

UNDERSTANDING THE PERCEPTIONS OF INDIAN COLLEGE STUDENTS TOWARDS LIFE INSURANCE AND THEIR PREFERENCES ON RESEARCHING & PURCHASING THE SAME

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Abstract:

With the ushering of the economic reforms and the establishment of Insurance Regulatory & Development Authority, the insurance industry in India became more open for the companies and consumer friendly for the people. Private players emerged in the insurance space, and several banks in both the public and private sector adopted the bancassurance model of operation.

The study conducted a survey among college students to analyze their perception & preferences for life insurance, along with examining their banking activities to check for impact of banking experience on insurance related decisions. The survey responses revealed the dominance of Life Insurance Corporation (LIC), the largest public-sector player, in the life insurance market, with the banks slowly gaining ground.

Youngsters preferred advice from friends, family and agents over online research, for future life insurance purchase. Though comfortable in making online payments & using net banking services, they didn't prefer online mode for buying life insurance. When it came to banks, a good branch experience increased the chances of youngsters accepting a life insurance policy from their banks.

Keywords: Life Insurance, LIC, Bancassurance, Students, India

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1. INTRODUCTION

Insurance is a risk management system wherein one party gives the guarantee to financially compensate the other against the risk of some unforeseeable circumstance in exchange for payment. The broad classification of insurance sector includes life insurance and general insurance.

In India, Oriental Life Insurance Company was the first life insurance company established in 1818 in Calcutta. Nationalization of the insurance sector came after several instances of insurance fraud by owners of private insurance agencies. The ordinance for nationalization was passed in 1956. Life Insurance Corporation was also established in 1956 and it took over the ownership and management of 154 Indian, 16 foreign and 75 provident insurance companies. The government passed Insurance Regulatory & Development Authority Act 1999 for regulating, developing the insurance industry and opening it to the private sector. In urban India and amongst the salaried class, insurance is largely considered as a tax saving tool rather than a protective measure from contingent losses. Generally, insurance is ranked higher than other investment options because of the ease in investing and obtaining the benefits, making it a low risk, high return option. However, according to the insurance awareness survey undertaken by IRDAI in 2015, life insurance density in India is even lower than other developing countries with life insurance penetration being a low 2.6%.

The banking system in India underwent 3 distinct phases. In the first phase (1786-1969), foundation of the system was laid with the establishment of Punjab National Bank (first bank set up by Indians) & Reserve Bank of India (RBI). However, banks in general experienced periodic failures and deposit mobilization along with public confidence in banks was low. The second phase which lasted till 1991 witnessed the formation of SBI (State Bank of India), nationalization of banks in 2 stages and introduction of extensive banking facilities. This led to increase in public faith regarding sustainability of public sector banks. The third phase (after 1991) focused on liberalization of the banking practices which resulted in launching of technology based solutions which included setting up of the Electronic Clearing Service & introduction of retail funds transfer system. Phone banking and net banking revolutionized the

business operations, thus making the banking experience more convenient, efficient, swift and user friendly.

Following the lead of the global financial market, the life insurance industry has also undergone drastic changes over the past few decades. The sector has now to compete not only with various investment products but also against non-traditional insurance marketers like banks. Along with that, the situation has become more complex with introduction of technology and various facilities being provided to customers in terms of greater flexibility, transparency, options of partial withdrawal, switching, maturity benefit payouts etc.

Empirical studies relating to demand of life insurance by individuals have collected data from Life Insurance fact book, U.S. government data sets, consumer panels, survey among college graduates, household survey, interviews conducted among married couples, Funds data, A. M. Best Company data, Index of Consumer Sentiment, Longitudinal Retirement History Survey, LIMRA, Bureau of Census and other economic data sources. These studies examined the consumers of Brazil, Mexico, Islamic countries and the U.S. Only 2 studies focused on college students, namely, Berekson (1972) & Williams (1986), wherein the former studied the impact of factors of age, number of children, birth order & income on life insurance demand and the latter analyzed the influence of interest rates & life expectancies on demand for life annuities. Studies investigating the perception, adoption & satisfaction of people in relation to e-banking services & cross-selling in insurance focused only on either banks' customers or households.

