



## BUYING BEHAVIOUR OF INVESTORS OF SMALL TOWNS WITH RESPECT TO INSURANCE POLICIES: A STUDY ON BARPETA DISTRICT OF ASSAM

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### **Abstract**

*The present paper makes an attempt to study whether peoples of small towns are taken the facility of Insurance because investment of money helps to improve the financial position of the policy holder as well as economic position of the country. The study is based on quantitative in nature; the primary data as well as secondary data used while carrying out the study. The secondary data collected from books and journals. On the other hand the primary data collected by applying interview and questionnaire method. A sample of 112 persons randomly selected from the different small towns of Barpeta district of Assam. The objectives of the study are (i) to know the awareness of the people about different policies (ii) to see the investment pattern in purchasing policies (iii) to know the factors influence in investment of purchasing of policies. The major factors playing the role in developing consumer's perception towards Insurance Policies are Service Quality, Commitment of the company, Company Image, Company product and Cost of Services. The general insurance companies still have lot of scope and opportunity to tap the resources from the people of small towns and rural areas by providing facilities of medical Insurance, accidental insurance and rural insurance. The companies must do business not only for profit but also for development of the society.*

### **1. Introduction**

Human beings, his family and properties are always exposed to different kinds of risks. Risk involves the losses. Insurance is a tool which reduces the cost of loss or effect of loss caused by variety of risk. It accumulates funds to meet individual losses. It is not device to prevent unwanted event of happening or cause of loss but protects them against that loss by compensating which as lost. The insurance provides following roles.

• Insurance provides security	• Insurance makes security and welfare of employees
• Insurance reduces business risk or losses	• Insurance helps to promote foreign trade providing protection again trade risk.
• Insurance provides peace of mind	• Insurance increases business efficiency eliminating the loss of damage, destruction, or disappearance of property of goods.
• Life insurance encourages saving	• Insurance protects the social wealth providing protection against social evil.
• Insurance accelerates the economic growth of the country	• Development of insurance business helps to solve the evil of unemployment, generating employment opportunity in the country.
• Insurance provides credit facilities	• The insured gets tax benefit in life insurance.
• Insurance helps to reduce inflation	

### **2. Statement of Problem**

It has been seen that insurance protects financial losses of people due to occurrence of accidents and also given an opportunity to invest money. In India, few years back only the government operated the whole insurance business of India but since 1991 due to adoption of the policy of liberalization, globalization and privatization of the economy, the private and foreign companies are allowed to do insurance business under the authority of IRDA



(Insurance Regulatory Development Authority). As a result, insurance companies spread their business in all corner of the country to mobilize the resources because India is a vast country in terms of population and area.

The present paper makes an attempt to study whether peoples of small towns are taken the facility of Insurance because investment of money helps to improve the financial position of the policy holder as well as economic position of the country.

### 3. Profile of Barpeta District

Barpeta is renowned in the Historical map of Assam as the "Land of the Satras". These Satras bear the testimony of the great Assamese reformer, saint, Scholar and Cultural exponent Srimanta Sankardeva and his able disciple Shri Shri Madhabdeva who arrived from Upper Assam back in the 16th century to lay down strong foundation of Assamese Culture in the region through his socio-religious Vaishnava-reform movement. This reform movement left a historic legacy. The Barpeta Satra and various other Satras scattered around the district attract devotees from every nook and corner of Assam.

