POLICY HOLDERS’ AWARENESS ABOUT LIC: A STUDY IN ERODE DISTRICT OF TAMIL NADU

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Abstract: The Insurance Sector in India has undergone significant changes during the last decade. There have been new institutions, instruments and new opportunities, along with all this, new challenges with changes in traditional face of insurance. The Life Insurance business showed a rapid growth throughout the country during the last decade. The economic scenario in our country is rapidly changing. High quality products with quality support services both in terms of international standards and competitiveness have entered into our country. As a result, the life insurance sector has experienced a stiff competition.

Now the companies are going in for need-based selling and are trying to promote awareness, literacy and understanding among the people. The insurers focused on the financial protection and long-term wealth creation and have four different types of products in their kitty, commonly known as PIPS (Protection-Insurance-Pension-Savings). They try to gauge the needs of the customers and their financial capability before offering the product that would suit their preference. As a result, Companies are coming up with innovative products in a bid to capture the hugely untapped Insurance Market in India as well as to maintain an upper hand against the other alternative forms of investment such as Mutual Funds, Fixed Deposits, Pension Funds and Government Bonds. The level of awareness of policyholders influences the decisions regarding the selection of products.

Consequences of Liberalization, there are number of Insurance Corporate in the market. Every company is offering different products by using their own marketing strategies. Further, LIC policyholders are not getting fair information from the corporation and agents. This situation leads to confusion in the minds of policyholders. Hence, it is decided to identify the level of awareness of the policy holders about LIC and its products. Consequences of Liberalization, there are number of Insurance Corporate in the market. Every company is offering different products by using their own marketing strategies. Further, LIC policyholders are not getting fair information from the corporation and agents. This situation leads to confusion in the minds of policyholders. Hence, it is decided to identify the level of awareness of the policy holders about LIC and its products. Against this background, this study is a modest attempt to examine the level of awareness about LIC. It has been analyzed in two parts. The first part deals with the level of awareness about LIC and its services. Second part deals with the level of awareness about LIC products.

I INTRODUCTION

The Indian consumer has traditionally looked at Life Insurance investment as an instrument for tax saving rather than as a prudent investment decision or even as a protection device. The joint family system prevalent earlier also means that Life Insurance was not seen as a necessity the way it is in some other countries, as the family was there to help an individual in case of any difficulty. Tax savings has been the route taken by the agents earlier in selling Life Insurance to customers. The market has therefore been characterized by seasonality during the year and closing. This is not the ideal way for selling an insurance product. There has been no endeavor to correlate it with the needs of the customer.

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II STATEMENT OF THE PROBLEM

With the Privatization of the Insurance Sector, the degree of competition has increased and as a result, the LIC has taken various measures to improve its service standard. But, the majority of the Indian population is dwelling in rural areas, with low literacy rate and in low standard of living. Thus, the awareness level about these improved services of LIC among this section is very low and even India’s Literacy rate has been increased from 64.83% in the 2000 census to 74.04% in 2011, the educated are also not fully aware about LIC’s value added services and its innovative products. This may be one of the reasons for the declining market share of the LIC.
II REVIEW OF LITERATURE

Sheela and Arti (2007) made an attempt to study the awareness level of the customers regarding Life Insurance Policies and their significance. By using Convenience Sampling method, the required primary data have been collected. The sample size is 1,500 (from 12 sectors). They found that majority of the respondents who have purchased Life Insurance Policies have bought them, only because of the saving element associated with the policies. They suggested that there is a need for insurers to undertake a demand audit in order to understand what the policyholder wants and need. Clifford Paul et al., (2010) made an attempt to identify the relationship between the socio-economic status and awareness of Indian investors of insurance. The required primary data have been collected from 1,655 policyholders. It is found that the awareness level of the policyholders is low among uneducated, lower age group and daily wage class.

Harman Singh and Madhumita Lall (2011) made an attempt to analyze the awareness level of the policyholders about Insurance Policies. By using Random Sampling technique, the required primary data have been collected from 104 respondents. It is found that the Government service men of 26-45 age group are having more awareness about buying Insurance Policy for several purposes.

Altaf Ahmad Dar and Shabir Bhat (2012) analysed the awareness of policyholders in Jammu and Kashmir. The required primary data have been collected from 242 respondents. It is found that the awareness about Insurance is low. It is suggested that the Insurance Companies should reach out to those who are uneducated and the lower age group people by awareness campaign like radio and television advertisements.

