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Introduction

1.1 Introduction

Consumer Behaviour is a wave of the totality of consumers’ decisions with respect to the acquisition, consumption and disposition of goods, services, time and ideas by (human) decision making units. Consumer behaviour is a decision process and physical activity of individuals engaged in when evaluating, acquiring, using or disposing of goods and services. The American Marketing Association (AMA) defines consumer behaviour as “the dynamic interaction of cognition, behaviour and environmental events by which human beings conduct the exchange aspect of their lives”.

Perception is defined as “the process by which an individual selects, organizes and interprets stimuli into a meaningful and coherent manner”. Consumer perceptions are vital to marketers and often underlie the success or failure of products. Life insurance is not an exception. Three concepts are intimately related to perception: exposure, attention and sensation. The selective exposure, selective attention, perceptual defense, selective sensitization, and selective interpretation of prospects are matters of concern for the marketers, which is a tendency of individuals to heed information/stimuli that interest them and to avoid information/stimuli that is irrelevant.
Consumer decision making is a conscious and rational process. For a marketer, to have a clear grasp of consumer behaviour is of vital importance. It has become inevitable for the formulation of better marketing strategies and for the efficient marketing activities. Major factor influencing consumer behaviour is attitude. Attitude denotes the learned dispositions, which are not generally inborn and they exert unbelievable influence on the decisions on which one subsequently act upon.

Another major factor is personality which also plays a vital role in the process of consumer behaviour. It is the sum total of the characteristics that differentiate people and represents the stability of the attributes in a person’s behaviour in differing situations. The efforts of a marketer will be a total fiasco if he cannot identify this and draw a distinction between what a person believes himself to be and what he likes others to perceive him to be.

Thus in the ever-widening area of marketing especially that of intangible products like life insurance and in the arena of social marketing, an understanding of Consumer Behaviour becomes very important in planning, strategy formulation and its effective implementation. When life insurance was a monopolized business, the consumer had to select from the product range of
an organization viz., Life Insurance Corporation of India only. Thus it was a question of ‘Limited Problem Solving’ for the customer. Where the industry has now been opened up, the decision making for selection from established as well as generic product level became an intricate issue. This means that, the profoundly changed environment has necessitated a customer to exercise an ‘Extensive Problem Solving’ through the assimilation of multifarious information on the product as well as brand category.

The Insurance Regulatory and Development Authority (IRDA) Act, 1999 was passed by Indian Parliament in December 1999, by which the Life Insurance Corporation Act, 1956 and the General Insurance Business (Nationalization) Act, 1972 were amended to remove the exclusive privilege of nationalized insurance companies to transact life and general insurance business and allow for the entry of private sector players in the insurance sector.

From the company’s point of view, they have to give utmost importance to the consumers’ behaviour and perception while designing insurance products. With the rise in incomes and growing investment attitudes, insurance products are repeatedly bought by consumers not only for insurance coverage but also as a safe investment opportunity.
1.2 Significance of the study

Risk is an inherent part of our lives. Insurance is the backbone of a country’s risk management system. The insurance companies offer a variety of products to businesses and individuals in order to provide protection from risk and to ensure financial security. Life insurance is of pivotal importance in the sector especially in a country with the world’s second largest population. With the opening up of insurance sector to the private players along with the enactment of IRDA Act, 1999 national and foreign companies have started operation in India. There is severe onslaught of competition in the Indian insurance market. To offer better service to the consumers and to ensure profitability, novel marketing strategies have to be developed. Consumer behaviour and Perception is to be analyzed while designing products. Despite the high importance, no specific study has so far been made which attach the concept of Consumer Behaviour and Perception in the marketing of life insurance products. A study in this area will be highly useful to the companies which can design products keeping in mind the consumers’ behaviour, perception and satisfaction towards life insurance products.

1.3 Scope of the study

The present study focuses on the performance of life insurance sector in India in the post liberalized economic scenario. It examines the awareness and
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perception of consumers with respect to various insurance products and the services of insurance companies, behaviour of consumers with respect to various insurance products and the level of satisfaction of customers towards various life insurance products and companies. The study focuses only on the life insurance companies operating in Kerala and its customers.

