



A STUDY ON IDENTIFICATION OF FACTORS AFFECTING PURCHASE OF INSURANCE PLANS AMONG CUSTOMERS

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Abstract

Insurance companies have to build a strong customer base for capturing the market potential and have to identify the factors that influence the choice of insurance products by customers. The benefits, coverage and status are factors affecting purchase of insurance plans and There is significant difference between socio-economic characteristics of customers of insurance products and services and factors affecting purchase of insurance plans except gender and factors affecting purchase of insurance plans and occupation and factors affecting purchase of insurance plans. The coverage and benefits are positively and significantly influencing the customer's preference of insurance plans at one per cent level, while, status is also positively and significantly influencing the customer's preference of insurance plans at five per cent level. The insurance companies should carry out in depth market research before developing insurance products and services for specific segments of the population, and then only it can be more useful and affordable. Besides, insurance companies should incorporate the expectations of customers with their anxiety to influence their preference of insurance plans.

Key Words: Customers, Insurance Plans, Purchase.

1. Introduction

The growth and development of insurance industry is significantly contributed to the economic development of the country. Fundamentally, insurance sector plays a facilitating role in promotion of investment, savings, stabilizing the financial market, financial intermediaries and risk manager and an agent for allocating capital sources. Though the general insurance has started about 150 years ago in India, their growth has been slow and it is reflected by its low penetration and density. Several factors are responsible for this, the chief is being the monopoly status of the industry till recently (Perchthold , 2004).

The new competitive environment is anticipated to provide large benefits to the industry, consumers and the economy. The consumer will have a larger choice in terms of quality and number of services and products, low premium rates and efficient after sales services, while the economy will benefit in terms of higher level of savings, increasing availability of funds for investment in long term projects, increasing productivity and growth of multiple debt instruments.

Insurance companies play a key role in providing insurance coverage for millions of people against life risks such as uncertain death or physical disability. Considering the need of social security, and growing life style expenditure as well as life value, insurance is achieving recognition from compulsory to essential. Insurance companies have to build a strong customer base for capturing the market potential and have to identify the factors that influence the choice of insurance products by customers. Since customers are becoming more demanding and complex, therefore, it is important for the insurance companies to understand the factors which are significant to the customers for purchasing of insurance plans.

2. Methodology

The present study is carried out in the cities of Hyderabad, Guntur and Vijayawada. The customers of insurance products and services are selected for the present study by using simple random sampling method. The data are collected from 500 customers of insurance products and services through pre-tested and structured questionnaire. The frequency distribution and percentage analysis are worked out for socio-economic characteristics of customers of insurance products and services. The exploratory factor analysis has been carried out to identify the factors affecting purchase of insurance plans. The ANOVA (Analysis of Variance) has been used to examine the difference between socio-economic characteristics of customers of insurance products and services and factors affecting purchase of insurance plans. The multiple regression analysis is used to examine the influence of factors affecting purchase of insurance plans on customer's preference of insurance plans.

3. Results and Discussion

3.1. Socio-Economic Characteristics of Customers of Insurance Products and Services

The socio-economic characteristics of customers of insurance products and services were analyzed and the results are presented in Table-1. The results indicate that about 58.80 per cent of customers of insurance products and services are males, while, the rest of 41.20 per cent of customers of insurance products and services are females. It clear that about 28.40



per cent of customers of insurance products and services belong to the age group of 21 – 30 years followed by 31 – 40 years (27.60 per cent), 41 – 50 years (22.00 per cent), 51 – 60 years (15.40 per cent) and above 60 years (6.60 per cent).

The results show that about 30.00 per cent of customers of insurance products and services are educated up to post graduation followed by graduation (24.00 per cent), higher secondary (19.40 per cent), upto secondary (18.00 per cent) and diploma (8.60 per cent). It is observed that about 32.00 per cent of customers of insurance products and services are doing own business followed by private sector (31.60 per cent), Government sector (21.00 per cent), self-employed (11.80 per cent) and retired (3.60 per cent).