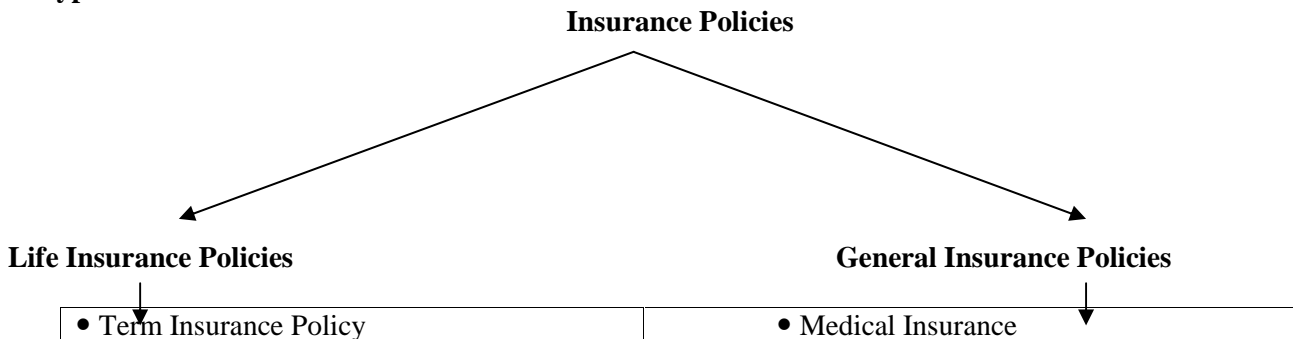
**Table 1: Profile of Town Committees with Population and Literacy**

Municipal Boards and Town Committees:		Population & Literacy: As per 2011 Census	
Name	Distance from Head quarter (in K.M.)	Nature	Number
Barpeta Municipal Board	0	Total population	1,693,622
Barpeta Road Municipal Board	21	Total male population	867,004
Howly Town Committee	12	Total female population	826618
Sarthebari Town Committee	27	Sex-ratio	1000:951
Bahori Census Town	23	Population Density	632
Sorbhog Town Committee	34	Total literate persons	897058
Pathsala Town Committee	38	Literacy (Male)	499038
Sarupeta Revenue town	30	Literacy (Female)	398020
		Literacy Rate (Male)	57.55%
		Literacy Rate (Female)	48.15%

Source: Website of Barpeta District Administration.

Barpeta district ranks fifth in overall ranking among the districts population size in Assam. Percentage to total population of the state is 5.43

### 4. Types of Insurance Policies





• Whole Life Policy	• Accidental Insurance
• Endowment Policy	• Property Insurance
• Money Back Policy	• Vehicle Insurance
• ULIPs	• Rural Insurance
• Annuities and Pension	• Industrial Insurance

### 5. Objectives of the Study

The objectives of the study are outlined below

1. To know the awareness of the people about different policies
2. To see the investment pattern in purchasing policies
3. To know the factors influence in investment of purchasing of policies

### 6. Research Methodology

The present study is based on quantitative in nature; the primary data as well as secondary data used while carrying out the study. The secondary data collected from books and journals. On the other hand the primary data collected by applying interview and questionnaire method. A sample of 112 persons randomly selected from the different small towns of Barpeta district of Assam. The data are analysed with the help of tables and 4 points likert scale technique of Statistics. While designing a scale for measurement of qualitative data; we have given 4 points for highly agreed, 3 points for agreed, 2 points for disagreed and 1 point for highly disagreed of the statement. The statistical tools like Factor analysis has been applied for further analysis of data.

### 7. Analysis and Findings

**Table 2: Demographic Profile of Respondents**

	Respondent	Percentage
<b>Gender</b>		
Male	84	75
Female	28	25
<b>Age</b>		
25-40	69	61
40-50	23	21
50-60	08	7
60 & above	12	11
<b>Qualification</b>		
Below HSLC	23	21
HSLC	32	28
HS	23	21
Graduation	16	14
Post Graduation	18	16
<b>Occupation</b>		
Business	17	15
Service	31	28
Self Employed	64	57
<b>Income Per Month</b>		
Below 10,000	12	11
10,000-30,000	31	28
30,000 – 60,000	33	29
60,000 & Above	36	32

Source: Field Survey.