In the fast-paced world of today, the young generation is more aware and more willing to adopt technology in their day to day activities whether it's in the area of communication, education, work, recreation, socializing, making payments for purchases or even banking. The purpose of the study is to analyze the perception of the Indian youth about life insurance in terms of their attitude towards it & whether their tech savviness will also be visible during research for and purchase of this financial service. It also aims to examine their banking activity, and whether their satisfaction with their bank's services makes them a potential policy buyer from the bank and what the banks need to keep in mind to secure the deal.

2.LITERATURE REVIEW

The effect of demographic variables on life insurance demand has been analyzed since late 1960s with quite contrasting findings. There was no consensus among the researchers regarding the effect of an individual's age, education, family size & marital status on his life insurance demand.

The influence of financial and economic determinants on life insurance demand has also been explored. The number of credit cards positively affected the demand for life insurance (Ferber & Lee, 1980). Several studies confirmed the positive significant relationship of family income with life insurance demand like for instance Hammond et al. (1967), Mantis & Farmer (1968), Duker (1969), Neumann (1969), Berekson (1972), Fortune (1973), Anderson & Nevin (1975), Ferber & Lee (1980), Burnett & Palmer (1984), Truett & Truett (1990), Showers & Shotick (1994) and Gandolfi & Miners (1996). Employment of the family head had positive impact on life insurance demand as shown by the studies of Hammond et al. (1967), Mantis and Farmer (1968), Duker (1969), Ferber and Lee (1980) and Fitzgerald (1987). Anderson & Nevin (1975), Ferber and Lee (1980) and Gandolfi & Miners (1996) found that homeownership was positively related with life insurance demand. Babbel (1985) and Browne & Kim (1993) found the negative influence of prices of life insurance over its demand. Headen & Lee (1974) showed that stock market price index had a positive impact on life insurance demand. Neumann (1969) studied the life insurance demand during inflationary times and found no significant relationship between life insurance and expected prices. However, Fortune (1972) found positive significant relationship between the two.

Tan & Teo (2000) studied the attitudinal, social & behavioural factors that influence the adoption of internet banking. They found that attitudinal & behavioural factors had greater influence than the social factors. Specifically, the factors of perception of relative advantage, compatibility, trialability & risk towards using the net had more significant impact. Fock & Koh (2006) examined the relationship between trust & commitment in context of internet banking. Higher level of trust was found to be significantly associated with greater willingness to try internet banking and stronger commitment. The determining factors of trust were security ethics, privacy, openness, speed of response, quality of information, regulatory control, technology advancement

& reputation. Tot et al. (2008) examined the predictors of customer's intention to continue using internet banking services. Trust was found to be the most important factor in influencing the decision to continue using internet banking services followed by compatibility & ease of use. Riquelme et al. (2009) studied the customer service attributes which had the greatest impact on their overall satisfaction with e-banking services. They found that satisfaction with e-banking was affected by courtesy, content, timeliness and products & services offered by the bank.

Harrison and Ansell (2002) analyzed the customer retention & cross-selling opportunities in the insurance industry by surveying 9000 customers of a large financial institution. They focused on aspects of identifying the potential customers who would buy additional products & the timing of the purchase. They found that married, more affluent, older & female customers have a higher possibility of purchasing a second product. Lymberopoulos et al. (2004) explored the possibilities of cross selling of insurance products by banks in Greece. They conducted a survey among 720 bank customers to find the areas of insurance product portfolio with greater chance of distribution along with identifying the potential customers' profiles. They found that awareness among customers regarding banks' offering of insurance is low, however, their willingness to purchase policies from banks was high. They also identified market segments that could offer high chances of capitalizing cross selling based on the attitudes of the customers therein. Peltier et al. (2002) used interactive psychographics as a cross selling strategy wherein first the segments were identified based on values, motives, attitudes, beliefs & lifestyles and then profiling of the segments was done. This was followed by placing customers into appropriate segments and lastly developing relationship strategies to fulfill their psychological & purchasing needs. Lau et al. (2004) studied the practices, strategies & challenges of cross-selling in banking industry of Hongkong. They discussed the problems faced by bank marketers in both active & passive cross selling along with strategies that can be used in database based initiatives. In case of householders, they suggested a strategy of paying attention to the key decision makers & collecting relationship data from families. In product strategy, they recommended to give customers the freedom to customize their own service package. For improving the pricing strategy, they emphasized on cash rebates & rewards at personal & business level to lure customers. They also considered the different roles that banks can play to increase the chances of cross-selling: marketing agents for merchants with whom they can launch joint promotion

