A Comparative Study of Urban and Rural Investors' Perception towards the Life Insurance Policies

Priya Yadav[*]

Prof. H.K. Singh[**]

Abstract

The study of investor behaviour is the process through which investor are tends to satisfy their needs to showing their choices of making investment. In present scenario different investment options are available for the investors and it makes the investment decision more complicated for the investors. Investment market in Indian scenario is unique or different in comparison to the other countries. Investors are not thinking always rationally at the time of making investment decision; many demographic factors of investors are affecting the investment decisions. The present paper aims to study about the comparison of the urban and rural investors' perception or pattern of making investment decision regarding the life insurance policies. The study disclosed that the buying behavioral pattern of the urban and rural investors for buying insurance policies and also financial advisors are plays vital role in determine the decisions for the investors.

Keyword: Behavioural Pattern, Demographic Factors, Investor Behaviour, Investment Market, Life Insurance Policies, Urban and Rural Investors.

Introduction

Life insurance is one of the demanding financial products in India; its basic motto is protecting the people of any uncertainty of life. Life insurance policies are the basically tool for providing the assurance of life against the protection of the unforeseen events. Investment making in life insurance policies are not only for the purpose of securing the life against the

[*] *Priya Yadav, Research Scholar, Faculty of Commerce, B.H.U., Varanasi, U.P.,*

[**] *Prof. H.K. Singh, Faculty of Commerce, B.H.U., Varanasi, U.P.,*

uncertainty but also it can be used as the one of the investment avenue for making the investment.

Presently the insurance industry of India has been going through the many structural changes. Most of the companies are involved in the insurance business and increased the competitive environment and also increased the complexity for the investors for choosing the right company or right product/scheme for making investment in life insurance policies. The insurance sector has undergone basic changes as a part of financial reforms in the country. Up to 2000, the insurance market was not open for everyone, LIC had monopoly. With enactment of IRDA –Insurance Development Regulatory Act, private entities were allowed to enter into Indian Insurance market, and Monopoly of LIC was abolished. In life segment of insurance, Life Insurance Corporation of India (LIC) had a dominant role, while in non-life business segment, New India, United India, National and Oriental General Insurance Corporations were having monopoly. Since the inception of reforms in financial sector, almost all financial sectors witnessed great vicissitudes, which had ultimately increased competitive spirit and generated efficiency in the same sector.

Survey of Literature

Kumar, P. (2008) in his dissertation on **"Changes in Insurance Sector (A Study on Public Awareness)"** concentrates his emphasis mostly on the opinions and satisfaction of investors about life insurance on the basis of their socio-economic background. **Mayfield, C., Perdue, G. & Wooten, K. (2008)** examined several psychological antecedents to both short-term and long-term investment intentions, with specific focus on the big five personality taxonomy. **Sathish, S.V. (2009)** in his article entitled **"Life Insurance Marketing – A Phenomenon"** contends that insurance marketing requires intriguing creativeness of the insurers implying updating knowledge on the markets with global perspective which calls for availability of enough right data or information at the hands of the operating offices. **Sultana, S. T. (2010)** studied the profile of investors and also their characteristics in order to understand their preference with respect to their investments. The study also attempts to know the risk tolerance level of investors. **Grinblatt, M. and Keloharju, M. (2011)** in their study entitled, **"The Investment Behaviour and Performance of Various Investor Types: Study of Finland's Unique Data set",** analysed the extent to which past returns determine the propensity to buy and sell. **Rajarajan. V. (2011)** conducted a study entitled, **"Investors Life Styles and Investment Characteristics",** with the objective of analyzing the investors life

styles and to analyze the investment size, pattern, preference of individual investors on the basis of their life styles. **Das, S.K. (2012)** made an effort to study the investment habits and preferred investment avenues of the household. This study examines the investment attitude, their preferences & knowledge about capital market institutions and instruments. **Kandavel, D. (2011)** presented study looking at the perception level of the retail investors towards investment in mutual funds. The small investor purchase behavior does not have a high level of coherence due to the influence of different purchase factors. The study reveals that the buying intent of a mutual fund product by small investor can be due to multiple reasons depending upon customer risk return trade off. **Jain. D. & Kothari, R. (2012)** attempted to identify the awareness, preferences, problems and attitude of investors towards various deposit schemes offered by the post office. The study reveals that demographic factors have no significant influence over the opinion towards post Office Deposits Schemes except monthly income and educational qualification.

Research Gap

The buying behavior of the investors affected by the many factors i.e. social, demographical etc. i.e., investors tend to invest in insurance according to their age, gender, educational qualification and most important income. Most of the researches have been conducted to identify the buying behavior of investor for the insurance; this paper mainly focuses on the factors determining the selection of the schemes, amount invested, pattern of paying premium etc. of urban and rural investors. The study will also help the insurance companies to improve their product design and they can adopt new marketing strategies to capture the unexplored market after knowing about the perception of the insurance holders about the life insurance policies.

