
A STUDY OF CUSTOMER BEHAVIOR IN RURAL SECTOR TOWARDS LIFE INSURANCE

(A STUDY OF VILLAGE RADTHANA IN HARYANA)

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Abstract:

Insurance sector is one among the most lucrative sector in current scenario with respect to not only financial products but also the job opportunities in General. Not only individuals but also the banking and Non Banking Financial Corporations (NBFC) are raising revenues and thereby profits by selling life insurance policies. They are either selling their own products of life insurance like Kotak Mahindra Bank selling Kotak Life Insurance or working as an representative like Corporation Bank selling LIC products via Bank Assurance channel.

There is a rapid growth visible in past for selling life insurance policies in rural areas and remote areas. The reason is taken to be the increase in the disposal income in the hands of villagers by selling their lands or may be the family member got urbanized for better income. The rise in disposable income can be attributed to purchase of local lands by corporate houses at lucrative prices. Although some of the villagers are having surplus money, still it is a big challenge as to how they can be encouraged to invest this money in the life insurance sector. Also the basic focus is not the encouragement to invest but to keep the customers satisfied as in villages most of the business is generated through word of mouth publicity.

The study is focused to have some insight to understand the satisfaction of the policyholders in rural sector with private life insurance companies and their sales professionals.

The study helps us to recognize understanding of the villagers for their policies with private life insurers for which information has been collected personally and analyzed. This helps us in acquainting with the popularity of life insurance in the rural sector along with all the difficulties they face while buying life insurance schemes from private insurers.

The study also focuses on viable solutions, which might help companies in popularizing and selling the life insurance schemes to rural people providing due satisfaction the villagers as existing and potential customers.

Key Words: Customer Satisfaction, Disposable Income, Life Insurance, NBFC.

Introduction:

India's emergence on the world map as a strong global and economic power is widely acknowledged. The country is marching ahead with rapid growth and development. Foreign investors are getting lured because of huge growth in almost all vital industries and sectors and insurance sector is one of them. India's rally towards becoming an economic superpower in coming years is inevitable but experts opine that there is a great need for a change in the mindset of people at every level from decision makers to the common man. Especially when it comes to the rural sector, the decision making is of more requirement as in case of financial products and services purchasing.

Rural Markets:

Lot of change has been observed in consumption and purchasing patterns of public in rural pockets of India with the change in brought by agricultural revolution, education, awareness campaigns, improved infrastructure, focused policies and plans. Rotting urban markets, increased awareness in rural markets with increasing disposable incomes resulted in emergence of rural markets as strong marketing hubs. Also the promotional campaigns as take up time to time by government in rural sector has helped to get a rapid change in the thinking process of the villagers becoming more sensitized towards purchasing behavior. The villagers understand the real meaning of satisfaction with the services and products offered to them.

Life Insurance:

The instinct to secure business and oneself against loss and disaster is very primitive. The beginning of life insurance can be traced back to almost 6000 years but the concept has seen tremendous growth and development in recent past. The concept of life Insurance in its contemporary form came to India from England in 1818. During that period, the first life insurance companies were started by Europeans in Calcutta. These companies focused on the needs of the European community and did not focus on the Indians citizens. Later with much efforts, the foreign insurance companies started covering Indians but with extra premiums. In 1870, Bombay Mutual Life Assurance Society was the first Indian life insurance covering Indians lives at normal rates. The following era saw lot of Indian insurance enterprises carrying the message of insurance and social security through insurance to various sectors. Year 1912 became a landmark year in the history of insurance when Life Insurance Companies Act, and the Provident Fund Act were passed. The Life Insurance Companies Act 1912 made it necessary that the premium rates and periodical valuation of companies should be certified by an actuary.

Insurance business saw a lot of growth in the initial decades of twentieth century and in 1938, the number of insurance companies mushroomed to 176; many were financially unsound which failed miserably.

The Insurance Act 1938 came out as first insurance governing both life insurance and non-life insurance with a provision for strict state control over insurance business. With repeated demand for nationalization of life insurance industry reaped results in 1956, and at that time about 154 Indian Insurance companies, 16 non -Indian companies and 75 provident were operating. Nationalization was accomplished in two stages; initially the management of the companies was taken over by means of an Ordinance, and later, the ownership too by means of a comprehensive

bill. Life Insurance Corporation of India was created in 1st September 1956, through Life Insurance Corporation Act passed by Parliament of India. The primary objective of the act was to spread life insurance more widely and in particular to rural pockets with a view to reach all insurable persons in the in the country, providing them adequate financial cover at a reasonable cost.

Rural India accounts for nearly seventy percent of the country's more than one billion population (Census of India, 2001); rural India is witnessing an increase in its income along with consumption and production. Rural Economy was given a boost by Union Budget for 2009-10 with hike in allocation for the National Rural Employment Guarantee Act (NREGA) amounting to nearly US \$8.03 billion. Bharat Nirman Program also gave an impetus to improving rural infrastructure with an outlay of US \$ 34.84 billion. According to a whitepaper by CII-Technopak, the rural consumer market is expected to reach US \$ 425 billion in 2010-11 with a customer base exceeding 750 million. The rural markets are showing a growth of double the pace of urban markets and account for well over 60 percent of the national demand.

