



A Study on Factors Influencing Customers to Prefer the Policies of Life Insurance of India in Palakkad District

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ABSTRACT

The policyholders once when they become a part of the LIC feel free about the safety of their wards since it takes care of fixed financial benefits based on the premium and the type of the policy the opted for. The families of the non-policyholders meet out uncertainty in many cases. So, there is an attraction towards life insurance and concern and awareness about the industry is also improving. People who care much about them and their families hold life insurance. The tastes and preferences of policyholders not the same. The LIC of India has been introducing variety of policies based on the preferences of the policyholders. It is observed that many policyholders have taken more than one policy based on their job nature and family members interest. It is a clear indication that they are very much interested in utilizing maximum benefits from Insurance companies. Some people give due importance to money value and high returns on their investments. But greater risks are inherent advantages expected from LIC products. The present study emphasis the factors influencing customers to prefer the policies of life insurance of India in Palakkad District.

Keywords-- Policyholders, LIC, Financial benefits, Insurance companies, Palakkad District

could be re-distributed in times of natural calamities and other unexpected happening in the society such as fire, floods and earth quake. The early references to Insurance in these texts have reference to marine trade loans and carriers' contracts.

During the year 2012 the worth of Indian Insurance industry is US\$72 billion. However, only twenty lac people (0.2% of the total population of 1 billion) are covered under Mediclaim, when compared with developed nations like USA about 75% of the total population are insured under some insurance scheme. With increasing number of more private companies in the sector, this situation is expected to change. ECGC, ESIC and AIC are also provide insurance services for niche markets. So, their scope is limited by legislation but enjoy some special powers than other companies. Life Insurance Corporation (India) (LIC) is an Indian government undertaking insurance group and investment company headquartered and operating form Mumbai and widened its branches in the length and breadth of the country and the present study analyses the factors influencing customers to prefer the policies of life insurance of India in Palakkad District.

I. INTRODUCTION

In the records, the first plan at the Government level to form an insurance organization was inception by Sir John Child, the then Governor of Bombay 1681-90. And the first known insurance company to be established in India (1793) by few European merchants was the 'Bombay Insurance Society'. In India, insurance has a long back history and occupied importance in the writings of Manu, Kautilya and Yagnavalkya. The basis of the historical reference to the industry in these ancient Indian texts is the same i.e. pooling of excessive resources that

II. REVIE OF LITERATURE

Sekhar Chandra Sahoo (2004) has stated in his article that "when the global and domestic life insurers battle to a 'right' conception of insurance for their economic interests, they simultaneously define and re-define the concept of risk, security, control, responsibility, death and good life. Approximately 75% of the insurable populations are waiting to invest money. The only question is where to invest and with whom. You already have an established relationship with your customers who trust you with their most valuable asset i.e., their lives and family

members. All you have to do is ask and sell the concept of life insurance. You are merely enlarging the role that you already play in your customers' lives as a trusted advisor." Every player is in a position to establish and implement an attractive investment strategy, risk management strategy and marketing strategy. The LIC too has the compulsion to redesign its strategy to cater and retain its major shareholding in the insurance market.

Ms. Babita Yadav (2011) in her study reveals that LIC is the leading brand in life Insurance sector but its market share is declining after privatization. LIC needs to improve its service quality to meet changing demands and expectations of customers. These are some of the major findings of the study. The study is significant also because it will help LIC to create a positive impact on its customers by working on the qualities it lacks. Customers are the main pillars of any business and customer service is the critical success factor in a company and providing outstanding customer service differentiates great customer service from indifferent customer service.

Ramalakshmi and Ramlingam (2014) study is to analyse the awareness of policyholders about micro insurance products in respect to source of information, period of awareness, influencer for micro-insurance policy, payment mode, grace period and its utilization. The sample size of the study comprised of 370 micro insurance policy holders of Madurai district. The data was collected through personal interviews both from urban and rural areas of the district. The Chi-square test has been applied to ascertain whether there is any significant relationship between the socio-economic variables and the period of awareness about microinsurance products of LIC. The study found that there was a vast majority of the respondents are aware about micro-insurance products of LIC and particularly about Jeevan Madhur product. Agents played a major role in creating awareness and they are the major influencer for taking micro-insurance policy

III. OBJECTIVE

The present study is conducted with the objective of analyzing the factors influencing the customers to prefer the policies of Life Insurance of India(LIC) in Palakkad district.