programmes, consultants for customers & buying agents for retail customers. Li et al. (2005) examined the purchase patterns of 1201 households for 20 financial products of a large midwestern bank to assist further in cross-selling efforts. Using a structural multivariate probit model, they found that while deciding about purchasing additional financial services women & older customers showed more sensitivity towards their overall satisfaction with the bank. Also, households wherein the head member was either male or highly educated showed positive response to bank's cross selling efforts. Customer satisfaction & service quality had greater influence in case of purchases of more advanced financial products.

3. OBJECTIVES OF THE STUDY

- To study the perception of life insurance of the college students
- To study their future life insurance preferences
- To study their banking activities

4. RESEARCH METHODOLOGY

Descriptive research design was adopted for the study. Data for the study was collected by conducting a survey using a self-administered questionnaire. The questionnaire was divided into 3 parts. The first part gathered demographic information of the respondents. The second set of questions aimed at ascertaining the online banking activity of students in terms of their usage of banking services, shopping & making other payments. It also tried to find out how satisfied the students were with the services of their banks & whether they would be willing to accept an insurance policy in case their banks offer it in future. The third set of questions sought to determine the awareness of students regarding life insurance & their preferences about the policy & its features. The questionnaire had close ended questions with some of them allowing the respondents to select multiple options as their answers. About 150 undergraduate & post-graduate students of St. Thomas College, Bhilai voluntarily participated in the survey. After discarding the incomplete questionnaires, 100 questionnaires were considered for data analysis through Microsoft Excel. Both descriptive and inferential statistical techniques were used to analyze the data collected.

5. FINDINGS

1) Less than 40% of respondents have life insurance policy

Insurance policy		
Yes	No	Grand Total
38	62	100

62% of the respondents reported of not having a life insurance policy in their name. Generally, child life policies are considered unnecessary as the main purpose of life insurance is to support the dependents of the bread winner of the family by providing salary replacement or act as a tool for paying funeral expenses & this doesn't apply in case of children.

2) LIC dominates the life insurance market, ICICI is distant second

Name of the insurance company	Count
LIC	26
ICICI	4
Bajaj Allianz	2
HDFC	2
Oriental Insurance	2
Tata AIG	2
Not Applicable	62
Grand Total	100

Of all the life insurers named in the survey, LIC topped the list with 68% (26 out of 38) of policyholder respondents having their lives insured with it. The company is still popular owing to its huge network and implied government guarantee associated with it which builds up trust of the people. Apart from LIC, there are 5 other companies in the insurance market of which 2 are banking institutions.

3) 3 banks follow LIC in terms of awareness of life insurance providers

Knowledge about insurance companies	Count
LIC	96
ICICI	28
HDFC	20
SBI	18
Bajaj Allianz	14
Oriental Insurance	14
MAX Life Insurance	8
ING Vyasya	4
Tata AIG	4
Bharti AXA	2
United India	2

The popularity of LIC was evident also when the respondents were asked about the names of life insurers they were familiar with. However, the next 3 places were taken up by the banks. This depicts that the financial institutions have created a niche for themselves in the life insurance market outdoing the competition from companies who specialize in this arena.