Objectives of the Study

1. To understand the level of awareness of the urban and rural investors regarding the life insurance policies.
2. To identify the objectives of urban and rural investors for making investment in life insurance policies.
3. To study about the amount invested in life insurance policies by the urban and rural investors.
4. To disclosed the paying pattern of premium in life insurance policies by the urban and rural investors.

5. To highlight the factors influencing the investment decision of urban and rural investors.

Hypotheses of the Study

H_{01}: There is no significant difference between the urban and rural investors regarding level of awareness with reference to life insurance policies.

H_{02}: There is no significant difference between the urban and rural investors regarding objectives of making investment in life insurance policies.

H_{03}: There is no significant difference between the urban and rural investors regarding amount invested in life insurance policies.

H_{04}: There is no significant difference between the urban and rural investors regarding pattern of paying premium in life insurance policies.

H_{05}: There is no significant difference between the urban and rural investors regarding factors influencing the investment decision for life insurance policies.

Limitations of the Study

1. Sample size is limited to 60 urban and rural respondents (30 respondents belong to urban area and other 30 respondents belongs to rural area). The sample size is may not be adequate to represents the whole national market of India.

2. Samples are collected through the urban and rural areas of the Varanasi districts only. It is a micro level of study considering in short period of time.

Research Methodology

The present study design is descriptive cum analytical in nature. Primary data have been used in study for making analysis and interpretation. Primary data collected through using the structured questionnaire. Data collected to the 60 respondents, 30 in urban respondents and 30 in rural respondents of the Varanasi district. For analyzing the data Chi-Square statistical tool has been used through SPSS (Statistical Package for Social Sciences) software.

Data Analysis and Interpretation

After collecting the data the next step to go ahead in analysis portion to find out the outcomes of the data and then make the interpretation. The collected data was properly encoded and then entered in the SPSS software to testing the different formulated hypotheses related with

this research. The overall analysis of the data was accomplished in a systematic way to find out the better outcomes which useful for the insurance companies to knowing about the perceptions of the urban and rural investors towards the life insurance policies.

H_{01}: **There is no significant difference between the urban and rural investors regarding level of awareness with reference to life insurance policies.**

Table 1: Location * Level of Awareness Cross tabulation

		Level of Awareness			Total
		Completely Unaware	Moderately Aware	Completely Aware	
Location	Urban	4	7	19	30
	Rural	9	14	7	30
Total		**13**	**21**	**26**	**60**

Source: Primary Data

Table 2: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.795	2	.007
Likelihood Ratio	10.106	2	.006
Linear-by-Linear Association	7.854	1	.005
N of Valid Cases	**60**		

Source: Primary Data

Interpretation: This table shows that the chi-square statistics, according to the present table the significant value (.007) is less than the P value (.05). Which means the null hypothesis is rejected. Thus, it says that the there is a significant difference between the urban and rural investors regarding level of awareness with reference to the life insurance policies. The level of awareness regarding the life insurance policies is more in urban investors' comparison to the rural investors.

H_{02}: **There is no significant difference between the urban and rural investors regarding objectives of making investment in life insurance policies.**

Table 3: Location * Objectives of Making Investment Cross tabulation

		Objectives of Making Investment				Total
		Capital Appreciation	Quick Gain	Tax Benefits	Retirement Planning	
Location	Urban	4	3	16	7	30
	Rural	8	6	10	6	30
Total		12	9	26	13	60

Source: Primary Data

Table 4: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.795	3	.284
Likelihood Ratio	3.853	3	.278
Linear-by-Linear Association	2.236	1	.135
N of Valid Cases	**60**		

Source: Primary Data

Interpretation: The present table shows the chi-square statistics, according to this table the significant value (.284) is more than the P value (.05). This means that the null hypothesis is accepted. However, it says that there is no significant difference between the urban and rural investors regarding objectives of making investment in life insurance policies. This means that the objectives of making investment in life insurance policies are not different for the urban and rural investors.

H_{03}: **There is no significant difference between the urban and rural investors regarding amount invested in life insurance policies.**

Table 5: Location * Amount Invested in Life Insurance Policies Cross tabulation

		Amount Invested in Life Insurance Policies			Total
		Below 5 Lakhs	5 Lakhs to 10 Lakhs	Above 10 Lakhs	
Location	Urban	7	23	0	30
	Rural	16	12	2	30
Total		23	35	2	60

Source: Primary Data

Table 6: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.979	2	.011
Likelihood Ratio	9.907	2	.007
Linear-by-Linear Association	2.730	1	.098
N of Valid Cases	**60**		

Source: Primary Data

Interpretation: This table shows the chi-square statistics, according to this table the significant value (.011) is less than the P value (.05). Which means the null hypothesis is rejected. Thus, it says that the there is a significant difference between the urban and rural investors regarding amount invested in life insurance policies. The amount invested in the life insurance policies by urban investors more than the rural investors.

