the basis of occupation, income and gender.

For more focused marketing efforts and consumer awareness programmes insurance companies should resort to adoption of villages for a specified time period. Local youth should be encouraged to take up insurance agency with an objective of wide insurance coverage. The services of Non Government Organizations, public distribution offices, self help groups and post offices should be utilized for better insurance distribution in rural areas

Conclusion:

In the highly competitive life insurance market, insurance companies cannot nurture the culture of complacency and arrogance through 'over-promising and under-performing'. It is the time to realize that the success in rural life insurance market goes to those who struggle to explore the untapped potential through fair and socially acceptable marketing strategies. Drawing board approach to formulate the sales figure for rural markets is unrealistic without having understood the rural sentiments. In India the insurance business can be said to be "a marathon not a sprint", this is because of the nature of the business being long term. As

insurance companies go more and more rural in search of business there will be opportunities in the rural sector.

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