

FACTORS AFFECTING THE PERCEPTIONS OF INVESTORS INVESTING IN LIFE INSURANCE SCHEMES

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ABSTRACT

This paper seeks to study the factors effecting the perception of investors investing in life insurance schemes. The insurance industry of India consists of 63 insurance companies of which 24 are in life insurance business and 39 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Both Life insurance density and penetration have increased from 2000-01 to 2009-10. The prediction of new business and total premium for both private and public sector life insurance companies in India for the year 2018 shows an upward trend. This signifies that there is a lot of scope for life insurance sector to develop in India. The financial performance of Life Insurance Corporation of India is better than private life insurance companies in India. The private life insurance sector has nearly grabbed 30% of the market share in terms of total premium income. This paper tries to find out the various factors that effect the perception of investors, CFA technique is used to identify the factors. In Life Insurance there are so many factors which affect customer's investment decision and it has been concluded by the study that demographic factors of the people play a major and critical role in deciding the purchase of life insurance policies. Other identified factors are influence by others, claim settlement, medical benefits, bonus rates etc.

Key words: Insurance, Investors, Life Insurance, Perception.

INTRODUCTION

Life insurance in its modern form came to India from England in 1818 with the formation of Oriental Life Insurance Company. The Government of India nationalized the life insurance industry in January 1956 by merging about 245 life insurance companies and forming Life Insurance Corporation of India (LIC), which started functioning from 01.09.1956. For years thereafter, insurance remained a monopoly of the public sector. It was only after seven years of deliberation and debate that R. N. Malhotra Committee report of 1994 became the first serious document calling for the re-opening up of the insurance sector to private players. The sector was finally opened up to private players in 2001. The Insurance Regulatory and Development Authority, an autonomous insurance regulator set up in 2000, has extensive powers to oversee the insurance business and regulate in a manner that will safeguard the interests of the insured. Insurance is a federal subject in India. There are two legislations that govern the sector- The Insurance Act-1938 and the IRDA Act 1999. The insurance sector in India has come a full circle from being an open competitive market to nationalization and back to a liberalized market again.

Both Life insurance density and penetration have increased from 2000-01 to 2009-10. The prediction of new business and total premium for both private and public sector life insurance companies in India for the year 2015 shows an upward trend. This signifies that there is a lot of scope for life insurance sector to develop in India. The financial performance of Life Insurance

Corporation of India is better than private life insurance companies in India. The private life insurance sector has nearly grabbed 30% of the market share in terms of total premium income. LIC's new business premium has fallen from 99.23% in 2000-01 to 75.08% in 2017-18. Unless Life Insurance Corporation of India is alive to the emerging trends, its performance may decline further.

Hence, Life Insurance Corporation of India has to work with renewed vigour and enthusiasm so as to retain its market share.

LITERATURE REVIEW

The review of this literature helps to have an idea for concentrating on the unexplored area for making the present study more different from the other studies. The literature available is presented below:

Sogunro and Abiola (2014), explains that life insurance corporation of India emerging markets in India and is one of the fastest growing. Insurance spreading in the rural area – the insurance industry has an acceptance grant in socio-economic development. The objective of the present study is to evaluate the opportunities for insurers in the rural market and the rural areas are highly underinsured so what would be a new action for solving this problem in rural areas.

Thirupathi (2014), this study explains the Life Insurance Corporation of India (LIC) is the largest insurance group and investment company in India. They choose private insurance

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sectors because they provide them the banking facility and a lot of value-added services so it will be favorable both to common public and the LIC if it offers banking facility to the policyholders and the common public. This study discloses the policyholders have bought out the expectations of the policyholders and their preferences. It has also offered suggestions that can be executed for the benefit of the common public and the government.

Bhowal and Bhiani (2014), this study explains the Life insurance industry is in a growing moment and daily new developments are going on in regards to products and services. Given the verifiable research methods and especially construct scaling technique, the study resulted that the difference between the degree of customer cost ordinary from the insurance and the degree of the customer cost experienced is statistically not convincing.

