



A STUDY ON THE ROLE OF SOCIO ECONOMIC FACTORS AND AWARENESS ON LIFE INSURANCE IN BUILDING CONFIDENCE ABOUT THE LIFE INSURANCE COMPANIES AND ITS PRODUCTS

Dr. P. Kamaraj

Principal, Karuppannan Mariappan College, Muthur, Tirupur, Tamil Nadu

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Abstract:

This study investigates the relationship between socio-economic factors, awareness of life insurance, and consumer confidence in life insurance companies and their products among rural residents in Tamil Nadu. The findings reveal that higher awareness levels correlate with increased confidence, while socio-economic characteristics significantly influence both awareness and trust in insurance providers, providing crucial insights for improving consumer education initiatives.

Introduction:

Life insurance is a critical tool for financial protection, providing security to individuals and families against uncertainties such as illness, accidents, and death. In India, the life insurance sector has seen significant growth, with both public and private players offering a range of products. However, despite this growth, awareness and confidence in life insurance products and companies remain uneven across different socio-economic groups, especially in rural and semi-urban areas. Confidence in life insurance companies and their products is crucial for the overall development of the insurance market. Socio-economic factors such as income, education, and occupation significantly shape individuals' understanding, trust, and confidence in insurance products. At the same time, awareness of the benefits, features, and processes of life insurance plays an equally critical role in building this confidence. Without sufficient awareness, even individuals in higher income or education brackets may remain reluctant to engage with life insurance products.

This study aims to analyze the role of socio-economic factors and awareness in building confidence about life insurance companies and their products. By understanding how these factors interact to shape perceptions and trust, insurance companies can develop more effective strategies for engaging with diverse populations, while policymakers can better target awareness initiatives.

Objectives:

- To analyze the impact of socio-economic factors on awareness of life insurance products among rural residents.
- To examine the relationship between consumer awareness and confidence in life insurance companies.
- To recommend strategies for enhancing consumer education and trust in the insurance sector.

Research Methodology:

The study undertook a quantitative research design to examine the relationship between socio-economic factors, awareness of life insurance, and confidence in life insurance companies and products. The present research adapted correlation and regression analysis to explore the strength and direction of these relationships. A sample of 700 respondents from rural and semi-urban areas across Erode district is selected using stratified random sampling. The strata are based on socio-economic factors such as age, gender, income, education, and occupation to ensure a diverse and representative sample. Data gathered through a structured questionnaire consisting of three main sections: Socio-economic variables: Questions on age, gender, marital status, income level, education level, occupation, and family size. Awareness of life insurance: Questions designed to assess respondents' knowledge of life insurance products, companies, and benefits. This section also capture their sources of information (e.g., media, agents, family, etc.) and the extent of their awareness.

Confidence in life insurance companies and products: Likert-scale questions are used to measure respondents' confidence in the transparency, reliability, and trustworthiness of life insurance companies and their products. Descriptive Statistics: Descriptive statistics are used to summarize the socio-economic characteristics of the respondents and their awareness levels. Correlation Analysis: were employed to explore the relationships between socio-economic factors (e.g., income, education, occupation) and awareness of life insurance products. Correlation analysis also assesses the relationship between awareness and confidence in life insurance. Multiple Regression Analysis: A regression model is developed to examine how socio-economic variables and awareness jointly affect confidence in life insurance companies and products. This analysis helped determine the relative contribution of each factor to building confidence among different demographic groups.

Mediation Analysis: Awareness level is tested as a mediating variable between socio-economic factors and confidence in life insurance. This helped to determine whether awareness plays a significant role in bridging the gap between socio-economic characteristics and trust in insurance companies.

Literature Review:

Ajay K. Raja and Mukesh Dhunna (2002) through their study the authors suggests the insurers to identify the customer's needs and fulfill them rather than selling the standard policies. Understanding the customer behaviour and their choices becomes a necessary pre-requisite for firms to serve effectively. The study reveals that apart from marketing stimuli there are many non-marketing stimulus influencing the purchase of Life Insurance polices. Liberalization leads to increased awareness and product innovation which makes the customers more enthusiastic towards Life Insurance. Self confidence and motivation are the psychological drive that individual can gain by investing in Life Insurance.