REGISTERED INSURERS IN INDIA

There has been significant growth in insurance since privatization. Looking at low penetration and huge potential in India, many foreign and domestic insurance players have entered this sector. A favorable environment for insurance companies has been provided with leverage on various aspects to flourish in the country. The insurance sector divided into life and non-life, apart from a very small segment comprising re-insurance. In the year 2000, liberalization process could be witnessed by both the life and non-life insurance businesses.

Private life insurance companies

Since year 2000 Indian insurance industry has undergone transformational changes. With a one player market i.e. of LIC of India to a market of 23 private players in 16 years, the industry has witnessed phases of rapid growth with intensifying competition and growth moderation.

Based on the needs of the consumer, there has been number of products and operational innovations and has also increased competition among the players.

There was exponential growth in the first ten years of the insurance industry liberalization. The life insurance industry took a boost with the innovative products and aggressive expansion of distribution over first decade.

Regulatory changes over last three years made private insurers to adopt many new customer centric practices. Product related changes in ULIPS and now in traditional products will have the biggest impact on the industry.

Life insurance is a giant savings vehicle along with banking in such uncertain economic environment and the industry is expected to be fare reasonably well. Demographic variables such as growing middle class population, young insurable people and growing awareness of the need for protection and retirement planning will also support the growth of the Indian Life insurance.

For private life insurers, it is time to re-commit itself to customer centric behavior, product solutions based on consumer needs, ethical market conduct, transparency and governance. The growth for private life insurance companies will be natural outcome for now and years to come. In this competitive scenario companies need to concentrate on quality of service delivered in order to hold the customers. Due to advent of most recent technology, companies redefine their business

in order to serve the Customers.

Life Insurance Market in India:

Life Insurance market in India is booming with high potential. From a single company a decade ago to more than 18 players active nowadays, the market growth has been a CAGR of 24% over the past five years. This industry pays more than thirty percent as commissions and incentives to the agents for the amount collected as premium from the customers. This industry on an average provides more incentive to sales force as compared to any other sector. The governing body of life insurance, IRDA (Insurance Regulatory and development Authority), tries to safeguard the interest of people opting life insurance by providing guidelines to be followed by insurance companies.

However, the major contributor to this growth is from urban areas. This increase in cut-throat competition in urban areas has forced the insurance providers look towards rural areas of India where only 3% of the population of more than 720 million population has any kind of insurance coverage. According to a study by Associated Chambers of Commerce and Industry of India (ASSOCHAM), nearly 200 million people in rural India are looking for alternate saving channels for their surpluses provided insurance companies can provide innovative schemes at affordable premium.

Looking at the rural life insurance sector, only 8-10% rural households are covered under life insurance schemes and remaining 90% can be targeted for new innovative schemes.

Till last decade Corporate India was focused on urban market or they sold their products/services with the same models that were predominantly urban-market oriented. However, there is a significant shift in practices due to focus on much talked about “Bottom of the Pyramid” model. The focus of the companies is on understanding low-income people as important consumers and makes the product affordable to that market. Understanding the significance of the model the companies have started to remodel their product/services accordingly.

Key Characteristics of Rural India:

The rural market of India is largely scattered with low standard of living, traditional outlook and diverse socio-economic backwardness (Pareek, 1999). Some of the factors which characterize rural markets are:

- a) Rising rural prosperity: India is now seeing dramatic shift towards rural prosperity, an effort of five year plans, land reforms, rural electrification, rural network, micro credit etc.
- b) Increasing Consumption: a consequence of rising rural prosperity is increase in purchasing power. It is evident in increasing consumption levels of rural markets.
- c) Changing Aspirations: lifestyle changes are also changing in rural areas. With the FMCG products invading rural India, aspiration of rural household is increasing, from local unbranded to national brands. The rural youth are now better educated and aspire similar

to those of urban India. The products who have achieved near maturity in the urban markets of India are breathing fresh in rural markets.

Life Insurance in Rural India: a detailed study of Village Rathdhana.

In North India, there is a village namely Rathdhana in district Sonapat, Haryana. This village is approximately 16 km from Delhi-Haryana border. The total population of Rathdhana approximately 2000 people.

The primary occupation in these villages is agriculture and the level of literacy is relatively poor. Thus the people are living with conservative outlook, traditional mindset and not fully aware of the market scenario.

In last few years there has been significant improvement in the disposable income of these villagers because of more subsidies by the government as well as acquisition of their lands by the private developers on circle rates. Although inhabitants of the village has larger disposable income in their hands but their awareness level is quite low with respect to investment or utilization of that money for better returns in future.

