



Life insurance policies in rural area of Orissa understanding buyer behaviour

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Abstract

In spite of awareness about insurance in India, rural India still lacks in terms of availability of various financial products especially the risk products like insurance. Rural insurance statistics still indicates a significantly low penetration and poor density even after the privatization of insurance sector in 1999. Rural India offers a tremendous scope for insurers where the protection of human life and income generating assets is a matter of concern. Regulators have also tried to impose rural insurance obligations for the insurance companies. This paper examines the present state of affairs of rural life insurance in India and attempts to explore the issues and challenges which led to poor penetration of rural life insurance markets. A field survey in Odisha state of the rural customers has been conducted to examine their perception and attitude towards buying life insurance products.

Keywords: civilization, insurance products, inherent in human life

Introduction

Security has been a universal desire right from the earlier civilization. This quest for security has led to the concept of insurance. Insurance is a contract between two parties whereby one party called insurer undertakes, in exchange for a fixed sum of called premium, to pay the other party an assured sum of money on the occurrence of a certain event. Life insurance protects against the economic loss in the event of death. A family is generally dependent for its food, clothing and shelter on the income brought by the bread earner of the family in a very difficulty situation. Uncertainty of death is inherent in human life. It is this uncertainty that gives rise to the necessary for some form of protection against the financial loss arising from death. Life insurance substitutes this uncertainty by certainty by certainty.

Further, insurance sector plays a very important role in the development of any economy also, as it provides long-term fund from infrastructure development and at the same time strengthens the risk taking ability. Therefore, a well-developed and evolved insurance sector is needed for economic development. It is estimated that over the next ten years India would require investments to the tune of one trillion US dollar. The insurance sector to some extent can enable investment in infrastructure development to sustain economic growth of the country. In fact insurance companies are the ideal sources of generation of long-term funds for all round development of the economy.

The insurance sector in India come a full circle from being an open competitive market to nationalization and back to a liberalized market. Tracing the developments in the Indian insurance sector reveals the 360-degree turn



witnessed over a period of almost 190 years. The business of life insurance started in India in the year 1818 with the establishment of the Oriental Life Insurance Company in Calcutta. Insurance may be described as a social device to reduce or eliminate risk of life and property. Under the plan of insurance, a large number of people associate themselves by sharing risk, attached to individual. The risk, which can be insured against include fire, the peril of sea, death, incident, & burglary. Any risk contingent upon these may be insured against at a premium commensurate with the risk involved. Insurance is actually a contract between two parties whereby one party called insurer undertakes in exchange for a fixed sum called premium to pay the other party on happening of a certain event. Insurance is a contract whereby, in return for the payment of premium by the insured, the insurers pay the financial losses suffered by the insured as a result of the occurrence of unforeseen events. The Indian insurance market is characterized by the presence of 'young pensioners', as per an article in the 'Times of India'. Young pensioners are typically under 40 individuals who are purchasing retirement plans. The growing Indian economy has created an upwardly mobile, affluent young generation, who believe in going for a planned retirement. As per data from IRDA, 28% of the premiums collected by the Indian Insurance companies are from retirement plans. Life Insurance Corporation (LIC) is India's biggest domestic institutional investor. It is also the largest life insurance company in India. Life insurance industry recorded a premium income of Rs.328101.14 crore during 2014-15 as against Rs.314301.66

crore in the previous financial year, registering growth of 4.39 per cent (9.44 per cent growth in previous year). While private sector insurers posted 14.32 per cent growth (1.33 per cent decline in previous year) in their premium income, LIC recorded 1.15 per cent growth (13.48 per cent growth in previous year).

While renewal premium accounted for 65.46 per cent (61.72 per cent in 2013-14) of the total premium contributed the remaining 34.54 per cent (38.28 per cent in 2013-14). During 2014-15, the growth in renewal premium was 10.72 per cent (7.85 per cent in 2013-14). First year premium registered a decline of 5.82 per cent in comparison to a growth of 12.08 per cent during 2013-14.

