



## “A STUDY ON CONSUMER BUYING BEHAVIOR TOWARDS LIFE INSURANCE PRODUCTS IN NAGPUR CITY”

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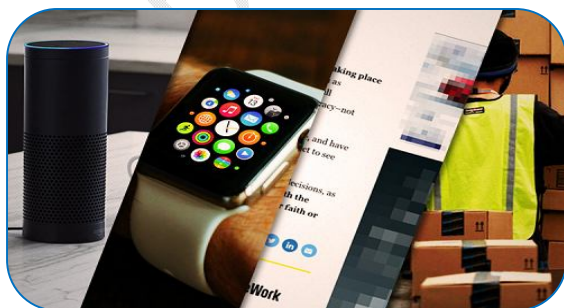
### ABSTRACT :

Insurance sector in India is one of the most upcoming and booming sectors in India which is boosting Indian economy and became essential part of it and is rapidly growing at the rate of 15-20 percent per annum. In India, insurance is a flourishing industry, and having many players are serving customers with several national and international organizations. Insurance companies are offering customers a high variety of insurance plans according to the needs of the customers. Due to the growing demand for insurance, many insurance organizations are now targeting India for business and is one of the emerging sector in India. The insurance sector is made up of companies that offer risk management in the form of insurance contracts. The basic concept of insurance is that one party, the insurer, will guarantee payment for an uncertain future event. As an industry, insurance is regarded as a slow-growing, safe sector for investors. Insurance sector in India plays a dynamic role in the wellbeing of its economy. It substantially increases the opportunities for savings amongst the individuals, safeguards their future. With government infusing several rules and regulations, Insurance industry has been experiencing tremendous progress in terms of increasing number of customers with considerable number of new entry of companies into the sector. Currently there are 24 numbers of domestic and foreign players operating in the sector. The present study analyzes the factors which influences consumer behavior while purchasing a particular insurance provider when they need an insurance policy. The study was conducted among the respondents in Nagpur city, Maharashtra.

**KEYWORDS :** Consumer buying behavior, Insurance sector, Investment.

### INTRODUCTION:

Insurance is one of the demanding financial products in India. Its basic motto is to protect the family of any uncertainty in life. So it is long term investment and need knowledge about that. Each and Every individual knows life insurance is very much important and essential for them and their family, but many of us choose to ignore and that is the fact.



As a human being every person has the risk from one or other source. At the same time, being individual he/she has the responsibilities to discharge. Indian consumers are influenced by emotional factors. But the same time their purchase behavior is influenced by rational factors. A Typical Indian believes in future and tries to have better and secured life for his family in future.

Insurance provide financial support and reduce uncertainties in business and human life. It provides safety and security against particular event. There is always a fear of sudden loss. Insurance provides a cover against any sudden loss. Life insurance covers both the components viz., risk coverage and saving. As the economy comprises of people in which majority of them are middle classed and salaried, Insurance has emerging as the best option for saving and risk coverage. But in India insurance is frequently well thought-out as a tax saving tool instead of its additional implied long term financial benefits. Indian people are predisposed to invest in property and gold followed by bank deposits.

### RESEARCH PROBLEM:

India is a country where the average selling of life insurance policies is still lower than many western and Asian countries; with the second largest population in world the Indian insurance market is looking very prospective to many multinational and Indian insurance companies for expanding their business and market share. The insurance business is the main financial service under the financial inclusion framework of Government of India.

In this context, following research questions have been raised from following perspective:

1. What are the factors influencing consumers towards purchasing of insurance policy?
2. Whether the customers are aware of insurance products and services?

