"IMPACT OF DEMOGRAPHIC FACTORS ON THE SATISFACTION OF INVESTORS TOWARDS INSURANCE POLICIES: AN EMPIRICAL STUDY"

Manoj Sharma*

T. Sai. Vijay**

Dr. L. P. Pateria***

Sheetal Sharma****

ABSTRACT

The purpose of this paper is to evaluate the impact of demographic factors on the satisfaction of investors towards insurance policies. The study utilized the survey approach. The sample consisted of 358 respondents. The result show how different demographic factors such as age, gender, marital status, educational qualification, employment status influence investors satisfaction level towards insurance policies in the Indian context. The result of the study highlights the importance of demographic factors which encourages the public and private insurance companies to cater to the need of these segments. This paper also analyzes significant relationship between demographic factors and overall satisfaction of the customers towards the insurance policies.

Key words: *Demographic factors, overall satisfaction, buying behavior, insurance policies.*

*Lecturer, Shri Shankaracharya Institute of Management and Technology, Junwani, P.O.-Nehru Nagar, Bhilai (Chattisgarh)- 490020

** Lecturer, Shri Shankaracharya Institute of Management and Technology, Junwani, P.O.-Nehru Nagar, Bhilai (Chattisgarh)- 490020

*** Professor in Guru Ghasidas University

**** Lecturer, Bhilai Institute of Technology, Bhilai House, Durg (Chattisgarh)

INTRODUCTION:

Insurance is one of the few businesses which affect all walks of life. Insurance industry occupies a prominent place among the various financial services that operate in the world. Because of growing complexity of life, trade and commerce, individuals as well as business firms are turning to insurance to manage various risks. Thus it is necessary to have complete knowledge about the meaning of insurance and the purpose it serves to individual or an organization. Insurance is a mechanism which provides financial protection against a loss arising out of an uncertain event. A person can avail this protection by paying premium to an insurance company. Every individual in this world is subject to unforeseen and uncalled for hazards or dangers, which may make him and his family vulnerable. Thus Insurance helps a person not only to survive at this point of time but also to recover his loss and continue his life normally, which would otherwise be absurd.

Recent trends in insurance sectors.

According to the Life Insurance Council, the insurance company is growing at a rapid pace of 32-34 per cent annually, and the US$ 41 billion Indian life insurance industry is considered to be the fifth largest life insurance market. In calendar year 2010, the total premium collected by the life insurance industry was US$ 41.05 billion which was 13 % higher than US$ 36.23 billion in 2009, according to the data released by Life Insurance Council. The new business premium of life insurance companies has grown by 28 per cent year-on-year (yoy) to US$ 19.14 billion till December 31 2010 as compared to US$ 15 billion in 2009. The growth comes in the backdrop of significant regulatory changes made in product profile of ULIPs (unit- linked insurance products) in 2010, which was also a year in which a few private life insurers completed a decade of their existence, the Life Insurance Council said in a statement. State-owned Life Insurance Corporation (LIC) of India, the largest and most dominant life insurer has given an exuberant performance in terms of first year premium. As of January 29 2011, LIC received an income of US$ 7.52 billion by successfully selling 2, 52, 44,846 policies. SBI Life has overtaken ICICI Prudential to become the country's largest private insurer in terms of first year premium collection, garnering a new business of US$ 1.04 billion in April-December 2010. ICICI Prudential collected the first year premium of US$ 1.02 billion in nine months to December 2010, according to the data released by Insurance Regulatory and Development Authority (IRDA).

Literature Review:

In today's scenario, marketing strategies of insurance policies most often than not depend upon the demographic factor especially for the Indian investor. In context to this, a brief account of reviews about the studies which have served a main base for this given below:

Hansanbanu, and Nagajyothi, (2007) examined that there is significant relationship between age, educational qualification, gender, occupation and income of respondents and their level of investment with taking LIC policies and in their study they also found that there is no significant relationship between marital status, family type and family size and their investment in insurance sector. Lester (2010) concluded that life and non-life premiums are very low relative to expected levels given per capita income and demographic characteristics, and examine the causes of such poor performance. Khupe (2011) finds the influential role that demographic variables play in individual/household financial decisions, a matter which warrants further research into the nature and direction of the indentified influences.

