



PERCEPTUAL STUDY OF LIC POLICIES –A STUDY OF POLICY HOLDERS IN KERALA

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ABSTRACT

The insurance industry in India over the past century has gone through big changes. The insurance sector in India has completed a full circle from being an open competitive market to nationalization and back to a liberalized market again. Tracing the developments in the Indian insurance sector reveals the 360 degree turn witnessed over a period of almost 200 years. This study aims at finding out the attitude and satisfaction level of policy holders in Kerala towards policy offered by LIC by adopting stratified random sampling. Tracing the developments in the Indian insurance sector reveals the 360 degree turn witnessed over a period of almost 200 years.

KEYWORDS: Competitive market, Nationalization, Insurance sector, Indian banks, hotels.

INTRODUCTION

The service sector has grown phenomenally over the past decade and accounts for over 60% of GDP in most of the developed countries. Even in India the service sector accounts for nearly 38% of GDP and its contribution has outstripped even that of the agricultural sector. India has also come around lately in these sectors as a number of Indian banks, hotels, Insurance companies, professional services in the areas of health, medicine, accountancy, legal and management have made their presence felt. On the other hand, the world economy has become increasingly globalised and recent

liberalization measures introduced in India are also aimed at integrating with the world economy.

The business of insurance is nothing but one of sharing. It spreads losses of an individual over the group of individuals who face common risk. The individual insured, who is expected to a large but uncertain losses is able to buy protection through the payment of a small but definite cost, viz., premium. A number of steps have been taken to spread insurance much more widely and in particular to the rural areas to socially and economically backward classes with a view to reaching all insurable persons.

We all are exposed to various risks in our daily life. Even the wisest and cleverest person cannot provide for or avoid all risks. Nobody can predict or foresee the calamity he may suffer in future. Insurance is a co-operative device which spreads, the loss caused by a particular risk to some person, over a number of persons who are exposed to, same or similar risk and who agreed to 'insure' against that risk. These studies extended to know what are the factors influencing the selection of LIC policies.

STATEMENT OF PROBLEM

The insurance sector has gone through a number of phases by allowing private companies to solicit insurance. The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector. This makes stiff completion to the insurance sector. The success of the life insurance business depends on the awareness of the policyholders about the products and satisfaction level of the policyholders regarding the service rendered by LIC of India. This study focused on the customer's perception towards LIC policies.

OBJECTIVES OF THE STUDY

- ⇒ To understand the customers perception towards various policies offered by LIC.
- ⇒ To find out the satisfaction level of LIC Policy holders in Kerala.
- ⇒ To understand the influence of promotional campaigns on buying LIC policies

HYPOTHESIS

1. There is no significant association between the educational qualification and type of plan opted by LIC policy holders
2. There is no significant association between the age and type of plan opted by LIC policy holders
3. There is no significant difference between the male and female policyholders and attractiveness of promotional campaigns of LIC.

RESEARCH METHODOLOGY

The study was conducted in descriptive in nature and using both primary secondary data. Stratified random sampling method was used for the collection of data .Kerala state divided into three zone; South, Central and northern region. From each region one district was selected at random. Seventy five respondents each are taken from selected districts. The survey sample consists of LIC policy holders in Kerala. A structured questionnaire was used to collect data .The sample size limited to 225 only. Among these 15 respondents were ignored due to incompleteness of data.

INSURANCE

Insurance is the equitable transfer of the risk of a loss, from one entity to another in exchange for payment. It is a form of risk management primarily used to hedge against

the risk of a contingent, uncertain loss. An insurer, or insurance carrier, is a company selling the insurance; the insured, or policyholder, is the person or entity buying the insurance policy.

Insurance is a tool by which fatalities of a small number are compensated out of funds (premium payment) collected from plenteous. Insurance is a safeguard against uncertain events that may occur in the future.

It is an arrangement where the losses experienced by a few are extended over several who are exposed to similar risks. It is a protection against financial loss arising on the happening of an unexpected event. Insurance companies collect premium to provide security for the purpose. Loss is paid out of the premium collected from people and the insurance companies act as trustees to the amount so collected. These companies have proposal forms which are filled to give details of insurance required. Depending upon the answers in the proposal form insurance companies assess the risk and decide on the premium.

