

A Study on Consumer Behavior, Awareness and Perception in Working Professionals towards Term Life insurance

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Abstract: Insurance is a basic form of risk management that protects against the loss of the financial advantages that can be enjoyed from assets. These assets may be physical assets, such as buildings and machinery, or they may be human assets. Assets are subject to the risk that their ability to generate benefits could be lost or reduced due to unforeseen or unexpected events. There is a financial or economic consequence to the risk, and insurance shields against these consequences. The government's policy of insuring the uninsured has gradually pushed insurance penetration in our country and the proliferation of insurance schemes. However, awareness about life insurance as a product and its importance remain a cause of concern. Assessing awareness levels in the working class and understanding their perspective is key to increasing the expanse of the industry. This where analyzing consumer behavior helps. Consumer behavior is one of the key insights for any company to make informed and fact-based data-driven decisions.

This research is mainly a study on consumer behavior of working professionals towards term insurance policies. The study encompasses various determinants of consumer behavior like awareness, perception and attitude of working professionals. Another very important area of this research includes the various factors which encourage and discourage working professionals from buying life insurance.

Keywords: Term Life Insurance, Consumer Behavior, Awareness, Perception

Life Insurance is a contract between an insurance company and a policy holder wherein fixed payments called 'premiums', are made over a period called the 'term', in exchange for which the company promises to pay a lump sum amount which is termed 'Death Benefit' or 'Sum Assured' in the unfortunate event of the death of the person (Life Assured) to his family (Nominees).

Term plans are the most elementary form of life insurance. They provide life cover in case of any casualty with no savings/profits component. They are the most affordable form of life insurance as premiums are more reasonable compared to other life insurance plans. The significance of term insurance cannot be overruled. A term insurance plan helps in protecting yourself better by covering Death, Disease and Disability. A term insurance plan can be subscribed to at a very low premium cost.

India for long has been a competitive market place for the insurance industry. The Life Insurance Corporation of India (LIC) enjoyed the monopoly in the Life Insurance Sector until private insurance providers were permitted in the market by the government in 2001. The

Private Insurance segment has witnessed a visible growth in the past two decades, however, lack of awareness and financial knowledge among the masses has remained a cause of concern. This makes consumer behavior an important aspect of study for Private insurance companies.

Consumer behaviour is the behaviour exhibited by consumers be it an individual, an organization or a group while searching, purchasing, using, evaluating and disposing products and services that they expect shall satisfy their needs. Consumer behaviour focuses on the decision making abilities of individuals with respect to time, money and effort on consumption of products and services. Consumer behaviour helps in answering key questions like; what consumers buy, why they buy it, when they buy it, from where they buy it, how often they buy it, how often they use it, how they evaluate it after purchase, the impact of such evaluations on future purchases and how they dispose it off.



Fig 1: Key Questions answered by Consumer Behaviour

Consumer Awareness:

Consumer Awareness is the commitment to making sure the buyer or consumer is aware of the information about products, goods, services, and consumers rights. Consumer awareness is important so that buyer can make accurate decisions and choices. Consumers have the right to information, the right to choose, right to safety.

Consumer Perception:

Perception is the sequence of consumer exposure and attention (Evans et al., 2009) which is stimulated and interpreted individually in marketing process (Hawkins, & Mothersbaugh, 2010). Meanwhile, perception is “the process by which people select, organize and interpret information to form a meaningful picture of the world” as defined in Adnan and Khan (2010, p.5) by Kotler and Armstrong (2001). As a result, perception is the first and the most practical step in consumer buying decision processes to select stimuli from their atmosphere.

Definition and purpose of the research:

- To comprehensively understand term insurance plan as a financial product.
- To study awareness in working professionals regarding term plans.
- To study perception and attitude of working professionals towards term plans.
- To study various factors that encourage and discourage buying decisions in the working class w.r.t term plans.

