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Relationship between Demographic Factors and Selection of Life Insurance Company - A Study of Baroda City

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Abstract: To remain competitive and profitable, organizations have to adjust the need of customers' needs and have to consider customers' preference. Over the last two decades, the insurance industry in India has gone through many changes. This study describes the customers' preferences towards life insurance companies. Total 50 respondents have been selected from Baroda city and their perception about life insurance has been taken. The data has been analyzed by applying Chi-square test. From the analysis, it has been found that demographic factors affect the selection of Life Insurance Company. It has been found that customers of Baroda are indifferent in selection of Life Insurance Company. They more prefer Life Insurance Corporation of India then that of private sector life insurance companies.

Keywords: Life Insurance, Customer Satisfaction.

I. INTRODUCTION

For the humanity, insurance plays a major role. Now people start to understand the requirement of the insurance. These needs are endless. Insurance is not constrained to society or cast or ages or life styles. Insurance is a god source of an investment. Customers' perception and satisfaction are related with various attributes including demographic factors. The life insurance industry has become increasingly day by day. People and companies have found themselves in constant change. The phenomenon of constant change is not new. It can be seen by looking at the historical evolution of mankind and civilization. Man has evolved from being gatherer and hunter to today's consumer of a broad range of services and products. Organizations find themselves trying to attain competitive advantage to secure their market share. Due to this competition, the market environment has been changing faster than ever before.

II. REVIEW OF LITERATURE

Truett and Truett (1990) and Showers and Shotick (1994) find positive relationship between age and life insurance demand while Hammond et al. (1967) show insignificance of the relationship. Gandolfi and Miners (1996) there is no influence of age on life insurance demand by wives, while husbands' age negatively affects life insurance consumption. Browne and Kim (1993) higher education implies that individuals are dependent on family income earner. Thus, education could serve as additional proxy for dependence on the family breadwinner. Hammond et al. (1968) concluded that as the family income earner is more educated, implying that he/she has higher income, there will be higher financial loss to the family in case of his/her dead in comparison to those of with lower education. Education is found to be positively related to life insurance demand. Mantis and Farmer (1968) find influence of employment on life insurance consumption. Namely, employment provides source of income and according to the theory of consumption it is permanent factor which determines level and distribution of income among consumption and saving. They have also found that marriages have effect on life insurance demand but contrary to the

expectation, it is negative. Lewis's model (1989) life insurance demand is determined by maximization of the beneficiaries' expected lifetime utility. Protection of dependent members of family against financial hardship in the case of a wage earner's premature death is important motive of buying life insurance.

III. PROBLEM STATEMENT

Since the insurance services are provided for all persons and activities it is essential for an insurance company to meet the changes in their customers' demands in order to maintain customer commitment over time. The largest insurance company in Baroda city has focused on the customers' satisfaction as well as the affected demographic factors which are considered while selecting the life insurance company. Keeping this view, this research has been carried out.

IV. OBJECTIVE OF THE STUDY

1. To know the association between demographic factors and selection of life insurance companies.

2. To understand customer satisfaction level.

V. HYPOTHESIS

H_{01}: Customers are indifferent in selection of Life Insurance Company.

H_{02}: Gender of the respondent is not an important factor in selection of Life Insurance Company.

H_{03}: Age group of the respondent does not play any role in selection of Life Insurance Company.

H_{04}: Level of the income is independent in selection of Life Insurance Company.

H_{05}: Migran2 people do not take risk.

H_{06}: There is no correlation between type of family and type of fund.

H_{07}: Non-product factors are not deterministic factors in selection of Life Insurance Company.

H_{08}: Customers are not satisfied with their life insurance company.

VI. METHODOLOGY

The data has been collected by framing a questionnaire. 50 respondents have been taken from Baroda city. The data has been collected by as per researchers as well as respondents' convenience. To analyze the data, Chi-square test has been applied.

VII. ANALYSIS AND INTERPRETATION

A. About the Respondents

1. Age and Gender:

Out of the total respondents surveyed, nearly 80 % are males and the rest are female respondents. If we look at the age distribution of the population surveyed, 30% of the respondents within total respondents fall under the category of age group of 31-40 years, 24% of the respondents within total respondents fall under the category of age group of 41-50 years and around 46 % respondents within age have been found to be below 30 years of age.

2. Education and occupation:

Out of the total respondents surveyed, around 15 % are found to be Under Graduates. Nearly 70% are found to be having graduate degrees while 11% are found be having Post-Graduate degrees. Others are found to be either M.Phil or Ph.d or having degree or some diploma. It was found that most of the post-graduate respondents are engaged in doing either service or other occupation while under graduates are mostly found to be professionals and gradates are business persons.

3. Migration status and living area:

As the study is conducted in urbanized area, all the respondents are from urban area. Out of them, 90 % respondents are migrants and the rest are found non-migrants. That means most of the respondents are having native in urban area.

4. Type of family

The above chart clearly indicates that 81 % respondents found living in nuclear family and 19 % are living in joint family.

5. Marital status

While analyzing marital status, it is found that 84 % respondents are married and 11 % respondents are unmarried. From the rest of the respondents, 03 % are divorcee and 02 % is either widow or widower.