The respondents are mostly male (75%) and the rest are females (25%). In relation to the monthly income, majority respondents' monthly income is more than of rupees 30,000 and above. Among the respondents, maximum respondents are either below HSLC (21%) or post HSLC passed (28%). Where as in respect of age, out of total respondent 61% respondents' age falls in the age group of 25 to 40 years followed by 21% respondents' falls in the age group of 40-50 years. Again, from the view point of source of income of respondents, most of them (64%) fall under the self-employed group.

**Table Respondents' Awareness in Insurance Scheme**

Life Insurance Policies	No of Respondents	(%)	General Insurance Policies	No of Respondents	(%)
• Term Insurance Policy	43	38	• Medical Insurance	101	90
• Whole Life Policy	99	88	• Accidental Insurance	97	87
• Endowment Policy	105	94	• Property Insurance	112	100
• Money Back Policy	92	82	• Vehicle Insurance	112	100
• ULIPs	72	64	• Rural Insurance	49	44
• Annuities and Pension	32	29	• Industrial Insurance	23	21

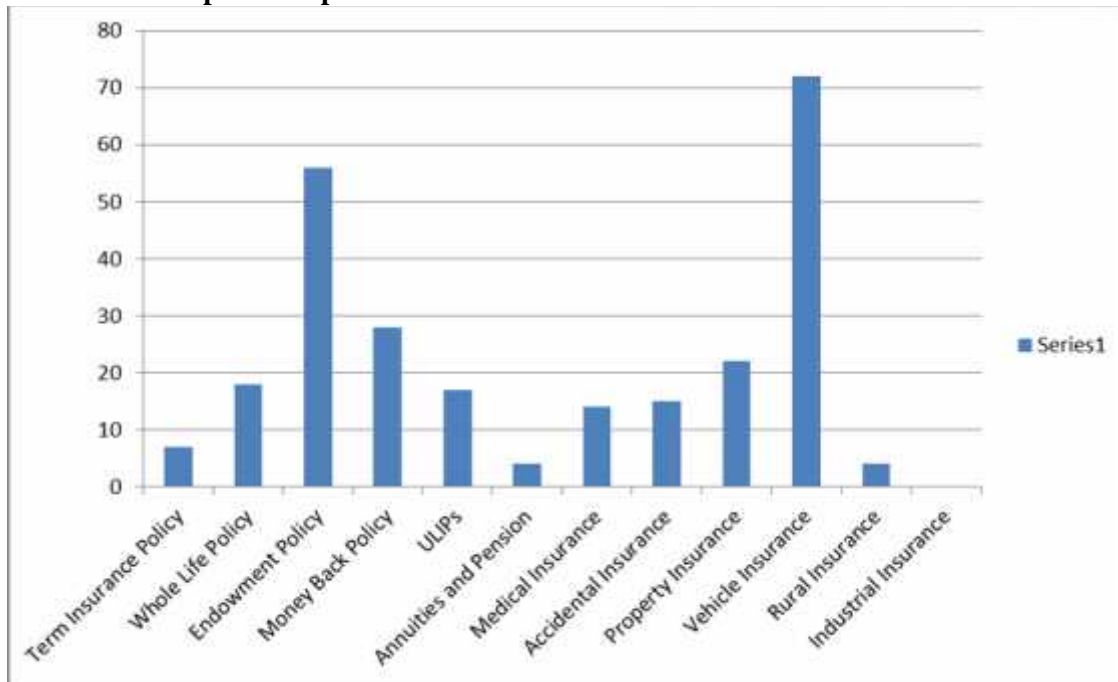
Source: Field Survey

### Interpretation

The table shows that people of this region are very much aware about property insurance (100%) and vehicle insurance (100%) followed by awareness in almost all scheme of life insurance and medical insurance (90%) and accidental insurance (87%). Among the scheme of life insurance only 38% respondents' have idea about term insurance and 29% respondents' knows the scheme of annuities and pension. It means that insurance companies are showing little interest in advertising the scheme of term insurance and annuities and pension.