IV. SAMPLING METHODOLOGY

Sample is a subset of population selected for observation and analysis. It is the representative of the population with its characteristics. Generally there are two approaches to sampling in social science research-Probability sampling and non-probability sampling. In probability sampling, each element (individual) of the population has an equal probability of being included in the sample. But in contrast in non-probability sampling, there is no role or probability for the inclusion of units (individuals) in the sample.

The data for the study has been collected using proportionately stratified random sampling. For this purpose, Palakkad district of Kerala state has been chosen. According to this study, 150 samples were proportionately selected from each sub district which resulted a total of 750 LIC policy holders for conducting the study.

V. TOOLS USED

The study uses reliability analysis and confirmatory factor analysis to group the factors.

VI. RELIABILITY ANALYSIS

The reliability of scales used in this analysis was measured by Cronbach's coefficient alpha. Cronbach's alpha reliability indicates the coefficient which normally is in the value between 0 and 1. However, there is actually no lower limit to the coefficient. The closer Cronbach's alpha coefficient is to 1.0 the greater the internal consistency of the items in the scale. The coefficient alpha values exceeded the minimum standard of .70

VII. FACTOR ANALYSIS

Factor Analysis is a set of technique which by analyzing correlations between variables reduces their numbers into fewer factors which explain much of the original data, more economically. Even though a subjective interpretation can result from a factor analysis output, the procedure often provides an insight into relevant psychographic variables, and results in economic use of data collection efforts. The subjective element of factor analysis could be reduced by splitting the sample randomly into two and extracting factors separately from both parts. If similar factors result, the analysis could be assumed as reliable or stable.

TABLE NO. 7.1
RELIABILITY FOR FACTORS INFLUENCING CUSTOMERS TO PREFER THE POLICIES OF LIFE INSURANCE OF INDIA IN PALAKKAD DISTRICT

S.NO.	ITEMS	SCALE MEAN IF ITEM DELETED	CRONBACH'S ALPHA IF ITEM DELETED

1	Better Customer care	55.52	0.895
2	Better Service provided by advisor	55.63	0.885
3	Prompt disbursement of maturity value	55.84	0.892
4	Prompt claim settlement	55.85	0.874
5	Company image	55.93	0.874
6	Existing customer's positive feedback	55.89	0.867
7	Reputation of the company	55.93	0.863
8	Salient features of the policies	55.77	0.872
9	Persistent persuasion by advisors	55.76	0.868
10	Simple Procedure	55.75	0.862
MEAN			55.7
VARIANCE			39.6
STD. DEVIATION			7.24
CRONBACH'S ALPHA			0.874
NO. OF ITEMS			10

It reveals that all the ten measurement scale items are reliable as the Cronbach alpha coefficient of 0.874. It is greater than the threshold level of 0.70. It's provided good estimates of internal consistency reliability and also coefficient alpha values ranged from 0.862 to 0.893 for all the constructs. It is indicating that the scales used in this study were reliable. It clearly indicates that above scale items are consistent with each other and they are reliable measure of factors so that it can be used for next analysis.

VIII. DIMENSIONALITY OF THE MULTI-SCALE ITEMS (FACTOR ANALYSIS)

TABLE No. 8.1 KMO AND BARTLETT'S TEST FOR FACTORS INFLUENCING CUSTOMERS TO PREFER THE POLICIES OF LIFE INSURANCE OF INDIA IN PALAKKAD DISTRICT

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.836
Bartlett's Test of Sphericity: Approx. Chi-Square	3218.49
Sig	0.000**
S/NS	S

**P<0.001 *P<0.05 S-Significant

From the above table, two tests namely, Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) and Bartlett's Test of Sphericity have been applied to test whether the relationship among the variables has been significant or not. The Kaiser-Meyer-Olkin Measure of sampling adequacy shows the value of test statistics is 836,

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which means the factor analysis for the selected variable is found to be appropriate or good to the data. Bartlett's test of sphericity is used to test whether the data are statistically significant or not with the value of test statistics and the associated significance level. It shows that there exists a high relationship among variables.