4) SBI dominates banking market but lags in life insurance

Name of the bank	Count
SBI	44
Central Bank of India	12
Dena Bank	12
Andhra Bank	8
HDFC	4
ICICI	4
Karnataka Bank Ltd	4
Punjab National Bank	4
Kotak Mahindra Bank	2

Allahabad Bank	2
State Bank of Hyderabad	2
Union Bank of India	2
Grand Total	100

From the responses collected from the survey, it's clear that SBI is the most frequently used bank by the teenagers. Though both Dena Bank & Central Bank of India ranked second in terms of usage among the respondents, there was a marked difference in the count of preferences between the leader and these 2 banks.

But though SBI has high banking penetration, it occupies fourth position in terms of respondents' knowledge about insurance companies.

5) Awareness does not translate to purchase for banks

Banks/Insurers	LIC	HDFC	ICICI	Others	NA	Grand Total
HDFC	-	2	-	-	2	4
ICICI	-	-	-	-	4	4
Others	26	-	4	6	56	92
Grand Total	26	2	4	6	62	100

None of the respondents who used the banking services of ICICI had insurance policies. Half of the survey participants who had their accounts in HDFC bank didn't have an insurance policy and the rest had policy offered by the bank itself.

This shows that despite respondents being aware of their life insurance products (as seen in Finding 3), banks haven't been able to gain market share in the insurance market even among their own banking users. This indicates that the process of decision making about insurance purchase & its driving factors are different from that about bank account opening.

6) (a) Personal sources of information preferred over company &/online for advice on life insurance

Advice	Count
Word of mouth	82
Agent based	56
Online	36

2

When asked about whose advice they would seek when they would buy life insurance in future, majority of respondents reported that they would prefer word of mouth over agent based & online sources of information. This shows that though youngsters are comfortable and knowledgeable about online information gathering, they still don't trust it over personal sources while making purchases. In the survey questionnaire, word of mouth included sources like parents, friends & peers of respondents; the agent based sources consisted of insurers' agents (including agents who helped their parents purchase insurance) and the online sources comprised of insurance company websites & insurance comparison sites.

Advice	Count
Online + Word of mouth	20
Online + Agent based	4
Online + Agent based + Word of mouth	12
Online only	0

While considering the selection of online source for advice on life insurance, it was found that none of the respondents would rely only on insurance company websites &/or insurance comparison sites. Along with seeking information via online sources, respondents also wanted to take into account the advice of parents, friends, peers etc. &/or agent. Word of mouth was the most frequently reported source of advice for future purchase of life insurance that supplemented the online search.

(b) More people are making online payments but less want to depend on online sources to find information

² Respondents could give multiple answers for this question

Online payments	Count	Number of respondents who prefer online sources of information for life insurance
Payment for one activity	12	4
Payment for two activities	26	10
Payment for three activities	36	16
Payment for four activities	4	4
Payment for more than four activities	2	2
No online payments	20	6
Total	100	36

The youngsters are quite active in making online payments in their day to day lives as shown in the data gathered through the survey with 80% of the respondents using the online medium for making payments. 33% of the respondents who made online payments for one activity preferred online sources of information for life insurance. As the number of activities for which online payments were used increased, the percentage of people seeking online advice for life insurance also rose with becoming 100 percent in case of respondents making online payments in four or more activities. Thus, with making more online payments, people get more comfortable in online transactions and readily seek online information for their life insurance.

7) Gathering information & purchase don't go hand in hand

Buying mode of life insurance	Count
Agent	54
Online	26
Not Decided	20
Total	100

Advice for Life Insurance Purchase	Buying Mode of Life Insurance in future			
	Agent	Online	Not Decided	Total
Online	18	10	4	32
Other respondents	52	26	20	98

3

Respondents were found to be more inclined (54%) towards the traditional system of consulting agents instead of taking the online option for their future life insurance purchase. Also, of the respondents who preferred seeking information regarding their future life insurance purchase via online sources, only 31% (10 out of 32) were willing to make an online purchase. This shows that although youngsters are comfortable to refer to online sites for information, they don't favor it for the purpose of purchase.