The prime objective of this research paper is:

To study on Impact of Demographic factors on the satisfaction of investors towards insurance policies.

To study the above objective the following hypothesis are set:

1. There is no significant association between Age and customers Satisfactions.
2. There is no significant relationship between Gender and overall Satisfaction.
3. There is no significant relationship between marital status and overall Satisfaction.
4. There is no significant relationship between Education and overall Satisfaction.
5. There is no significant relationship between Employment and overall Satisfaction.
6. There is no significant relationship between Monthly Income and overall Satisfaction.

The study requires primary data and for this we have collected a questionnaire from 358 respondents which include salary, business and student group who have invested in public and private sector insurance companies. The sample included in the study is drawn from Chhattisgarh. In order to fulfill the objective, demographic variables (age, gender, qualification, employment and marital status) are included in the study. For primary collection, a structured questionnaire is prepared which is based on; five- point scaling

(Highly Satisfied, Satisfied, Netural, Dissatisfied and Highly Dissatisfied) is used. Initially reliability analysis is applied to check whether the scale is support the data or not. Then after we used chi square test to check whether the demographic factors (age, gender, marital status,

Personal data of Respondents (Table -1)		
Personal data	No. of Respondents	Percentage
Age		
Below 25	47	12%
26 -35	181	50%
36 -45	75	20%
Above 46	55	18%
Sex		
Male	254	71%
Female	104	29%
Marital Status		
Married	227	63%
Unmarried	129	36%
Others	2	1%
Educational Status		
Graduate	158	44%
Postgraduate	167	47%
Others	33	9%
Employment Status		
Business Class	42	12%
Salary Class	260	73%
Professional	32	9%
Others	24	6%
Monthly Income		
Below 10,000	45	13%
10,000 – 20,000	112	31%
20,000 – 30,000	92	26%
30,000 – Above	109	30%
Preference		
Public Sector Insurance	254	71%
Private Sector Insurance	104	29%

education, employment and monthly income) is any significant association with investor's satisfaction towards public and private insurance companies. For age wise analysis   below25, 26-35, 36-45 and above 45   , Gender   Male, Female   , Education   Graduate, Postgraduate   , Monthly income   below 10000, 10000-20000, 20000-30000, above 40000 , Employment Salary class, Business class, Professional & others , Preference   Public sector, Private sector and chi square test to test the significance.

In order to know the impact of demographic factor towards the satisfaction of investors towards insurance policies we are using the chi square test to check the significant level.

Demographic Profile of the Customers: Among others, the questionnaire included a segment on customer profile. This was done because an assortment of demographic and other factors was likely to influence the degree of customer satisfaction on the product and services offered by the public sector and private sector insurance companies.

Information on demographic features is also useful in formulating the insurance marketing strategy. The demographic profile of the respondents is presented in Table -1.

As seen in table 1, the sample customers were mostly in the age group of 26-35, 181 (50%). It is also evident from the table that 20% of the respondents were (36-45), 18% were between above 45 and 12% were below the age 25.

It can also be seen that the respondents had a relatively a major portion of males (71%)   as compared to female (29%). The above mentioned proportion of males and females is in accordance with the present participation in public and private insurance companies in India and, therefore can be said that the ratio of males is very high as compared to females.

Furthermore, the majority of the respondents were married (63%), while percentage of unmarried respondents was (36%). It shows that more respondents are from married class. The respondents were predominantly postgraduate (44%) and graduates (41%). This implies that the respondent has high literacy level. The study had a majority of the respondent earning above 20,000.

From the study of the public and private insurance companies, customers have the policy of both public and private policy but the study reveals that most of the customers have preferred

public sector insurance companies because of its high level of satisfactory services to the customers.

Analysis of Data through Chi-Square Test

H_0: There is no significant association between Age and customers Satisfaction.

H_1: There is significant association between Age and customers Satisfaction.