### LITERATURE REVIEW

- Mahajan, K (2013) mentions that every consumer purchasing life insurance policy examines different factors that arouses and activates them to purchase the same. There are internal and external motives existing in pre purchase stage and these act as internal stimuli that are the occurrences along with experience such desire for security / saving for family or self for future financial planning. External stimuli are the influences from outside source such as recommendation from friend, a new investment plan, whose features, flexibility, benefits, illustrations, charges, liquidity options, switching options which may encourage the person to purchase life insurance. So life insurance companies need to understand the functional aspects of such stimuli so as to formulate marketing strategies accordingly.
- G.Kalaimani (2012) has claimed that every life insurance company has to examine the customer's wants and design their products and services in such a way that they can give gratification to the customers. Preparation & development of a need assessment analysis of the life insurance market to have a conclusion and predicting the upcoming requirements of customers is pivotal. All these platforms include a number of purposes (7Ps), which are to be planned carefully. The combination of these purposes is known as insurance service marketing mix. Major objectives of life insurance promotion is growing customer awareness, persuasion and reminding through successful circulation of insurance products, and effective customer service.
- Jothi, A. (2012) states that the purchase decision involved while taking a life insurance product depends on various elements which influence, analyze and compare the products, benefits in the life insurance scenario. The researcher has discussed the various sources that influence the decision making behaviors. It is an output of awareness, demand and repurchases intension. The output of the study was that the decision making regarding the purchase was completely depended on demographic profile, the need of the product, alternative available for the repurchase and the wide range of influencing factor that play a role of repurchase intension. It was concluded in the research that customer get information from divergent sources which are friend and relatives, websites of insurance companies, insurance agents, newspaper, T.V, radio, advertising and other printed material. The knowledge and the information about insurance also play a vital role.
- Gautam and Kumar (2012) discussed that the consumer decision-making in insurance services concerns on the behavioral aspects of the consumer. It discusses the process of consumer decision-making, which is divided into stages of information search, assessment of substitutes and post-purchase evaluations. In

the 1st stage of pre purchase information gathering and awareness about the financial product is made through sales promotion activities adopted by the finance companies followed by the decision making ability to select the financial service.

- Keerthi, P. and Vijayalakshmi, R (2009) describes the Indian Life insurance market and the marketing practices adopted by life insurance companies. The research paper has deliberated about marketing and promotion of insurance services with in Indian outlook, taking into consideration the socio-cultural aspects of the business environment and the role of the distribution channels in it. The paper has discussed the various distribution channels which are used by the life insurance companies in India.
- G. Gopalakrishna (2008) has explained in his article has put a point to that every human life has a value and it can be calculated. This generated human life value is the economic value of an asset. Insurance is an instrument that offers compensation for pre-financial value of the asset in case of loss and damage. It does not get back and replace the asset, it only compensates for the loss suffered. Insurance is shared and the risk is distributed through equitable loss sharing. He also mentioned that insurance is one of the only financial instruments that cover the life considering the loss suffered.
- Tim Bain (2008) added that life insurance has played an important role in augmenting the business environment by mitigating risks and sharing the risk. By doing this the consumer is ought to protect itself from loss. Due to the dynamic nature of the financial climate it has become imperative for the consumers like individuals, institutions and government to distribute their risk amongst the people sharing the same level of risk. This forms the fundamental principle of insurance organizations .when it comes to life insurance companies and term life insurance specifically, it has also become quite common for consumers to contact quick quote looking for answers and reassurance.

## METHODOLOGY

This is an exploratory research which deals with the entire life insurance industry in India. The target population is the policy holders. In this research, researcher had adopted Convenience sampling method was chosen in collecting the required data from the respondents.. In life insurance policies, the most important factor is the age level, the premium, as well as changes according to the age level. Both primary data and secondary data have been analyzed.

For present study a structured questionnaire was designed and canvassed among the sample respondents. A sample of 250 was considered for the study from a huge population of various policy holders of life Insurance.

The collected data was analyzed and interpreted through tables and graphs and findings are reported and suggestions made accordingly.

## OBJECTIVES

- To understand the customer awareness level towards life insurance industry.
- To identify the factors which influences the decision of investors in choosing a life insurance policy?

## Data analysis and interpretation

Demographic factors

• **Profile of Respondent's age and gender**

Gender of the Respondent	Age Group and gender of the Respondent					Total
	Below 30 yrs	Between 31-40 yrs	Between 41-50 yrs	Between 51-60 yrs	Over 60 yrs	
Male	11	116	35	12	27	201
Female	5	16	13	11	4	49
Total	16	132	48	23	31	250

Out of all there were 201 males. The age group of 31 to 40 yrs consisted of 116 male which represented the maximum numbers. This was followed by age group 41 - 50 yrs and above 60 yrs, then age 51 to 60 years were 12. Whereas 49 female participated in the survey, the number of were in between age of 31 to 40 years i.e. 16 followed by age 41 - 50 years were 13, then age 51 to 60 years were 11, then age below 30 years were 5 and above 60 years were 4 female .