Barik and Patra (2014), in this study explain that the Indian life insurance sector is increasing at an accelerated rate. The study discloses the life insurance business in India needs special care as compared to other business, both theory and practice to be discriminatory to provide the best services to the policyholders. Hence, this study has been done with a purpose to help with suggestion and recommendation that will help both academician and industry personnel to re-engineer their thought in the insurance sector

Babu (2013) in this study it is concluded that the private sector life insurance companies have been making a fast cluster in terms of increasing their enlargement and market share since the year 2000. The Indian life insurance system is having a powerful base on the mixed economic system wherein the public sector occupied a monopolistic position in the life insurance business. Private players play a vast aspect in life insurance business more energetic and customer friendly.

Padhi (2013) explains that the Indian insurance market was nationalized in 1956 and LIC of India was set up. LIC of India cherishes monopoly on Indian Insurance market for more than 4 decades. In this study will reveal the performance of particular private insurance companies in the division like a number of policies floated number of money collected through premium and the annual growth in the specific areas from 2001 to 2012.

Gaikwad and Vibhute (2013), this study is about the Indian insurance industry is in an undecided situation. This study by, will simply the insurance companies to know the attitude of customers concerning the insurance industry and particularly attitude towards traditional and ULIP plan. Along with this, the company and advisors would togetherness the valid demand of samples, the limit of customer satisfaction. Factors customer acknowledge while choosing the policy and attitude on advisors approval by which company and advisors can draft their sales program, sales speech, local strategies and the like.

Mahajan, (2013), this study explains about India after liberalization, has been proceeding the culture of investment

in financial works; which has exposed huge change for insurance firms to catch these opportunities the insurance firms have come up with attentive marketing plans, so that, it helps them to achieve their objectives at one end and serve the Indian customer to travel from unknown to known product zone.

Gizaw and Pagidimarri (2013), this study explains that the different policyholders by are primary for insurers for their life and wealth in today's opposite business environment. Customers can purchase various and more policies from the same source and replace their agreements before end date if they have belief in their applicable sources. This fantasy aims to analyze the role of trust in building customer faithfulness in the insurance sector. In order to earn this aim, non experimental fantasy was made for this fantasy and to excite policy holder's perception, systematic questionnaires were designed and then research is made and outcomes are discussed.

Srivastava and Tripathi (2012), explain that it is a study on insurance industry entrust to the financial sector of an economy and also renders the uppermost social agreement in developing countries. Hence, the study on the Indian life insurance industry and their changing trends concluded that though the sector is rapidly growing, the industry has not yet insured even 50% of the insurable population of India. To achieve this objective, more improvement is required by this sector in the insurance solidity and insurance penetration.

Borah (2012) explains that this study is done in Jorhat branch on the associated view of marketing emphasize on the indulgence of customers. Marketing commences and ends with the customers. This study on customer satisfaction on products of private sector insurance company with reference to Kotak Mahindra life insurance company ltd revealed that most of the customers are the delight and are satisfied with the same.

Sreenivas and Anand.(2012), explains that the insurance protocol among the general public during the independence decade was exceptional but yet was a phenomenal advancement in the Indian insurance industry soon after the economic reforms a trick due to healthy race from many national as well as international private insurance players. The study capture by was a way to try to determine the investors understanding towards public and private life insurance companies in India.

OBJECTIVE

To know the factors affecting the perception of investors investing in the life insurance sector.

RESEARCH METHODOLOGY

Methods of data collection

Data collection is vital to the research undertaken. There are several sources to collect data. (Tejwani, 2018). The study is based on the collection of primary as well as secondary data. In primary data, a structured questionnaire is designed in such a manner so that it caters all the areas of study. While secondary

data includes research findings of earlier studies and research did so far. A total of 151 completed questionnaires were received from the respondents in Delhi and NCR region.

Methods used for data analysis

Factor analysis is used to identify the factors affecting the insurance sector. It is used to reduce a large number of variables into many numbers of factors. This technique removes

maximum common variance from all variables and puts them into a common score. It was applied with the help of statistical package i.e. SPSS.

DATA ANALYSIS AND INTERPRETATION

Table 1 depicts the demographic profile of the respondents on the basis of gender, age, marital status, educational background occupation, and monthly income.

