



A COMPREHENSIVE STUDY ON FACTORS AFFECTING PURCHASE DECISION OF LIFE INSURANCE CUSTOMERS

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Abstract:

Liberalization, privatization and globalization (LPG) environment of Indian economy has brought drastic changes into financial services, particularly life insurance services, by offering diversified product mix from which a customer can have variety of choices to cater their financial needs such as savings, investment and personal risk cover. Since life insurance is a long-term relation between insurer and insured, a customer takes deep considerations while making decision on purchase of a life insurance policy. This paper studies the preferences of customers towards life insurance products and their purchase patterns. A few attributes affecting purchase decision of the policy holders are considered for the study. The study shows that savings and tax benefit are the two main reasons for investing in insurance products.

Index Terms: Purchase Decision Making, Life Insurance Customers & Tax Benefit

1. Introduction:

Life is a most prized gift of nature. Which is full of risks and uncertainties since, we are social human beings, we have certain responsibilities too to minimize these risks. We cannot prevent the misfortune but anyway save our treasured ones from the losses occurring due to deficiency of lives. Life insurance not only gives assurance for the monetary losses but it provides the new market and avenue to the society. With over 1 billion of population in India Life Insurance companies have vast scope for the growth and diversification. Till 1999 LIC was the sovereign of the country's Insurance industry. But soon after witnessing the growth and scope many big players became the part of this ever ending process. The main task of any Life insurance company is to sell insurance policies for the premium which are paid in advance for the period of insurance coverage.

The function of the insurance companies revolves around the customer. There is a great deal of not only lure the customer but also retention of the customer is another issue. In comparison to other developing countries India has witnessed slow growth of the Insurance industry. The responsible reasons are consumer unawareness, poor affordability, lack of proper handling of services, lack of suitable products, ignorance of the time value of money etc. Importance of Insurance cannot be ignored. Companies should provide better services, need based product and awareness among individuals for the speedy augmentation and expansion. Proper management and prompt implementation and settlement of the claims can make this industry in pace of growth.

Life insurance is an instrument to hedge personal risks which directly affect an individual (Rejda, 2004; Srinivasan, 2006). Based on the benefit patterns, life insurance products can be categorized into term assurance, whole life assurance, endowment assurance, annuities and etc (Harrington and Niehaus, 2004; Dorfman, 2005). In the past, customers were satisfied and happy at whatever the insurance companies dished out to them. But in the competitive environment, customers demand diversified benefits and prefer the products which they deem fit into their personal needs. Also the life insurance perception has significantly changed to a risk management device rather than simply a tax saving tool. It plays a major role in every individual's life

2. Literature Review:

The study of Malaysian banking sector concluded by saying that banks can generate customer satisfaction by exhibiting trustworthy behaviour, commitment to service, communicating information to customers efficiently and accurately, delivering services in a competent manner, handling potential and manifest conflicts skillfully, and improving overall customer relationship quality, (Ndubisi and Chan, 2005). It was revealed that in 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 perception on investment towards Life Insurance Services, (Dr. Praveen Sanu, Gaurav Jaiswal, Vijay Kumar Panday, 2009).

Smart the life insurance companies taken for study, the policy holders' expectations are well met in the case of certain factors reacting to service quality. But in the case of other variables, there exists a significant gap which means that policy holders have experienced low levels of service as against their expectations. If all the players in the life insurance industry focus on the effective delivery of services, they can win the hearts of customers and anticipate their increased market share (Keerthi, R. Vijayalakshmi, 2009). The competitive climate in the Indian insurance market has changed dramatically over the last few years. At the same time, changes have been taking place in the government regulations and technology. The expectations of policy holders are also changing. The existing insurance companies have to introduce many new products in the market, which have competitive advantage over the products of life insurance companies (K. Selvavinayagam and R. Mathivanan 2010). It was found out that urban market is more influenced with product based factors like risk coverage, tax benefits, return etc. whereas rural population is influenced with non-product related factors such as: credibility of agent, company's reputation, trust, customer services. Company goodwill and money back guarantee attracts many people for life insurance, (Athma. P and Kumar. R 2007). Various researchers have highlighted the importance and influence of brand image while purchasing decision-making (Retzloff, 1989; Arora and Stoner, 1996; O'cass and Frost, 2002). Lahiri (2004) stress that brand image is of great importance for an intangible service like insurance. He also states that more than the advertising gimmicks, the utility of the brand to the customers is appreciated as an influencing factor. Country of origin or reputation of company is parts of a multitude of factors affecting perceived product quality (Bilkey and Nes, 1982; Farmer, 1987; Liefeld, 1993). Other factors include regular income, extra coverage, maturity amount, technology, and etc. Since life insurance is a long-term benefit, a customer takes deep considerations while deciding to purchase a life insurance policy.