People residing in the village are vulnerable to groupthink, a phenomenon commonly observed in rural pockets of India when the group is insulated from outside opinions, and there are no clear rules for decision making. Factors like culture, subculture, and influence of opinion leaders (Panchayat heads and socially respectable persons in villages), reference group influence, demographic factors, exposure to urban ways of living, urban lifestyle aspirations and so on also play a key role in shaping the opinion of villagers. With the impact of external factors influencing decision making, it has been observed that people in the village do not take decisions on rationality and put their money in alternatives opted by others in the village or based upon what is suggested to them by Insurance Advisors from banks and cooperative society banks in local village.

The spotlight of banks and insurance companies has of lately shifted towards this village because of increase in disposable income of inhabitants. The Life insurances companies are interested in covering large and scatter areas with both long and short term insurance plans. However, the inhabitants, because of their average literacy level are not in a position to clarify themselves about the pros and cons involved while investing in the life insurance sector.

The companies who have already approached successfully in the initial stages of growth are LIC, ICICI Prudential, SBI Life Insurance and Kotak Mahindra Life insurance.

Practice followed by insurance companies in these villages:

LIC and ICICI Prudential are the first companies to take away the large share of the life insurance industry in these villages by en cashing on the needs of the villagers as to where to put the money, bank fixed deposit or Life insurance. And by promising high expected returns, they could find good investors amongst villagers.

Promotion strategies Adopted by Insurance Companies:

A creative and integrated mix of promotion strategies in required to promote life insurance and

understand consumer behavior.

A comparative analysis of marketing strategies adopted in urban and rural markets of India shows following differences.

Point of Distribution	Urban sector	Rural sector
Distribution Network	In urban sector the life insurance companies various distributing networks involving individual with good reputation and influence, corporate houses including banks, already established non-life insurance or financial service providers. The companies in fact also tie up with direct marketing companies like Amway or any other MLM company.	In Rural sector since people are not adequately literate, so there is a limit with respect to their understanding level, but since they rely on educated people in their village area, companies prefer to get associated with some of these fellows like post office agents, doctors or teachers and try to sell their products via them
Promotion strategy	In urban sector huge advertisements are done via print or electronic media. Advertisements are designed focusing on educated people in these sectors so that they can empathize and act accordingly. Product benefits are self-explanatory since people in urban sector are educated enough to understand the same.	In rural sector, promotion is dependent not on advertisement, but on the publicity by common people in these areas. People rely more on word of mouth publicity since door to door connectivity is more and people prefer to share their financial decisions with each other. But this involves high risk in case misrepresentation of fact is done by companies
Awareness Programs	In urban sector, life insurance companies conduct time to time programs in school, colleges or nearby areas involving students and parents to spread the benefits of their respective insurance plans. Also people can be educated more about the comparison of various investment tools which they can opt, thereby gaining faith of investors.	In rural sector, however these awareness programs are having limited scope because of limited no. of educated audience, so they have to go for one to one awareness among the villagers since people do not prefer the ladies to attend such programs in mass
Use of marketing tools	In urban all types of marketing tools can be effectively used like, print ad, Internet ad, emails to specific users, banners and hoardings at malls and public places, third party vehicle, road shows etc.	While in rural sector these tools have limited scope and companies prefer to use door to door distribution of printed brochures in their regional language, rickshaw ads, big banners placed at short distances but in bulk because of less public places, canopies, loudspeakers etc

Table 1: Urban Vs Rural Sector Marketing Strategies adopted by Life Insurance companies

Objective of the Study:

1. To understand the level of awareness of villagers about their policy
2. To know the level of satisfaction in general they have with their insurer
3. To know their willingness to recommend the insurer

Research Methodology

The study is descriptive in nature and uses random sampling technique to collect data with a sample size of 100 policyholders. The study is being conducted using interview technique and data has been collected from various people in the village.

The Primary data is collected through a structured interview in an informal way of asking required questions with *dichotomous option* so that straight answers could be obtained. The Secondary Data was collected from journals, magazines, online web sites and books.

The data collected has been analyzed using MS Excel 2013. The result is converted in terms of percentage question wise and are expressed in form of table and Pie charts for easy understanding of the readers.

Data Analysis

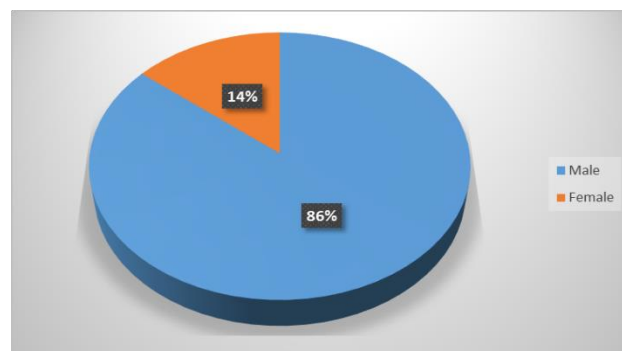
The data collected through personal interview to understand the level of satisfaction among the policyholders in village Rathdhana with the company they are insured. Also the level of knowledge they have about the policy documents and what they receive from the Insurance Advisors coming to the village.

