



# A Study Of Demographic And Economic Factors Influencing Customer Preferences Regarding Life Insurance Policies

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## ARTICLE INFO ABSTRACT

When it comes to safeguarding one's loved ones from the financial impact of an unexpected tragedy, life insurance is second to none. Life insurance is vital since human lives are the most valuable asset. The current research, which is exploratory and descriptive in nature, was picked fully intent on deciding the variables that impact clients' speculation choices in extra security and breaking down the advantages and level of delight they experience while putting resources into protection. Various statistical approaches will be used to examine the data collected from primary and secondary sources in order to draw conclusions and provide recommendations for the research. In order to reach a decision, this will be carried out. The study has shown that demographic characteristics of the population have a significant and critical impact on life insurance policy investments. The study's very existence proved this to be true.

**Keywords** - Life insurance, consumer habits, demographics, and customer preferences

## INTRODUCTION

Life insurance provides financial security in the event of a covered event, such as death, disability, accident, retirement, or other such circumstances. At some point in everyone's lives, they will either die or become severely disabled due to unanticipated circumstances. A household suffers a loss of income (IRDA) when a family member dies or is disabled, whether temporarily or permanently. Gutter and Hatcher (2008) [15] state that life insurance is often used to protect a family's financial security in the event that one or more family members pass away. Life insurance is a risk-pooling strategy that shifts the burden of a single individual's untimely death to a collective. No one can possibly live eternally. Life insurance, say Vaughan and Vaughan (2008) [36], doesn't pay out in the event of a predicted death, but it does pay out in the event of a premature death. There are 57 insurance companies in India, with 24 of them focusing only on life coverage. Life insurance products are not well-known in the Indian market. Consumers sometimes fail to fully understand the rationale for their insurance policy purchase, which is a major contributing factor. A life insurance policy's primary objective is to safeguard the financial security of the policyholder's dependants in the case of the policyholder's untimely demise. For example, if someone dies when they are still young and healthy enough to work, their loved ones will have to pay the price for the loss of their steady income. His loved ones will still have to keep up with their mortgage, debt, and other monthly payments, as well as any interest or principle they may owe on things like school or retirement. Fortunately, leading insurance companies have responded to this burden on families by releasing consumer-friendly life insurance products. These plans make sure that the insured's loved ones get enough money if the insured person dies. In addition to the previously mentioned requirement to replace income, there are a lot of other advantages to purchasing life insurance coverage. Stable investment opportunities, guaranteed income via annuities, tax advantages, and other perks are all part of these advantages. Though there are many advantages to having life insurance, many people choose not to do so for various reasons. Some of the reasons for this perspective include not knowing enough, not feeling pressured to purchase, not trusting insurance companies or brokers, not seeing an immediate advantage, and thinking it's too expensive (Peter and Sachdev, 2021).

Nevertheless, a monetary amount might be calculated by factoring in the expected income loss in the future. Although there is no monetary value on human life, there is a way to put a price on it. The Sum Assured, or the guaranteed sum in the case of a loss, is therefore distributed as a "benefit" from a life insurance policy. If

the policyholder passes away while the policy is active or is declared disabled due to an accident, the beneficiary of the life insurance payout will get a certain sum of money. Life insurance is especially important for those who are financially reliant on other people and whose families also rely on them. Life insurance is a need for women as much as men due to the high monetary worth of women's contributions to families. Even young people may be eligible for life insurance if their future earning capacity is at risk, that is in accordance with what the IRDA has certified.

For the fiscal year 2021–2022, India maintained its insurance penetration rate of 4.2% from the previous fiscal year. Between the 2020–21 and 2021–22 fiscal years, India's insurance density rose from \$78 to \$91. According to Swiss Re, India's economy is expected to see tremendous development over the next decade. Data supplied by Swiss Re puts India at number 10 globally for insurance, up from number eleven in 2020. Forecasts indicate that the country's market share will rise from 1.78 percent in 2020 to 1.85 percent in 2021. In terms of life insurance, India has jumped to number nine in 2021 from number ten in 2020 (IRDAI, 2021).

### LITRETURE OF REVIEW

**Ms. Babita Yadav and Dr. Anshiya Tiwari (2012)**"A Study on factors affecting Customer Investment towards Life insurance Policies" notes that customers are the life insurance company's true rock. Insurers must prioritise the happiness and retention of their policyholders above all else. They should also seek out new business opportunities by responding to client requirements with innovative solutions. A person's demographic characteristics are a major factor in deciding whether or not to get life insurance, according to this study. The research reached this conclusion based on the data that several factors impact customers' investing choices in life insurance.