The results reveal that about 27.60 per cent of customers of insurance products and services belong to the monthly income group of Rs.10001– Rs.20000 followed by Rs.20001– Rs.30000(24.40 per cent), Rs.30001– Rs.40000(18.80 per cent), up to Rs. 10000(14.20 per cent), Rs.40001– Rs.50000(9.20 per cent) and above Rs.50000(5.80 per cent).

Table-1. Socio-Economic Characteristics of Customers of Insurance Products and Services

Particulars	Number of Customers	Percentage
Gender		
Male	294	58.80
Female	206	41.20
Age Group		
21 – 30 years	142	28.40
31 – 40 years	138	27.60
41 – 50 years	110	22.00
51 – 60 years	77	15.40
Above 60 years	33	6.60
Educational Qualification		
Upto Secondary	90	18.00
Higher Secondary	97	19.40
Diploma	43	8.60
Graduation	120	24.00
Post Graduation	150	30.00
Occupation		
Own Business	160	32.00
Government Sector	105	21.00
Private Sector	158	31.60
Self Employed	59	11.80
Retired	18	3.60
Monthly Income		
Up to Rs. 10000	71	14.20
Rs.10001– Rs.20000	138	27.60
Rs.20001– Rs.30000	122	24.40
Rs.30001– Rs.40000	94	18.80
Rs.40001– Rs.50000	46	9.20
Above Rs.50000	29	5.80

3.2. Identification of Factors Affecting Purchase of Insurance Plans

To identify the factors affecting purchase of insurance plans, the exploratory factor analysis has been employed and the results obtained through rotated component matrix are presented in Table-2. The results of Kaiser-Meyer-Olkin (KMO test) measure of sampling adequacy (KMO=0.928) and Bartlett's test of Sphericity (chi-square value= 0.0011; significance=0.000) indicates that the factor analysis method is appropriate.

Three independent factors which are extracted accounting for a total of 72.18 per cent of variations on 22 variables. Each of the three factors contributes to 36.71 per cent, 23.02 per cent and 12.45 per cent respectively.



Table-2. Factors Affecting Purchase of Insurance Plans

Factor	Item	Rotated Factor Loadings	Eigen Value	% of Variation	Factor Name
I	Money back guarantee	.83	11.98	36.71	Benefits
	Clarity	.69			
	Family security	.61			
	Retirement benefits	.84			
	Child's future plans	.88			
	Protection against financial loss	.79			
	Medical benefit	.87			
	Affordable premium rates	.79			
	Bonus return	.76			
	Survival benefit	.60			
	Safety of the scheme	.82			
II	Risk coverage	.87	2.87	23.02	Coverage
	Accidental coverage	.56			
	Joint converge	.73			
	Whole life coverage	.83			
	Convenience	.71			
	Assured return	.87			
	Extra bonus coverage	.62			
III	Low premium	.55	1.03	12.45	Status
	Company's reputation	.58			
	Social status	.56			
	Transparency	.57			
	Cumulative % of Variation			72.18	
	Cronbach's Alpha				0.93

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
Rotation converged in 8 iterations.

Factor-I: This factor consists of money back guarantee, clarity, family security, retirement benefits, child's future plans, protection against financial loss, medical benefit, affordable premium rates, bonus return, survival benefit and safety of the scheme. Hence, this factor is named as "**Benefits**".

Factor-II: This factor is formed with risk coverage, accidental coverage, joint converge, whole life coverage, convenience, assured return and extra bonus coverage. Therefore, this factor is named as "**Coverage**".

Factor-III: This factor includes low premium, company's reputation, social status and transparency. Thus factor is named as "**Status**".

Cronbach's alpha value of the scale is 0.93 showing that each measure demonstrates acceptable level of internal consistency. It is inferred that benefits, coverage and status are factors affecting purchase of insurance plans.