8) People who make regular online payments are more comfortable doing online banking

Online Payments	Online Banking		
	Yes	No	Total
Payment for one activity	10	2	12
Payment for two activities	24	2	26
Payment for three activities	34	2	36
Payment for four activities	4	0	4
Payment for more than four activities	2	0	2
No Payments	0	20	20
Total	74	26	100

83% of the respondents who made online payment for one activity also did online banking. The probability of people doing online banking increased with more regular online payments with all the respondents reporting the usage of online banking in case of 4 or more activities. This

³ Respondents could give multiple answers for this question

demonstrates that as people make more online payments, they get more comfortable to get involved in online banking.

9) Loving internet and mobile banking but not buying insurance online

Count	Ratings by respondents					
	Good			Bad		
	Internet banking	Mobile banking	Both	Internet banking	Mobile banking	Both
Agent	24	14	6	2	-	-
Online	18	10	8	2	2	2
Total	42	24	14	4	2	2

As depicted by the previous table, more than 90% of the respondents (74 out of 80) who make online payments also do online banking. But respondents who gave a good rating to internet/mobile banking experience do not necessarily want to purchase insurance online. Of the 42 respondents who rated their bank good in internet banking only 43% (18 in number) wanted to purchase insurance online. Of the 24 respondents who rated their bank good in internet banking only 42% (10) wanted to purchase insurance online.

Of the respondents who rated both mobile banking & internet banking services of their banks as good, 57% (8 out of 14) were open to the idea of online life insurance purchase. The number of respondents who gave their bank bad ratings on internet &/or mobile banking is too small for meaningful analysis.

10) Good branch experience leads to positive response to future product offering

Count	Branch experience rating			
	Good	Average/Bad	NA	Grand Total
Yes	24	10	4	38
No	6	16	-	22
Don't know	16	20	4	40

Grand Total	46	46	8	100
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52% (24 out of 46) of the respondents who gave a rated their banks' branch experience as good agreed to purchase a life insurance policy if offered in future. 21% (10 out of 46) who gave an average or bad rating to the branch experience of their banks were willing to purchase life insurance from it in future. Thus, good branch experience raises the likelihood of accepting the offer by about 150%.

6. LIMITATIONS OF THE STUDY

- The study analyzed a small sample of college students. More in-depth insights could be gained with greater number of respondents.
- Life insurance is still a parent driven decision in India and that might have affected the awareness & the responses of students regarding their future preferences and purchase.
- The survey was conducted in a small town where the penetration of private players' is low, both in the banking & insurance sectors. The same questionnaire might have elicited different responses in larger cities, which in turn would have led to different findings.

7. CONCLUSION

After more than a century of its introduction, life insurance penetration is still low in India. To expand their customer base, the companies operating in this sector can explore the life insurance market for the youngsters. Though LIC continues to dominate the life insurance industry in the liberalized India being the most preferred insurer with strongest distribution network, the sectoral scenario started changing with introduction of bancassurance. Financial institutions slowly but surely are moving towards strengthening their hold in the life insurance field with people becoming more aware of their presence in the market. However, awareness about banks offering life insurance was not based on experience of respondents as policyholders. Youngsters preferred using personal sources of information more over online sources for taking advice regarding life insurance purchase in future. Also, although they frequently made online payments, they didn't favor the online buying mode for their future life insurance purchase. Same could be said about their usage of internet & mobile banking wherein respondents were quite

active yet they didn't prefer online mode for buying life insurance. A good experience at banks' branch increased the chances of respondents accepting a life insurance policy from their banks.

9. FUTURE RESEARCH DIRECTIONS

- ❖ Comparative analysis of life insurance awareness, preference & purchase of Generation X & Millennials can be conducted to know the similarities & differences in their perceptions.
- ❖ Big cities can be used to create the study sample & banking satisfaction can be investigated along with aspects of response to cross selling, duration of relationship with the institution and number & nature of recommendations made by the people.
- ❖ Insurance cross-selling can be further explored by focusing attention on customers' perspective – for example whether they would be willing to purchase other type of insurance policies from their existing insurer and what would be the deciding factors in making that decision.

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