Methodology:

Research Methodology involves a systematic approach of solving a problem or investigating underlying causes for a particular phenomenon. It includes various research methods for solving the problem. A Descriptive Research design aids in answering the 'What' question concerning the subject of study. It is an observational study that includes studying individual behavior or the phenomenon revolving around the topic of study without altering the natural behavior. Exploratory research is carried out on problems that have not been studied clearly in the past and there is not much information available on it. The objective of conducting exploratory research is to develop more understanding of the problem. However, there is no guaranty that the research will provide any definitive results. This research is a descriptive research accompanied by certain exploratory elements. The descriptive research elements include consumer behavior, attitude, awareness, and perception. The Exploratory elements include understanding various factors that affect the ultimate buying decisions in working professionals i.e. factors encouraging or discouraging buying decisions.

Review of Literature/ Theoretical Background:

The research literature on Life Insurance is vast and covers several factors. The following section provides a summary of research that has been referred to for this study:

In the Paper titled "Socio-Economic Factors Influence on Life Insurance Acquisition" by Zatul Karamah Ahmad Baharul Ulum ET. Al. the authors focus on three basic factors which influence the buying decisions in customers, namely; demographic factors, social-cultural and psychographic. The methodology used for research was hypotheses testing and primary data collection using a questionnaire. The author further in the conclusion said that there can be a scope of studying factors that deter people from buying life insurance.

In the Pre-launch Report of Insurance Campaign Survey Awareness by NCAER, various factors have been discussed about the perception and awareness regarding insurance both general and life insurance. A sample of both insured and uninsured households was taken from both rural as well as urban areas in the research survey. The results show that a high proportion of households connect insurance with loss of life. This may be because they are unaware of other types of insurance covers available in the market. The research findings have brought out the fact that people are not able to comprehend the extent of coverage being offered under particular insurance plans, resulting in low insurance penetration.

Sinha and Tapen (2005), in their research article "The Indian Insurance Industry: Challenges and Prospects" have stated that India is among the most promising emerging insurance markets in the world. But out of the total insurance premium market in India particularly life insurance currently makes up for 80% of premiums.

Manohar Giri in his PhD thesis titled "A Behavioural Study of Life Insurance Purchase Decisions" aims is to understand the behavioural aspects of insurance purchase decisions. The thesis primarily deals with understanding the consumer behaviour associated with life insurance purchase decisions in the Indian context. However important variables related to financial behaviour such as financial literacy and financial inclusion weren't taken into consideration. This can be a critical factor of inspection in this study.

Subir Sen (2008), in his article “An Analysis of Life Insurance Demand Determinants For Selected Asian Economies and India”, has tried to understand economic and other socio-political variables, which may play a significant role in explaining the life insurance consumption pattern in Greater China Region and six ASEAN countries for the the11-year period 1994-2004 and also tried to re-assess whether or not the variables best-explaining life insurance consumption pattern for twelve selected Asian economies in the panel are significant for India for the period1965 to 2004.

Type of Research	Descriptive and exploratory Research
Data Source	Primary and Secondary data
Data Collection Method	Survey
Data Collection Tools	Questionnaire
Sampling Universe	Pune

Table 1: Overview of research methodology

Area of Study (Sampling Universe):

The research study will be conducted in the city of Pune in Maharashtra.

Sampling Technique:

The Sampling method used in this research is a probability sampling method called Random sampling.

Sampling Unit:

In this study, Sampling Unit is a working professional residing in Pune city.

Data Collection:

Data collection is a systematic method of collecting and then analyzing information pertinent to the field of study. Data in this study was collected via a questionnaire of relevant questions which was suitable for working professionals. Data was collected from primary sources i.e. working professionals. The questionnaire involves questions related to awareness and perception of customers while purchasing an insurance policy.

Primary Data:

Primary data is that data, which is collected for the first time and is utilized to analyze the problem. In this study the primary data was collected by floating a questionnaire among working professionals in Pune.

Secondary Data:

Secondary data is the data that is readily available in different sources and can be used to study and analyze the research problem efficiently. Secondary data from different magazines, scholarly articles and other research papers was used in this study. The secondary data was used for defining and understanding concepts like consumer behavior, perception and

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attitude. Secondary data was also used for understanding the concept of term life plans their importance and evolution.

