

# A study on Factors Deciding Selection of Policies of Private Life Insurance Companies among Consumers in Thanjavur District

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**Abstract:** Insurance sector is an integral component of Indian financial system and it is witnessing rapid growth in recent time periods. Because of economic liberalization and privatization in India, the insurance sector is opened for private sector insurance companies. With the entrance of private insurance companies, the insurance sector is significantly expanding in terms of innovative products and improved services and value addition. Hence, consumers have wide range of shifting alternatives and they select the best one that meets their needs and requirements and various factors that affect selection of policies offered by private life insurance companies. Product uniqueness, price, promotions, services of agents and accessibility are deciding factors for selection of policies of private life insurance companies by consumers. Significant difference is prevailing among factors deciding selection of policies of private insurance companies and profile of consumers. Price, product uniqueness, accessibility and promotions have significant and positive impact on purchase decision of consumers towards policies of private life insurance companies. The agents of private life insurance companies should provide better services timely and accurately and settle claims without any issues. Private life insurance companies must understand precisely financial needs of consumers and should put easy and simple terms and conditions for purchasing their life insurance policies. Besides, private life insurance companies must introduce different innovative products to fulfill needs of various consumer segments.

**Index Terms:** Consumers, Private Life Insurance Companies, Purchase Decision, Selection.

## I. INTRODUCTION

Insurance sector is the most significant sectors of Indian financial system and it is expanding rapidly in recent periods. Life insurance gives security and certainty means of making a socialistic pattern and it stabilizes financial security of the consumers and on the other hand, it facilitates the industry by providing required capital and maintains various dimensions for social securities (Murthy and Sarma, 2002). As an end result of new economic policy of India, the insurance sector is opened for private sector insurance companies as many foreign insurance firms enter in to operation that put huge competition on public insurance company and domestic private insurance companies Gopalkrishna, 2008). The biggest beneficiaries of insurance sector reforms are Indian consumers and high degree of competition among private insurance companies is influencing expansion and coverage of insurance in India (Mishra, 2010).

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With the entry of private insurance companies, quantum of insurance companies India is increased remarkably. More amenities are available in across India even in small towns, small cities and rural regions. With the increasing sensitivity among consumers towards insurance, various products and services given by the private insurance companies and access to insurance services across the India, the insurance sector in India is expanding considerably. The services and products offered by private insurance firms are almost same in nature and type and thus, the consumers have various alternatives (Lee and Marlowe, 2003). Hence, consumers have wide range of shifting alternatives and they select the best one that meets their needs and requirements and various factors that affect selection of policies offered by private life insurance companies. Therefore, it is important to study factors deciding selection of policies of private life insurance companies among consumers in Thanjavur district.

## II. REVIEW OF LITERATURE

Ramanathan (2011) found that personal financial planning, competency, image of company and modern technologies were affecting purchase decision of insurance policy holders. In addition, cultural and social factors were also influencing purchasing decision of policy holders towards insurance policies. Sreenivas and Anand (2012) concluded that easy procedure, image of company, payment mode, quality of service, experiences in business, settlement of claims, benefits and customer relationship were important factors for investors to purchase life insurance policies. Negi and Singh (2013) revealed that product quality and brand image of company were very significant factors influencing purchase decision of life insurance policies among consumers. Female consumers choose policies of insurance companies who were friendly with them and male consumers select insurance companies who were prompt in their services and their product qualities. Choudhuri (2014) indicated that cultural, social and economic factors were affecting purchasing of insurance policies among customers. Majority of customers purchased life insurance policies of Life Insurance Corporation of India because it fulfilled needs and requirements of customers through products and benefits. Lulla and Bhargava (2015) showed that the gross premium of LIC was higher as compared to private insurance companies. Customers purchased life insurance policies of private companies because of their innovativeness in services and products and better grievance addressing mechanism.

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At the same time, private life insurance companies had to improve their post sales services to customers.

Muthusamy and Yuvarani (2016) found that gender, age and income were the major deciding factors in purchasing of life insurance policies among customers. Most of them purchased policies of LIC as compared to policies of private insurance companies due to its brand value and existence in the market for long time periods. Few customers purchased policies of private companies based on benefits and coverage of risk in their plans and policies.

Sidhardha and Sumanth (2017) concluded that risk coverage, tax benefits, long term returns, premium and image of insurance company were influencing purchasing of insurance policies among consumers.

### III. OBJECTIVES OF THE STUDY

1. To find out factors deciding selection of policies of private life insurance companies among consumers.
2. To scrutinize difference among profile of consumers and factors deciding selection of policies of private life insurance companies.
3. To evaluate impact of factors deciding selection of policies of private life insurance companies on purchase decision of consumers.

