Consumer Awareness and Perception of Life Insurance: A Descriptive Analysis of Influencing Factors

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Abstract: This study investigates consumer perceptions of life insurance, examining the factors that influence individuals' attitudes, preferences, and decision-making processes. Despite the critical role of life insurance in financial planning, many consumers remain hesitant or misinformed about its benefits. Key findings indicate that while awareness of life insurance has increased, misperceptions and distrust still hinder its adoption. The study also highlights the role of financial literacy, brand reputation, and advisory services in shaping positive consumer perceptions. These insights underscore the need for more targeted, transparent, and informative marketing strategies by insurers to address consumer concerns and improve the overall appeal of life insurance products. The paper concludes with recommendations for insurers to build trust and tailor policies to meet the specific needs of diverse consumer groups.

Keywords: Life Insurance, Risk, Consumer Awareness & Perception.

1.1 Introduction

The Hindi expression "Rotti, Kapda Aur Makaan" refers to the traditional enumeration of the three urgent "basic needs"—food (including water), clothing, and shelter. Abraham Maslow developed a pyramid model to reflect human needs in his psychological work from the 1940s, which is where the basic needs notion originated (Robbins et al. 2015). Food, shelter, and clothes are examples of physiological demands, which are at the base of the pyramid and are necessities for life itself. He spread the belief that additional needs won't be stimulated until primary ones are completely met. "Security or safety needs" are the next level, which is followed by "Affiliation or acceptance needs," "Esteem needs," and "Self-actualization needs" (Koontz, 2010; Kirti, & Saini, 2022).

Pitambar Pant later popularized the term "minimum needs" in India in the 1950s at the Indian Planning Commission (Meier & Stiglitz, 2001). However, despite the concept's obvious attraction, fundamental requirements did not gain much traction in development. Basic needs were defined by the International Labour Organization in 1976 and include access to food, clothing, shelter, education, and public transportation. This is one of the main methods used to calculate absolute poverty. 189 United Nations members came to an agreement in

2000 to liberate people from various deprivations and extreme poverty. The eight Millennium Development Goals (MDGs) to be accomplished by 2015 were referred to as this commitment (World Bank, 2012).

The Millennium Development Goals (MDGs) seek to promote development by enhancing the social and economic circumstances of the world's poorest nations. The Millennium Development Goals (MDGs) center on three key areas of human development (humanity): enhancing human capital, advancing social, economic, and political rights, and improving infrastructure, with a primary focus on raising the standard of living (World bank, 2012). Insurance can give a person a safe environment and a solid basis to raise his or her standard of living, even though there is no one way to completely eradicate poverty. In his address on August 15, 2014, our nation's honorable prime minister announced the Pradhan Mantri Jan Dhan Yojana, which represents a major advancement toward financial inclusion. This program aims to give all those who have been financially excluded up to this point a basic bank account, complete with built-in accidental and life insurance coverage (PMJDY, 2016). Therefore, in the current environment, “Roti, Kapda aur Makaan” is no longer sufficient; rather, “Roti, Kapda, Makaan aur Bima” is what is needed most in a nation like India that does not offer organized social security measures for the unorganized sector. Nearly 90% of Indian workers are employed in the unorganized sector, which produces 50% of the country's GDP (National Statistical Commission, 2012).

The World Economic Forum's Global Risks Perception Survey 2023-2024 highlights several interconnected global risks that are increasingly relevant to India. Economic risks such as inflation, debt, unemployment, and economic downturn are pressing concerns given India's rapid economic growth and aspirations (Kirti, & Saini, 2022). Environmental risks like extreme weather events, pollution, and biodiversity loss pose significant threats to India's diverse ecosystems and vulnerable populations. Geopolitical risks, including interstate armed conflict, cyber insecurity, and geopolitical confrontation, can destabilize the region and impact India's trade, investment, and security (Kirti & Pawaria, 2019). Societal risks such as societal polarization, misinformation, and disinformation can erode social cohesion and undermine democratic institutions. Technological risks related to the adverse outcomes of frontier technologies and cyber insecurity can create new challenges and opportunities for India's technological development (Devi & Kirti, 2023). These interconnected risks underscore the need for India to adopt a comprehensive and multifaceted approach to address these challenges and build resilience in the face of global uncertainty (Kirti & Pawaria, 2018).