3. Research Objectives:

This study focuses on purchase decision-making of life insurance customers. Accordingly, the specific objectives of this research study have been set as follows:

- To study the factors affecting customers' preferences towards life insurance products.
- To analyse the purchase decision-making patterns of life insurance customers.

4. Sampling and Sample Size:

For the present study the sample size was 100 collected from the respondents through convenient random sampling method.

5. Research Methodology:

The present study is an exploratory and descriptive type of research study. The study endeavors to find out the factors influencing Individuals life insurance investment

decision and their income and age impact on purchasing of any insurance policy during their investment decision. In order to carry out this study 100 policyholders of Belthangady taluk have been surveyed.

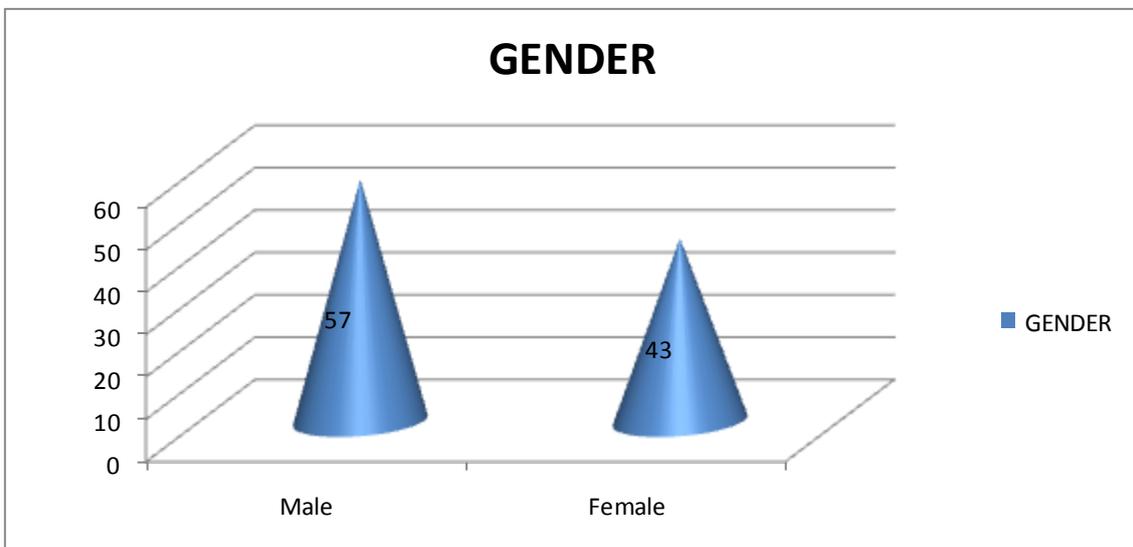
6. Data Source:

Research is based on primary data and secondary data. Secondary data was used to support the research paper which consists of the essence of reputed journals, magazines and authentic websites. Whereas primary data deals with well defined and drafted questions questionnaire for analyzing different aspect of human perceptions for insurance policies as investment decision.