**Venkataramani.K, Dr.R.Mohan Kumar, Dr.G.Brinda (2017)**, In order to gauge public and insurance agent sentiment regarding the Indian government's decision to raise the FDI cap in the insurance sector from 26% to 49%, the authors of the article "A study on the attitude of Consumers and Insurance Agents towards the proposed increase in Foreign Direct Investment (FDI) in Insurance sector in India" undertook a quantitative survey. Two hundred participants, including insurance brokers and policyholders, were surveyed in this study, which took place in the Indian city of Chennai. Furthermore, the insurance industry and market were the four main foci of the study, along with the effects on the economy, customer service, general benefits, and the impact on the service itself.

**S. Karthiga, Dr. M. Sudha Paulin (2022)**Research on Policyholder Perceptions of Life Insurance Investments was the name of the investigation. Overall, the results show that financial investors have a positive impression of life insurance. India has the potential to become the most valuable market for any insurance business if private companies strive to serve and assist financial investors with exceptional administration, compassion, and affirmation. The researchers set out to uncover the unspoken details that have a role in an investor's choice to buy life insurance. When asked about gambling insurance, most consumers said protection was more cost-effective and that it should be a multi-layer investment choice. Regardless of the investor's annual salary, the research found that the variables influencing the decision to purchase life insurance were unrelated.

There is also no relationship between the quantity of money put into insurance each month and the age of the reaction. In the future, when choosing an insurance provider, the reputation of the organisation, the cost of the policy, and the links to financial supporters should be the top priorities.

**Dr. N. Senthilkumar, K. Selvamani (2016)**A review was distributed with the title of An Outline of the Extra security Industry in India. This study depends on the disaster protection industry in India. A huge part of the country's financial development is owing to the life coverage industry. Private life insurance has launched a slew of new products in an effort to draw in more customers. Nowadays, people face a multitude of health issues in our fast-paced and competitive world. New techniques ought to be created by IRDA and the Life coverage Organization of India to address the wellbeing concerns connected to individuals' regular exercises. The Disaster protection Organization of India has an obligation to spread mindfulness about the worth of protection through CSR drives and specialist drove outreach programs.

**Aishwarya V, Mr.Raghunandan MV (2020)**, The author discusses this subject in an article titled "A Study on Factors Influencing Customer's Choice for Life Insurance Company"—With Reference to Mysuru City. Finding out what factors influence customers' choices about life insurance coverage is the driving force for this study. With the results of this study in hand, the insurance company should be able to better target its marketing efforts, bringing in new and returning consumers alike. With the aforementioned data in hand, it will be easier to see whether customer demographics play a role in the final choice.

**M. Rajkumari (2007)**The purpose of this research, which was published as "A Study on Customers' Preference towards Insurance Services," was to examine consumers' knowledge, satisfaction, and interests in relation to different types of insurance. The researcher set out to collect data on how customers feel about taking use of insurance products and services offered by financial institutions. In addition, he provided suggestions for how clients might learn more about how well banks sell insurance. Clients, banks, and insurers would all benefit from banc assurance, as the publisher of the Hyderabad ICFAI has made it quite clear in his book. Beyond that, the book covers the potential and challenges of banc assurance in India.

Somebody brought to his notification the likelihood that social distinctions between insurance agency and banks might be a significant barricade to the development of banc confirmation programs. Because of their enormous customer bases and the trust that customers have in banks, insurance companies have a great chance of using banks as distribution channels.

**Dr. Ruchi Jain (2018)** Under the framework of a research project named "Customer Satisfaction towards Services of Life Insurance Corporation (LIC)," focusing on Jaipur in particular. Customers' happiness in the insurance sector is not a fluke. Despite the fact that insurance marketers have made the "customer" their king and shaped their whole business model around their needs, it is essential to understand the client's level of satisfaction in regard to many aspects, which is why service is paramount. Metrics including customer loyalty, retention, chance of future purchases, and company performance may be used to gauge consumer pleasure. There are several qualitative or intangible features that distinguish a service from a product. Based on that framework, this research will look at how policyholders in Jaipur feel about the various services offered by life insurance firms and how satisfied they are with them.

**Kuhlemeyer.A.G., Allen.H.G., (2014)**, analyses the degree of satisfaction felt by customers when purchasing life insurance policies through direct placement, where no intermediary is involved, as compared to the level of satisfaction felt during transactions facilitated by brokers or agents.