H_{04}: **There is no significant relationship between the urban and rural investors regarding pattern of paying premium in life insurance policies.**

Table 7: Location * Amount of Premium Cross tabulation

		Amount of Premium			Total
		Below 50000	50000-100000	Above 100000	
Location	Urban	5	20	5	30
	Rural	18	12	0	30
Total		**23**	**32**	**5**	**60**

Source: Primary Data

Table 8: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.348	2	.001
Likelihood Ratio	16.753	2	.000
Linear-by-Linear Association	14.097	1	.000
N of Valid Cases	**60**		

Source: Primary Data

Interpretation: This table shows the chi-square statistics, according to this table the significant value (.001) is less than the P value (.05). Which means the null hypothesis is rejected. Thus, it says that the there is a significant difference between the urban and rural investors regarding pattern of paying premium in life insurance policies. The amount of premium paid by urban investors in the life insurance policies more than the amount of premium paid by rural investors.

H_{05}**: There is no significant difference between the urban and rural investors regarding factors influencing the investment decision for life insurance policies.**

Table 9: Location * Factors Influencing Investment Decision Cross tabulation

		Factors Influencing Investment Decision				Total
		Level of Risk	Level of Return	Time of Policy	Brokers Advice	
Location	Urban	3	8	13	6	30
	Rural	6	8	14	2	30
Total		**9**	**16**	**27**	**8**	**60**

Source: Primary Data

Table 10: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.037	3	.386
Likelihood Ratio	3.149	3	.369
Linear-by-Linear Association	2.018	1	.155
N of Valid Cases	**60**		

Source: Primary Data

Interpretation: This table shows the chi-square statistics, according to this table the significant value (.386) is more than the P value (.05). Which means the null hypothesis is accepted. Thus, it says that there is no significant difference between the urban and rural investors regarding factors influencing the investment decision for life insurance policies. This means that the factors influencing the investment decision making regarding the life insurance policies not differ for the urban and rural investors.

Conclusion and Findings

In current Indian market the investment pattern of investors change very frequently, every investor has their own preferences and perceptions. The study of present research work is focused on the difference in behavioural pattern of making investment between the urban and rural investors with reference to the life insurance policies. This study reveals that the urban investors are more aware regarding the life insurance policies and making more investment in life insurance policies in comparison to the rural investors. The present study highlighted the

some of the important findings which are valuable for the companies to design the products according to the preferences of investors and also useful for making marketing strategy to cover the untapped market area:

1. Urban investors are more aware about the life insurance policies comparison to the rural investors.

2. Objectives of taking life insurance policies are almost same for the urban and rural both the investors. There is no difference in the objectives of making investment.

3. Amount invested by the urban investors in life insurance policies are more in comparison to the amount invested by rural investors.

4. Premium paid by the urban investors is more than the premium paid by the rural investors for life insurance policies.

5. Factors influencing the investment decisions of regarding life insurance policies not differ to the urban and rural both the investors.

References

1. *Das, B. S. Mohanty & Shil, N. C. (2008). "Mutual Fund vs. Life Insurance: Behavioral Analysis of Retail Investors", International Journal of Business and Management, Vol. 3, No. 10, pp 89-103*

2. *Goswami, P. (2007),* **"Customer Satisfaction with Service Quality in the Life Insurance Industry in India,"** *Icfai Journal of Management Research, Vol.2, pp331-342*

3. *IRDA Annual Reports (www.irdaindia.org)*

4. *Jani, D. and Jain, R. (2014). "A Comparative Analysis of Buying Behavior of Urban and Rural Investors for Insurance", Abhinav National Monthly Referred Journal of research in Commerce & Management, Vol. III, pp 26-35*

5. *LIC Annual Reports (www.licindia.com)*

6. *Prajapati, K. and Barad, K. (2013). "To Study the Investors' Behavior towards Life Insurance Products", International Journal for Research in Management and Pharmacy, Vol. 2, No.1, pp 24-32*

7. *Singh, D. (2011). "Factors affecting customers' preferences for Life Insurers: An Empirical Study", The IUP Journal of Risk & Insurance, Vol. VIII, No.2, pp 34-49*

8. *Sultana, S.T. (2010). "An Empirical study of Indian investors' behavior", Global Journal of Finance & Management, Vol.2, No. 1, pp 19-23*