The analysis is done in a flow of the response received question wise and is as follows:

1. Gender of the Respondent

Male	86
Female	14

Figure1 :Gender Wise distribution of respondents

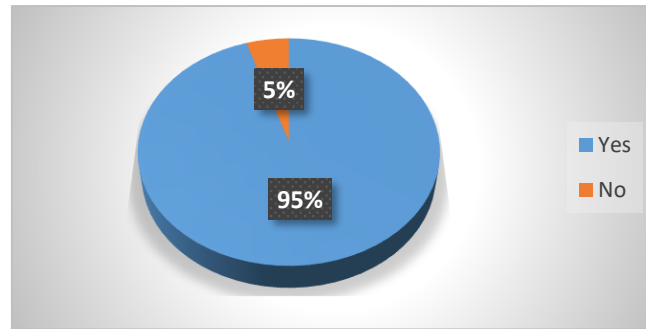


As shown in the chart above the survey got responded 86% by Male and 14% by Female respondents residing in the village.

2. Do you have Life Insurance?

Yes	95
No	5

Figure 2: Possession of Life Insurance policy

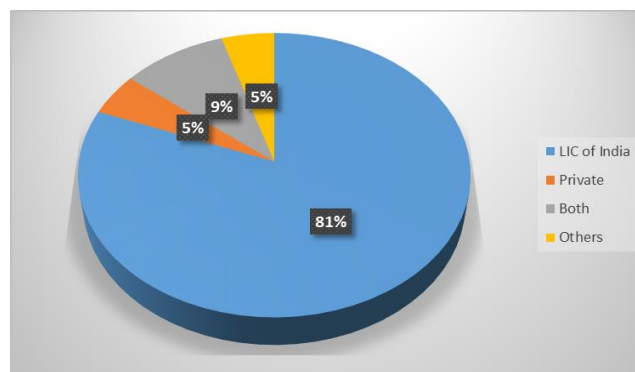


As clear with the chart 95% of the people in the village have possession of the life insurance policy in the village

3. From which company you are insured?

LIC of India	85
Private	5
Both	10
Others	5

Figure 3: Insurer wise policy holding

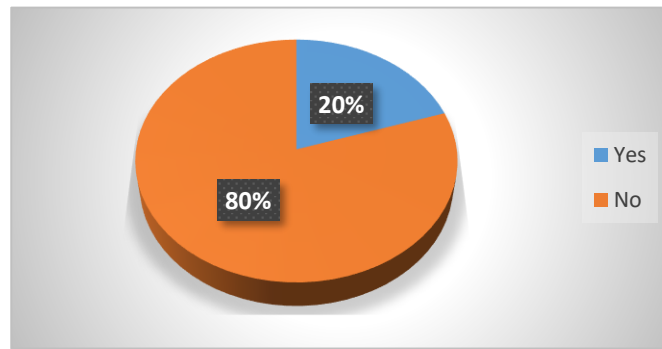


As clear from the chart, 81% people got the policy from LIC of India, 5% from Private Life insurance companies, 10% from Both Private and Government, while 5% of the respondent said that they got the policy from some near by banks.

4. Do you know the features of your insurance policy?

Yes	20
No	80

Figure 4: Knowledge of Insurance Features

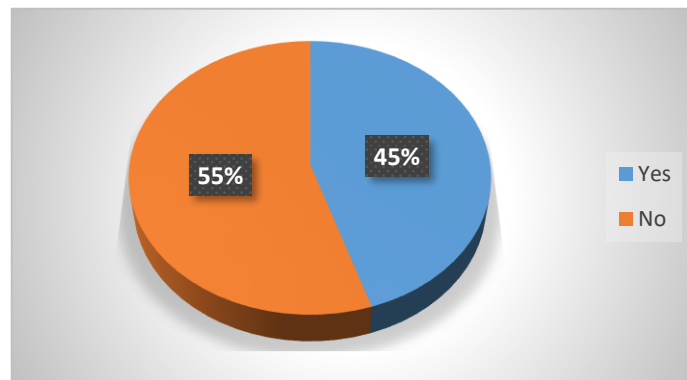


As is clear from the chart, 80% of the respondents do not have the knowledge of the features the life insurance policy offers.

5. The Insurance Advisor contacted you for Insurance policy?

Yes	45
No	55

Figure 5: Contact by Insurance Advisor

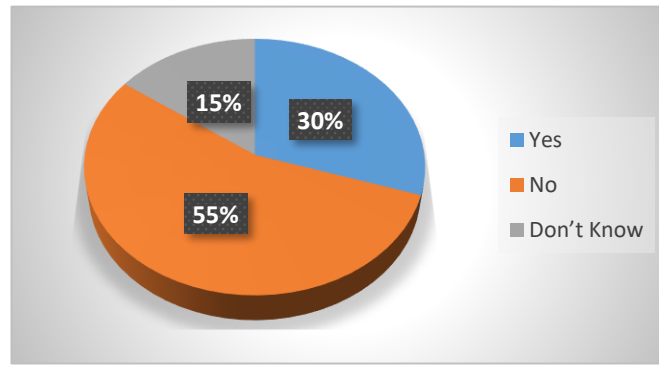


As clear from the chart, only 45% of the respondents are contacted by the advisors and 55% are not contacted in the village.