**Ms. Dhani Murmu (2023)** A systematic literature review was the title of the finished study pertaining to life insurance products and perception. Results from the study will reflect how policyholders feel about the various life insurance plans on the market. After the COVID-19 pandemic, people start to worry more about their own safety and health. The demand for insurance goods, especially life insurance products, in this region has increased as a consequence. Furthermore, due to greater competition among the many insurance providers, insurance penetration is on the rise. Insurance products are seeing a surge in innovation throughout the period. There is more competition within the insurance industry and more people are aware of the many insurance products because of this. This study set intended to fill a knowledge vacuum by investigating policyholders' views on Life Insurance Corporation of India's products. Secondary sources of data were used in the investigation. The goal of doing this systematic literature study is to identify any gaps in our understanding of LIC products from the viewpoint of policyholders.

**Min Li (2008)** Nearly no one buys life insurance beyond the age of 56 for term policies and 58 for other traditional products. The research given here leads to this conclusion. Life insurance is less popular among the elderly. More term insurance is preferred by individuals with lesser earnings, whereas variable insurance is preferred by those with greater incomes. Term life insurance is more desirable for those with lesser earnings. A person's requirement for life insurance rises in tandem with their degree of education. Life insurance is a need that increases in tandem with the size of a family or the amount of money coming in. People living in households without life insurance tended to be younger, less educated, unmarried, without a spouse, and renters. Due to their low income, lack of concern about leaving a legacy, and lack of risk-taking, these families expected to die in their seventies.

**Vinod Kumar Bishnoi and Bharti (2009)** One fascinating finding from the study is that the most successful brand across all goods remains the most successful brand independent of wealth, education, age, or gender, among other demographic variables. However, it was found that people were using more sophisticated brands within that category as their incomes and levels of education improved. Research shows that younger rural consumers are more open to variety, but elderly shoppers are more likely to stick with a few of products. Huihui Wang (2010) states that the availability of life insurance in China is significantly affected by a number of factors, such as increasing income and education levels, as well as demographics, which incorporate variables like family structure and the quantity of ward kids.

**Dr. Dipin Mathur, Mr. Ashish Tripathi (2014)** revealed that demographic considerations significantly impact understanding consumer sentiments. They assessed the impact of demographic factors using this method. Customers' decision-making factors about the company are unaffected by gender and level of education, according to their study.

**Syed Shahid Mazhar, Anisur Rehman, Shahab Ud Din (2015)** research sheds insight on the manner in which demographic variables influence India's e-insurance market. Findings show that factors like income, occupation, gender, and level of education significantly impact the motivation to purchase e-insurance policies, as do factors like the desire to save, invest, take advantage of tax breaks for risk and protection, and provide for one's family via marriage and education. The evidence pointed to this being true.

## RESEARCH METHODOLOGY

The survey method is employed to conduct the research. Essentially, a survey is a method of collecting data from respondents by posing a question or a succession of questions regarding a specific topic or issue, and eliciting their responses. These inquiries may be posed through a variety of methods, including questionnaires, interviews, and rating scales. The objective of this research is to ascertain the impact of a variety of demographic and economic factors on the decision to purchase a life insurance policy. Consequently, it is conducted in survey format. Survey research is also classified into two categories. Cross-sectional surveys are the initial form, in which data is collected from a predetermined sample. The sample is then administered the survey to collect the data. The second type is Longitudinal Surveys, which involve the

collection of data over an extended period to investigate the evolution of specific phenomena as time progresses. This research is a cross-sectional survey, as the data is not collected over an extended period and is collected from a predetermined population, specifically the life insurance policyholders of Bengaluru City.

### ANALYSIS AND FINDINGS

Details Regarding the Respondents' Personal Information See Table 1 for a breakdown of the demographic variables influencing the sample of responders. According to the data in Table 1, the majority of the respondents were male and their ages ranged from 20.1 to 30. The bulk of survey takers were married and college educated. Respondents' monthly salaries varied from \$1,000 to \$20,000, with most working as service providers. Joined families were another characteristic of theirs.

