

Life insurance market in rural India

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Abstract: The researcher analyses the topic life insurance market in rural India. There are 57 insurance companies which 24 insurance business and 33 non-life insurers. The purpose of insurance is death benefit, Disability protection, Retirement planning and Cash Accumulation features. The objectives of this study is to understand the rural market and need of the rural customers buying the insurance product and to examine the preference of the policy holders towards various types of policies of insurance. Percentages are one of the simplest and useful statistical device used for the interpretation of collected data in the research, business and economic statistics. Insurance, apart from acting as important financial instrument for risk cover, is also a major instrument for mobilization of long-term savings. At present, the Indian rural market with its vast and strong customer power is tempting the insurance companies to enter into the rural market, because the rural segments contribute more profit than urban segments. Bringing in this small change can change the face of insurance penetration of the incumbent insurance industry and would also help in upliftment of rural people as well as society at large.

Keywords : Insurance, planning, company and financial.

1. INTRODUCTION

The insurance production industry of India consists of 57 insurance companies of which 24 are in life insurance business and 33 are non-life insurers. Among the life insurers, Life Insurance Corporation is the singular public sector company. Apart from that, among the non-life insurers there are six general area sector insurers. Adding to these, there is sole national re-insurer, namely, General Insurance Corporation of India (GIC Re). Other pole owners in Indian Insurance market include agents (individual and corporate), financial expert, topo graphers and third party administrators servicing health promotion claims.

2. PURPOSE OF LIFE INSURANCE

Life insurance is far more than just a decision of how much to buy. Cash value life insurance can strengthen your financial foundation and protect your goals. Depending on your financial situation, life insurance can be used for a variety of purposes, such as :

Death Benefit - ensures that those who are most important to you will be taken care of in the event of your death.

Disability protection – ensures that your premiums will be paid and your insurance will remain in force if you are disabled and unable to work.

Retirement planning – funds accumulate on a highly effective tax - sheltered basis to provide for future retirement needs.

Cash Accumulation features - money for future emergencies or opportunities can accumulate in your policy.

3. LIFE INSURANCE MARKET IN RURAL INDIA

According to a report, 'Insurance in Next 2 Years', by The Associated Chambers of Commerce and Industry of India (ASSOCHAM), in May 2008, the insurance sector size was estimated at US\$ 12.8 billion, and it is likely to improve by an unprecedented growth of 200 per cent, touching US\$ 51.2 billion by 2009-10. Rural India may offer a business opportunity worth US\$ 23 billion for the insurance companies if the segment can be wooed with innovative saving schemes at affordable premiums. Presently, only 8 to 10 per cent of rural Indian households are covered by life insurance. The remaining 90 per cent offer a huge potential for insurance companies. India's untapped rural market holds tremendous growth opportunities for life insurance industry with business worth US\$ 231.67 million for insurance firms.

4. STATEMENT OF THE PROBLEM

In India, more than 75% of the total population lives in the rural areas. Insurance plays a vital role in the development of national economy. It act as a protecting shield for both the companies as well as the general public and it protects them from huge loss due to national calamities such as fire, flood etc and loss of life due to accident. Individuals are forced to take policies not only for the life of individuals but also for the welfare of their families. Before 2000, there is only LIC of India but at present there are many private foreign Insurance companies in India. The competition between the insurance companies is vigorous. Now a day's lots of foreign

insurance companies are forward to render the services in rural India. According to the study, on Life insurance in rural sector by the policy holders and financial advisors with reference to Ambasamudram taluk is inevitable.

5. REVIEW OF LITERATURE

Amitabh Verma (2008) opines that high business retention ratios indicate the health of a company. He further adds that insurers should adopt dynamic methods of ensuring that a customer does not go out of their reach. Studies have been carried out on the profile of the policyholder, nature of policies, modes of payment, channels and servicing to understand the Causes of lapsation; and thereby introduce measures to achieve better persistency. The customer may lose interest in the product/policy leading to lapsation. For instance, adverse market consumer's perception of the unit linked policies and may lead to lapsation as a resultant loss of interest.

Banerjee T. K (2004) revealed that though the Government has tried to promote insurance business in rural India through Public Sector Insurance Companies for nearly two decades there still remains a vast untapped potential considering that 74.3 percent of the total population lives in rural India. At present in rural areas insurance cover is low, and there are few insurance covers, available on affordable terms, for rural producers and consumers. The insurance industry has been opened up, with a restriction of 26% on foreign ownership to Indian insurers.

6. OBJECTIVES OF THE STUDY

- To understand the rural market and need of the rural customers buying the insurance product.
- To examine the preference of the policy holders towards various types of policies of insurance.
- To give findings suggestion and conclusion.

7. RESEARCH METHODOLOGY

The study is descriptive in nature. The main purpose of descriptive research is to describe the state affair, as it exists at the present. The first step is sample selection, for which the respondents were consumers in Ambasamudram taluk. The total consumers were 180. The same numbers of questionnaires were distributed, but only 168 fully-completed questionnaires were received. Results are based on these 168 respondents. The consumers are selected by the Purposive sampling method.

8. DATA COLLECTION

For the present study, a structured questionnaire method was used for collecting primary data. The questionnaire consists of multiple choice questions. The main source of secondary data has been IRDA journals, ICFAI Journal of services marketing, Websites of insurance companies.