6. Do you have Branch office of the insurer near you village?

Yes	30
No	55
Don't Know	15

Figure 6: Availability of branch office of Insurer near village

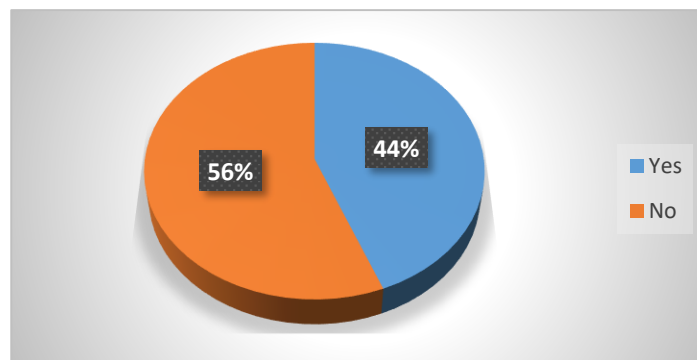


As shown in the chart 30% respondents said they have branch office of the insurer near the village while 55% said the don't have the same. Surprisingly 15% respondents don't even know about presence of insurer branch office.

7. You bought the insurance because you understand the benefits of same?

Yes	44
No	56

Figure 7: Insurance bought because of benefits

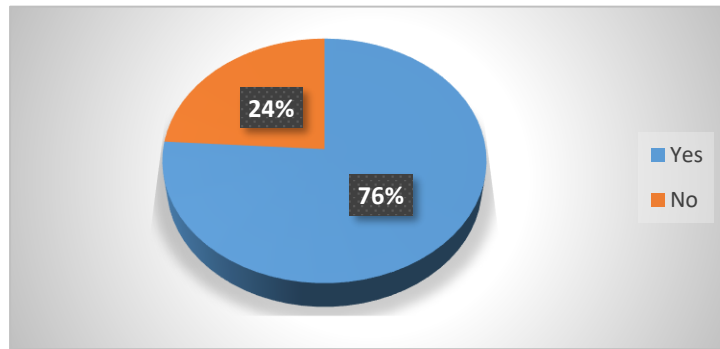


As shown in the chart only 44% respondents bought policy because of the long term benefits of the policy while remaining bought it for other reasons like relative, friends, family member reference etc.

8. You bought insurance because you saw other people buying the same

Yes	76
No	24

Figure 8: Insurance bought because other people bought

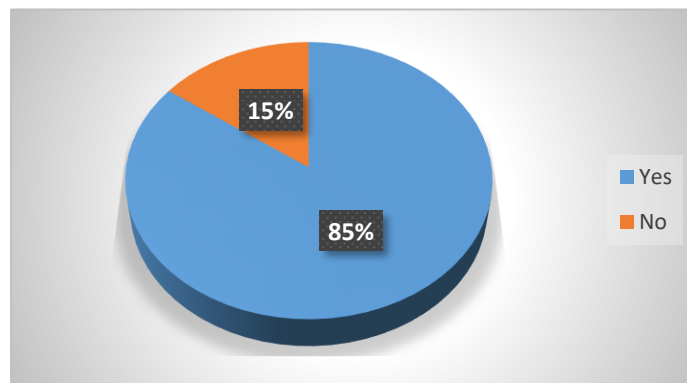


As clear from the chart, 76% of respondents bought the policy because they saw other people buying the same and 24% took self-initiative to buy on their own.

9. You bought the insurance because you trust the company?

Yes	85
No	15

Figure 9 : Insurance bought because of Trust in insurer

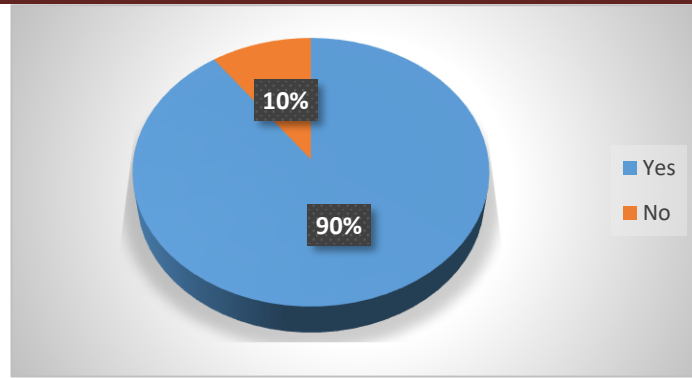


As clear from the chart, 85% respondents showed their trust in the insurer they have bought policy from, while 15% bought not because of trust but because of some personal obligations.