Further, bifurcation of the first year premium indicates that single premium income received by the life insurers recorded negative growth of 2.43 per cent during 2014-15 (22.50 per cent growth in 2013-14). Single premium products continue to play a major role for LIC as they contributed 23.11 per cent of LIC's total premium income (24.86 per cent in 2013-14). In comparison, the contribution of single premium income in total premium income during 2014-15 was 12.30 per cent for private insurance companies. The regular premium registered 10.21 per cent decline in 2014-15, as against 1.03 per cent growth in 2013-14. The private insurers registered a growth of 16.79 per cent (4.83 per cent decline in 2013-14); while LIC registered a negative growth of 27.56 per cent in the regular premium (5.25 per cent growth in 2013-14). Unit-linked products (ULIPs) registered a growth of 10.85 per cent premium from Rs.37544.08 crore in 2013-14 to Rs.41616.94 crore in 2014-15. On the other hand, the growth in premium



from traditional products was at 3.51 per cent, with premium Rs.286484.20 crore as against Rs.276757.58 crore in 2013-14. Accordingly, the share of unit-linked products in total premium increased to 12.68 per cent in 2014-15 as against 11.95 per cent in 2013-14.

On the basis of total premium income, the market share of LIC decreased from 75.39 per cent in 2013-14 to 73.05 per cent in 2014-15. The market share of private insurers has increased from 24.61 per cent in 2013-14 to 26.95 per cent in 2014-15. The market share of private insurers in first year premium was 30.73 per cent in 2014-15 (24.53 per cent in 2013-14). The same for LIC was 69.27 per cent (75.47 per cent in 2013-14). Similarly, in renewal premium, LIC continued to have a higher share at 75.04 per cent (75.34 per cent in 2013-14) when compared to 24.96 per cent (24.66 per cent in 2013-14) share of private insurers.

During 2014-15, life insurers issued 259.08 lakh new policies, out of which LIC issued 201.71 lakh policies (77.86 per cent of total new policies issued) and the private life insurers issued 57.37 lakh policies (22.14 per cent of total new policies issued). While the private sector registered a decline of 9.79 per cent with a slight improvement (against the decline of 14.11 per cent in 2013-14) in the number of new policies issued against the previous year, LIC registered a significant decline of 41.55 per cent (6.17 per cent in 2013-14) in the number of new policies issued. Overall, the industry witnessed a 36.61 per cent decline (7.50 per cent decline in 2013-14) in the number of new policies issued. Paid-up capital The total capital of the life insurance companies as on 31st March, 2015 was Rs. 26244.14 crore.

During 2014-15, an additional capital of Rs.305.63 crore was brought into the industry by the private sector insurers.

The Present Study- A Problem Statement

The rural market is booming beyond expectation. This has been primarily attributed to the increase in purchasing capacity of farmers now enjoying an increasing marketable surplus of farm produce. In addition, an estimated induction of Rs.140 bn in the rural sector, through Government's rural development plans in the ninth plan and about Rs.450 bn in the tenth plan, is also believed to have significantly contributed to the rapid growth in demand. The high incomes combined with low cost of living in the villages have resulted in more money. LIC has made a steady and firm penetration in to rural India. It has registered an annual growth of 18% for policies taken in last three years, which is much higher when compared to 3.86% in small town and cities. Through the lion's share of LIC's presents business lays in rural India, they are not very successful in the areas of realistic pricing, product promotion and reaching to the rural customer. Hence, insurance players will be keenly interested in understanding the rural customer, and their buying behaviour related to life insurance policies. In view of the above and also to introduce sophisticated technique in to their operation in the rural areas, the present study has been conducted. The study of buying behaviour examines how individuals make decisions in spending their available resources, viz. time, money and efforts on various aspects such as whom to buy from, where to buy, how often they buy and how often to use it. This study will help insurance companies to understand the profile of



rural customers and their nature. By knowing this, companies can improve their products and can use various distribution channels to tap the rural market in a better way.

