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## Significance of General Insurance Awareness on buying behavior of Small Business Customers - An Empirical Study

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### **ABSTRACT**

*Insurance is playing a major role in every individual and business life. Insurance is the one which gives the security for the existing status and protects from the uncertainty of expected outcome. The entire world becomes a small village due to the Globalization and Liberalization which made tremendous changes in the General insurance in India. There are many companies are entering into the Indian insurance industry and there by increased the competition. In this connection it is the big task to the General insurers to give innovative and customized new Insurance products to the customers. But more than that it is very essential and complex task to the Insurers is to Create Awareness to the customers regarding their insurance products. Product awareness in the customers which determines the success of the firm and fulfills their purpose of existence. The present paper attempts to identify customers awareness on the general insurance products, sources for insurance awareness, Impact of Customers Awareness on buying behavior of general insurance product among the Small Scale entrepreneurs (business customers) were analyzed with a sample respondents of 304 from Chittoor District, Andhra Pradesh, India.*

**Key words:** *Buying behavior, Small Entrepreneurs, General insurance ,Globalization, Information source, Insurance awareness,*

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## 1. Introduction

Success of any company depends on how well the customers know about its' products. Creating awareness on the products is very important than providing good products in the market. Globalization and Liberalization which gave greater advantage to the firms to increase the scope of their business with no boundaries. There are number of different general insurance products are present in the market by number of general insurers in India. The general insurance products are more complex in nature to understand the customers, hence it is continuously gaining importance to the insurers to generate insurance products awareness in the customers.

Development of country is possible through industrial development. The Small Scale Industries gathered momentum role along with industrialization and economic growth in India. The SSI today constitutes a very important segment of the Indian economy. Small firms are often said to grow faster than larger firms if they are managed the risk. But due to the lack of financial strength and lack of risk management the small scale sector is facing the problem of becoming sick units in India. This paper presents small scale entrepreneurs awareness on general insurance and its impact on purchase decision.

Indian insurance industry is now working hard to improve awareness of the benefits of its products. Both the industry and the IRDA are looking to improve insurance literacy, in general, through sustained efforts in public education and industry training.

## 2. Review of literature

The comprehensive review of literature has become an essential part of any investigation as it provides a basis for any study.

Oppenheim, Sara (1997) identified that mailing insurance offers of the insurance company to the small business by insurers, agencies and carriers which improves the growth of insurance product purchase. Vernon W. Hill (1997), "*Selling insurance to small business: What are the odds of success?*" article discusses the odds of success for banks' selling insurance to small businesses in the United States. Insurance products is the largest group of financial service provider for the small businesses and these business customers can gain from the purchase of insurance from banks; Implications of commerce's entry into insurance, selling a low-margin product in a costly one-to-one fashion with high-priced agents make no sense. The survey shows that small business look first to accountants as financial planners and second to the bankers as financial partners and then the relationship

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managers. Banks are better positioned (for financial planning) than an independent insurance agent, who is just seen as providing a product. P.R Sodani (2001), investigated the community's preferences on various aspects of health insurance. The data was collected from a sample of 300 households in Jaipur, Rajasthan. The study revealed a low level of awareness (15%) about health insurance. Quality of care and cost were the two important factors identified by the community as the factors affecting their purchase decision. Farquhar, Jillian, D. (2003) emphasized that many respondents were apprehensive regarding the intentions of insurance companies, and this mistrust can cause problems even if potential customers are aware of good offers. Hence, building meaningful, trust-based and open relationships with potential customers could be a way of making offers more attractive as well as ensuring integrity. Lokhande M.A. (2006) revealed that the degree of consumer awareness determines the degree of satisfaction levels. He stated that consumer awareness is not up to the mark in India and creating awareness is a big task in our vast country. The sample consists of 90 consumers living in Jalna city. The study reveals that due to some impediments such as, illiteracy, indifferent attitude, ignorance of law, lengthy legal procedures etc, the degree of consumer awareness is very low in India. Occupation, Income, Timely, Availability of finance factors are deeply influencing the consumption habits, purchasing power of consumers and consumption level. It was noticed 55% of the total respondents stated that their major source of finance is *Bank*. Fatima Alinvi & Maira Babri (2007) examined the Customers Preferences of Insurance Services; Inferred that price is a decisive factor for young customers of insurance services. Customers form their preferences based on their income and life situation. They concluded that there exists lack of awareness among young people about the services provided by insurance companies. It is evident from the study that this group of people desire more detailed information in order to construct their preferences. While the internet is preferred as a primary source for information, insurances are perceived as complex customers want to make personal contact as well. N. Panchanatham (2007) suggested that the lack of knowledge of the product remains a hindrance while selecting a brand for a particular product. The study found that advertisements are playing key role on creating awareness of insurance products. Simply stimulating purchase of the product and being not bothered about the customer's next purchase cannot long last. Mishra K.C. (2007) In his article titled, "Insurance Education", stated that 'Insurance is a subject matter of solicitation and the environment requires a high level of bilateral academics, continuous professional education of provider constituents and awareness empowerment education of consumers. Raman N., Gayathri C. (2007) studied customers' awareness about the new insurance company. The study found that out of a total sample of 250