10. You bought the insurance because Insurance Advisor told you about it?

Yes	90
No	10

Figure 10: Insurance bought because of Advice by Advisor

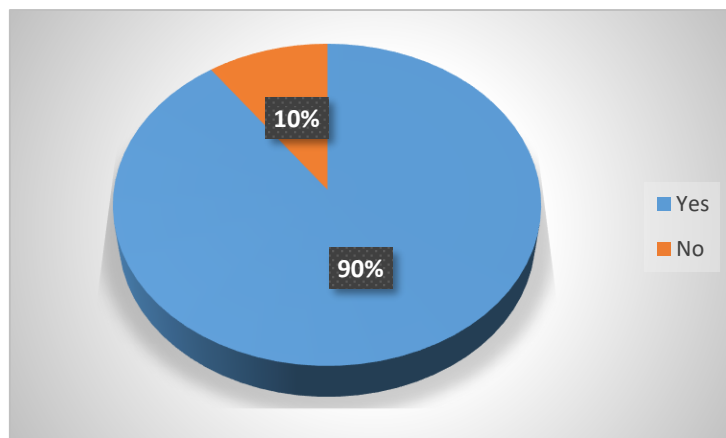


As clear in the chart, 90% of the respondents followed advice of the insurance advisor while buying policy. However 10% followed some other people advice.

11. Has your agent sold the policy saying it is Government Company?

Yes	90
No	10

Figure 11: Insurance bought considering as Government company

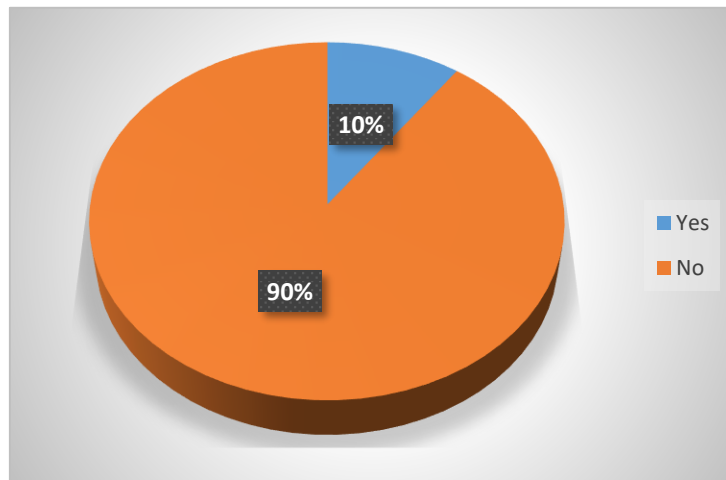


As clear from the chart and surprising as well, 90% of the respondent do believe that they have been insured from government company. Although not all have policy from LIC of India.

12. Has Insurance Advisor disclosed rules for Farmer insurance?

Yes	10
No	90

Figure 12: Farmer insurance rules disclosed

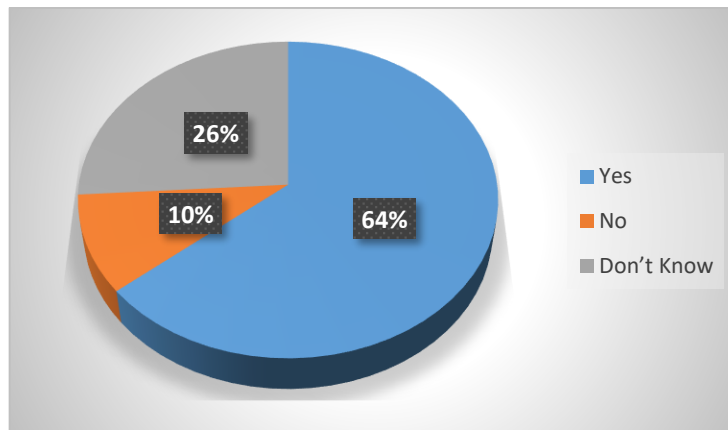


As clear from the chart 90% of the respondents in the village are not disclosed the rules of farmer insurance while only 10% are told clear rules.

13. The Insurance Advisor is staying in nearby village?

Yes	64
No	10
Don't Know	26

Figure 13: Insurance advisor staying near to village

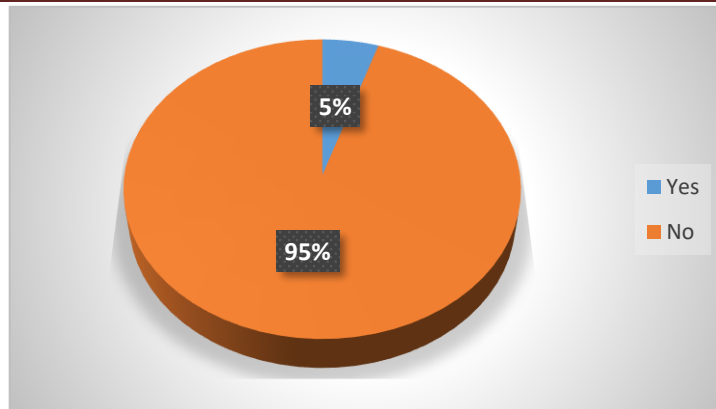


As clear from the chart, 64% of respondents say that the advisor stays in the nearby area. 10% said that the advisor is not in the near proximity while 26% are not aware of from where the advisor came and sold them policy.