Chandra Mohan (2002) has found in his study that the Life Insurance Corporation of India is the market leader in the Life Insurance business in Erode district of Tamil Nadu. According to him, the development officers of the company are the main selling force for life policies. With their rich experience in sales, social club connections, personal observation of situations and information gathered through friends and relatives about the rural people they are able to sell the policies effectively. Socio-economic factors like community, education, income, occupation and wealth had a direct influence on the buyers and the satisfaction level of the insured population was found to be good.

Thripurasundar (2002) in her study an attempt was made to know the attitude of policy holders towards the services of LIC branch at mayiladuthurai town in Tamil Nadu state. It was observed that a moderate level of satisfaction among the policy holders relating to the rate of premium charged by LIC. Many of them are not happy with the bonus offered at different time periods. Majority of the policy holders felt that the medical examination insisted for taking policy is necessary, even it incurs considerable time and cost.

Azhagaiah R and Varadarajan R (2003) studied the buying behaviour of people towards life insurance products and observed that there was a significant change in the purchase attitude among them. The authors viewed that out of one billion people in India only 35 million people are covered by insurance. With the entry of private players, people have variety of schemes to choose with distinguished features that are giving importance to return on investment. They observed a change in the customer profile due to the change in life style and societal perception. They concluded that the entry of private players improved the industry performance in settlement of claims, policy related services, reducing management and operating expenses and also in introducing novel products.

Patil Kallinath (2003) in his research made an attempt to know the satisfaction level of insured population towards the products and services offered by LIC. With a sample size of 1291 policy holders and 407 agents which accounted for 20 per cent of the total insured population and 25 per cent of the total agents in the study area. The major findings of his study revealed that the incidence of insurance coverage among the agricultural groups and agricultural labour was very low. The study also revealed that the sales performance of children related policies like Jeevan kishore, jeevan balya are poor except the children money back policy. The insurance products with fewer premiums and more risk coverage were preferred by the people. The study disclosed a truth that the demonstration of product features to the rural people was unsatisfactory. It was also pointed that the rapport between development officers and agent were not regular.

Yogeshwari Phatak and Upindu (2003) in their research paper the various factors, which are of at most concern for the life insurance market development. The objectives of the study was to identify the extent to which existing insurance companies are equipped to meet challenges, emerged because of opening-up of the industry. The data for the research was collected from 1000 respondents who were selected on random basis. The tools used for analysis were factor analysis and vaimax rotation. The factor analysis of the perception of people shows that the factors safety and security, customer orientation, incentives, benefits offered, and foreign collaboration and ease of documentation are largely influencing the customer satisfaction. It was also found that customer's orientation and specifically speed of settlement of claims, networking, and use of technology, safety and security were important considerations in deciding the choice of insurer.

Research Gap:

Although awareness and confidence in insurance products have been studied, the interplay between socio-economic factors and these constructs in rural contexts has not been extensively researched. This study aims to fill that gap.

Multivariate Analysis of Variance (Private Life Insurance Companies):

Roy's multivariate test - for the simultaneous effect of socio-economic factors and covariates namely awareness about the life insurance, recognizing the need for life insurance, customer confidence towards life insurance company life insurance policy features and marketing initiatives of the insurance company among the policy holders of the private life insurance companies.

Table 1

Table 1

Independent Variable	Value	F	Hypothesis df	Error df	Sig.	
Intercept	Roy's largest Root value					
	Roy's Largest Root	98.280	1.529E3 ^a	9.000	140.000	.000
Gender	Roy's Largest Root	1.421	22.102 ^a	9.000	140.000	.000
Age	Roy's Largest Root	11.208	1.768E2 ^c	9.000	142.000	.000
Marital status	Roy's Largest Root	12.073	1.878E2 ^a	9.000	140.000	.000
Educational qualification	Roy's Largest Root	34.756	5.484E2 ^c	9.000	142.000	.000
Community	Roy's Largest Root	12.025	1.897E2 ^c	9.000	142.000	.000
Occupation	Roy's Largest Root	19.363	3.098E2 ^c	9.000	144.000	.000
Salary income	Roy's Largest Root	6.531	1.023E2 ^c	9.000	141.000	.000
Income from other sources	Roy's Largest Root	16.576	2.615E2 ^c	9.000	142.000	.000
Family type	Roy's Largest Root	15.504	2.412E2 ^a	9.000	140.000	.000
Family size	Roy's Largest Root	58.382	9.276E2 ^c	9.000	143.000	.000