6. Income

Out of the total respondents surveyed, almost 45% of the respondents are found to be earning or having annual income between rupees one to three lakh. It is observed that 25 % respondents earn annual income between one two three lakh. It was found that only about 15 % respondents are having an annual income more than five lakh. 15 % of the respondents are found to be having an income below one lakh.

B. Testing of Hypothesis

1. H_{01}: Customers are indifferent in selection of Life Insurance Company

Table 1Result of Hypothesis 1

Cal. Value	d.f.	Sign. Level	Tab. Value	Test	Result
52.351	02.00	5.00 %	5.99	x2cal > x2tab	Rejected
	02.00	1.00 %	9.21	x2cal > x2tab	Rejected

Here, calculated value is garter than tabulated value. It indicates that the Null hypothesis is rejected and the alternative hypothesis is accepted at both 5% and 1% significant level. It means customers highly prefer life insurance Corporation of in India

2. H_{02}: "Gender of the respondent is not an important factor in selection of Life Insurance Company".

Table 2: Result of Hypothesis 2

Cal. Value	d.f.	Sign. Level	Tab. Value	Test	Result
25.125	02.00	5.00 %	5.99	x2cal > x2tab	Rejected
	02.00	1.00 %	9.21	x2cal > x2tab	Rejected

Here, calculated value is garter than tabulated value. It indicates that the Null hypothesis is rejected and the alternative hypothesis is accepted at both 5% and 1% significant level. It shows the gender of the respondents is an influencing factor in taking insurance policies.

3. H_{03}: "Age group of the respondent does not play any role in selection of Life Insurance   Company".

Table 3 Result of Hypothesis 3

Cal. Value	d.f.	Sign. Level	Tab. Value	Test	Result
18.865	06.00	5.00 %	12.59	x2cal > x2tab	Rejected
	06.00	1.00 %	16.81	x2cal > x2tab	Rejected

Here, calculated value is garter than tabulated value. It indicates that the Null hypothesis is rejected and the alternative hypothesis is accepted at both 5% and 1% significant level. It means that the age of the respondents play a vital role in selection of insurance company.

3. H_{04}: "Level of the income is independent in selection of Life Insurance Company".

Table 4: Result of Hypothesis 4

Cal. Value	d.f.	Sign. Level	Tab. Value	Test	Result
19.756	06.00	5.00 %	12.59	x2cal > x2tab	Rejected
	06.00	1.00 %	16.81	x2cal > x2tab	Rejected

Here, calculated value is garter than tabulated value. It indicates that the Null hypothesis is rejected and the alternative hypothesis is accepted at both 5% and 1% significant level. It means income plays important role in selection life insurance policy.

5. H_{05}: "Migrant people do not take risk".

Table 5.Result of Hypothesis 5

Cal. Value	d.f.	Sign. Level	Tab. Value	Test	Result
9.486	02.00	5.00 %	5.99	x2cal > x2tab	Rejected
	02.00	1.00 %	9.21	x2cal < x2tab	Accepted

Here, calculated value is garter than tabulated at 5 % level but less than tabulated value at 1 % level. It indicates that the Null hypothesis is rejected and the alternative hypothesis is accepted at 5% level and Null hypothesis is accepted and the alternative hypothesis is rejected at 1 % level.

6. H_{06}: "There is no correlation between type of family and type of fund.

Table 6:.Resault of Hypothesis 6

Cal. Value	(d.f.)	Sign. Level	Tab. Value	Test	Result
14.256	02.00	5.00 %	5.99	x2cal > x2tab	Rejected
	02.00	1.00 %	9.21	x2cal > x2tab	Rejected

Here, calculated value is garter than tabulated value. It indicates that the Null hypothesis is rejected and the alternative hypothesis is accepted at both 5% and 1% significant level. It means type of fund is depending on type of family.

7. H_{07}: "Non-product factors are not deterministic factors in selection of Insurance Company.

Table 7: Result of Hypothesis 7

Cal. Value	d.f.	Sign. Level	Tab. Value	Test	Result
13.459	02.00	5.00 %	5.99	x2cal > x2tab	Rejected
	02.00	1.00 %	9.21	x2cal > x2tab	Rejected

Here, calculated value is garter than tabulated value. It indicates that the Null hypothesis is rejected and the alternative hypothesis is accepted at both 5% and 1% significant level. It indicates that non-product is effective in selection on Life Insurance Company.

8. H_{08}: Customers are not satisfied with their life insurance company.

Table 8: Result of Hypothesis 8

Cal. Value	d.f.	Sign. Level	Tab. Value	Test	Result
12.04	02.00	5.00 %	5.99	x2cal > x2tab	Rejected
	02.00	1.00 %	9.21	x2cal > x2tab	Rejected

Here, calculated value is garter than tabulated value. It indicates that the Null hypothesis is rejected and the alternative hypothesis is accepted at both 5% and 1% significant level. It indicates that customers are satisfied with their life insurance company.

VIII. CONCLUSION

The people of Baroda city are well aware of life insurance. It may be possible that their perception towards Life Insurance Corporation of India is better than that of Private Sector Life Insurance Companies. It has been found that gender of the respondents is an influencing factor in taking insurance policies. It has been found that the age of the respondents play a vital role in selection of insurance company. Income plays important role in selection life insurance policy. It has been observed that type of funds depend on the type of family. It has been also found that non-product is effective in selection on Life Insurance Company. It has been found that customers are satisfied with their life insurance company.

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