In respect of general insurance sector, except a few people are not aware about the scheme like rural insurance and industrial insurance though maximum people belongs to rural area and even some of them engaged in agriculture and farming related activities.

**Graph 1: Respondents' Investment in Different Insurance Scheme**





### Interpretation

It is quite evident from the graph no.1; there are various types of insurance policies with customized features and value additions catering to the needs of specific target segments. That a majority (70%) of the respondents paying premium for vehicle insurance, followed by (56%) of the respondents preferred endowment life insurance plans and 28% preferred investment in money back policy of life insurance plans. Again 18% respondents out of total respondents are investing in ULP of life insurance. Out of 112 samples drawn, only 8% of the respondents preferred term plans.

Thus it can depict that among life insurance plans available, the most preferred one among the mass is endowment plan followed by money back plan. Maximum respondents opined that Money back plan helps one to withdraw money at regular intervals and still staying insured. This plan is famous for its high liquidity advantage. The other product gaining popularity is ulip's (unit linked insurance plan), as its serve multiple purpose, it give high returns, tax benefit, life insurance , critical illness cover and is admired for its flexibility for paying premium amount.

### Factors Influencing Investment in Insurance Companies

The study is intended to explore the important factors affecting the investment in insurance companies and for this purpose the statistical measure of Factor analysis was applied. It is a data reduction statistical technique that allows simplifying the co-relational relationships between a numbers of continuous variables.

The appropriateness of Factor Analysis for the set of statement is tested by Kaiser Meyer Olkin (KMO) and Bartlett's test. To test the reliability of scale, item-total correlation was calculated and reliability coefficient was found as 0.78. This rate shows that scale has a high reliability. For the content validity of scale expert opinion consulted. To measure sampling adequacy of research, sample adequacy was found as 0.816 as a result of KMO (Kaiser-Meyer-Olkin measuring of sampling adequacy) test, this shows that research sampling is a good criterion. In literature Kaiser Value closer to the 1 is excellent, below 0.50 is not acceptable (0.90 excellent, 0.80 very good, 0.70 and 0.60 fair, 0.50 bad) (Tavsanci, 2005). In factor analysis, distribution of universe is expected to be normal. This is examined by Bartlett test. Bartlett test of significance value was found as 0.00. All factor variance explanation rates must be over 75%.