Age * Over All Satisfaction Cross Tabulation						
		Overall Satisfaction				Total
		Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly dissatisfied	
Age	25 and below	4	18	17	6	2	47
	26 - 35	16	95	39	29	2	181
	36 - 45	2	38	27	4	4	75
	above 45	12	22	13	2	6	55
	Total	34	173	96	41	14	358

$\chi 2$ = 40.772 with 12 degree of freedom, p=.000

Study on the effect of age on overall satisfaction of investors towards insurance companies' show that the number of investors who are satisfied with the companies are more (111 satisfied and 31 dissatisfied out of 181 respondents) than the investors who are not satisfied. Amongst the satisfied investors majority of them come in the age bracket of 26 to 45 years (62%). There could be many reasons for this observed phenomena, like: people in this age group are more worried about saving their money for future requirement (child education, child's marriage, retirement & pension plans). Most of the people in the age bracket of 26 – 35 would have newly joined an organization and have started their career afresh. They would

like to invest in insurance companies mainly to obtain tax benefits and saving for a better future.

H0: There is no significant relationship between Gender and overall Satisfaction.

H1: There is significant relationship between Gender and overall Satisfaction.

		Overall Satisfaction					
		Highly Satisfactied	Satisfied	Netural	Dissatisfied	Highly Dissatisfied	Total
Gender	Male	28	114	72	30	10	254
	Female	6	59	24	11	4	104
Total		34	173	96	41	14	358

*Gender * Overall Satisfaction Cross Tabulation*

$\chi2$ *= 5.153with 4degree of freedom, p=.272*

From the table we can see that the chi square value was 5.153 and the probability value is .272 (which is greater than 0.05). From this we can say that gender & satisfactions level are independent of each other. In other word investors satisfaction level does not depend & change with gender.

H$_{0:}$ There is no significant relationship between Martial Status and overall Satisfaction.

H$_{1:}$ There is significant relationship between Martial Status and overall Satisfaction.

Marital status * Overall satisfaction Cross Tabulation

		Overall satisfaction					
		Highly Satisfactied	Satisfied	Netural	Dissatisfied	Highly Dissatisfied	Total
Marital Status	Married	28	111	53	23	12	227
	Unmarried	6	60	43	18	2	129
	Others	0	2	0	0	0	2
Total		34	173	96	41	14	358

χ2 = 14.404with 8degree of freedom, p=.072

From the table we can see that the chi square value was 14.404 and the probability value is .072 (which is greater than 0.05). From this we can say that marital status & satisfactions level are independent of each other. In other word investors satisfaction level does not depend & change with marital status because there is no observable link between the overall satisfaction level of married and unmarried investors.

H$_0$: There is no significant association between Employment Status and customers Satisfactions.

H$_1$: There is significant association between Employment Status and customers Satisfactions.

Employment * Overall Satisfaction Cross tabulation						
	Overall Satisfaction					
	Highly Satisfactied	Satisfied	Netural	Dissatisfied	Highly Dissatisfied	Total

Employment	Business class	9	21	4	6	2	42
	Salary	23	128	68	31	10	260
	Professional	2	14	12	4	0	32
	others	0	10	12	0	2	24
Total		34	173	96	41	14	358

$\chi 2 = 26.029$ with 12degree of freedom, p=.011

Study on the effect of employment on overall satisfaction of investors towards insurance companies' show that the number of investors who are satisfied with the companies are more (151 satisfied and 41 dissatisfied out of 260 respondents) than the investors who are not satisfied. Amongst the satisfied investors majority of them come in the salary (58%). There could be many reasons for this observed phenomenon, like: people in this salary class are more worried about saving their money for future requirement (child education, child's marriage, retirement & pension plans. Above all insurance is the safest investment option of all salary class people.

H_0: There is no significant association between Education and customers Satisfactions.

H_1: There is significant association between Education and customers Satisfactions.