7. Data Analysis:

➤ **Gender:**

Male	73
Female	27

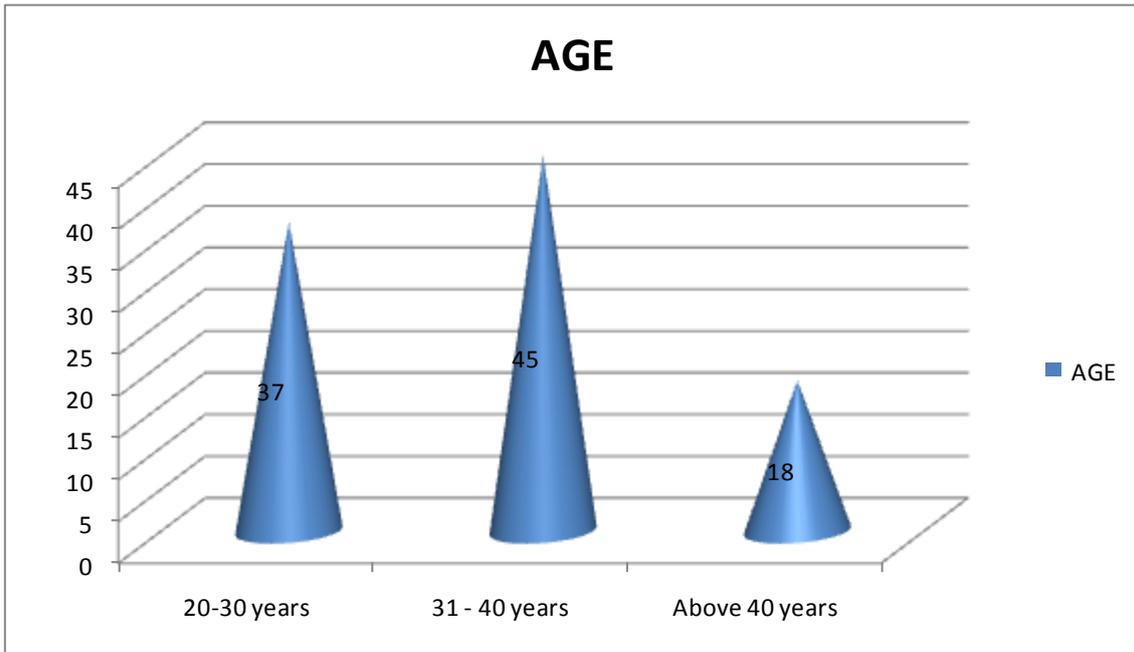


Source: Field survey

The above chart shows that majority of the insurance policy holders are male.

➤ **Age:**

20-30 years	37
31-40 years	45
Above 40 years	18

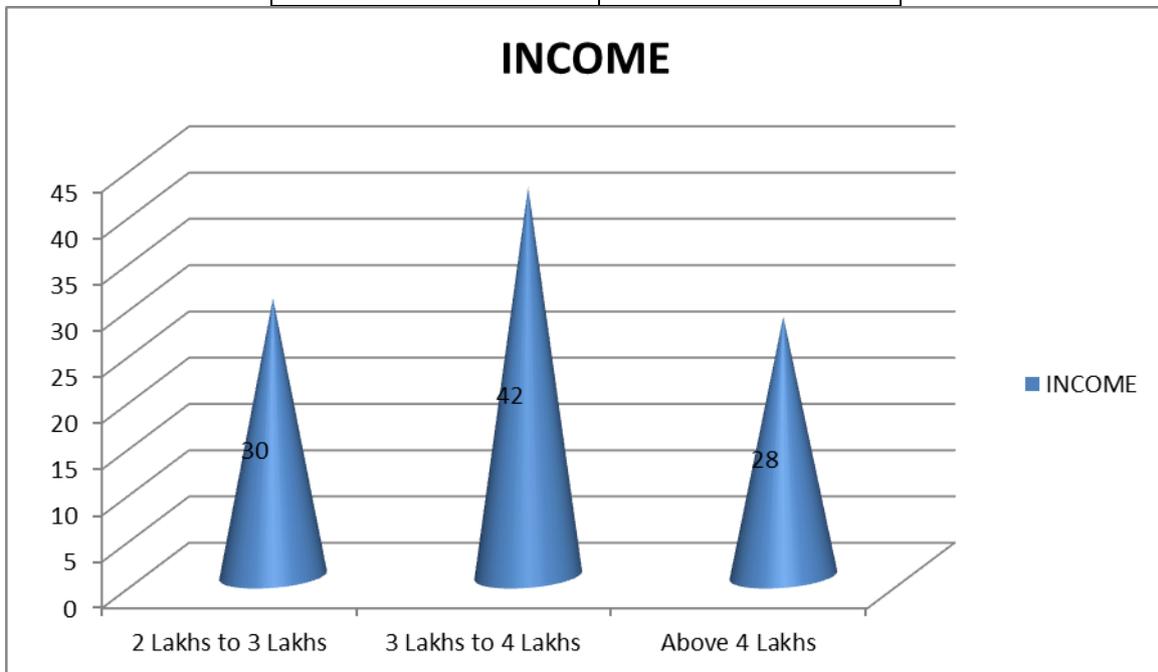


Source: Field survey

The above graph shows that investors falling in the age group of 31-40 prefer purchasing insurance products.