• **Profile of Respondent's Occupation and gender**

Gender of the Respondent	Occupation and gender of the Respondent				Total
	Private	Govt	Self Employed	Others	
Male	96	93	13	-	202
Female	24	23	1	-	48
Total	120	116	14		250

The highest percentage of the respondents when it came to their Occupation'was of private 'class 120 and it included 96 male and 24 female. Followed by the next percentage of the customers were from government class 116 and it included 93 male and 23 female. Self employed'were 14 which consisted of 13 males and 1 female.

• **Income and educational Qualification**

Educational Qualification of the Respondent	Average Annual Income of the Respondent (in Rs)					Total
	Less than 1 Lac	Upto2 Lac	Between 3-5 Lac	Between 5-6 Lac	More than 7 Lac	
SSC	9	7	3	2	2	23
HSC / Undergraduate	3	2	1	1	1	8

Graduate	2	15	34	29	27	109
Post Graduate	1	14	31	31	35	110
Total	15	38	69	63	65	250

Out of the total, 110 were post graduates, 109 were graduates, 8 were HSC (Higher Secondary Certificate) and 23 were up to SSC (Secondary School Certificate). Out of 262 Post Graduates, income of 1 was having less than Rs. 1 lac, and income of 14 was upto Rs. 2 lacs, and income of 31 was between Rs. 3-5 lacs, and income of 3 was in between Rs. 5 to 6 lacs and income of 35 was more than Rs. 7 lacs.

Out of 254 Graduates, income of 2 was less than Rs. 1 lac, and income of 15 was upto Rs. 2 lacs, and income of 34 was between Rs. 3-4 lacs, and income of 29 was less in between Rs. 5 to 6 lacs and income of 27 was more than Rs. 7 lacs.

Out of 211 HSC, income of 3 was less than Rs. 1 lac, and income of 2 was upto Rs. 2 lacs, and income of 1 was between Rs. 3-4 lacs, and income of 1 was less in between Rs. 5 to 6 lacs and income of 1 was more than Rs. 7 lacs.

Out of 23 SSC, income of 9 was less than Rs. 1 lac, and income of 7 was upto Rs. 2 lacs, and income of 3 was between Rs. 3-4 lacs, and income of 2 was less in between Rs. 5 to 6 lacs and income of 2 was more than Rs. 7 lacs.

• **Awareness level of Customers about insurance Companies**

		<i>Total</i>	<i>%</i>
about insurance Companies	Yes	250	100
	No	0	0
Total		250	100

According to the table, given above out of the total 250 included in the study 100% were well aware about the life insurance, it means the communication done by the various insurance companies about life insurance companies are reaching to the respondents in proper manner.

• **Total number of policies purchased**

Sr. No	Policy Purchased	Respondents	%
1	One	48	19.2
2	Two	151	60.4
3	More than two	51	20.4
Total		250	100

According to the table, given above out of the total 250 included in the study 59.2% were purchased 2 policies, 20.33% respondents were purchased one policy where as 20.66% respondents purchased more than two policies. Researcher could identify that there is market open for their insurance business.

• **Mode of Payment**

Sr. No	Mode of payments	Respondents	%
1	Monthly	8	3.2
2	Quarterly	17	6.8
3	Half Yearly	51	20.13
4	Yearly	174	69.86
Total		250	100

According to the table, given above out of the total 250 included in the study 69.86% were purchased yearly payment mode policies, 20.13% respondents were purchased half yearly payment mode policy, 6.8% respondents purchased quarterly payment mode where as 3.2% respondents purchased monthly payment mode policies. Researcher could able to note that prefer half yearly and yearly mode of payment.

• **What Percentage of Monthly Salary do you save**

Sr. No	% of Monthly Salary do you save	Respondents	%
1	Up to 10%	201	80.4
2	11 - 20 %	33	13.2
3	21 – 30 %	15	6.26
4	Above 30%	1	0.1
Total		250	100

According to the table, given above out of the total 250 included in the study 80.4% were saving 10% of their monthly salary, 13.2% respondents were saving 11 – 20% of their monthly salary, 6.26% respondents were saving 21 – 30% of their monthly salary where as only 1% were able to save more than 30% of their monthly salary.

• **What Kind of Investment do you prefer?**

Sr. No	Kind of Investment do you prefer	Respondents	%
1	Short Term	173	69.86
2	Long Term	51	19.86
3	Both	26	10.28
Total		250	100

According to the table, given above out of the total 250 included in the study 69.89% were preferring to have short term investment, 19.86% respondents were preferring to have long term investment, where as only 10.28% were interested to have both investments.