1.4 Statement of the problem

With the liberalization and entry of private companies in insurance, the Indian insurance sector has started showing signs of significant change. According to IRDA reports, within a span of 12 years, private insurance companies have acquired almost 21 per cent of the life insurance market. However, there is still a huge untapped demand for insurance. Insurance companies have a pivotal role in offering insurance products which meet the requirements of the people and at the same time are affordable. While LIC, with major stake in the sector, is striving to maintain the top slot, private entities are competing with one another to make a remarkable presence. At this juncture it was found essential to seek solutions to the following research problems:

1. How does the life insurance sector in India perform in the post liberalized economic scenario?

2. What was the awareness and perception of the consumers as regards the life insurance products and services of life insurers?
3. How do the consumers behave towards life insurance products of different companies?

4. To what extent are the customers satisfied with the products of various life insurance companies?

1.5 Objectives of the study

This study aims to examine the various aspects of Consumer behaviour and Perception towards life insurance products in the present economic scenario of Kerala context with the following specific objectives:

1. To review the performance of life insurance sector in India in the post liberalized economic scenario.

2. To study the awareness of consumers with respect to life insurance products and services of different life insurers.

3. To examine the perception of consumers with respect to life insurance products and services of different companies.

4. To analyse the behaviour of consumers with respect to life insurance products of different companies.

5. To evaluate the level of satisfaction of customers towards products of various life insurance companies.
1.6 Hypotheses of the Study

Based on the objectives of the study, the following hypotheses are framed:

1. The awareness of consumers as regards the life insurance products do not differ significantly according to their socio-economic background.

2. The perception of consumers as regards life insurance products do not differ significantly according to the nature of ownership of their life insurer.

3. The behaviour of the consumers of life insurance products do not differ significantly according to the nature of ownership of their life insurer.

4. The level of satisfaction of consumers does not differ significantly according to the nature of ownership of their life insurer.

1.7 Methodology of the Study

The present study is empirical in nature and uses both secondary and primary data. The secondary data has been collected from official publications, magazines and journals, books and official websites. All life insurance companies (both public and private) operating in Kerala and its customers comprise population of the study. In order to analyze consumer behaviour and perception towards life insurance products in Kerala, 600 samples were selected. Multi-stage random sampling method was adopted to select the sample. Even though the study is mainly focused on LIC customers, responses
from private life insurance company customers were also included. The LIC, the public sector life insurance company has five divisions in Kerala namely Thiruvananthapuram, Kottayam, Ernakulam, Trissur and Kozhikode. Out of five divisions, the researcher randomly selected two divisions which fall under the districts of Ernakulam, Kottayam, Idukki, Pathanamthitta and Alappuzha. From each division, based on the list collected from LIC agents, the researcher randomly selected 250 samples from each division. Among the five prominent private life insurance companies in Kerala, the researcher randomly selected two private life insurance companies namely ICICI Prudential Life Insurance Co. Ltd. and SBI Life Insurance Co. Ltd. Based on the list collected from the insurance advisors of the companies, the researcher selected 50 subscribers each. The total sample size is 600, 500 from LIC and 100 from private companies. The collected data was processed and interpreted with suitable statistical tools. The tools for analysis were ANOVA, F-test, Chi-square test, Kruskal Wallis test, Mann-Whitney test, and Friedman’s test. The statistical analysis was carried out with the help of computer software SPSS.