HISTORY OF INSURANCE INDUSTRY IN INDIA

Insurance industry in India started as a fully private system with no restriction on foreign participation in the Nineteenth Century. Before independence, a few British insurance companies dominated the Market. Life insurance was first set up in India through a British company called the Oriental Life Insurance Company in 1818, followed by the Bombay Assurance Company in 1823 and the Madras Equitable Life Insurance Society in 1829. All of these companies operated in India but did not insure the lives of Indians. They were there insuring the lives of Europeans living in India. Some of the companies that

started later did provide insurance for Indians. But, they were treated as “substandard” and therefore had to pay an extra premium of 20% or more. The first company that had policies that could be bought by Indians with “fair value” was the Bombay Mutual Life Assurance Society starting in 1871.

The first general insurance company, Triton Insurance Company Ltd., was established in 1850. It was owned and operated by the British. The first general insurance company was the Indian Mercantile Insurance Company Limited set up in Bombay in 1907. By 1938; the insurance market in India had nearly 176 companies (both life and non-life).

After the independence, the industry went to the other extreme. It became a state-owned monopoly. The industry started to witness a problem like fraud. Hence many regulations were put in place to reduce and control the problems in the industry. After which Insurance was nationalized. In 1956, the then finance minister S. D. Deshmukh announced nationalization of the life insurance business and then the general insurance business was nationalized in 1972. Only in 1999 private insurance companies have been allowed back into the business of insurance with a maximum of 26% of foreign holding.

. In the financial year 1993-94, agricultural sector contributed to 31%, manufacturing accounted to 26.3% and the service sector contributed to 42.7% of the total GDP of the country. Thus over the years as India became an emerging economy in 2003-04 manufacturing sector contributed for 21.7 %, manufacturing contributed for 26.8 whereas service sector contributed for 51.4% of the total GDP.

There has been 7.5% growth in the total GDP of the country and is estimated to grow at 8.0% in 2006-07. The Indian economy has

shown signs of strong performance despite a rise in oil prices, high inflation rate and abnormal rains in many parts of the country. The overall growth of the Indian economy has been equally supported by all the three sectors of the economy, i.e. the agriculture, manufacturing and the service sector. Insurance, together with the banking sector, contributes to about 7.3 % of the total GDP of India, and the gross premium collected contributes to about 2% of the total GDP of the country.

SWOT ANALYSIS OF LIC

A proper SWOT analysis of LIC has also been conducted to know better about the position, growth, and upcoming future and prospective of the company.

STRENGTHS

- ⇒ LIC is on 1st rank among the Insurance player.
- ⇒ Long-term plans of LIC are the main strength.
- ⇒ After sales services.
- ⇒ Products cost are very low.
- ⇒ Customer does not believe on private company.

WEEKNESS

- ⇨ Low interest rate

OPPORTUNITIES

- ▲ Good brand promotion.
- ▲ 1/2nd- % insurance has been covered.

THREATS

- ⇒ Competitors.
- ⇒ Entry of Private Insurance banks.

ANALYSIS OF DATA AND INTREPRETATION

Table 1: level of opinion on important aspects in LIC

		Opinion on important aspects in LIC							Total
		reliability	reputation	rate of return	insurance agent	No of schemes available	tax saving	easy documentation	
gender	male	40	25	12	7	12	38	7	141
	female	31	12	8	3	2	13	0	69
Total		71	37	20	10	14	51	7	210

From the above table revealed that reliability aspects and tax saving characteristics plays an important role in the selection of LIC policies.

Table 2: Source of Information about Life insurance policy

Sl no	Sources of information	Mean	Rank
1	Electronic media	4.4143	1
2	Agents	3.8524	2
3	Outdoor media	2.4952	3
4	Friends and relative	2.1381	4
5	Print media	2.1000	5

Source: Primary data

The important influencing source of information among the policy holders are Electronic media, agents, outdoor media, friends and relative and print media since their respective mean scores are 4.4143, 3.8524, 2.4952, 2.1381 and 2.1000.

