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 of assets. These assets may be physical assets, such as buildings and machinery or 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 is 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 remains 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 is where analyzing consumer behavior helps. Consumer behavior is one of the critical 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 working professionals' attitudes. Another significant 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

1. INTRODUCTION

Life Insurance is a contract between an insurance company and a policyholder 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 than other life insurance plans. The significance of term insurance cannot be overruled. A term insurance plan helps in protecting better by covering Death, Disease and Disability. A term insurance plan can be subscribed to at a meager premium cost.

India for long has been a competitive marketplace 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 visible growth in the past two years.

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

Consumer Awareness:

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

Consumer Perception:

Perception is the sequence of consumer exposure and attention (Evans et al., 2009) which is stimulated and interpreted individually in the 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.

2. 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:

The paper titled "Socio-Economic Factors Influences on Life Insurance Acquisition" by Zatul Karamah Ahmad, Baharul Ulum et al. the authors focus on three primary factors that influence customers' buying decisions, namely, demographic factors, social-cultural and psychographic. The methodology used for research was hypotheses testing and primary data collection using a questionnaire. In conclusion, the author said that there could 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 and urban areas in the research survey. The results show that a high
proportion of households connect insurance with loss of life. It may be because they are unaware of other insurance covers available in the market. The research findings have brought out that people cannot 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. However, India's total insurance premium market, particularly life insurance, currently pays 80% of premiums.

In his Ph.D. thesis titled "A Behavioural Study of Life Insurance Purchase Decisions," Manohar Giri aims to understand the behavioral aspects of insurance purchase decisions. The thesis primarily deals with understanding the consumer behavior associated with life insurance purchase decisions in the Indian context. However, essential variables related to financial behavior such as financial literacy and financial inclusion were not considered. It 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 economics. 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.

3. Methodology

Research Methodology involves a systematic approach to 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 understand the problem better. However, there is no guarantee that the research will provide any definitive results. The research is 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., encouraging or discouraging buying decisions.

3.1. Definition and purpose of the research:
- To study awareness in working professionals regarding term plans.
- To study the 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.

3.2. Sample Design

Area of Study (Sampling Frame):

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:
The Sampling Unit is a working professional residing in Pune city in this study.

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

Primary Data
Primary data 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 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 were used in this study. The secondary data was used for defining and understanding concepts like consumer behavior, perception and attitude. Secondary data was also used to understand term life plans' importance and evolution.

3.4. Limitations of the Project
• The number of respondents considered for research is small; hence, results may vary with changes in sample size.

4. Data Analysis/ Data Visualization
4.1. 95% percent of working professionals are aware of life insurance. Thus awareness of working professionals is high.

![Fig. 2: Awareness Distribution](image)

4.2. 74% of working professionals are insured, while 26 percent are not insured. This indicates that although inclination towards risk protection is high, the ability to act on it and buy a life insurance policy is lower than that.

![Fig. 3: Ownership of Insurance](image)

4.3. Awareness in working professionals regarding life insurance policies is majorly driven by the influence of family, friends and relatives and social media.
4.4. 80% of the respondents have a sound idea of a term plan, 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.

4.5. 51% of the working professionals prefer the yearly premium paying mode, 18% prefer half-yearly, 16% prefer quarterly, and the remaining 15% prefer monthly. The savings on premiums and opting for premiums on an aggregate cost low can be pointed out as an essential characteristic of buying behavior.

4.6. 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% would not buy life insurance because of poor after-sales service.
4.7. 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 customizable benefits (45%), a sound complaint/redressal system (39%) and good after-sales service.

5. Recommendations
- The paper advises private insurance companies to 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 paying the premiums of insurance policies, companies should try to make the premiums more affordable to attract more customers.

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

Perception in working professionals concerning term life insurance mainly encompasses family security, death benefit, protection from risk and life cover till a particular age. Working professionals' value associated with term plans is relatively low because of a lack of accurate financial knowledge. Around 20% have absolutely no idea of a term plan, 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 for working professionals.

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

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

REFERENCES