Review of Literature

Sharma Ravi Kumar (2005) performed a study on 'Insurance perspective in Eastern-up' with the objective of probing in to the reasons or the factors behind the purchase of the insurance products. It was found that according to 93.86% of respondents insurance policies are considered indispensable for risk protection.

Krishan Kumar's (2005) article highlights LIC's rural penetration, inherent problems in implementation, growth over the years, social schemes over the year, social schemes for the rural poor and the 'Bima Gram' program. The study indicates that nearly 55% of its new, individual policies have come from the rural sector. Its performance stands miles ahead of the private players. But, amongst the insurance products available, very few are tailor-made for the rural population.

Kumar Jagendra (2005), in his study, revealed that the Life Insurance penetration, in India is just about 2% of GDP. The life insurance premium per capital is just Rs. 550. The LIC is the largest player with over 2000 officers. After liberalization, it has improved its efficiency and customer services. Among the private life insurance companies ICICI Prudential Life Insurance and Birla Sunlife are the first and second largest players. Other prominent companies in competition are- Bajaj-Allianz, HDFC Standard Life, Kotak

Mahindra, ING Vysya, Aviva Life, Metlife, etc.

Namasivayam *et al.*, (2006) examined the socioeconomic factors that are responsible for purchase of life insurance policies and the preference of the policyholders towards various types of policies of LIC. From the analysis, it was found that factors such as age, educational level and sex of the policyholders are insignificant, but income level, occupation and family size are significant factors.

Objectives of Study

The present study intends to achieve the following objectives

1. To prepare the profile of life insurance holders in rural areas of Orissa state.
2. To examine the preference of the policyholders towards various types of policies of insurance.
3. To measure the awareness of rural customers about life insurance products and services.
4. To measure the attitudes & perception of Life Insurance customers of rural areas of Orissa.
5. The psychology of how the consumer is influenced by his or her environment.
6. To probe in to the reasons or the casual factor behind the insurance product purchases in rural areas.
7. To identify the various attributes that can explain or determine satisfaction level of customers.



Research Methodology

The sample respondents were selected from the following eight districts Khordha, Cuttack, Puri, Nayagarh, Ganjam, Sambalur, Sundargard, Bhabanipatana of state of orissa.

convenience sampling. The survey was conducted with the help of a presented questionnaire. The target respondents are not well educated, spread over major rural having a lower socioeconomic and income profile and spread across a range of occupations, income and different age groups. The surveys results are presented in the form of frequency distribution table along with percentage.

A sample of 216 policy holders from rural areas of Orissa was taken on the basis of

Survey Findings

Profile of policy holders: the age profile of the sample respondents is given in Table 1.

Table 1 : Age Wise Distribution of Respondents		
Age Groups	No. of Respondents	Percentage
Young (bellow 30)	29	13.42
Middle Aged (30 to 50)	125	57.86
Old Aged (50 and above)	62	28.72
Total	216	100.00

The demographic features of the sample respondents clearly indicate that the maximum percentage of policy holders in the rural areas of Orissa, belongs to middle aged of 30 to 50 years and the minimum number of percentage belongs

to young aged of bellow 30 years. The age wise distribution of respondents is basically twice from each age group. Among the sample, a major population (87.67 %) is of male respondents (Table 2)

Table-2 Gender Wise Distribution of Respondents		
Gender	No. of Respondents	Percentage
Male	199	87.51
Female	17	12.49
Total	216	100.00

Table 3, which depicts the distribution of respondents of the basis of occupation, shows that 48 (22.13 %) respondents belongs to Government employed, 29 (13.42 %) belongs to Private and public

employee, 43 (19.91%) respondents are retired person, 23(10.65 %) respondents belongs to business and self employed and the remaining 59 respondents (27.41 %) are agriculture category & farmers.