9. TOOLS USED FOR THE STUDY AND PERCENTAGE ANALYSIS

The data thus collected was tabulated, interpreted and analyzed with a view to make the study meaningful. In a present study, percentage analysis is used. It can be used, if the researcher wants to calculate the percentage of various complex variables. Percentage represents the number of parts of 100. It can be calculated as under.

$$\% = \frac{\text{Given value to be compared with the base}}{\text{Base value for the comparisons}} \times 100$$

10. SCOPE OF THE STUDY

The present study aims at highlighting the customer perception and purchase decision of a life insurance product. It also aims at evaluating the performance of the policy holders by the insurance companies in rural sector. The study has to be undertaken from point of view of sample consumers belonging to ambasamudram taluk. The study basically focused on the regarding Life insurance that how much the consumers are aware about these investment avenues, the rate of satisfaction regarding the returns they are getting.

Demographic Profile of the Respondents

Table 1: Demographic Profile of the respondents		
Sex	No. of .Respondents	Percentage
Male	96	57.20
Female	72	42.80
Total	168	100.00
Age		
Below 30	54	32.14
31-40	52	30.95
Above 41	62	36.90
Total	168	100.00
Occupation		
Services	14	8.33
Business	32	19.04
Professional	25	14.88
Agriculture	40	23.80
Others	57	33.92
Totals	168	100.00
Education level		
High school	57	33.92
Bachelor’s Degree/Diploma	41	24.50
Master’s Degree	13	7.73
Others	57	33.92
Total	168	100.00
Monthly Income(in Rs)		
Below 10,000	120	71.42
10,001-15,000	22	13.09
Above 15,001	26	15.47
Total	168	100.00
Earning person in a Family		
Single	30	17.85
Two	83	49.40
More than Two	55	32.73
Total	168	100.00

Source : Primary Data

From the table 1 a major proportion (57.20%) is of male respondents, while (42.80%) are female, The maximum percentage of policy holders in the rural area belongs to the age group of above 41(36.90%) followed by below 30(32.14%)

and remaining 52(30.95%) of respondents are 31-40 age group, which depicts the distribution of respondents on the basis of occupation shows that(33.92%) respondents belong to Daily wages or Beedi rollers or Drivers Or Students followed by Agriculture(23.80) and (8.33%) of respondents

belong to service category which is lowest in rural areas, it is clear that the majority(67.84%) of respondents in rural areas had their education up to school level 41 respondents(24.50%) had their education up to Bachelor’s Degree and remaining respondents(7.73%) are master degree, shows that the sample is dominated by the respondents falling in the lowest income category 71.42%. Merely 13.09%

policy holders belong to the middle class and 15.47% belong to the highest income group, around 49.40% of the respondents were two earning people in their families an of the same profile and 32.73% of the respondents are more than two persons, merely 17.85% of the respondents are single person earnings in the family.

Table 2: Factors Influencing the Buyer Behaviour		
Name of Factor	No. of .Respondents	Percentage
Advertisement	26	15.47
Employees of Insurance company	23	13.69
Financial advisors	81	48.21
Others	38	22.61
Total	168	100.00

Source : Primary Data

Table 2 shows that about 48.21% of respondents have been influenced by financial advisors 22.61% by friends and family members, by 15.47%

Advertisement and only 13.69% of respondents by employees of insurance companies.

Table 3: Type of Policy Taken		
Name of policy	No. of .Respondents	Percentage
Child policy	3	1.78
Endowment policy	58	34.52
Money back	34	20.23
ULIP	15	8.92
New Jana Raksha	53	31.54
Jeevan Anand	3	1.72
Pension plan	2	1.19
Total	168	100.00

Source : Primary Data

From table 3, it is clear that 34.52% of respondents have taken the Endowment policy, 31.54% New jana Raksha, 20.23% Money back, 8.92% ULIP, 1.78%

Child policy, 1.72% Jeevan anand, 1.19% Pension Plan. Hence Endowment policy is the most popular among the rural areas.

Table 4 : Preference of After sales services		
Notifications	No. of .Respondents	Percentage
New Products Information	39	23.21
Renewal of Premium	98	58.33
Switching of funds	7	4.16
Fund Statements	24	14.28
Total	168	100.00

Source : Primary Data

From Table 7 it is seen that the most important service is to get the remainder of the dates for premium payment (58.33%), 23.21% prefer new

product information followed by 14.28% of respondents on fund statement. Merely 4.16% of respondents on switching of funds to new products.

Table 5 : Preferred Mode of Communication		
Communication Modes	No. of .Respondents	Percentage
SMS	19	11.30
Phone Calls	48	28.57
E-mails	12	7.14
Letters in Self-addressed Envelope	89	52.97
Company's Representatives	0	0.00
Total	168	100.00

Source : Primary Data

From Table 5 reveals that 52.71% of respondents prefer Letters in a self-addressed envelope to be the most preferred mode of communication, this is followed by Phone calls 28.57% of respondents and SMS 11.30% of respondents. Only 7.14% of respondents preferred E-mails.

11. FINDINGS

The major proportion (57.20%) is of male respondents.

48.21% of respondents have been influenced by financial advisors.

Endowment policy is the most popular among the rural areas.

The most important service is to get the remainder of the dates for premium payment (58.33%).

52.71% of respondents prefer Letters in a self-addressed envelope to be the most preferred

mode of communication.

12. SUGGESTION

The role of Life Insurance Corporation in India

The impact of life insurance corporation in rural areas.

The role of insurance business risk in Tamil Nadu.

A study on insurance company in the economic development.

13. CONCLUSIONS

Insurance, apart from acting as important financial instrument for risk cover, is also a major instrument for mobilization of long-term savings. At present, the Indian rural market with its vast and strong customer power is tempting the insurance companies to enter into the rural market, because the rural segments contribute more profit than urban

segments. Many insurance companies are entering into the rural market to make competitive advantages in the

Globalized India. In the globalized scenario, IRDA will have to play a decisive role towards meeting the special needs and challenges of the insurance sector. Affordable price is to be offered to these people which are customized according to their need. The potential of rural market is still untapped due to poor distribution, large distances and high costs involved.

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