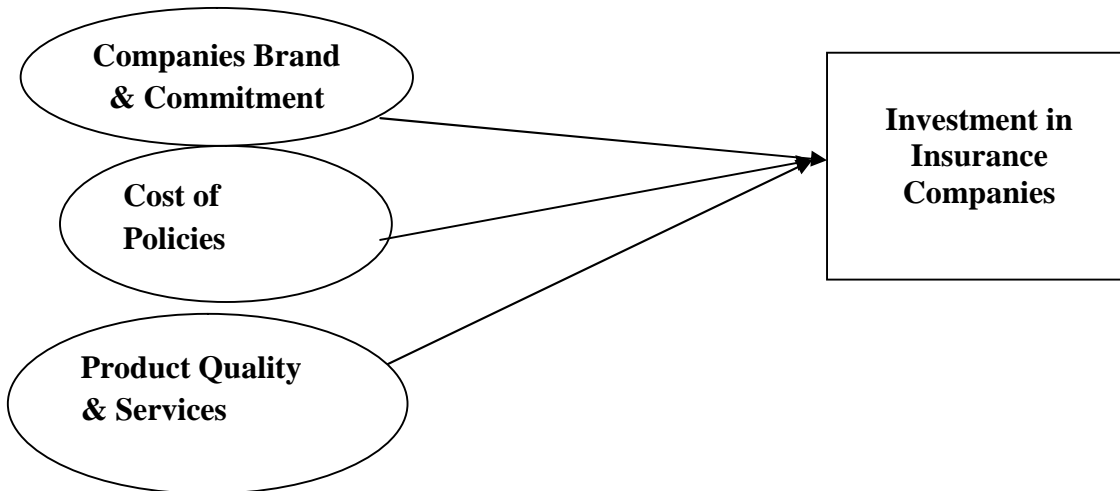
#### Component Matrix Analysis

Factors	Variance	Statement	Loading
<b>Companies Brand &amp; Commitment of Services</b>	49.05	Prefer to invest in reputed insurance companies	1.00
		Selection of companies is the factor of investment	1.00
		Like to invest in those companies who fulfill their commitment	1.00
<b>Cost of Policies</b>	25.57	Lower premium is one of the factors of investment	.997
<b>Product Quality &amp; Services</b>	17.04	Agent services are important	.996
		Agent must make contact with policy holders	.984
		Agent should informed the existing policy holders about the launch of new scheme	.987
		Agent should explained the advantages of new scheme	.986
		People investment influenced by the insurance scheme	.996

Source: Result of Factor Analysis.



The factor analysis reduced the number of independent variables in to important factors. The important factor of investment in insurance companies is shown below with the help of diagram. The variables in the factor have been selected on the basis of the highest loadings for the particular factor.



#### 8. Major Findings of the Study

1. Majority of the respondents are aware more or less about the scheme of life insurance where as they have little bit knowledge about scheme of general insurance particularly rural insurance.
2. Majority of the respondents are investing money in the scheme of life insurance because of getting composite advantages of tax benefit, coverage of life risk and especially avenue of investment.
3. People are taken less facility from the scheme of Medical Insurance, Accidental Insurance and Rural Insurance.
4. The respondents have shown less interest in the scheme of accidental insurance, medical insurance and property insurance because of less awareness about the advantages of such scheme.
5. Investors agrees that factor like companies brand, commitment of services, cost of policies, product quality and services plays an important role while investment in insurance companies.

#### 9 Suggestions

1. The companies can arrange awareness program frequently in different parts particularly in the small towns and rural areas to attract the investors.
2. A number of companies launches different scheme for providing financial protection to the farmers, daily wage earner and poor people but practically the beneficiaries are unable to taking such advantages either because of lack of publicity and advertisement of the scheme or showing less interest by the companies. So, the general insurance companies should try to include those rural people under the purview of insurance coverage which ensure economic development of the country.
3. Although general insurance and life insurance companies brought health insurance policies and accidental insurance but from the view point of respondents the insurance companies fails to fulfill their commitment at the time of claim. So, insurance companies must design suitable medical insurance policies and easy procedure for settlement of claims which should gain the confidence of the people to use medical insurance benefits.
4. In present competitive world, customer satisfaction has become an important aspect to retain the customers, not only to grow but also to survive. Insurance companies should frame out the policies relating to customer satisfaction.



5. Insurance companies should emphasis more on advertising and building brand awareness through different modes of communication. This will help in spreading insurance awareness among the common man.
6. To achieve greater insurance penetration, the healthier competition has to be intensified by both the sectors; private as well public and they should come up with new innovative products to offer greater variety or choice to the customers and also make improvement in the quality of services and sell products through appropriate distribution channel to win-win situation for both the parties.
7. Insurance companies should devise policies which provide effective risk coverage including the fulfillment of their commitment rather than focusing on the tax benefits and also encourages them for long term investment in insurance.
8. Insurance companies should come up with innovative tailor-made products with high risk cover, more return and low insurance premium to assure 100% families insured.

## 10. Conclusion

The consumer's awareness and perception towards Life Insurance Policies is not so negative. It developed a positive mind sets for their investment pattern, in insurance policies. Still some actions are needed for developing life insurance market because rural people are still out of the facilities. The major factors playing the role in developing consumer's perception towards Insurance Policies are Service Quality, Commitment of the company, Company Image, Company product and Cost of Services. The general insurance companies still have lot of scope and opportunity to tap the resources from the people of small towns and rural areas by providing facilities of medical Insurance, accidental insurance and rural insurance. The companies must do business not only for profit but also for development of the society.

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