14. Do you know the customer care number of the insurer?

Yes	5
No	95

Figure 14: knowledge of customer care numbers

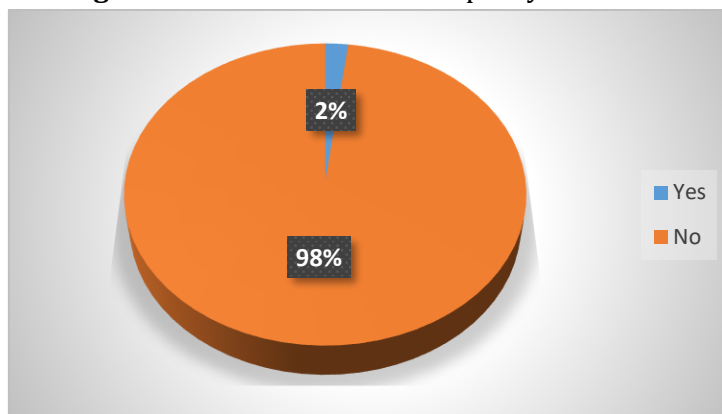


As clear from the chart, 95% respondents do not know the customer care number to contact although it is mentioned on policy documents as well.

15. Have you seen your policy document in detail?

Yes	2
No	98

Figure 15: Detailed view of the policy document

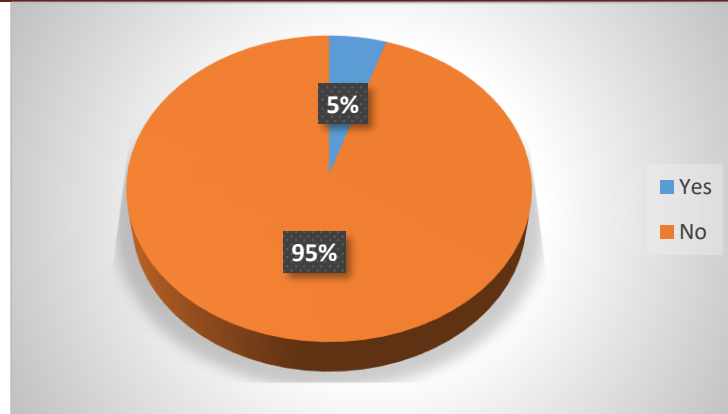


As the result is shown in the chart, 98% of the respondents have not seen their policy document and have put in safe place after receiving the same. Only 2% people agreed that they have gone through the document.

16. Has the advisor discussed policy document in local language with you?

Yes	5
No	95

Figure 16: Policy document made clear in local language

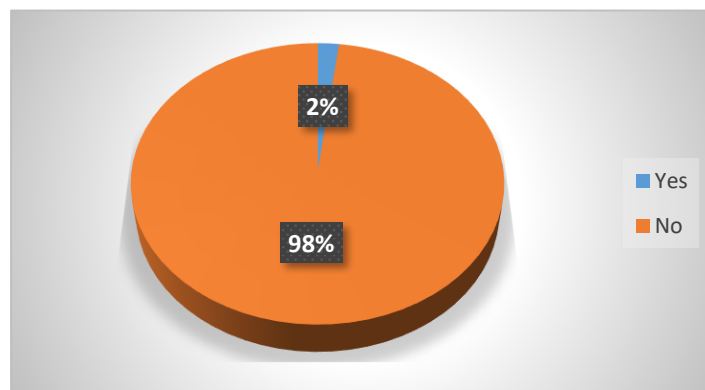


As shown in the chart, 95% of the respondents were not explained their policy document in local language. Means the document which is normally in English language is not made clear to the policyholders in village.

17. Are you getting all information from your insurer relating to the policy?

Yes	2
No	98

Figure 17: Availability of information from insurer

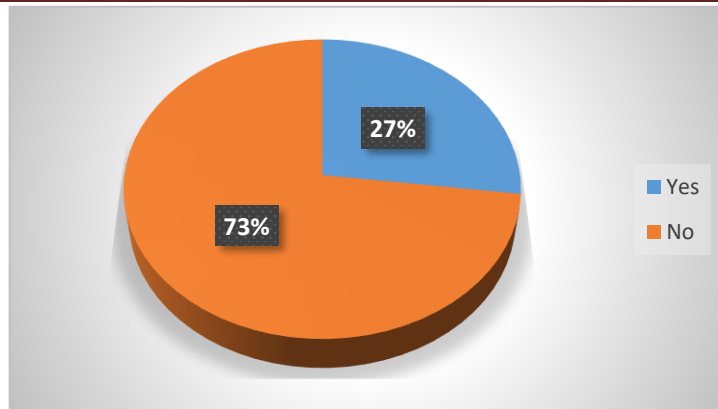


As clear from the chart, 98% respondents do not get information from their insurer on any policy related service. Only 2% said they get the service that too through SMS.

