Education Effect on Rural Customers' Perception for Life Insurance Services

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Abstract

India as country is under-insured in the urban as well as the rural areas. Only 35 per cent of the 250 million insurable populations are insured. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. The insurance sector in India has come to a position of very high potential and competitiveness in the market. After the entry of the foreign players the industry is seeing a lot of competition and thus improvement of the customer service in the industry.

The present study has revealed the Education Effect on Rural Customers' Perception for Life Insurance Services. It was found that insurance providers have to think beyond merely satisfying the regulatory requirement of selling their products in rural areas. It is responsibility of insurance companies to develop expertise and to provide customer with insurance knowledge as a penetration strategy for relatively untapped rural life insurance market.

Keywords: Rural, Life insurance, Education effect, ANOVA.

Introduction

The Indian rural market with its vast size and large demand base definitely offers huge opportunities to marketers. In India ever since independence, because of some obvious reasons marketing acquired a largely urban bias. Hence, there was no attempt on the part of marketers to know the rural customer and satisfy their needs. The indifferent attitude also due to the assumption that the rural people were poor and had no purchasing power to buy expensive branded products. Besides, lack of transportation and communication links and limited reach of mass media were also responsible for neglect of the rural customer by the business firms. To a larger extent it was common perception and belief amongst the insurance companies that it is expensive to do business in rural areas. Most companies were focusing only on meeting regulatory requirements from rural areas and don't see them as commercially viable rural business opportunities, waiting to be exploited. As, when the insurance sectors opened up to private player in the year 2000, the Insurance Regulatory and Development Authority

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(IRDA) had made it mandatory for the private insurance players to sell a percentage of new policies written in the rural sector. The initial guidelines had stipulated that 5 per cent of total polices sold by private sector insurance players had to be in the rural areas. Currently, life insurance companies are required to sell 7 per cent, 9 per cent, 12 per cent, 14 per cent and 16 per cent of their policies in rural areas in the first, second, third, fourth and fifth financial years, respectively. It also defined rural area as one with a total population of less than 5,000, with a population density of less than 400 per square kilometre, and more than 25 per cent of the male working population is engaged in agricultural pursuits.

However, Rural Marketing in India has gained importance in recent years due to the newer understanding of the concept of rural market. Vast nations such as China and India, which account for one third of population, have 70 per cent of their population living in rural areas.

India as country is under–insured in the urban as well as the rural areas. Only 35 per cent of the 250 million insurable populations are insured. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. The insurance sector in India has come to a position of very high potential and competitiveness in the market. After the entry of the foreign players the industry is seeing a lot of competition and thus improvement of the customer service in the industry. Computerization of operations and updating of technology has become imperative in the current scenario. Foreign players are bringing in international best practices in service through use of latest technologies. However, the insurance agents still remain the main source through which insurance products are sold. The concept is very well established in the country like India but still the increasing use of other sources is imperative.

In India there about 30 insurance in life insurance business and non-life sector. Indians, have always seen life insurance as a tax saving device, are now suddenly turning to the private sector that are providing them new products and variety for their choice. To increase the penetration levels insurance companies will need to look at newer segments, especially the relatively untapped rural market rather than fighting for a share in the same pie in the urban markets. Marketers have started giving importance to the neglected rural markets because of the saturated urban markets and improved incomes and spending power of the rural customer.

Brief Review of Literature

The responsiveness of service quality provides maximum customer satisfaction to the life insurance industry in India. With the increase in the overall market size of the industry as well as increasing competition since 2000, different players of the industry should invest to improve customer relationship. This would not only involve implementation of CRM solution but also internal marketing of the CRM concept. (Goswami P., 2008)

Insurance schemes are more complex and because of various demand and supply side imperfections there are inherent problems in the insurance market and most of the perspective population is unaware of the pros and cons of the different schemes of insurance. (Chakravarthi, 2006)

Naveen and Veerashekhrappa (2009) found in their study that Micro-insurance is entirely a new financial product for the rural poor and accessibility of insurance is more skewed towards the income group of very poor and moderately poor households.

Ratna and Sarkar (2007) reported that rural population treat health as an important aspect and are interested in a health insurance scheme. They reported that High costs of hospitalization and surgery is not posing financial risks for poor households. They also reported that poor rural people are able to take judicious decisions regarding the composition of a health insurance benefit packages.

Objectives of the Study

1. To study the awareness level of rural customers for life insurance.
2. To suggest strategy to insurance provider for widening their base in rural areas.
3. To identify importance of service attributes perceived by rural customer.

Hypotheses

Following hypotheses stated for the study and tested at 5 per cent level of significance:

$H_{0(1)}$. Rural customers' service quality perception for life insurance services is independent of policies of life insurance companies

$H_{0(2)}$ Rural customers' service quality perception for life insurance services is independent of advertisements of life insurance companies

$H_{(03)}$ Rural customers' service quality perception for life insurance services is independent of information of life insurance companies provided by agents

$H_{(04)}$ Rural customers' service quality perception for life insurance services is independent of proximity of life insurance company's office

$H_{(05)}$ Rural customers' service quality perception for life insurance services is independent of friends and relatives information regarding life insurance company

$H_{(06)}$ Rural customers' service quality perception for life insurance services is independent of premium amount payment policy of life insurance companies

$H_{(07)}$ Rural customers' service quality perception for life insurance services is independent of knowing agent of life insurance companies

$H_{(08)}$ Rural customers' service quality perception for life insurance services is independent of premium collected at home by agent of life insurance companies

$H_{(09)}$ Rural customers' service quality perception for life insurance services is independent of less paper work requirement by life insurance companies

$H_{(10)}$ Rural customers' service quality perception for life insurance services is independent of reliability of services provided by life insurance companies.