Hence, it can be calculated that a large number of respondents who are insured are farmers there work is only agriculture.

Table 3 : Occupation of Respondents		
Profession/Occupation	No. of Respondents	Percentage
Employed (Govt.)	48	22.13
Employed (Private/Public)	29	13.42
Retired person	43	19.91
Business/self employed	23	10.65
Agriculture/ farmers	59	27.41
House wife	14	6.48
Total	216	100.00

Table 4 shows that the sample is dominated by the respondents falling in the lowest income category (Rs. 4,000). Merely 17.12 % policy holders belong to the middle class (Rs. 8,000-12,000). Here 2.31% of respondents belong to the highest income group. The highest number of respondents 103 (47.71%) respondents belongs to average income group (Rs. 4,000-8,000). Hence it can be concluded that the majority of respondents have monthly income bellow Rs. 8,000

Table 4: Monthly Income of Respondents		
Gross monthly income (Rs.)	No. of Respondents	Percentage
Bellow 4,000	48	22.21
4,000-8,000	103	47.71
8,000-12,000	37	17.12
12,000- 16,000	23	10.65
16,000 and above	5	2.31
Total	216	100.00



From table 5, it is clear that the majority (49.54) of the respondents in rural areas had their education up to school level. Similarly 85 respondents (39.35 %) had their education up to collage level and 11 respondents (5.09 %) had studied post Graduate and above, remaining 5 respondents (2.31%) are diploma holder and technical education. But only 8 respondents (3.71 %) was not gone to school. Despite India being independent for the last 63 years, the education level among rural is still not satisfactory.

Level of education	No. of Respondents	Percentage
Illiterate	08	3.71
Literate to under metric	107	49.54
10 th pass to Graduate	85	39.35
Post Graduate and above	11	5.09
Technical (Degree & Diploma)	5	2.31
Total	216	100.00

Awareness: Table 6 shows that out of 216 respondents, 178 (89.44%) male respondents and 11(64.71%) female respondents have awarded about Life Insurance Company and their product. But 21 (10.56%) male and 6 (35.29%) female respondents are not aware about the company and product. From the above table it is cleared that most of the educated persons are awarded about the company and products.

Particulars	No of Male Respondents	Percentage	No of Female Respondents	Percentage
Aware	178	89.44	11	64.71
Not aware	21	10.56	6	35.29
Total	199	100.00	17	100.00

Preference for various types of policies; is clear from the Table 7 that out of 216 respondents 98 (45.37 %) respondents have taken the Money back policy, 27 (12.50 %) Protection plans, 39 (18.06 %) Endowment policy and remaining 21



(9.72%) respondents have taken pension plan. Like this only 14 (6.48 %) respondents have taken children plans for their child's protection and rest 17 (7.87%) respondents have taken other plans. So, money back policy is most popular among rural people because it gives them money during the period of risk cover. It is also observed during the survey that most of the policies have been attract many people in rural area.

Name of policy	No. of Respondents	percentage
Money back	98	45.37
Protection plan	27	12.50
Endowment	39	18.06
Children plan	14	6.48
Pension plan	21	9.72
Other	17	7.87
Total	216	100.00

Keeping in the view the advent of private and public sector simultaneously, it has been considered imperative to capture rural policy holder's preference towards LIC and private players, table 8 which presents sectoral preference on the whole shows that 39.82 % of respondents have insured their life from LIC, and 60.18 % respondents have insured their life from other 24 private sector companies like – ICICI, Reliance, TATA-AIG, HDFC, Birla, Met life, SBI-life, etc. there fore, it is clear that private life insurance players has got the more market share in rural areas in Orissa.

Name of Company	No of Respondents	Percentage
LIC	86	39.82
Other (Private Player)	130	60.18
Total	216	100.00

People can buy the life insurance policy from mainly two sources: agents and development officers. Table 9 shows that about 91 % rural customers have insured their life through agents, and only 8.79 % through development officers. There fore it is clear that the main source is the agents of the company, and the reason of the available of the agents' services to the customers at their door step.