### IV. HYPOTHESES OF THE STUDY

1. There is no significant difference among profile of consumers and factors deciding selection of policies of private life insurance companies.
2. There is no significant impact of factors deciding selection of policies of private life insurance companies on purchase decision of consumers.

### V. METHODOLOGY

The present study was carried out in Thanjavur district. The consumers of private life insurance companies are chosen by using random sampling method. The data are collected from 300 consumers of private life insurance companies through questionnaire method. Percentages are worked to understand profile of consumers of private life insurance companies. An exploratory factor analysis is carried out to find out factors deciding selection of policies of private life insurance companies among consumers. The t-test and F-test are used to scrutinize difference among profile of consumers and factors deciding selection of policies of private life insurance companies. The regression analysis is carried out to evaluate impact of factors deciding selection of policies of private life insurance companies on purchase decision of consumers.

### VI. RESULTS AND DISCUSSION

#### A. Profile of consumers of private life insurance companies

The profile of consumers of private life insurance companies is given in Table-1. The findings disclose 61.33 per cent of consumers are males, whereas, 38.67 per cent of them are females and 33.67 per cent of consumers are falling under age category of 31– 40 years, whereas, 14.00 per cent of them are falling under age category of above 50 years.

The findings display 34.33 per cent of consumers are possessing under graduation, whereas, 11.67 per cent of them

are possessing secondary education and 33.00 per cent of consumers are earning monthly income of Rs.35,001 – Rs.45,000, whereas, 17.33 per cent of them are having monthly income of Rs.45,001 – Rs.55,000. And 67.33 per cent of consumers are married, whereas, 32.57 per cent of them are unmarried.

**Table-1: Profile of Consumers of Private Life Insurance Companies**

Profile	Number of Consumers	Percentage
<b>Gender</b>		
Male	184	61.33
Female	116	38.67
<b>Age Category</b>		
21 – 30 Years	66	22.00
31– 40 Years	101	33.67
41 – 50 Years	91	30.33
Above 50 Years	42	14.00
<b>Education</b>		
Secondary	35	11.67
Higher Secondary	64	21.33
Under Graduation	103	34.33
Post Graduation	98	32.67
<b>Monthly Income</b>		
Rs.15,001 – Rs.25,000	60	20.00
Rs.25,001 – Rs.35,000	89	29.67
Rs.35,001 – Rs.45,000	99	33.00
Rs.45,001 – Rs.55,000	52	17.33
<b>Marital Status</b>		
Married	202	67.33
Unmarried	98	32.57

#### B. Factors deciding selection of policies of private life insurance companies among consumers

To find out factors deciding selection of policies of private life insurance companies among consumers, an exploratory factor analysis is used and the results are given in Table-2.

Value of KMO test (Kaiser-Meyer-Olkin) for measuring adequacy of sampling is 0.846 and Chi-Square value of Bartlett's test for Sphericity is 0.0030 which is significant at one per cent level. Both measures explain the method of factor analysis is apt.

Five factors obtained has 76.57 per cent variation on variables under consideration and each of them shares 21.84 per cent, 19.26 per cent, 14.70 per cent, 11.45 per cent and 9.32 per cent as per the order of extraction.



**Table-2. Factors Deciding Selection of Polices of Private Life Insurance Companies among Consumers**

Factor	Variables	Rotated Factor Loadings	Eigen Value	% of Variation	Factor Name
<b>I</b>	Product diversity	0.70	2.72	21.84	<b>Product Uniqueness</b>
	Savings	0.67			
	Easiness	0.69			
	Long term benefits	0.65			
	Tax Concession	0.66			
	Coverage of risk	0.61			
	Product Information	0.64			
<b>II</b>	Fair premium	0.67	2.48	19.26	<b>Price</b>
	Worthiness for money	0.64			
	Error free billings	0.68			
	Proper statements	0.63			
	Rate of return	0.65			
	Easy installments	0.61			
<b>III</b>	Advertising	0.68	1.53	14.70	<b>Promotions</b>
	Personal sales	0.64			
	Large distributing channels	0.66			
	Brand image	0.69			
	Direct marketing	0.63			
<b>IV</b>	Reminder letter by agent	0.69	1.19	11.45	<b>Services of Agents</b>
	Timely information by agent	0.67			
	Updating information by agent	0.63			
	Consistent response by agent	0.65			
<b>V</b>	Ease of physical access	0.65	1.02	9.32	<b>Accessibility</b>
	Good customer care facilities	0.61			
	Website	0.64			

Cumulative Variation(%)	-	-	76.57	-
Value of Cronbach's Alpha	-	-	-	0.84

Principal Component Analysis.  
Varimax Rotation.  
Converged in 10<sup>th</sup> iterations.