Research Methodology

Research Type: Descriptive in nature.

Sampling Method: Convenience non-probabilistic.

Sampling Units: Life Insurance policy holders of village Thanod and Birejhar and Anjora panchayat of Durg district in Chhattisgarh.

Sources of Data Collection

Secondary Data: Secondary data collected from periodicals, magazines, business newspapers, and from subject related books, industry and company profile of different insurance companies.

Primary Data: Primary data for the study collected through the self prepared questionnaire. Reliability of questionnaire checked with the help of Cronbach's alpha, its value found to be 0.741. Validity of questionnaire checked with the help of academic and industry experts in the field. Five-point Likert scale ranging from 5 (Strongly Agree) to 1(Strongly Disagree) was used for measuring perception of respondents.

Tools for Data Analysis: Mean standard deviations and One-way Analysis of Variance (ANOVA)

Results and Findings

Table 1: Respondent Profile

Age	Frequency	Percentage
Less than 30 years	54	45.0
30 years and Above	66	55.0
Occupation		
Serviceman & Farmer	30	25.0
Farmer	70	58.3
Batiyar	20	16.7
Income		
Less than 20000	87	72.5
20000 and above	33	27.5
Education		
Under Graduate	40	33.3
Graduate	40	33.3
Illiterate	40	33.3

Demographic profile of respondents is exhibited in Table 1. It show that approximately 45 per cent of the respondents were below 30 years of age and 55 per cent were in the age group of 30 years and above. 58.3 per cent were farmers,

25 per cent were having dual occupation as farmer and service and 16.7 per cent belonged to Batiyar (not owning the farmland but works on others land) category. Education wise respondents' were Graduate (33.3%), Higher Secondary (33.3%) and Illiterate (33.3%). Approximately 72 per cent respondents having income of less than Rs. 20,000 family income and 28 per cent were in income group of above Rs. 20,000.

Table 2: Education-wise Mean and Standard Deviation

		Mean	Std. Deviation
Different policy provided by life insurance companies.	Graduate	1.7250	1.01242
	Higher Secondary	1.7500	.77625
	Illiterate	1.7250	.78406
Advertisement given by the life insurance companies.	Graduate	2.2250	1.04973
	Higher Secondary	2.0250	1.02501
	Illiterate	1.8000	.88289
Information given by the agent.	Graduate	2.4250	1.35661
	Higher Secondary	2.0250	1.16548
	Illiterate	1.9000	.87119
Company's office at proximity.	Graduate	2.2000	1.06699
	Higher Secondary	2.3000	1.01779
	Illiterate	1.9250	.94428
Information given by friend and relative.	Graduate	2.7750	1.36790
	Higher Secondary	2.1500	1.09895
	Illiterate	2.1750	1.05945
Disposition of premium amount.	Graduate	1.9750	1.14326
	Higher Secondary	1.8750	1.06669
	Illiterate	2.0750	.91672

If I know the agent.	Graduate	2.4750	1.15442
	Higher Secondary	2.1750	1.00989
	Illiterate	2.2000	1.11401
If agents come to home for premium.	Graduate	2.4750	1.24009
	Higher Secondary	2.1750	1.10680
	Illiterate	2.2000	.96609
If there is less of paper work.	Graduate	2.2500	1.17124
	Higher Secondary	2.0750	.94428
	Illiterate	2.2500	1.05612
Those companies are most reliable.	Graduate	2.9000	1.35495
	Higher Secondary	2.8000	1.11401
	Illiterate	2.4250	.98417

Table 3: Education-wise Analysis of Variance (ANOVA)

	F value	Sig.
Different policy provided by life insurance companies.	.011	.989
Advertisement given by the life insurance companies.	1.850	.162
Information given by the agent.	2.280	.107
Company's office at proximity.	1.476	.233
Information given by friend and relative.	3.576	.031
Disposition of premium amount.	.365	.695
If I know the agent.	.925	.399
If agents come to home for premium.	.900	.410
If there is less of paper work.	.363	.697
Those companies are most reliable.	1.860	.160

It is exhibited in **Table 3** that education-wise there is significant difference observed for rural customers' service quality perception for life insurance services is independent of friends and relatives information regarding life insurance company and hypothesis $H_{0(5)}$ is rejected. However, no significant difference observed for rural customers' service quality perception for other attributes of life insurance services and remaining hypotheses were not rejected.

Education Effect on Rural Customers' Perception for Life Insurance Services

It was found in the study (Table 2) that respondents who were graduate have shown that they were highly influenced by friends and relatives information regarding life insurance company, whereas illiterate and higher secondary qualified respondents were moderately influenced.

Similarly Graduates were highly influenced by advertisement of the life insurance companies and information provided by agents, higher secondary qualified respondents were moderately influenced and illiterates were least influenced and also illiterate respondents were most consistent in their opinion among all categories.

Higher secondary qualified respondents have shown more concern for proximity of company's office than graduate and illiterates. Illiterates have shown more concerned for payment policy of premium amount.

Irrespective of education respondents desired for less paper work and payment collection facility at their doorstep. Graduate and Higher secondary qualified respondents have shown more concerned for reliability of insurance services.

Conclusion

Being intangible product insurance policies and knowledge is complex. And when it comes to serving the rural masses it swells the challenges to sell the insurance policies. Insurance providers have to think beyond merely satisfying the regulatory requirement of selling their products in rural areas. It is responsibility of insurance companies to develop expertise and to provide customer with insurance knowledge as a penetration strategy for relatively untapped rural life insurance market. Operating office should be in a position to advise the prospect as to what is the best choice for him in the given circumstance. This will help them in sustainable earning for a longer period of time.

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