ABSTRACT OF THE THESIS

Life Insurance is a social security tool. It provides the much needed security and when the income of the head of the family ceases owing to the unexpected risk, the family is protected to the extent of insurance coverage. More than 70% of Indians live in villages but the rural life insurance penetration is as low as 25% as at March, 2009. The Government of India has nationalized life insurance industry in 1956 by the amalgamation of two hundred and odd private companies and established LIC of India with a mission to spread the message of life insurance to rural areas. In a span of four decades, the LIC of India made rapid strides both in premium income and number of lives but its spread to rural India was limited to 20% of the insurable public as at 2000. The Government of India established Malhotra Committee to study and recommend structural reforms in insurance industry. As per its recommendations, the government has opened up the industry to private players and established a regulating agency called ‘IRDA’ in 2000 with an object to regulate and develop insurance to all the deserving lives. As at March, 08, we have nearly 21 life insurance players operating in the Indian market.

The reforms in life insurance sector and its opening to private players saw huge rise in premium income. The insurance office branches grew from 2100 in March, 2000 to 8913 as at March,08. The agency force grew from 10 lakh to 25.2 lakh strong force in the
same period. The growth is more of urban centric and rural penetration hardly increased by 5%. The rural obligations as put forth by IRDA that at least 16% of rural lives are to be under written in the first five years of operations were viewed more as obligations only and never reached the stage of commitments. It is, therefore, felt necessary to study whether the insurance companies are really interested in rural business, whether the rural people have sufficient insurance awareness levels, whether the marketing techniques of different companies with regard to developing need based rural centric products, pricing and promotion have deficiencies and if the marketing techniques have draw backs, what techniques can be suggested for more rural insurance coverage. All these points are covered in Chapter 1.

In the second chapter, with these objectives in mind the literature survey related to rural life insurance marketing is made by referring to books dealing with rural markets, insurance books, journals, insurance magazines, insurance company manuals and the insurance websites. This review of literature helped in understanding the characteristics of the rural market, the needs and expectations of the rural customers, the current marketing techniques of different life insurers in rural areas and the gap between rural potential and penetration.
The third chapter deals with research design and methodology. The review of literature done in the second chapter threw broad hints that the rural India is broadly neglected by the life insurers with the result that inclusive growth could not be possible. The objectives of the study are to study the expectations of the rural customers, to study the levels of insurance awareness, to unearth the reasons for low insurance coverage in rural areas, to study the effects of advertisement and other promotional activities, to study the factors that influence purchase decisions, to study the dimensions of customer satisfaction, to identify the deficiencies in the current marketing techniques and offer suggestions with the objective of mass rural coverage. To understand the perceptions of the customers and the agents for the poor life insurance coverage in rural areas, two rural districts of Karnataka, viz., Bangalore rural and Kolar are selected. Proximity to metro centre (since it ensures exposure to all private players) and economically poor status (low GDP, reliance on primary sector etc which ensure more rural orientation) are the criterion for selecting these districts. The districts are divided in to clusters consisting of a few villages of geographical contiguity with a population of 20,000 approximately. With the data available from the agents, the insured people are identified from the individual clusters. Once this is done, one customer out of 500 insured customers is identified for collecting the questionnaire by means of lottery. Similarly the agents operating from each district are identified from the local insurance offices. One out of 3 agents is randomly selected.
by simple random technique. Thus 2 questionnaires— one for beneficiaries and another for agents are prepared. After a pilot study, the questions are suitably redrafted and revised before administering to 250 customers each of Bangalore and Kolar rural districts. After collecting the responses for the questionnaires, the reliability of the instrument is tested using Cronbach’s Alpha test. From agents 200 questionnaires are collected, 100 each from Bangalore rural and Kolar rural districts. The research design selected is ‘formulative’ or ‘exploratory’ and aimed at understanding the rural life insurance market, the current marketing techniques, the deficiencies and drawbacks in reaching rural customers and suggest suitable alternate techniques for wider rural insurance coverage. The objectives of the study are made use of to formulate hypothesis and primary data is utilized to check the hypotheses.

In the fourth chapter an attempt is made to study and analyze the secondary data culled from the insurance magazines, IRDA journals and insurance manuals for studying the rural Indian life insurance market, the rural centric marketing techniques and their limitations focusing mainly five major players in the life insurance industry. The performance of agency channel, bank assurance channel, micro insurance channel and alternate channels are discussed. The marketing techniques dealing with insurance awareness programs, customer relationship, societal marketing, sales promotional campaigns, the advertisement mechanisms, and
relaxations in claim settlement procedures and such other marketing initiatives are presented to find their role and limitations.

The fifth chapter deals with analysis of primary data collected from 500 beneficiaries and 200 agents. Various Statistical charts like Histograms, pie diagrams and bar diagrams are drawn for analyzing the data, to assess the expectations and insurance awareness levels of customers, knowledge levels and motivational factors for agents and the rural centric marketing techniques of different companies and their deficiencies. The hypotheses are formulated and the null hypotheses are tested by using appropriate statistical tools like Chi Square tests. The factor analysis is done to understand the dominant factors that influence rural life insurance market in terms of customer satisfaction, insurance awareness levels gender sensitivity, knowledge levels of agents, trust worthiness of companies, advertisement, governmental social insurance schemes and such other things.

In the sixth chapter the results of primary data and secondary data as discussed in Chapter 5 and Chapter 4 are analyzed for achieving the objectives of study. The Chapter is thus aimed at discussing the results viz, insurance awareness levels and the initiatives of the insurers; knowledge of the regulatory mechanism by the rural people and the role of insurers; the security perceptions of the rural customers and the initiative roles of the insurers; the role of caste, sex and religion in the purchase decision of the rural public;
the role of opinion leaders and the initiative of the insurers to rope in the opinion leaders; the relationship between customer satisfaction and repeat sales; the relationship between income levels and the mode of payment of premiums; marketing techniques in designing need based products as per the expectations and requirements of rural customers; evaluation of pension market; demand for insurance on liabilities and the response of the companies; the innovative collection mechanisms; the performance of bank assurance, agency channel and alternate channels; the possibility of e-insurance, internet sale and other IT initiatives; the raising expectations of the customers and the training techniques of insurance companies; and the long and short term strategies for wider rural coverage. Basing on the analysis, suggestions are made to insurance companies and to the IRDA for maximum rural coverage. They include a) setting up of a consortium of life insurance companies with the involvement of IRDA for imparting insurance education and highlight the role of regulatory body to obviate the security perceptions of the rural customers, b) to introduce Branch Service Index meters in all operational matters by all companies to ensure and enhance customer satisfaction; c) designing need based products like family coverage policies, hybrid products incorporating both life insurance and general insurance, premium holiday products taking in to consideration the seasonal incomes of rural people, d) creation of rural career agents scheme separate from urban agents, e) popularizing liability insurance and pension
schemes, f) innovative premium collection mechanisms like pygmy collections, pass book entry system of collecting part premiums, g) rewarding the existing customers through ‘Generations Relationship Rewards Scheme, h) floating new business competitions to bank managers for the success of bank assurance i) compulsory coverage of liabilities by liaisoning with the cooperative societies and ensuring formal board approvals by cooperative members, j) creation of rural vertical departments by the insurance companies, k) establishing rural life insurance training academy to cater to the needs of rural agents, l) implementing various IT initiatives like E-choupals, data warehousing and video conferences and m) adopting multi level marketing techniques.