Table1: Demographic Profile

Gender Distribution	
Male	39.6%
Female	60.4%
Age Group	
18-24	17.9%
25-30	13.2%
30-35	27.4%
35 and above	41.5%
Marital Status	
Single	36.8%
Married	63.2%
Education Background	
School Education	8.7%
College Education	64%
Professional	27.3%
Installment of payment	
Monthly	32.1%
Quarterly	1.9%
Half-yearly	13.2%
Yearly	52.8%
Monthly Income (Rs)	
Below 1 lakh	8.5%
1-5 lakh	42.5%
5-10 lakh	43.4%
Above 10 lakh	5.7%
Investment preference of respondents	
Short term	12.3%
Long term	44.3%
Both	43.4%

Table 2: KMO and Bartlett's Test

Kaiser –Meyer-Olkin Measure of Sampling Adequacy	0.719
Bartlett's Test of Sphericity Approx. Chi- Square	725.980
Df	190
Sig.	0.000

Table 3: Eigen values- Total Variance Explained

Compo nents	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulativ e %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.450	22.248	22.248	4.450	22.248	22.248	2.961	14.805	14.805
2	1.761	8.804	31.052	1.761	8.804	31.052	2.311	11.555	26.361
3	1.554	7.770	38.822	1.554	7.770	38.822	1.578	7.892	34.253
4	1.416	7.080	45.902	1.416	7.080	45.902	1.557	7.784	42.037
5	1.289	6.443	52.345	1.289	6.443	52.345	1.547	7.733	49.769
6	1.135	5.677	58.022	1.135	5.677	58.022	1.344	6.719	56.488
7	1.034	5.170	63.192	1.034	5.170	63.192	1.341	6.704	63.192
8	0.894	4.470	67.662						
9	0.833	4.163	71.824						
10	0.815	4.075	75.899						
11	0.764	3.818	79.717						
12	0.695	3.475	83.192						
13	0.580	2.902	86.094						
14	0.542	2.712	88.806						
15	0.484	2.418	91.223						
16	0.458	2.291	93.515						
17	0.376	1.879	95.394						
18	0.362	1.811	97.204						
19	0.315	1.573	98.778						

Extraction Method: Principal Component Analysis.

The Kaiser-Meyer Olkin (KMO) and Bartlett's Test measure of sampling adequacy was used to examine the appropriateness of Factor Analysis. The approximate of Chi-square is 725.980 with 190 degrees of freedom, which is significant at 0.000 Level of significance. The KMO statistic of 0.719 is also large (greater than 0.50). Hence Factor Analysis is considered as an appropriate technique for further analysis of the data.

The initial components are the numbers of the variables used in the Factor Analysis. However, not all the 20 variables will be retained. In the present research only the 7 factors will be extracted by combining the relevant variables. The percentage of variance represents the percent of total variance accounted by each factor and the cumulative percentage gives the cumulative percentage of variance account by the present and the preceding factors. In the present research the first 7 factors explain 63.19 % of variance.