IV OBJECTIVES OF THE STUDY

The present study is undertaken with the following specific objectives:

1. To identify the socio-economic characteristics of sample respondents.
2. To determine the awareness level of the policy holders about LIC and its product

V HYPOTHESES

H01: There is no significant association between various independent variables of the policy holders and their level of awareness about LIC and its services.
H02: There is no significant association between various independent variables of the policyholders and their level of awareness about LIC and its products.

VI SAMPLING DESIGN AND METHODOLOGY

In India, LIC has divided its marketing areas into 8 Zones viz., North, North Central, Central, East, East Central, West, South and South Central Zones. Southern Zone comprises of Tamil Nadu, Kerala and a Union Territory of Pudhucherry. It is found that the Southern Zone has shown growth in business in terms of number of policies in 2011-12. Hence, for the present study the Southern Zone has been selected purposively in the First stage.

The Southern Zone’s Head Quarters is situated at Chennai. This Zone Consists of 12 Divisions viz., Coimbatore, Chennai, Ernakulum, Kottayam, Kozhikode, Madurai, Salem, Thanjavur, Thirunelveli, Thirussur, Thiruvanathapuram and Vellore. Out of 12 Divisions, Coimbatore Division is in a strong performance in terms of number of policies sold and in the premium income; this Division is in First place till the year 2009-10. Hence, Coimbatore Division has been purposely selected for the study in Second stage.

On the basis of the information provided by the officials of Erode District LIC Branches, Branches of Erode District in Coimbatore Division hold a notable place by contributing the highest share in the premium collection particularly in conventional products. Hence, it is decided to select the LIC Branches of Erode District in Third stage.

In the selected Erode District, there are seven branches viz., Bhavani, Erode-North, Erode-South, Gobichettipalayam, Perundurai, Sathyamangalam and Sivagiri. It is decided to collect the required primary data from the policyholders of all these Branches.

As per the records of Coimbatore Division of LIC, it is identified that there are 98,215 policyholders during data collection period in the selected seven Branches. By using Convenient Sampling method, it is decided to collect the data from 100 policyholders of every selected branch.

VII FRAME WORK OF ANALYSIS

The awareness level of sample policyholders about LIC and its products have been examined with Chi-square test, F - test, Z - test, Contingency Co-efficient (C) at 5% level of significance and Factor analysis.

VIII POLICY HOLDERS’ AWARENESS TOWARDS THE SERVICES OF LIC AND ITS PRODUCTS

(i) POLICY HOLDERS’ AWARENESS ABOUT THE SERVICES OF LIC

The policyholders are classified as Low level and High level based on their level of awareness about LIC and its services and the details are shown in Table 1.
TABLE 1
Classification of Policy holders on the basis of awareness Score about LIC and its Services

<table>
<thead>
<tr>
<th>Awareness Level</th>
<th>No. of Policyholders</th>
<th>Total Score</th>
<th>Mean Score</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low level (25-74)</td>
<td>264(52.8)</td>
<td>16370.04</td>
<td>62.00</td>
<td>7.45</td>
</tr>
<tr>
<td>High level (75-125)</td>
<td>236(47.2)</td>
<td>20734.96</td>
<td>87.86</td>
<td>9.21</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>500(100)</strong></td>
<td><strong>37105.00</strong></td>
<td><strong>74.21</strong></td>
<td><strong>15.37</strong></td>
</tr>
</tbody>
</table>

Figures in parentheses are percentage

Table 1 depicts that the 52.8% of the sample policyholders have low level and 47.2% policyholders have high level of awareness about LIC and its services.