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respondents, 52% of the respondents opined that the main reason to purchase insurance products is to cover the risk and major sources of awareness are Friends, Advertisements and the Agents. The two important reasons to purchase insurance products from this company are Premium and the Attractive offers. 88 % of the respondents are willing to purchase in future also. The major factors influencing the purchase decision of the customers are Familiarity, coverage of risk. Trevor bull, (2007) in an article “*Insurance Training and Development-MOVING INDIA FORWARD*” stated that in a population of 1.3 billion people, the number of lives insured is only about 15% in India. The market penetration of insurance is low at less than 3% of GDP and vast sections of the population are either uninsured or inadequately insured. Experts generally regard low market penetration as a result of a low level of awareness among consumers.

### 3. Objectives of the Study

1. To identify the awareness of general insurance among Small scale entrepreneurs
2. To identify the major source of information in creating awareness
3. To identify the Impact of Awareness on buying behaviour of business customers

Besides this, in the present study following hypothesis has been formulated and tested:

#### 3.1. Hypothesis framed for the Study

1. Null Hypothesis ( $H_{01}$ ): Awareness of general insurance products and form of organization is independent.
2. Null hypothesis ( $H_{03}$ ): Awareness of general insurance products and purchase of general insurance products are independent.

### 4. Research Methodology

**Research Design:** Descriptive in nature. The study is mainly based on primary data using structured questionnaire.

**Sampling Size :** 304 (Both policy holders and non policy holders)

**Sampling Units:** Small scale Entrepreneurs

**Sampling Technique:** Stratified Random Sampling

**Sampling Procedure:** All 3 Revenue Divisions of Chittoor District namely CHITTOOR, MADANAPALLI and TIRUPATI were chosen for the study. A sample of 315 respondents are chosen from the three towns using stratified random sampling. Out of 315, there are 304 questionnaires are usable

**Tools and techniques of data analysis:** The Statistical Analysis carried out in the study is being done using MS-Excel and SPSS Version 14.0. Simple percentages, cross tabulations, Chi-square test were used in the data analysis.

## 5. Statement of Problem

The growing need for financial education for the individual, industrial customers to take better financial decision and to increase their economic security has been widely recognized. It is felt that well informed and well educated customers can create economic ripples. Financial literate is an important one to the individual and industrial customers to better manage the risk and thereby it indirectly protects the communities and societies. Particularly, the industrial customers contribute more to the total premium of general insurance business than the individual customers. And the small scale sector contributes more to the economic development of the country. In today's context, though the customer has a variety of products to choose from, wise choices are possible only with requisite awareness. As the small scale sector is facing the problem of lack of risk management, the general insurance companies need to study insurance Awareness of the small business customers a lot more. An attempt has made to study the General insurance Awareness on small scale entrepreneurs and its impact on buying behaviour.

## 6. Empirical results, its Analysis and Interpretation

Table 1: Form of organization

Organisation type	No. of respondents	Percentage
Proprietorship	220	72.37
Partnership	65	21.38
Co- operatives	3	0.99
Private limited company	9	2.96
Public Limited company	7	2.30
Total:	304	100.00

Source: Field Survey

The above table depicts that majority (72.37%) of the respondents' business are proprietary form of organizations.

Table. 2 : Major source of finance to the sample respondents' SSI units

Source of Finance	No. respondents	Percentage
Self	55	18.1
Bank Loan	181	59.5
SFI*	68	22.4
Total:	304	100

Source: Field Survey \*State financial institutions

The above table reveals that out of 304 sample 59.54 % of the respondents opined that their major source of finance is Bank Loans, and the remaining 22.37% respondents opined that the major source of finance is (SFI) State Financial Institutions. It shows that most of the small scale industries are financed through Bank Loans.

Table. 3: Awareness of general insurance products

Awareness	Number of respondents	Percentage
Aware	186	61.18
Not Aware	118	38.82
Total:	304	100.00

Source: Field Survey

Out of 304 respondents 186 members are aware of the general insurance products and 118 members are not aware of the general insurance products. The respondents who are aware of the general insurance products constitute 61.18 % and the respondents who are not aware of the general insurance products constitute 38.82 %. It is identified that there is need of increasing consumer awareness of general insurance.

Table. 4: Awareness on public limited general insurance companies' products.