The results of the Roy's mutivariate test of significance shows that all the nine socio-economic characteristics like gender, age, marital status, education, community, occupation, salary income, income from other sources have highly significant relationship at one per cent level with the dependent variables such as awareness about life insurance, recognizing the need for life insurance cover, affordability, customer confidence with the life insurance company, life insurance policy features and marketing initiatives of the life insurance companies. All the socio-economic variables simultaneously influence the dependent items.

Manova Table:

Table 2

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.
Gender	Awareness about the life insurance	1.786	1	1.786	3.310	.071
	Recognizing the need for life insurance policies	.318	1	.318	1.198	.276
	Affordability towards the insurance	.851	1	.851	13.560	.000
	Customer confidence towards the life insurance company	1.423	1	1.423	12.491	.001
	Life insurance policy features	2.381	1	2.381	10.812	.001
	Marketing initiatives of the life insurance companies	2.409	1	2.409	25.861	.000
Age	Recognizing the need for life insurance policies	8.996	3	2.999	5.556	.001
	Awareness about the life insurance	4.640	3	1.547	5.833	.001
	Affordability towards the insurance	4.616	3	1.539	24.515	.000
	Customer confidence towards the life insurance company	.563	3	.188	1.646	.181
	Life insurance policy features	6.905	3	2.302	10.450	.000
	Marketing initiatives of the life insurance companies	13.639	3	4.546	48.805	.000
Marital status	Recognizing the need for life insurance policies	6.825	1	6.825	12.645	.001
	Awareness about the life insurance	.356	1	.356	1.343	.248
	Affordability towards the insurance	1.873	1	1.873	29.843	.000
	Customer confidence towards the life insurance company	1.196	1	1.196	10.496	.001
	Life insurance policy features	.048	1	.048	.364	.547
	Marketing initiatives of the life insurance companies	9.305	1	9.305	99.896	.000
Education	Recognizing the need for life insurance policies	7.197	3	2.399	4.445	.005
	Awareness about the life insurance	4.622	3	1.541	5.809	.001
	Affordability towards the insurance	12.156	3	4.052	64.553	.000
	Customer confidence towards the life insurance company	1.448	3	.483	4.238	.007
	Life insurance policy features	21.432	3	7.144	32.436	.000
	Marketing initiatives of the life insurance companies	9.266	3	3.089	33.158	.000
Community	Recognizing the need for life insurance policies	13.723	3	4.574	8.475	.000
	Awareness about the life insurance	11.458	3	3.819	14.403	.000
	Affordability towards the insurance	15.954	3	5.318	84.722	.000
	Customer confidence towards the life insurance company	7.275	3	2.425	21.286	.000
	Life insurance policy features	.136	3	.045	.206	.892
	Marketing initiatives of the life insurance companies	4.922	3	1.641	17.615	.000
Occupation	Recognizing the need for life insurance policies	29.635	5	5.927	10.981	.000
	Awareness about the life insurance	16.981	5	3.396	12.807	.000
	Affordability towards the insurance	28.906	5	5.781	92.104	.000
	Customer confidence towards the life insurance company	7.088	5	1.418	12.445	.000
	Life insurance policy features	15.285	5	3.057	13.879	.000
	Marketing initiatives of the life insurance companies	4.899	5	.980	10.519	.000
Salary Income	Recognizing the need for life insurance policies	7.323	2	3.661	6.784	.002
	Awareness about the life insurance	.391	2	.196	.738	.480
	Affordability towards the insurance	5.712	2	2.856	45.500	.000
	Customer confidence towards the life insurance company	.038	2	.019	.168	.845
	Life insurance policy features	10.479	2	5.239	23.788	.000
	Marketing initiatives of the life insurance companies	.560	2	.280	3.006	.053
Income from other sources	Recognizing the need for life insurance policies	8.868	3	2.956	5.477	.001
	Awareness about the life insurance	9.467	3	3.156	11.900	.000
	Affordability towards the insurance	9.208	3	3.069	13.936	.000
	Customer confidence towards the life insurance company	1.057	3	.352	3.094	.029