3.3.Socio-Economic Characteristics of Customers of Insurance Products and Services and Factors Affecting Purchase of Insurance Plans

To examine the difference between socio-economic characteristics of customers of insurance products and services and factors affecting purchase of insurance plans, the ANOVA (Analysis of Variance) has been applied and the results are presented in Table-3.



Table-3. Socio-Economic Characteristics of Customers of Insurance Products and Services and Factors Affecting Purchase of Insurance Plans

Particulars	F-Value	Sig
Gender and Factors Affecting Purchase of Insurance Plans	.845	.358
Age Group and Factors Affecting Purchase of Insurance Plans	50.052**	.000
Educational Qualification and Factors Affecting Purchase of Insurance Plans	61.013**	.000
Occupation and Factors Affecting Purchase of Insurance Plans	1.892	.111
Monthly Income and Factors Affecting Purchase of Insurance Plans	14.733**	.000

** Significance at one per cent level

The results reveal that the F-values are significant at one per cent level indicating that there is significant difference between socio-economic characteristics of customers of insurance products and services and factors affecting purchase of insurance plans except gender and factors affecting purchase of insurance plans and occupation and factors affecting purchase of insurance plans. Thus, the null hypothesis of there is no significant difference between socio-economic characteristics of customers of insurance products and services and factors affecting purchase of insurance plans is rejected.

3.4. Influence of Factors Affecting Purchase of Insurance Plans on Customer's Preference of Insurance Plans

To examine the influence of factors affecting purchase of insurance plans on customer's preference of insurance plans, the multiple linear regression has been applied and the results are presented in Table-4. The coefficient of multiple determination (R^2) is 0.52 and adjusted R^2 is 0.49 indicating the regression model is moderately fit. It is inferred that about 49.00 per cent of the variation in dependent variable (Preference of Insurance Plans) is explained by the independent variables (Factors Affecting Purchase of Insurance Plans). The F-value of 9.145 is statistically significant at one per cent level indicating that the model is significant.

Table-4. Influence of Factors Affecting Purchase of Insurance Plans on Customer's Preference of Insurance Plans

Factors Affecting Purchase of Insurance Plans	Regression Coefficients	t-value	Sig
Intercept	2.711**	7.504	.000
Benefits (X_1)	.136**	4.565	.000
Coverage (X_2)	.149**	2.671	.008
Status (X_3)	.127*	2.281	.023
R^2	0.52		
Adjusted R^2	0.49		
F	9.145		.000

** Significance at one per cent level

* Significance at five per cent level

The results reveal that coverage and benefits are positively and significantly influencing the customer's preference of insurance plans at one per cent level, while, status is also positively and significantly influencing the customer's preference of insurance plans at five per cent level. Therefore, the null hypothesis of there is no significant influence of factors affecting purchase of insurance plans on customer's preference of insurance plans is rejected.

4. Conclusion

The study reveals that more than half of customers of insurance products and services are males and nearly one third of customers of insurance products and services belong to the age group of 21 – 30 years. Nearly one third of customers of insurance products and services are educated up to post graduation and nearly one third of customers of insurance products and services are doing own business. And nearly one third of customers of insurance products and services belong to the monthly income group of Rs.10001– Rs.20000.

The exploratory factor analysis shows benefits, coverage and status are factors affecting purchase of insurance plans. There is significant difference between socio-economic characteristics of customers of insurance products and services and factors



affecting purchase of insurance plans except gender and factors affecting purchase of insurance plans and occupation and factors affecting purchase of insurance plans.

The regression analysis indicates that coverage and benefits are positively and significantly influencing the customer's preference of insurance plans at one per cent level, while, status is also positively and significantly influencing the customer's preference of insurance plans at five per cent level.

The insurance companies should be flexible and provide convenience to their customers for terms of payment and they should provide very clear and simple price structure to customers for proper understanding. The insurance companies should carry out in depth market research before developing insurance products and services for specific segments of the population, then only it can be more useful and affordable. Besides, insurance companies should incorporate the expectations of customers with their anxiety to influence their preference of insurance plans.

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