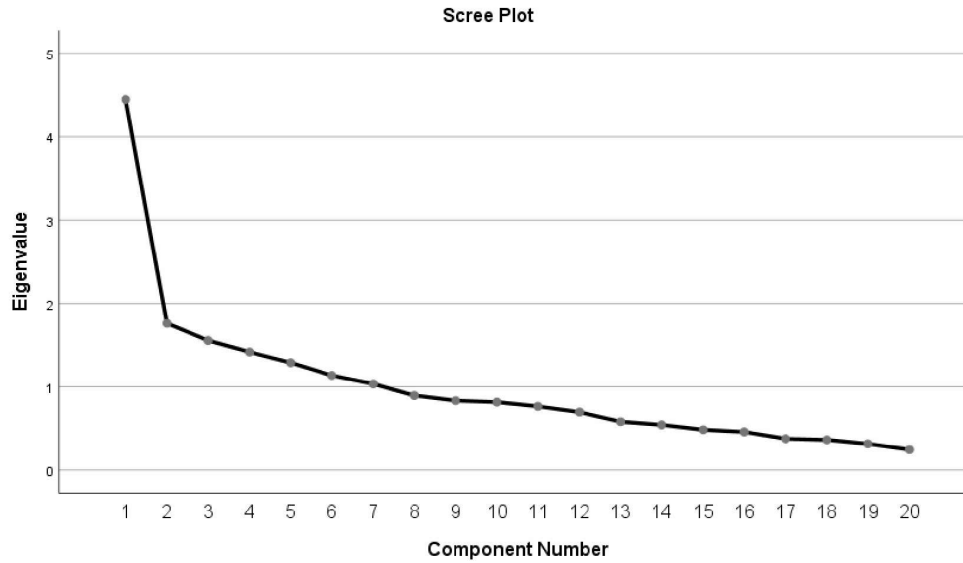


Figure 1: Scree Plot

Table 4 : Rotated Component matrix

Statements	Components						
	1	2	3	4	5	6	7
S1_Premium				0.707			
S2_Freight				0.662			
S3_Easiness							0.760
S4_Medical_Condition			0.547				
S5_Conselling_of_policy							0.536
S6_Sanction_amount		0.734					
S7_Settlement_premium		0.658					
S8_Low_bonus_rate					0.847		
S9_citizen_needs			0.783				
S10_Welfare_of_society			0.712				
S11_Reinvestment						0.632	
S12_effect_of_advertisement					0.534		
S13_Policy_loan						0.661	
S14_Housing_loan						0.537	
S15_Updating_expired_policies		0.506		0.534			
S16_policy_sales_promotion					0.583		
S17_Settled_claims	0.549						
S18_Premium_gifts	0.730						
S19_Security_business	0.602						
S20_Non_policyholders	0.786						

Extraction Method: Principal Component Analysis.

Table 5: Factors with their loadings

STATEMENTS	Factor Name	COMPONENT-1	FACTOR LOADING
S-17	Role of Agent	The claims are settle of the Policyholders punctually by the LIC	0.549
S-18		The gifts of initial premiums given to the people by the LIC agents, are to influence people to take up Life Insurance Policies	0.730
S-19		The agents of LIC provides services to policyholders even after security business	0.602
S-20		non-policyholders opts Life Insurance policies if a existing policyholder suggests them to buy	0.786
S-6	Easy Installments	Low amount of loan sanctioned by Life Insurance Policy.	0.734
S-7		Settlement of premium easily done in the corporation branches.	0.658
S-15		Improvement of expired policy is made easy in the LIC.	0.506
S-4	Transparencies of policies	The companies have strict rules for examining the medical conditions while providing a policy	0.547
S-9		LIC has provisions for all insurance needs of every class of Indian citizens	0.783
S-10		The corporation does provide service towards the welfare of society	0.712
S-1	Quick Settlement	Policies have low rates of bonus	0.707
S-2		Claims of policyholders are settled punctually by the LIC	0.662
S-15		Improvement of expired policy is made easy in the LIC.	0.534
S-8	Low rates due to less advertisement cost	Low rates of bonus.	0.847
S-12		Advertisements of the LIC are not much influencing for taking up policies.	0.534
S-16		The claims are settle of the Policyholders punctually by the LIC	0.583
S-11	Easy rules and regulations	Reinvestment promotes Investment in the corporation.	0.632
S-13		Easy to avail policy loan from the company	0.661
S-14		Difficulty in Availing of housing loan in the corporation	0.537
S-3	Enlightened Counseling	Ease of transfer of policy from one branch to another	0.736
S-5		Counseling of policy is done by the LIC agents in an enlightened manner.	0.536

The scree plot graphs the Eigen value against each factor. We can see from the graph that after factor 7 there is a sharp change in the curvature of the scree plot. This shows that after factor 7 the total variance accounts for smaller and smaller amounts.

Identification of the Core Factors

The Rotated Factor Matrix represents the rotated factor loadings, which are the correlations between the variables and the factors. The factor column represents the rotated factors that have been extracted out of the total factor. These are the core factors, which have been used as the final factor after

data reduction. According to the grouping of the factors, each group of factors is named which will represent the grouped factor and represent the factors.

FINDINGS

Life insurance is an important form of insurance and necessary for every individual. Life insurance intelligence in India is very low as compared to the developed nation where almost all the lives are covered and the stage of saturated has been reached. The customers are the real support of the success of life insurance business and thus it's important for insurers to keep

their policyholders satisfied and keep as long as possible and also get new business out of it by offering need-based unfamiliar products. In Life Insurance there are so many factors which affect customer's investment decision and it has been concluded by the study that demographic factors of the people play a major and critical role in deciding the purchase of life insurance policies.