Education * Overall Satisfaction Cross tabulation							
		Overall satisfaction					Total
		Highly Satisfactied	Satisfied	Netural	Dissatisfied	Highly Dissatisfied	
Education	Graduate	26	61	47	14	10	158
	Post graduate	6	92	42	25	2	167

Others	2	20	7	2	2	33
Total	34	173	96	41	14	358

$\chi 2 = 30.826$ with 8degree of freedom, p=.000

Study on the effect of education on overall satisfaction of investors towards insurance companies' show that the number of investors who are satisfied with the companies are more post graduate (98 satisfied and 69 dissatisfied out of 167 respondents) than the investors who are not satisfied. Amongst the satisfied investors' majority of them have done their post graduate (58%). It indicates that education levels of the respondents have influence in choosing among the insurance companies. It can be seen that the respondents belonging to graduate and post graduate level prefer private insurance companies in comparison to less educated people who prefer taking insurance services from public companies due to tradition, low service cost and more trustworthiness (Psychological factor).

H_0: There is no significant association between Monthly Income and customers Satisfactions.

H_1: There is significant association between Monthly Income and customers Satisfactions.

Monthly Income * Overall Satisfaction Cross tabulation						
		Overall satisfaction				Total
		Highly Satisfactied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	
Monthly Income	Below -10,000	4	24	11	2	4	45
	10,000 - 20,000	10	40	39	23	0	112
	20,000 - 30,000	9	52	21	6	4	92
	above 30,000	11	57	25	10	6	109

Total		34	173	96	41	14	358

χ2 = 30.017 with 12degree of freedom, p=.003

Study on the effect of monthly income on overall satisfaction of investors towards insurance companies' show that the number of investors who are satisfied with the companies are more above 30,000 income level groups 68 satisfied and 16 dissatisfied out of 109 respondents than the investors who are not satisfied. It proves the obvious fact that, people with higher income tend to save more and these people have invested in the insurance companies over a long period of time and hence they are more satisfied than others people.

RECOMMENDATIONS & CONCLUSION:

The demographic pattern suggests few important factors which need to be catered well in order to keep the investors satisfied. As earlier studies Hansanbanu & Nagajyothi (2007), report the impact of demographic factors on investors perception, this study also reports the impacts of these factors on investors overall satisfaction. In the present study, demographic factors like age, employment, educations level and monthly income were found to have significant association with the satisfaction of investors. On the other hand gender & marital status did not have any association with satisfaction. The insurance companies should attempt to target the investors by focusing on these two insignificant demographic factors. They should target the female section of the society. It was observed in the study that when compared to males, females were not satisfied with the insurance companies. The study was not exhaustive and further, the association ship between satisfaction & the factors of SERVQUAL model can be ascertained. Marital status though targeted by the insurance companies, has not been very successful. As in the present age families, both husband & wife take decisions. So the companies should come up with better policies targeted towards the married people.

The demographic trends suggest that as insurance companies (both public and private) have proliferate in Raipur city, better educated and more affluent people have gravitated to these insurance companies for insurance services. These people/clients are likely to have better information about the quality of services provided by both public and private insurance companies and their inclination to select private insurance companies suggests, implicitly, that the quality of service is better at these private firms even though their (private insurance

companies) service cost is somewhat higher. Moreover, many branch operations of private insurance companies help the people to make evaluation among them and making an insurance decision in favor of those which are trustworthy.

- Time to time basis company collect information about requirement of the customers towards the policies.

- Perform marketing activities based on the demographic information.

- Carefully choose smart and presentable personnel who will be interacting with the investors.

- Provide specific effort to encourage customers to tell others about your services.

- Communicate in local language with the investors.

- Company should improve after sales services.

- Encourage the existing customers to promote your services to the new customers and use newspaper as the prime media for advertisement to show the cost benefit of insurance policy.

- Insurance companies must be concentrating on their physical infrastructure and wide distribution facilities.

- Use technology to maximize the service quality and to reduce the fluctuation in service quality. Provide service above standard as promised to the customers to reduce the service gaps.

The study was limited only to Chhattisgarh state. Similar studies need to be carried out across different states to find out the real impact of demographic factors on investors satisfaction as well as their perception

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