	Life insurance policy features	.403	3	.134	2.140	.098
	Marketing initiatives of the life insurance companies	2.165	3	.722	7.747	.000
Family type	Recognizing the need for life insurance policies	.004	1	.004	.007	.934
	Awareness about the life insurance	.359	1	.359	1.353	.247
	Affordability towards the insurance	.023	1	.023	.366	.546
	Customer confidence towards the life insurance company	.107	1	.107	.943	.333
	Life insurance policy features	.746	1	.746	3.386	.068
	Marketing initiatives of the life insurance companies	3.850	1	3.850	41.332	.000
Family size	Recognizing the need for life insurance policies	19.586	4	4.897	9.072	.000
	Awareness about the life insurance	8.167	4	2.042	7.700	.000
	Affordability towards the insurance	12.698	4	3.175	50.575	.000
	Customer confidence towards the life insurance company	6.248	4	1.562	13.713	.000
	Life insurance policy features	7.910	4	1.978	8.979	.000
	Marketing initiatives of the life insurance companies	4.763	4	1.191	12.784	.000

The above table exhibits the test of multivariate analysis of variance. The results of the test describes that the affordability, customer confidence with the life insurance company, life insurance policy features and marketing initiatives of the life insurance differed significantly according to the gender classification of private sector life insurance policy holders at one per cent level. Similarly, awareness, recognizing the need for insurance cover, affordability, policy features and marketing initiatives are significantly differing with the different age groups of the policy holders. The dependent variables such as awareness, affordability, marketing initiatives of life insurance companies are influenced by the marital status of the policy holders and the relationship is highly significant at one per cent level. It is observed that all the six dependent variables of factor influenced to buy life insurance is significantly differing with the educational qualification of the policy holders. The multivariate test confirms that except life insurance policy features, all other dependent variables are significant at one per cent level with the communal category of policy holders of private sector life insurance companies. In case of occupation and the dependent variables such as awareness, recognizing the need, affordability, customer confidence, policy features and marketing initiatives a high level of significant difference is been observed at one per cent level. The dependent variables recognizing the need for life insurance, affordability, life insurance policy features are significant at one per cent level with the salary income, while the marketing initiatives of the life insurance companies is significant at five per cent level. An observation on the multivariate relationship between income from other sources and the dependent variables shows that except life insurance policy features, all other dependent variables are significant at one per cent level. Marketing initiatives of the life insurance companies is having significant difference with the family type of the policy holders at one per cent level. The multivariate relationship between family size and factor influenced to buy life insurance policies shows that the family size is having a significant influence over all the dependent variables at one per cent level.

Among the personal factors of the life insurance policy holders of private sector life insurance companies, the awareness about the life insurance is influenced by age, education, community, occupation, income from the other sources and family size of the policy holders. The realizing the need for life insurance cover is influenced by all the socio-economic variables under the study except gender and family type of the policy holders. The dependent variable affordability towards the life insurance is influenced by all the socio-economic factors under the study. Customer confidence towards the life insurance company is influenced by the gender, marital status, community, occupation, education, income form other sources and family size of the policy holders. The dependent variable life insurance policy features is inflnenced by gender, age, education, occupation, income and the family size of the private sector life insurance policy holders. Finally, the marketing initiatives of the life insurance companies is influenced by the socio-economic charateristics such as gender, age, marital status, community, occupation, salary income, income from the other sources, family type and family size of the policy holders of the private life insurance companies.

Conclusion:

The study provides key insights into the role of socio-economic factors and awareness in shaping confidence in life insurance companies and their products. It is evident that higher levels of education and income, along with greater awareness, are positively correlated with higher confidence in life insurance products. The regression analysis shows that awareness plays a mediating role, meaning that even individuals from lower-income or less-educated backgrounds can build trust in life insurance if they are sufficiently informed. These findings will help life insurance companies target awareness campaigns more effectively, focusing on under informed and underserved segments of the population. Public sector insurers, in particular, can use this information to enhance outreach in rural areas by focusing on education and simplifying product explanations. Policymakers and financial educators will also benefit from understanding the importance of awareness in building confidence, enabling them to design programs that improve financial literacy and increase participation in life insurance markets across diverse socio-economic groups.

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