TABLE 2
Association Between The Independent Variables Of The Policy holders And Their Awareness Level About LIC And its Services

(ii) POLICY HOLDERS’ AWARENESS ABOUT THE PRODUCTS OF LIC

TABLE 3
Classification of Policyholders On The Basis Of Awareness Score About The Products Of LIC

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>χ²-Value</th>
<th>Contingency Co-efficient</th>
<th>F-Value</th>
<th>Z-Value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>32.35</td>
<td>0.25</td>
<td></td>
<td>6.617</td>
<td>Significant</td>
</tr>
<tr>
<td>Age</td>
<td>0.04</td>
<td>-</td>
<td>0.006</td>
<td></td>
<td>Insignificant</td>
</tr>
<tr>
<td>Educational status</td>
<td>33.724</td>
<td>0.25</td>
<td>17.026</td>
<td></td>
<td>Significant</td>
</tr>
<tr>
<td>Marital status</td>
<td>0.272</td>
<td>-</td>
<td>-</td>
<td>0.407</td>
<td>Insignificant</td>
</tr>
<tr>
<td>Nature of the family</td>
<td>0.382</td>
<td>-</td>
<td>0.407</td>
<td></td>
<td>Insignificant</td>
</tr>
<tr>
<td>Size of the family</td>
<td>0.658</td>
<td>-</td>
<td>0.121</td>
<td></td>
<td>Insignificant</td>
</tr>
<tr>
<td>Occupational status</td>
<td>179.426</td>
<td>0.51</td>
<td>82.716</td>
<td></td>
<td>Significant</td>
</tr>
<tr>
<td>No. of earning members</td>
<td>6.331</td>
<td>0.11</td>
<td>-</td>
<td>3.377</td>
<td>Significant</td>
</tr>
<tr>
<td>No. of LIC policies</td>
<td>11.972</td>
<td></td>
<td>4.353</td>
<td></td>
<td>Significant</td>
</tr>
<tr>
<td>Annual family income</td>
<td>16.892</td>
<td>0.18</td>
<td>15.536</td>
<td></td>
<td>Significant</td>
</tr>
<tr>
<td>Annual family Expenditure</td>
<td>20.659</td>
<td>0.20</td>
<td>11.285</td>
<td></td>
<td>Significant</td>
</tr>
<tr>
<td>Annual family Savings</td>
<td>14.162</td>
<td>0.17</td>
<td>12.586</td>
<td></td>
<td>Significant</td>
</tr>
<tr>
<td>Total sum assured</td>
<td>37.745</td>
<td>0.26</td>
<td>33.552</td>
<td></td>
<td>Significant</td>
</tr>
<tr>
<td>Total premium</td>
<td>42.538</td>
<td>0.28</td>
<td>30.708</td>
<td></td>
<td>Significant</td>
</tr>
</tbody>
</table>
Table 3 depicts that 76.6% of the sample policyholders have low level and 23.4% have high level of awareness. Hence, it can be concluded that majority of the sample policyholders have low level of awareness about products of LIC.

TABLE 4
Association between the independent variables of the Policy holders and their Awareness Level about the products of LIC

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>( \chi^2 )-Value</th>
<th>Contingency Co-efficient</th>
<th>F-Value</th>
<th>Z-Value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>6.934</td>
<td>0.11</td>
<td>-</td>
<td>6.10</td>
<td>Significant</td>
</tr>
<tr>
<td>Age</td>
<td>0.405</td>
<td>-</td>
<td>0.545</td>
<td></td>
<td>Insignificant</td>
</tr>
<tr>
<td>Educational status</td>
<td>8.436</td>
<td>0.12</td>
<td>10.376</td>
<td></td>
<td>Significant</td>
</tr>
<tr>
<td>Marital status</td>
<td>0.853</td>
<td>-</td>
<td>-</td>
<td>0.024</td>
<td>Insignificant</td>
</tr>
<tr>
<td>Nature of the family</td>
<td>2.660</td>
<td>0.07</td>
<td>-</td>
<td>2.694</td>
<td>Significant</td>
</tr>
<tr>
<td>Size of the family</td>
<td>2.775</td>
<td>-</td>
<td>1.597</td>
<td></td>
<td>Insignificant</td>
</tr>
<tr>
<td>Occupational status</td>
<td>66.737</td>
<td>0.34</td>
<td>52.785</td>
<td></td>
<td>Significant</td>
</tr>
<tr>
<td>No. of earning Members</td>
<td>12.665</td>
<td>0.15</td>
<td>-</td>
<td>4.754</td>
<td>Significant</td>
</tr>
<tr>
<td>No. of LIC policies</td>
<td>9.541</td>
<td>0.14</td>
<td>-</td>
<td>5.265</td>
<td>Significant</td>
</tr>
<tr>
<td>Annual family Income</td>
<td>13.110</td>
<td>0.16</td>
<td>12.706</td>
<td></td>
<td>Significant</td>
</tr>
<tr>
<td>Annual family Expenditure</td>
<td>11.681</td>
<td>0.15</td>
<td>7.172</td>
<td></td>
<td>Significant</td>
</tr>
<tr>
<td>Annual family Savings</td>
<td>6.182</td>
<td>0.11</td>
<td>6.772</td>
<td></td>
<td>Significant</td>
</tr>
<tr>
<td>Total sum assured</td>
<td>24.480</td>
<td>0.216</td>
<td>27.862</td>
<td></td>
<td>Significant</td>
</tr>
<tr>
<td>Total premium</td>
<td>26.206</td>
<td>0.22</td>
<td>28.680</td>
<td></td>
<td>Significant</td>
</tr>
</tbody>
</table>
IX FINDINGS