Hypothesis1: There is no significant association between the educational qualification and type of plan opted by LIC policy holders

Table 3: Educational qualification and type of plan

Educational qualification	Type of plan			Total
	life time	Smart kid	pension plan	
under graduate	16	4	7	27
graduate	41	11	29	81
post graduate	27	13	24	64
professional	13	9	16	38
Total	97	37	76	210

Source: Primary data

Table value at 5% level of significance	Calculated value	D.F
12.592	5.859	6

Source: Primary data

The tabulated value of Chi-square for 6 df. at 5% level of significance is 12.592. Since the calculated value of Chi-square i.e. 5.859 is less than tabulated value, the hypothesis is accepted and it can be conclude that there is no significant association between Educational

Qualification and type of plan preferred among policyholders of LIC.....

Hypothesis2: There is no significant association between the age and type of plan opted by LIC policy holders.

Table 4: Age and type of plan

Age	Type of plan			Total
	life time	Smart kid	pension plan	
18-25	20	8	18	46
26-35	30	9	20	59
36-45	27	8	18	53
46-55	9	5	11	25
56 above	11	7	9	27
Total	97	37	76	210

Source: Primary data

Table value at 5% level of significance	Calculated value	D.F
15.507	3.614	8

The tabulated value of Chi-square for 8 df. at 5% level of significance is 15.507. Since the calculated value of Chi-square i.e. 3.614 is less than tabulated value, the hypothesis is

accepted and it can be conclude that there is no significant association between Age and type of plan preferred among policyholders of LIC.

Table: 5 Preferable Kind of Payment

Sl no	Kind of payment	Frequency	Percent	Cumulative percent
1	Monthly	88	30.3	41.9
2	Quarterly	67	23.1	73.8
3	Half yearly	38	13.1	91.9
4	Yearly	17	5.9	100
	Total	210		

Source: Primary data

From above frequency table 5, it is clear that 88% of policy holders preferred monthly payment of insurance premium.67% and 38%

of policy holders opted premium payment quarterly and half yearly respectively. Only least number prefers annual payment of insurance premium.

Table: 6 Satisfaction levels of respondents

Aspects	Mean	Std. Deviation	T
Fund charges	2.619	1.53	24.799
Return on investment	3.1429	1.322	34.430
After sales services	2.667	1.36	28.441

Source: Primary data

From the table it can be observed that Customers satisfaction towards Fund charges, Return on Investment and after sales services are measured .Most of the respondents are satisfied with return on investment of LIC policies with mean score of 3.1429

Hypothesis3: There is no significant difference between the male and female policyholders and attractiveness of promotional campaign of LIC.

Gender	Promotional campaign				Total
	Always	Occasionally	Rarely	Never	
Male	79	33	20	9	141
Female	33	17	12	7	69
Total	112	50	32	16	210

Source: Primary data

Table value at 5% level of significance	Calculated value	D.F
7.815	1.787	3

The tabulated value of Chi-square for 3 df. at 5% level of significance is 7.815. Since the calculated value of Chi-square i.e. 1.787 is less than tabulated value, the hypothesis is accepted and it can be concluded that there is no significant difference between the male and female policyholders and attractiveness of promotional campaign of LIC.

CONCLUSION

Life insurance penetration in India is very low as compared to developed nation where almost all the lives are covered and stage of saturation has been reached. The success of the life insurance business depends on the awareness of the policyholders about the products and satisfaction level of the policyholders regarding the service rendered by LIC of India. This study found that the policyholders are well aware about the different LIC plans such as Life time plan, pension plan etc. The proven hypothesis says that there is no significant difference between the male and female policyholders and attractiveness of promotional campaign of LIC. Proper

promotional strategies should be adopted in order to capture the market of less aware policies like Bima Nivesh, Bima Sandesh, etc.. Effective advertisement should be promoted through television, newspapers, magazines, etc..

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