➤ **Income P.A:**

2 Lakhs To 3 Lakhs	30
3 Lakhs to 4 Lakhs	42
Above 4 Lakhs	28



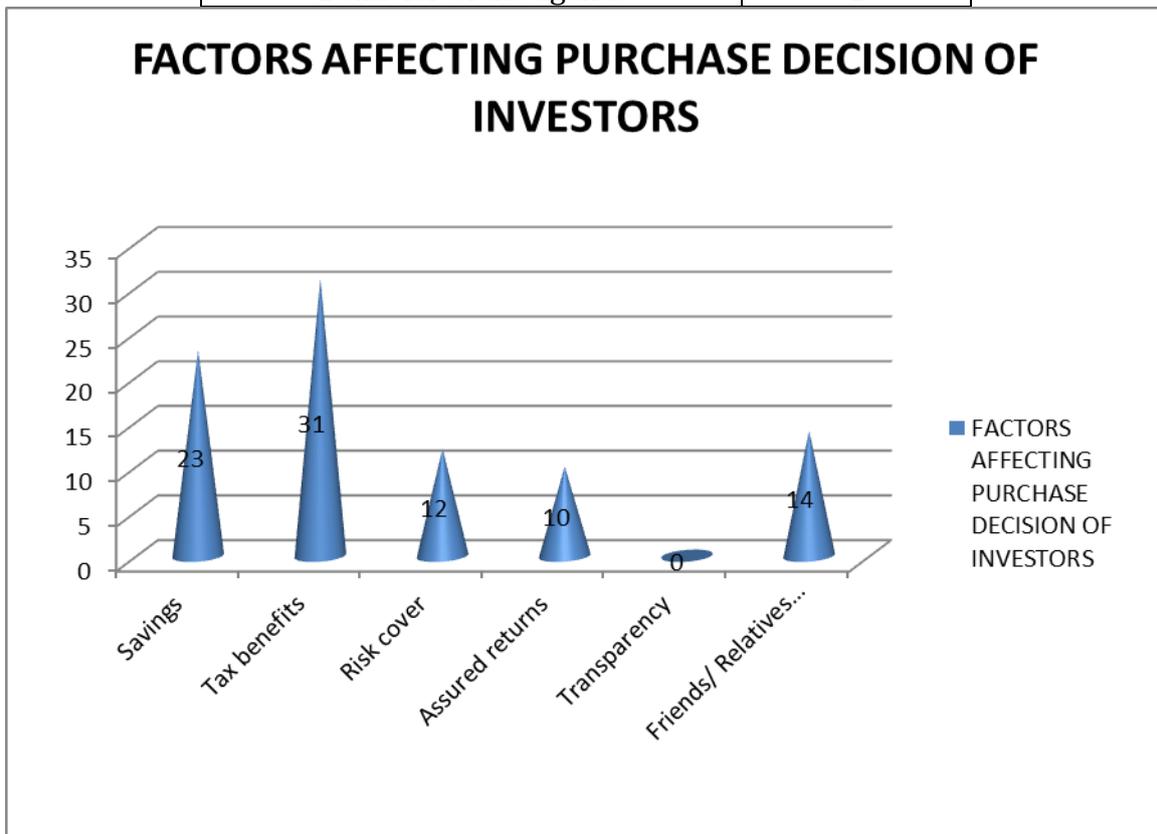
Source: Field survey

The above chart shows that investors having income ranging from 3 lakhs to 4 lakhs prefer more to purchase insurance products.

➤ **Reason for Investing in Life Insurance Products:**

Savings	23
Tax benefit	31

Risk cover	12
Assured returns	10
Transparency	0
Friends/relatives suggestion	14
Reputation of the company	4
Advertisements	3
Brand name	2
Behavior of the agents	1



Source: Field survey

The above graph reveals that the main factor influencing the purchase decision of the investor is the tax benefit received by purchasing insurance products.

8. Findings:

- ✓ Majority of the investors purchasing insurance products are male.
- ✓ Investors falling in the age group of 31 to 40 years invest in insurance products followed by investors of age group 21 to 30 years.
- ✓ Investors having an income of 3 Lakhs to 4 Lakhs purchase more of insurance products followed by the investors with the income of 2 Lakhs to 3 Lakhs.
- ✓ The main factor affecting the purchase decision of the investor is the tax exemption for the premium paid.

9. Suggestions:

- ✓ By creating awareness among the people about the availability of various insurance products and its benefits it is possible to further increase the number of customers.
- ✓ By increasing the transparency in the operation of the insurance products it is possible to influence the purchase decision of the investors.

10. Conclusion:

On the basis of the above analysis we can conclude that individual investors see the above mentioned factors in a priority list for buying any life insurance policy and the most influential factor is tax benefit received and as a means of saving. Risk cover and assured returns also affect the purchase decision of the investors.

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