**Factor-I:** includes product diversity, savings, easiness, long term benefits, tax concession, coverage of risk and product information. Hence, it is named as **Product Uniqueness**.

**Factor-II:** comprises of fair premium, worthiness for money, error free billings, proper statements, rate of return and easy installments. Therefore, it is labeled as **Price**.

**Factor-III:** consists of advertising, personal sales, large distributing channels, brand image and direct marketing. So, it is described as **Promotions**.

**Factor-IV:** covers reminder letter by agent, timely information by agent, updating information by agent and consistent response by agent. Thus, it is stated as **Services of Agents**.

**Factor-V:** contains ease of physical access, good customer care facilities and website. Consequently, it is denote as **Accessibility**.

Cronbach's Alpha value of the scale is 0.84, it makes clear that each measure has acceptable level of internal consistency. Product uniqueness, price, promotions, services of agents and accessibility are factors deciding selection of polices of private life insurance companies among consumers.

**C. Profile of consumers and factors deciding selection of polices of private life insurance companies**

To scrutinize difference among profile of consumers and factors deciding selection of polices of private life insurance companies, the t-test and ANOVA test are done and the results are shown inTable-3.

**Table-3: Profile of consumers and factors deciding selection of polices of private life insurance companies**

Particulars	t-Value / F-Value	Sig
Gender and Factors Deciding Selection of Polices of Private Life Insurance Companies	5.012** (t-value)	.000
Age Category and Factors Deciding Selection of Polices of Private Life Insurance Companies	7.826**	.000



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Education and Factors Deciding Selection of Polices of Private Life Insurance Companies	6.975**	.000
Monthly Income and Factors Deciding Selection of Polices of Private Life Insurance Companies	7.734**	.000
Marital Status and Factors Deciding Selection of Polices of Private Life Insurance Companies	4.980** (t-value)	.000

\*\* Significant at one per cent level

The t-value and F-values are significant one per cent level demonstrating significant difference is there in factors deciding selection of polices of private life insurance companies among profile of consumers. As a result, the null hypothesis is not accepted.

### D. Impact of factors deciding selection of polices of private life insurance companies on purchase decision of consumers

To evaluate impact of factors deciding selection of polices of private life insurance companies on purchase decision of consumers, multiple regression analysis is used and the results are shown in Table-4. The R<sup>2</sup> and adjusted R<sup>2</sup> are 0.61 and 0.59 correspondingly implying the regression model has good fit. It explains independent variables together have 59 per cent of variations on dependent variable. The F-value of 14.740 is revealing the regression model is significant at one per cent level.

**Table-4: Impact of Factors Deciding Selection of Polices of Private Life Insurance Companies on Purchase Decision of Consumers**

Factors Deciding Selection of Polices of Private Life Insurance Companies	Regression Coefficients	t-value	Sig
Intercept	1.013**	8.890	.000
Product Uniqueness (X <sub>1</sub> )	.371**	5.928	.000
Price (X <sub>2</sub> )	.402**	6.512	.000
Promotions (X <sub>3</sub> )	.304**	4.975	.000
Services of Agents (X <sub>4</sub> )	-.155	1.431	.207
Accessibility (X <sub>5</sub> )	.326**	5.110	.000
R <sup>2</sup>	0.61		
Adjusted R <sup>2</sup>	0.59		
F	14.740		.000

\*\* Significant at one per cent level

Price, product uniqueness, accessibility and promotions are having positive and significant impact on purchase decision of consumers towards policies of private life insurance companies at one per cent level. As an outcome, the null hypothesis is not accepted.

## VII. CONCLUSION

The above findings elucidate that product uniqueness, price, promotions, services of agents and accessibility are

deciding factors for selection of policies of private life insurance companies by consumers. Significant difference is prevailing among factors deciding selection of polices of private insurance companies and profile of consumes. Price, product uniqueness, accessibility and promotions have significant and positive impact on purchase decision of consumers towards policies of private life insurance companies. The agents of private life insurance companies should provide better services timely and accurately and settle claims without any issues. Private life insurance companies must understand precisely financial needs of consumers and should put easy and simple terms and conditions for purchasing their life insurance policies. Besides, private life insurance companies must introduce different innovative products to fulfill needs of various consumer segments.

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