1.7.1 Variables studied

The major variables studied under the present study to understand and elicit the consumer perception and behaviour towards life insurance products includes the following:
1.7.1.1 Consumer Behaviour towards Life Insurance

In order to study the consumer behaviour towards life insurance in Kerala, the following variables were selected and analyzed:

- Life Insurance Products as an Investment
- Number of Life Insurance Policies Subscribed
- Uninsured Members in the Family
- Preference about Insurance Companies
- Factors Influencing the Selection of Insurance Companies
- Sources/Factors Prompting to buy Life Insurance Products
- Advertisement and Purchasing Behaviour
- Modes of Advertisement and their Impact
- Nature of Life Insurance Products Purchased

1.7.1.2 Consumer Perception towards Life Insurance

In order to study the consumer perception towards life insurance in Kerala, the following variables were selected and analyzed:

- Plans and Number of Insurance Products Purchased
- Perception about various Life Insurance Policies
- Index for Perception towards Life Insurance Policies
- Factors Influencing the Perception for Selecting Insurance Companies
Factors Influencing the Purchase of Life Insurance Products as a Means of Investment

Perception of Consumers on Various Features of Life Insurance Products while Purchasing a Policy

1.8 Operational Definition of Concepts

- **Consumer:** In the present study consumer is defined as per IRDA terminology where policyholders are attributed as consumers of insurance products.

- **Consumer Awareness:** Consumer awareness is created when an individual comes to know about a new innovation or new idea or new product/service.

- **Consumer Perception:** Consumer perception is defined as the process by which an individual selects, organises and interprets stimuli into a meaningful and coherent manner.

- **Consumer Behaviour:** Consumer behaviour explains the reasons and logic that underlie purchasing decisions and consumption patterns; it explains the processes through which buyers make decisions.

- **Consumer Satisfaction:** Consumer satisfaction or dissatisfaction is the result of interaction between the consumer’s pre-purchase expectations and post purchase evaluation.
Rural, Semi Urban and Urban Area of Residence: The respondents living in the Grama Panchayat areas were included in rural, the respondents living in Grama Panchayat areas, but within one kilometer radius of municipal/corporation areas were included in semi-urban and the respondents living in municipal and corporation areas were included in urban categories.

1.9 Limitations of the Study

Despite the fact the very reliable results that may also be generalized have been arrived at, the researcher would like to point out some unavoidable limitations that have entered the study.

The attempted objectivity has naturally been constrained by the extent of the respondent’s readiness to give correct information, though all possible efforts have been made to elicit authentic information.

Awareness, perception, behaviour and satisfaction of present consumers/policyholders are only assessed in this study. The relevant attributes of prospective consumers are not covered under the study.

In spite of these limitations, an earnest attempt has been made to arrive at fairly objective and representative conclusions by analyzing the data discreetly and tactfully.
1.10 Structure of the Research Report

The report of the research is presented in seven chapters to comprehend the assumptions and assertions of the study.

- **Chapter 1 – Introduction**
  This chapter presents the introduction, statement of the problem, significance of the study, scope of the study, objectives of the study, hypotheses of the study, methodology and limitations.

- **Chapter 2 – Review of Literature**
  This chapter reviews relevant literature on the topic with international, national and regional dimensions.

- **Chapter 3 – Indian Life Insurance Sector: An Overview**
  This chapter portrays an overview of the Indian life insurance sector through the concept, history, policy framework, and participants.

- **Chapter 4 – Consumer Awareness, Perception, Behaviour and Satisfaction towards Life Insurance Products: A Theoretical Framework**
  This chapter explicates a theoretical framework of the concept of consumer awareness, perception, behaviour and satisfaction with special reference to life insurance products.
Chapter 5 – Consumer Awareness and Perception towards Life Insurance Products: An Empirical Evaluation

This chapter empirically examines the consumer awareness and perception using both descriptive and inferential statistics.

Chapter 6 - Consumer Behaviour towards Life Insurance Products: An Empirical Evaluation

This chapter empirically examines the consumer behaviour using both descriptive and inferential statistics.

Chapter 7 - Consumer Satisfaction towards Life Insurance Products: An Empirical Evaluation

This chapter empirically examines the consumer satisfaction using both descriptive and inferential statistics.

Chapter 8 – Findings, Conclusions, Suggestions and Recommendations of the Study

This chapter summarises the findings, conclusions, suggestions and recommendations of the study.
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References

1. Annual Reports, IRDA accessed from


2. AMA, accessed from