Public insurers	No. of respondents	Percentage
Oriental Insurance	35	18.82
New India Insurance	74	39.78
United India Insurance	40	21.50
National Insurance	37	19.90
Total:	186	100.00

Source: Field Survey

The above table reveals that out of 186 respondents who are aware of Public limited general insurance companies of which 39.78% of the respondents are aware of New India Insurance.

Table.5 : Awareness on private limited general insurance companies' Products

Name of the Private insurer	No. of respondents	Percentage
Bajaj Alianze	34	18.28
HDFC	13	6.99
ICICI	31	16.67
Reliance	48	25.81
TATA-AIG	28	15.05
IFFCO-TOKIO	32	17.20
Total:	186	100.00

Source: Field Survey

The Table.5 reveals that out of 186 respondents who are aware of the Private insurance products 18.28% of the respondents are more aware of the policies of Bajaj Alianze, 6.99% of the respondents are more aware of the policies of HDFC insurance, 16.67% of the respondents are aware of the policies of ICICI, 25.81% of the respondents are aware of insurance policies of Reliance, 15.05% of the respondents are aware of TATA, and the remaining 17.20 % of the respondents are aware of the products of IFFCO-TOKIO.

Table. 6: Purchase of general insurance products

Response	No. of respondents	Percentage
Insured	166	89.25
Not Insured	20	10.75
Total:	186	100.00

Source: Field Survey

From Table 6, it is observed that out of 186 sample respondents that who are aware of general insurance products 89.25 %(166) of the respondents stated that they have purchased general insurance for their small scale.

Table. 7: Awareness on the general insurance product purchased

Awareness levels	No. of respondents	Percentage
Fully aware	64	39
Somewhat aware	102	61
Not aware	0	0
Total:	166	100.00

Source: Field Survey

It is observed that 61% of the respondents that who purchased general insurance products are somewhat aware of the insurance product and only 39% of the respondents are fully aware of

the insurance product that they have purchased .It is evident that no one insured without awareness.

Table. 8: Sources of Information to create awareness on general insurance

S.No	Source of information	Yes		No		Total	
		Frequency	%	Frequency	%	Frequency	%
1	TV	55	29.57	131	70.43	186	100.00
2	Radio	3	1.61	183	98.39	186	100.00
3	Internet	11	5.91	175	94.09	186	100.00
4	News papers	39	20.97	147	79.03	186	100.00
5	Magazines	7	3.76	179	96.24	186	100.00
6	Brochures	10	5.38	176	94.62	186	100.00
7	Agents	145	77.96	41	22.04	186	100.00
8	Financial institutions	78	41.94	108	58.06	186	100.00
9	Employees of Insurance companies	42	22.58	144	77.42	186	100.00
10	Others	4	2.15	182	97.85	186	100.00

Multiple responses ; Source: Field Survey

It is observed from the Table 6 that out of 304 sample respondents 186 members are aware of general insurance products through various sources such as T.V, Radio, Internet, News papers, Magazines, Brochures, agents, Financial institutions, employees of insurance companies and others (friends, relatives etc).Out of 186 respondents who have awareness on general insurance opined that the major sources of information for them are first one is Agency and the next media is Financial institutions.

#### **Awareness of general insurance products and form of organization:**

The association between awareness of general insurance products and form of organization is presented in the Table 9.

Table.9: Awareness of general insurance products and Form of organization

Form of organization	Awareness				Total		Chi Square (P-Value)
	Aware		Not Aware		Frequency	%	
	Frequency	%	Frequency	%			
Proprietorship	144	47.4	76	25.0	220	72.4	10.888 (0.028)
Partnership	31	10.2	34	11.2	65	21.4	
Co operatives	2	0.7	1	0.3	3	1.0	
Private limited	7	2.3	2	0.7	9	3.0	
Public limited	2	0.7	5	1.6	7	2.3	
Total	186	61.2	118	38.8	304	100	

Source: Field Survey

Null Hypothesis (H01): Awareness of general insurance products and Form of organization are independent.

Out of 304 sample respondents 220 (72.4 %) are proprietorship concerns. Among them 144 (47.4 %) respondents opined that they are aware of general insurance products. Out of the 65 (21.4 percent) partnership concerns, 34 (11.2 %) respondents are not aware, 31 (10.2 %) respondents are aware of general insurance products. Awareness of general insurance products is high (47.4 %) in proprietorship form of organizations. The chi-square test has led to the rejection of the null hypothesis that the awareness of general insurance products is not independent of the form of organization. Hence, there is significant relationship between awareness and ownership form of the organization.

### Awareness of General Insurance Products and Major sources of finance

The association between the major sources of finance to the sample units and awareness of general insurance products is presented in the Table10.