Data Analysis/ Data visualization, Results and Interpretation:

1. 95% percent of working professionals are aware of the concept of life insurance. Thus awareness in working professionals is high.

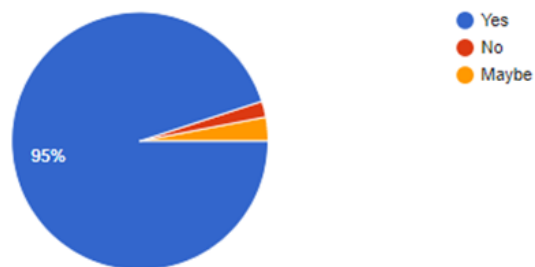


Fig. 2: Awareness distribution

2.74% of working professionals are insured while 26 percent of the working professionals are not insured. This indicates that although inclination towards risk protection is high but the ability to actually act on it and buy a life insurance policy is a lower than that.

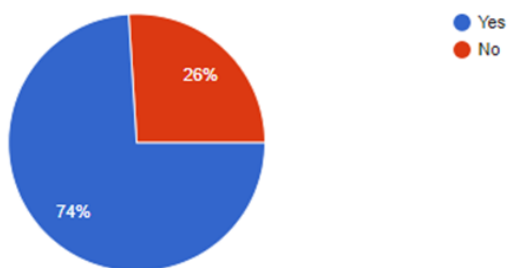


Fig.3: Ownership of insurance

3. Awareness in working professionals regarding life insurance policies is majorly driven by influence of family, friends and relatives and social media.

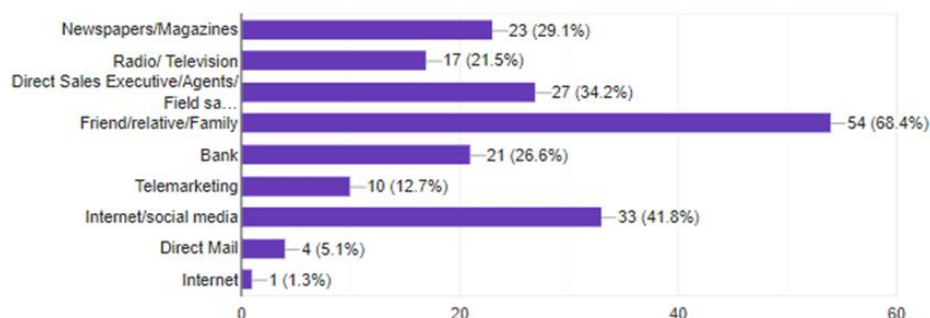


Fig. 4: Sources of Awareness

4. 80% of the respondents have a sound idea of what a term plan is, 14% of the respondents do not know what a term plan is and the other 6% are not sure about what a term plan is.

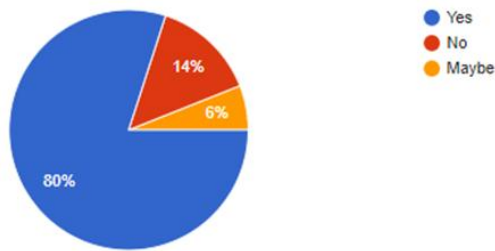


Fig.5: Term Plan Awareness

5. 51% of the working professionals prefer the yearly premium paying mode, 18% prefer half-yearly, 16% prefer quarterly and the remaining 15% prefer monthly. Saving on premium and opting for premiums which on an aggregate cost low can be pointed out as an important characteristic of buying behaviour.

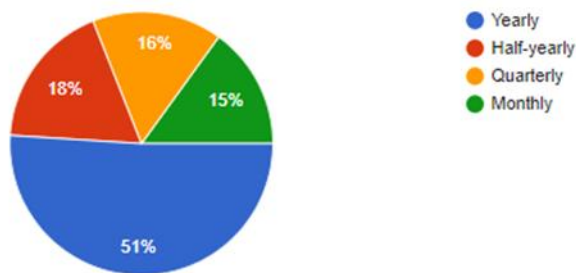


Fig.6: Preference of Premium Paying Modes

6. 23% of the working professionals would not buy life insurance because of lack of awareness, 30% would not buy life insurance because of lack of personal or salary savings, 28% would not buy life insurance because they do not find the returns and the life insurance policies lucrative enough and 10% wouldn't buy life insurance because of poor after sales service.