• **State your expectation on investment alternatives by ticking according to its importance.**

Expectations on Investment	Highly Important	Important	Neutral	Least Important	Not Important	Total
Safety	234	3	7	3	3	250
Capital Growth	214	10	11	13	2	250
Liquidity	102	49	48	27	26	250
Return	236	3	2	3	6	250
Tax Benefit	101	73	23	27	26	250

Majority means 214 respondents are expecting Safety factor is highly important parameter while investing their savings in to different avenues.

Majority means 102 respondents are expecting capital appreciation on their original investments. According to the table, given above out of the total 250 included in the study, 234 expect adequate return from their investment alternatives.

Tax benefit and Liquidity are moderately considered by the respondents.

## FINDINGS

- The present study on consumer buying behavior towards life insurance has several facts. It was found that majority of the customers towards life insurance are male in number when compared with females.
- The age group which prefers to invest more in Insurance are below 30 years age group and 31-40 years age group, also it is found that the age group of above 60 years are willing to buy life insurance products.
- Post graduates and graduates are showing more interest in taking insurance policies as they have more awareness levels.
- As salaried employees are more towards saving, majority of the respondents i.e. 80.4 % respondents were interested to save up to 10% of their salary for savings. 13.2% respondents were able to save up to 11-20% from their salary towards their savings, 6.26% respondents were able to save up to 21-30% from their salary towards their savings, and only 1% respondents were able to save up to above 30% from their salary towards their monthly savings.
- From the study it was found that majority of the respondents i.e. 69.86% were prefer to invest in short term policies than long term policies. 19.86 % respondents i.e. 69.86% were prefer to invest in long term policies and 10.28% respondents were prefer to invest in short term policies as well as long term policies.
- From the study it is revealed that majority of the respondents were investing in life insurance products for returns followed by safety of life, capital growth, Liquidity, tax benefit .
- It was found that the majority of the respondents i.e. 69.86 were preferring mode of payment as yearly basis option followed by half yearly, quarterly and monthly. However , the study on consumer buying behavior towards insurance policy in Nagpur city have given various facts which will influencing customers while purchasing an Insurance policy.

## SUGGESTIONS

- It is very clear from the findings and discussions that all the insurance service providers facing a huge competition, due to that if they could able to change old ideas and bring changes in practices, and adopt a distinct approach to meet the challenges of the emerging situation ahead. Hence it is desirable in a era of cut throat competition for all insurance companies to develop a customer centric approach for future survival and growth.
- From the findings it is evident that the total number of policies purchased by the majority of the respondents is two, very less respondents have purchased one policy so the insurance providers need to focus upon to increase the level of education among the customers, so that customers need to understand the importance to have more life insurance policies with them.
- Based on the findings it has been suggested to both public and private life insurance service providers that they need to understand the basic requirement of the customers first and then need to satisfy their needs. Building trust on customers is most winning situation now a days, providing quality after sales services, in particular, can convert to very positive results through, giving personal touch, customer loyalty, repetitive sales and cross selling of major policies to current customers.
- It has been strongly suggested that life insurance service providers and the decision makers need to focus more on customer satisfaction and it could be achieves by providing unconditional service quality

to the customers. They need to consider the comparative value (contribution) to customer satisfaction of each dimensions of the service quality and consequently keep an eye open to distribute different levels of sources according to this hierarchy.

- The customer satisfaction should be the main focus of any service firm especially to the Life insurance Company. This will be result in customer retention leading to improved profitability and growth of the Life insurance service providers.

## CONCLUSION

Indian consumers are also evolving with the market - habits, lifestyles, tastes and preferences.

Present Indian market, the investment habits of Indian consumers are changing very frequently. The individuals have their own perception towards various types of investment plans. The study of this research work was focused over consumer's behavior on investment towards Life Insurance Services. India is a developing country where income levels of the people are increasing with increased opportunities. As a result their disposable incomes are also increasing which paves a path for insurance companies to gather and explore the opportunities. The overall attitude of customers towards life insurance is positive. If the private insurance companies try to provide and serve the customers with service quality coupled with empathy and assurance, India could become a biggest market for any insurance company. The authors strongly believes that the purchasing decision of the consumer depends on quality, accessibility and promptness of services, which may lead a company acquire the top rank with a huge market share.

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