**Table 1: Memorandum On the Respondents Age**

| Age Range     | Number of Individuals | Percentage |
|---------------|-----------------------|------------|
| 0 - 20 years  | 678                   | 45.07%     |
| 21 - 30 years | 688                   | 45.72%     |
| 31 - 40 years | 433                   | 28.77%     |
| 41 - 50 years | 158                   | 10.50%     |
| 51 - 60 years | 0                     | 0%         |
| 60+ years     | 66                    | 4.38%      |
| Total         | 1,505                 | 100%       |

### Gender

| Gender | Frequency | Percentage |
|--------|-----------|------------|
| Male   | 1198      | 80%        |
| Female | 307       | 20%        |
| Total  | 1505      | 100%       |

### Marital status

| Marital Status | Number of Individuals | Percentage |
|----------------|-----------------------|------------|
| Married        | 1,392                 | 92.52%     |
| Single         | 113                   | 7.48%      |
| Total          | 1,505                 | 100%       |

### Education level

| Education Level           | Number of Individuals | Percentage |
|---------------------------|-----------------------|------------|
| Not able to read or write | 30                    | 1.99%      |
| Kindergarten              | 120                   | 7.97%      |
| Secondary Level           | 121                   | 8.04%      |
| Completer                 | 420                   | 27.91%     |
| Graduate level            | 799                   | 53.09%     |
| Ph.D.                     | 62                    | 4.12%      |
| Total                     | 1,505                 | 100%       |

### Occupation

| Field of Work                             | Number of Individuals | Percentage |
|---|-----------------------|------------|
| Student                                   | 296                   | 19.63%     |
| Government Worker                         | 333                   | 22.09%     |
| Individuals providing services for profit | 711                   | 47.21%     |
| Personal Enterprise                       | 116                   | 7.71%      |
| Worker                                    | 121                   | 8.04%      |
| Aged 11                                   | 15                    | 0.99%      |
| Domestic Worker                           | 45                    | 2.99%      |
| Total                                     | 1,505                 | 100%       |

### Monthly personal income

| Monthly personal income | Frequency | Percentage |
|-------------------------|-----------|------------|
| Less than 10000         | 319       | 21%        |
| 10001 to 20000          | 399       | 26%        |
| 20001 to 40000          | 371       | 25%        |
| 40001 to 80000          | 326       | 22%        |
| Above 80000             | 90        | 6%         |
| Total                   | 1505      | 100%       |

**Table 2: Independent Samples Test**

| Variable | F Value | Significance (t) | Degrees of Freedom (df) | Two-tailed p-value |
|----------|---------|------------------|-------------------------|--------------------|
|----------|---------|------------------|-------------------------|--------------------|



|                             |        |        |       |        |
|-----------------------------|--------|--------|-------|--------|
| Average Distinction         | 22.391 | 0.902  | 150   | 0.010  |
| Normal Error Difference     | 0.122  | 0.010  | 150   | 0.083  |
| Reducing the CI             | 0.123  | 0.083  | 150   | -0.153 |
| Central Intelligence        | 0.902  | 0.898  | 3,010 | 0.080  |
| Taking care of one's family | 0.032  | -0.146 | 3,010 | 0.167  |

The P result for Levene's test for equality is 0.122, which is more than 0.05, indicating that the variances are not significantly different. The t-value result is now 0.902, which is more than the significance level of 0.05. So, the test findings show that the different gender groups of respondents do not vary much in their worries about the expectations of the customers' families.

**Table 3: A Test Using Independent Samples**

| Variable                   | F Value | Significance (t) | Degrees of Freedom (df) | Two-tailed p-value |
|----------------------------|---------|------------------|-------------------------|--------------------|
| Average Distinction        | 6.418   | 0.106            | 1503                    | 0.251              |
| Normal Error Difference    | 0.011   | 0.251            | 1503                    | 0.155              |
| Reducing the CI            | 1.617   | 0.155            | 1503                    | -0.054             |
| Central Intelligence       | 1.643   | 0.101            | 251                     | 0.251              |
| The customer's social life | 7.424   | 0.153            | 1397                    | -0.049             |

Using Levene's test for equality, we find that the variances are substantially different from each other with a P value of 0.011, which is lower than the threshold of 0.05.

This is the reason why the t-value came out to be 0.101, which is more than 0.05. Results show no statistically significant difference in the Socialization of consumer influence among the various Marital Status groups that make up the sample of respondents.

## CONCLUSION

Life insurance is an essential kind of financial security that everyone should have. The life insurance company's success is built upon the backs of its customers. Insurance companies must prioritise the happiness and retention of their present policyholders for as long as possible. They should also strive to attract new clients by offering innovative solutions that cater to their demands. The consumer is the only significant component that may cause changes in life insurance. The study's goals are to(1) determine what factors influence policyholders' choices of plans and(2) learn how satisfied customers are with the services offered by life insurance providers. The researchers concluded from their study that demographic characteristics have a substantial role in the decision-making process when it comes to purchasing a life insurance policy. People who utilise life insurance take this into account, among other things, while making financial decisions.

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