18. Have you recommended the policy to other friends in the same or other village?

Yes	27
No	73

Figure 18: Recommendation done for insurer to others

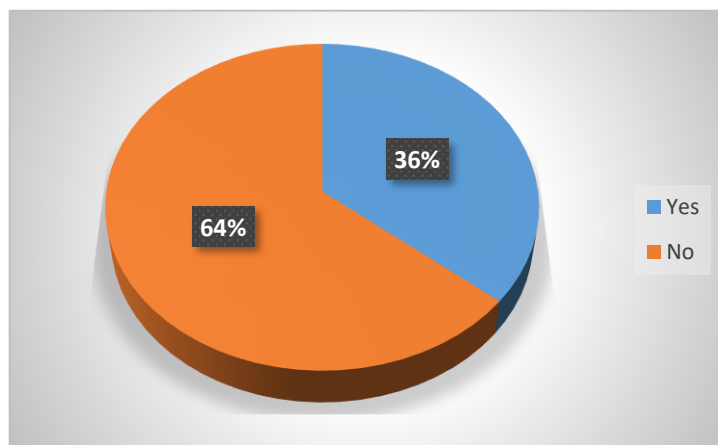


As shown in the chart, 73% of respondents have not recommended their insurer for policy to other people in same or other village. Only 27% people have recommended the policy to others. This may be because of trust level of the respondents in insurer.

19. Will you refer the same company/advisor to others for insurance?

Yes	36
No	64

Figure 19: Future planning to endorse the insurer

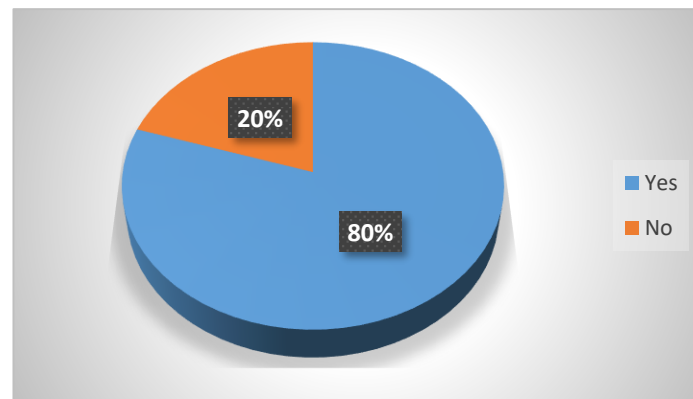


As shown in the chart, 36% respondents said that they will refer the advisor or insurer to others while 64% is not willing to refer the company or advisor to others.

20. Do you think the purpose of insurance is good?

Yes	80
No	20

Figure 20: The purpose of insurance is good



As shown in the chart, 80% of the respondents agreed that the purpose of Life Insurance is good while 20% of the respondents don't think so.

Findings in General

1. People are afraid to invest in life insurance schemes because of lack of awareness.
2. Due to inadequate information, people compare the life insurance offerings with bank offerings such as fixed deposits.
3. They are interested in high fixed return and not ready to understand the concept of expected returns in unit-linked insurance plans (ULIPs).
4. People are not willing to understand the implication of risk cover and charges attached to same.
5. They are looking for short term returns in life insurance as well which is a long term investment.

Recommendations:

On the basis of the study conducted, it can be easily observed that people in these villages have limited knowledge of concept of life insurance and the benefits attached to it. People are skeptical about investing because of some sour experiences in the past.

Based on the above discussion, it is of high relevance to quote that if an insurance company wants to succeed in such villages, then they will have to think long term and not for any short term benefits. Some of the recommendation to the life insurance providers trying to penetrate rural markets in India:

- Life insurance companies have to understand cultural, socio-economic and demographic differences in the urban and rural population and thus the marketing strategies adopted in urban areas may not necessarily be applicable elsewhere. It is highly desired to conduct primary hands on study of these villages to understand the mindset of people before entering these markets.
- The company should conduct awareness program with the help of local opinion leaders like Gram Panchayats, teachers, socially respectable persons and retails to educate the people about insurance schemes and benefits attached with them. The companies can build on their distribution network by tying with the educated people like teachers, doctors or post office agents.

- The major problem associated with companies offering life insurance is the uneven chain of distribution. Existing channels which are already in existence can be utilized, for example, telecom retail distribution chains. Structural efficiency can be attained in such a manner in order to reduce the costs.
- The insurance providers should first sensitize villagers to the concept of life insurance instead of pushing them to buy their policies. They should try and explain the actual pros and cons of their existing policies, and generate enough confidence where decision-making is trustworthy
- Life insurance policies should be flexible enough to let the customer choose on his/her own. Life insurance can be offered as a combination with other insurances like health insurance, vehicle insurance, farm insurance etc. Moreover the concept of free-look period must be emphasized, where one has option to cancel the policy if not found as per requirement.
- Most of the people in rural areas live in joint a family which is evident from their consumption patterns, such as marriage, festivals and gatherings. Life insurance policies can also be offered as group oriented policies because in rural India, opinions are made and can be modified as group think.
- Life insurance companies must think this as investment and concentrate on building their brands by adopting integrated communication strategies and subsequently modifying their marketing mix according to the need of local people.

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