Name of sources	No of Respondents	Percentage
Agent	179	91.21
Development officer	37	8.79
Total	216	100.00

Tenure of installment: another important question asked by the sample policy holders is about the period of premium payment. There are options for monthly, quarterly, half-yearly and annually payment. Table 10 reveals that 84 (38.89 %) of the total 216 respondents pay their premium half-yearly, 51 pay yearly and 43 pay quarterly and the remaining 38 respondents pay their premium monthly. Hence, people prefer to pay in longer time period rather than paying in shorter period like monthly and quarterly.

Type of Installment	No. of Respondents	percentage
Monthly	38	17.59
Quarterly	43	19.91
Half Yearly	84	38.89
Yearly	51	23.61
Total	216	100.00

Objectives of buying life insurance policy: Generally, the objectives of taking insurance cover differs from person to person, and one may buy it with more than one objectives in mind the prime objectives include future security, savings, investment, and tax saving. The present survey found that, the primary reasons for buying life insurance policy for 25.92 respondents is covering life risk, and for 65.75% of respondents, risk protection along with saving for future activates. 6.02% respondents have got his life insured with the purpose of investment. And only 2.31% respondents have done life insurance for tax saving in rural areas (Table 11).



Primary Reason	No. of Respondents	Percentage
Life risk cover	56	25.92
Saving and protection investment	142	65.75
Tax saving	13	6.02
	5	2.31
Total	216	100

Future Plan: table 12 shows that 51.85% respondents are interested in taking life insurance policy in near future and 48.15 % of respondents are not interested in taking policies in future. From the above table, it is understood that the present policy holders also provide a potential market.

Response	No. of Respondents	Percentage
Yes	112	51.85
No	104	48.15
Total	216	100.00

Perception of Quality Services: the survey results given in table 13 show that the quality of services is excellent/good according to the majority (63%) of respondents. The one third (34.35%) respondents consider the services as satisfactory. But only (3.70%) of respondents viewed the services as unsatisfactory. The above implies that LIC has improved its performance in all the dimensions after the liberalization process initiated in 1991. Table 14 indicates that agent's/development officer's motivation is the most important factor influencing the buyers behaviour in rural Orissa.

Quality services	No. of respondents	Percentage
Excellent	49	22.68
good	87	40.27
satisfactory	72	34.35
Unsatisfactory	8	3.70
Total	216	100.00



Table14 : Factors Influencing the Buyer Behaviour

Name of Factor	Not at all	Some extent	Vary Much	Fully effected	Rank
Family member	5	2	3	2	VII
Friend & neighbors	38	23	51	26	II
Office staff	29	34	12	8	IV
Motivation by Agent/ Development Officer	7	5	18	185	I
Advertisement	38	56	14	5	V
Existing customer	17	14	8	4	VI
Image of company	53	42	26	18	III
Type of policy	48	37	11	4	VII

Conclusion

The main findings emerging from the study are as under:

- Respondents belonging to the middle aged group 30-50 dominate the rural life insurance market.
- Around 70 % of the respondents have monthly income bellow Rs. 8,000.
- The women segment is still untapped in rural areas, only 12.49% of respondents were female.
- Agents and development officers are the most important sources of information and motivation as rural people just take a policy which the agent/development officer suggests to them.
- A large number of respondents have got life insured them selves for life risk cover and for future contingencies.
- Private insurance players have got the more (60.18%) share among the LIC.
- Money back policy is the most preferred policy in rural areas followed by endowment policy and protection plan.
- Most of the respondents were found to be satisfied with the performance of the insurance companies.
- The role of advertisement is still not up to the mark in motivating rural people to buy insurance policy.
- During the study, it was also observed that the rural people are attracting to private insurance players.

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