Fig. 7: Reasons for not buying term life insurance

7. Important factors encouraging working professionals to buy life insurance policies are brand image and company reputation (50%), good claim settlement ratio(51%), tangible benefits with good profit component(49%), a good product range with

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customizable benefits (45%), a good complain/redressal system (39%) and good after sales service

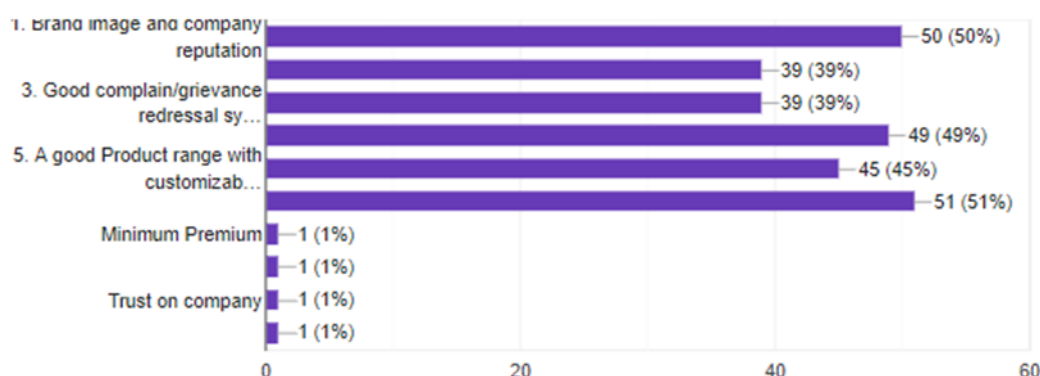


Fig. 8: Factors which would encourage purchase of life insurance

Conclusion

Awareness in the working professionals is relatively higher with 95% of the working professionals knowing the concept of life insurance while 80% had knowledge about term plans. Awareness is driven majorly by family, relatives, close friends and social media channels.

Perception in working professionals with respect to term life insurance mainly encompasses family security, death benefit, protection from risk and life cover till a particular age. The value that working professionals associate with term plans is relatively low because of lack of accurate financial knowledge. Around 20% have absolutely no idea of what a term plan is, while out of the remaining 80% roughly only 40% have a sound idea of term plans.

The attitude of working professionals towards term plans is more pragmatic and rational rather than emotional, as their decision to buy a term plan is associated with a variety of benefits like family protection, large sum assured for reasonable premium and tax savings. There is little sentimental value attached to buying insurance when it comes to working professionals.

Lack of awareness, lack of personal or salary savings, unprofitable returns and poor after sales service are the main factors which deter working professionals from buying term plans.

Brand image and company reputation, a good claim settlement ratio, tangible benefits with good profit component, a good product range with customizable benefits, a good complain/redressal system, and good after sales service are the main factors that encourage working professionals to buy term plans.

Limitations of the Project

- Face to face, interaction with respondents due the pandemic may have hampered the accuracy of the research.
- Certain respondents may have biased opinions, which may hamper the accuracy of the research.

- The area considered for research is a largely metropolitan area hence results may vary with change in sampling universe.
- The number of respondents considered for research is small hence; results may vary with change in sample size.

Recommendations

- The paper advises private insurance companies lay more focus on their digital marketing efforts as awareness in working professionals is driven a lot by social media and the internet.
- Private insurance companies should strive to improve and maintain their claim settlement ratio as it is one of the crucial factors which encourage working professionals to buy life insurance policies.
- As working professionals are keen on saving when it comes to paying the premiums of insurance policies companies should try to make the premiums more affordable to attract more customers.

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