TABLE No. 8.2
COMMUNALITIES FOR FACTORS INFLUENCING CUSTOMERS TO PREFER THE POLICIES OF LIFE INSURANCE OF INDIA IN PALAKKAD DISTRICT

S.NO.	ITEMS	Initial	Extraction(h ²)
X ₁	Better Customer care	1.000	0.774
X ₂	Better Service provided by advisor	1.000	0.764
X ₃	Prompt disbursement of maturity value	1.000	0.716
X ₄	Prompt claim settlement	1.000	0.512
X ₅	Company image	1.000	0.584
X ₆	Existing customer's positive feedback	1.000	0.694
X ₇	Reputation of the company	1.000	0.751
X ₈	Salient features of the policies	1.000	0.696
X ₉	Persistent persuasion by advisors	1.000	0.511
X ₁₀	Simple Procedure	1.000	0.743

The above table 8.2 (Communalities) represents the application of the Factor Extraction Process, it was performed by Principal Component Analysis to identify the number of factors to be extracted from the data and by specifying the most commonly used Varimax rotation method. In the principal component analysis, total variance in the data is considered. The proportion of the variance is explained by the fourteen factors in each variable. The

proportion of variance is explained by the common factors called communalities of the variance. Principal Component Analysis works on initial assumption that all the variance is common. Therefore, before extraction the communalities are all 1.000. Then the most common approach for determining the number of factors to retain i.e., examining Eigen values was done.

TABLE No. 8.3
ROTATED COMPONENT MATRIX FOR FACTORS INFLUENCING CUSTOMERS TO PREFER THE POLICIES OF LIFE INSURANCE OF INDIA IN PALAKKAD DISTRICT

Variable code	Component			
	I	II	III	IV
X10	0.637	0.112	-0.057	-0.079
X5	0.611	0.09	-0.078	-0.152
X4	0.531	-0.271	0.252	-0.125
X2	0.046	0.632	-0.001	-0.216
X6	0.338	0.527	-0.155	-0.061
X8	-0.091	0.391	0.174	0.077
X1	0.023	-0.03	0.621	-0.048
X3	0.037	0.195	0.575	-0.387
X7	-0.066	-0.058	-0.009	0.676
X9	-0.009	-0.321	-0.137	0.521

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization-converged in 4 iterations.

Table 8.3 represents the Rotated Component Matrix, which is an important output of principal component analysis. The coefficients are the factor loadings which represents the correlation between the factors and the eleven variables (X₁ to X₁₀). From the above factor matrix it is found that coefficients for factor-I have high absolute correlations with variable X10.X5and X4 which is X10 (Simple Procedure), X5(Company image), X4(Prompt claim settlement). Similarly factor-II has high absolute correlation with variables X2(Better Service provided by advisor), X6(Existing customer's positive feedback) and X8 (Salient features of the policies)

Next, factor III has high absolute correlation with variables X1(Better Customer care) and X3(Prompt disbursement of maturity value). Finally Factor-IV has high absolute correlation with variables X7(Reputation of the company) and X9 (Persistent persuasion by advisors).

IX. CONCLUSION

Customer satisfaction is the key for the success of any business. It refers to the level perception of the buyer resulting from comparing the perceived performance of the product or services in relation to the expectation of the

buyer. Customer satisfaction depends upon the actual performance in relation to buyers expectations. If the products performance falls short of expectations the customer is dissatisfied. If the products performance matches the expectations, the Customer is satisfied. If the performance exceeds the expectation the Customer is highly satisfied or delighted. The study analysed the factors influencing the customers to prefer the policies of Life Insurance of India (LIC) in Palakkad district.

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