Table.10: Awareness of general insurance products and Major sources of finance

Sources of Finance	Awareness		Total	Chi Square	(P-Value)
	Aware	Not Aware			
Self	35 (11.5%)	20 (6.6%)	55 (18.1%)	19.947	(0.000)
Bank Loans	125 (41.1%)	56 (18.4%)	181 (59.5%)		
Financial Institutions	26 (8.6%)	42 (13.8%)	68 (22.4%)		
Total	186 (61.2%)	118 (38.8%)	304 (100%)		

Source: Field Survey

Null Hypotheses( $H_0_2$ ): Awareness of general insurance and major sources of finance are Independent.

Out of 304 sample respondents 186 (61.2%) of the respondents said that they are aware of general insurance products. Among them 18.1 (55%) of the respondents of the SSI units are getting finance from their own money, 59.5 % of the units are getting finance through the bank loans, and 22.4 % of the units are getting finance through financial institutions like Andhra Pradesh State Financial institutions. It can be inferred that e sample SSI units' the major source of finance is from Bank loans and at the same time the majority of the units who have awareness of general insurance are also the units whose major source is banks. It indicates that banks are playing a key role in creating awareness. The calculated value of chi-square test identified and the null hypothesis is rejected. There is significant relationship between Insurance products awareness and sources of finance. Hence, it is concluded that the awareness of general insurance products is significantly related to the sample SSI units' major sources of finance.

#### Awareness of General Insurance products and Purchase of General Insurance

The association between the awareness and purchase of insurance is presented in Table. 11

Table.11: Awareness of general insurance products and Purchase of General Insurance

Insurance purchased	Awareness				Total		Chi Square (P-Value)
	Aware		Not Aware		F	%	
	F	%	F	%			
Yes	166	54.6	0	0	166	54.6	231.991 (0.000)
No	20	6.6	118	38.8	138	45.4	
Total	186	61.2	118	38.8	304	100	

Source: Field Survey

Null hypothesis ( $H_0_3$ ): The purchase of general insurance products and awareness of general insurance products are independent.

Out of 304 respondents 166 (54.6 %) members purchased general insurance products & there is no single respondent who have purchased without having awareness of insurance. It is The remaining 138 (45.4 %) members have not purchased general insurance products and among them, 20 members are aware of general insurance products and 118 members are not aware of general insurance products. Chi-square test revealed that the null hypothesis is rejected. So there is significant relationship between the purchase of general insurance products and awareness of general insurance products.

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## 7. Hypothesis Testing & Results

1. Null Hypothesis ( $H_{01}$ ): Awareness of general insurance products and form of organization are independent. Result: The null hypothesis is rejected and alternative hypothesis is accepted. It is concluded that there is significant relationship between awareness and ownership form of the organization.
2. Null Hypotheses ( $H_{02}$ ): Awareness of general insurance and major sources of finance is independent. Result: The null hypothesis is rejected and alternative hypothesis is accepted. It is proved that there is significant relationship between Insurance products awareness and sources of finance
3. Null hypothesis ( $H_{03}$ ): Awareness of general insurance products and purchase of general insurance products are independent. Result: the null hypothesis is rejected and alternative hypothesis is accepted. It is evident that there is significant relationship between awareness of general insurance products and the purchase of general insurance products.

## 8. Findings and Conclusions

Although the General insurance is not a new concept but It is observed that there are only 61% of entrepreneurs were aware of general insurance products but 1/3 rd of the sample respondents are not aware of the general insurance products. Among the various sources of information to the consumers on general insurance Agents, are found to be the major source and then it is financial institutions. The sample units that are getting finance through banks were better awareness of insurance than the other units. The majority of the sample SSI units of the respondents are proprietorship form of organizations in this study. It is found that most of the respondents were known better about New India insurance from public Ltd and Reliance insurance from private insurance companies. The results revealed that out of a total of 304 sample respondents, 186 respondents are aware of the general insurance products of which 166 respondents purchased general insurance. It is found that out of 166 respondents 39 percent of them are fully aware of that insurance product, 69 percent of them are somewhat aware of the insurance product on their purchases of general insurance products. It indicates that majority of the respondents are not fully aware of the insured product. There is no single respondent who purchased general insurance without having awareness of insurance. All the 166 insured entrepreneurs have at least some level of awareness on insurance. Among the uninsured entrepreneurs of 186 only 20 respondents were aware of the insurance. Besides this the study

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proved that there is significant association exists between consumer awareness of general insurance with i) the form of organisation, ii) sources of finance to the entrepreneur and with the iii) insurance purchase decision. Hence I could say that here is an urgent need increasing more awareness and provide satisfaction to customer. Though the IRDA is taking strong initiatives and implementing strategies to create awareness on consumers at pre and post purchase levels, it is the need of the hour to the all insurers also to make a part of it in educating the individual and business customers about their general insurance products through Banks and Agents.

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