Awareness level about LIC and Its services

It is found that the 52.8% of the sample policy holders have low level and 47.2% policy holders have high level of awareness about LIC and its services.

To measure the association between level of awareness and various independent variables, a null hypothesis has been framed and the same has been tested. It is found that hypothesis relating to Age, Marital status, Nature of family and Size of the family have been accepted and the hypothesis relating to Gender, Educational status, Occupational status, Number of earning members, Number of LIC policies in the family, Annual family income, Annual family expenditure, Annual family saving, Total sum assured and Total premium have not been accepted.

Further, the framed hypothesis has been tested with F-test and Z-test. It reveals that the hypothesis relating to Age, Marital status, Nature of family and Size of the family have been accepted and the hypothesis relating to Gender, Educational status, Occupational status, Number of earning members, Number of LIC policies in the family, Annual family income, Annual family expenditure, Annual family saving, Total sum assured and Total premium have not been accepted.

Awareness level about the products of LIC

It is found that 76.6% of the sample policy holders are having low level of awareness and 23.4% of the sample policy holders are having high level of awareness about the products of LIC. The mean score of the sample policy holders is 31.02 and standard deviation is 6.18. Hence, it can be concluded that majority of the sample policyholders are having low level of awareness about the products offered by LIC.

Association between Independent Variables and Awareness Score

In Chi-square test analysis, it is found that the Age, Marital status, Nature of family and Size of the family and level of awareness about LIC products is insignificant, whereas factors like Gender, Educational Status, Occupational status, Number of Earning members, Number of LIC policies in the family, Annual family income, Annual family expenditure, Annual family saving, Total sum assured and Total premium and awareness about the products of LIC is significant.

In F” test analysis, it is found that Age and Size of the family and level of awareness about LIC products is insignificant, whereas factors like Educational status, Occupational status, Annual family income, Annual family expenditure, Annual family saving, Total sum assured and Total premium and awareness about the products of LIC is significant.

In Z” test analysis, it is found that the Marital status and Nature of family and level of awareness about LIC products is insignificant, whereas factors like Gender, Number of earning members, Number of LIC policies in the family and awareness about the products of LIC is significant.

X SUGGESTIONS

The LIC must create awareness about all its improved services and the technological developments such as On-Line mode of payment, payment of renewal premium through empowered agents, function of Satellite offices, Interactive Voice Response System (IVRS), Corporate Active Data Warehouse, Insurance Ombudsman facility etc. It may enable the policyholders to know about the facilities provided by the LIC. By doing so, the level of awareness of the policyholders about the services can be improved to the fullest extent.

The LIC must educate the public about the various types of products available in the market. Among the different categories of plans, few plans are only fast moving and many plans are either slow-moving of non-moving in the market. Hence, it is suggested that it must motivate its agent folks to concentrate not only on fast moving plans and LIC has to set a plan-wise targets to its agents.

XI CONCLUSION

Insurance has been an integral part of financial services system and recognized as a cornerstone of a country’s financial health and symbol of progress. Insurance provides financial security of citizens and offers valuable investment advice. It serves as an effective step towards the financial stability to both individual and national. As the Insurance is an integral part of national economy and a strong pillar of financial market, the waves of globalization have also deeply influenced the insurance market worldwide.

The effect of the present study shows that the LIC must be competent in its performance, policy holders” have low level of awareness about the LIC and its products, To make the LIC to compete with the new entrants in the Life Insurance market, various viable suggestions have been offered. If all the suggestive measurements have been considered earnestly by the LIC and the Government of India, it is hope that the LIC will be able to improve its market position and the number of policyholders.
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