The customer will be the single most important factor to manage change in the life insurance business. The key to success would be in providing insurance solutions, not insurance products. In terms of diversification of channels, the past years have seen the emergence of corporate agents, brokers and direct sales force in addition to the individual financial consultant; websites emerge which will provide this assessment service comparing the products of different insurers. Arriving at the ideal mix of distribution channels quickly would be critical to the long run success. Technology will play a crucial role in the delivery of the service of the highest standard to both the end customer as well as the negotiator. It helps to reduce costs significantly and hence get reflected in the pricing of products.

- a) In the present competitive world, investor's satisfaction has become an important aspect to retain the customers, not only to grow but also to survive. Investor's service is the critical success factor and private insurers through their best services would be able to reposition and differentiate itself from LIC.
- b) Private insurers should emphasis more on advertising and building brand awareness through different modes of communication. This will help in escalate insurance awareness among the common man.
- c) To achieve greater insurance intelligence, the healthier competition has to be raised by both the sectors and they should come up with new unfamiliar products to offer a greater variety of choice to the customers and also make improvement in the quality of services and sell products through the suitable distribution channel to win-win situation for both the parties.
- d) Insurance companies should devise policies which provide effective risk coverage rather than focusing on the tax benefits and also encourages them for long term investment in insurance.
- e) Life insurance companies should come up with innovative tailor-made products with high-risk cover, more return and a low insurance premium to attract the number of customers.
- b) The information technology has immense potential in marketing services and servicing policyholders. The dependence of customers on agents for payment of premium and other services shows the underutilization of information technology. As such, the premium payment and other services are to be simplified by enabling the customers to access and utilize the services with ease through online by providing a demo.
- c) Life insurance agents face multiple problems in marketing life insurance products and services from the perspectives of customers, office authorities and among themselves, as to the upkeep of ethics and standards in marketing. Up to-date training and skill development programmes are to be arranged, which help to know the customer well and match their needs with products of the LIC. The severe problem faced by agents relates to poor customer financial status, followed by an undue delay in payment of premium and demand for lower premium in rural areas. Customer education in different aspects of life insurance, especially premium, return, and purpose of having policies in life, should be initiated to change the mind-set towards investment in life insurance. Proper measures are to be taken to address and discourage unhealthy market practices among agents in urban areas.
- d) The role of personal selling in marketing life insurance is to be optimally used by the LIC as the large agents' workforce can be effectively used in creating customer awareness, changing the attitude of customers towards the LIC, promoting products and services and enhancing their utility.
- e) The promotional initiatives in rural areas are to be reoriented such that radio and newspaper get a prominent place among the promotional media, along with word-of-mouth, social camps, and customer contact programmes. The distribution of calendars and diaries at a low price will also be an added advantage in this direction. Like the internet, website and email use are not so much popular among rural customers, installation of the trans-slides electric display at prominent places and provision of information kiosks at office premises will be helpful in enhancing the effectiveness of the promotional efforts of the LIC.
- f) The regional language should be given importance in implementing promotional efforts through opted media and the media selected should be suitable to customer segments, and its theme and contents should be oriented in such a way that it adds to awareness and creates knowledge on products and services among the prospective customers.
- g) Payment of premium and demand for lower premium in rural areas. Customer education in different aspects of life insurance, especially premium, return, and purpose

SUGGESTIONS AND RECOMMENDATIONS

- a) Life insurance awareness campaigns are to be organized by the LIC as the market leader, along with the regulator of the industry (IRDA) so that the public can have a better idea on the importance of having life policies and thereby increased life insurance density and penetration.

of having policies in life, should be initiated to change the mind-set towards investment in life insurance. Proper measures are to be taken to address and discourage unhealthy market practices among agents in urban areas. 4) The role of personal selling in marketing life insurance is to be optimally used by the LIC as the large agents' workforce can be effectively used in creating customer awareness, changing the attitude of customers towards the LIC, promoting products and services and enhancing their utility.

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