It would seem on the surface that the term risk is a simple enough notion. When someone states that there is risk in particular situation, the listener understands what is meant, that in a given situation there is uncertainty about the outcome and the possibility exists that the outcome will be unfavorable (Kirti & Monika, 2018; Kirti & Pawaria, 2019).). Economists, statisticians, decision theorists and insurance theorists have long discussed the concept of risk and uncertainty in an attempt to construct a definition of risk useful for analysis in the field of investigation. Examples of Risk:

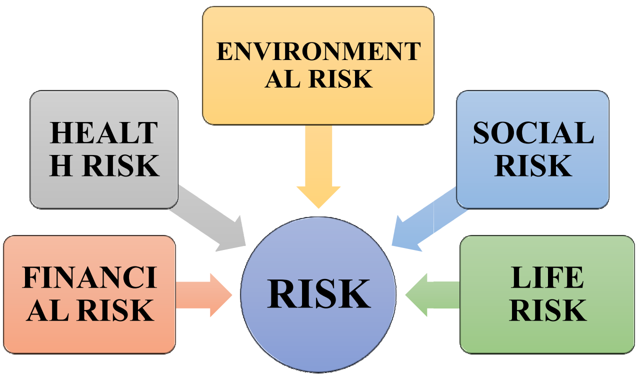

Figure 1: Types of Risk

1.2 Types of Insurance

Insurance is a financial product that provides protection against financial loss. There are two main categories of insurance: general insurance and life insurance. General insurance covers a wide range of risks, including health, motor, marine, and fire. Health insurance provides coverage for medical expenses.

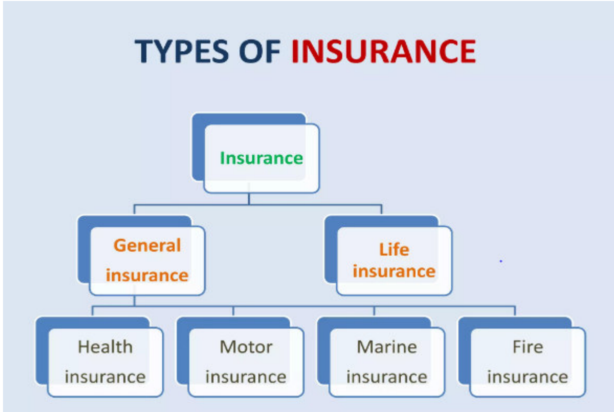

Figure 2: Types of Insurance

Life insurance contracts can be categorized into three primary groups (Sethi & Bhatia, 2012):

- **Protection policies:** These policies provide a fixed sum of money upon the occurrence of a specified event, such as death or disability. Term insurance is a common example of this type of policy.
- **Investment policies:** The primary goal of these policies is to accumulate capital through regular or single premium payments. Examples include whole life, money back, and unit-linked insurance plans (ULIPs).
- **Health policies:** These policies cover expenses related to medical treatments and surgical procedures. Medi-Claim and critical illness policies are typical examples of health insurance.

1.3 Consumer Perception

Perception is the ability to recognize and understand words. It involves processing visual or auditory information and linking it to our mental representation of words. This process allows us to comprehend spoken language, read text, and communicate effectively. Perception is a complex cognitive process that involves multiple brain regions. Consumer perception is a customer's overall impression of a company and its products or services, based on their personal experiences and beliefs. Positive perception can lead to loyalty, brand awareness, and reputation growth. The history of word perception is closely related with the development of language and the study of the human mind

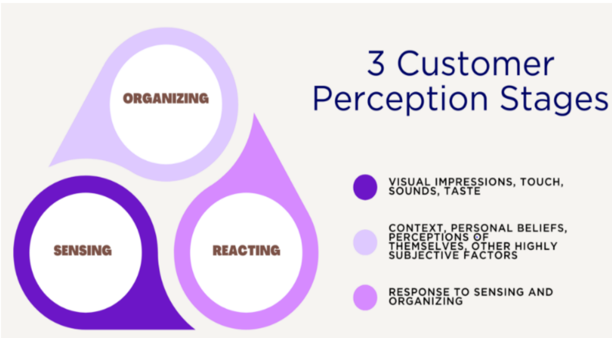

Figure 3: Customer Perception Stage

2.1 Research Methodology

This study employs a descriptive research approach, incorporating a comprehensive review of prior studies to examine consumer knowledge, attitudes, and behaviors toward life insurance. The primary objective is to assess consumer awareness of life insurance companies and products, while also identifying and analyzing key factors that influence consumer perceptions of life insurance offerings (Kirti et al. 2024). This approach allows for a systematic exploration of the variables impacting consumer decisions and provides insights into the dynamics of consumer perception in the life insurance sector.

3.1 Review of Literature

A literature review is an overview of the works that other academics or researchers have produced on a certain subject. A review is a critical examination of prior research that is relevant to the work being conducted by the scholar. A review of the literature demonstrates the link between the current and previous research projects. An analysis that is critical of Literature includes all written works on a given subject, including books, periodicals, and newspaper articles, historical documents, official reports, dissertations, and theses etc. Reviews offer insight into current theories and concepts. Additionally, the most practical approaches and the technique are discussed in the review. Investigator
chooses the subject based on what is going on in society.

Vaish and Ghai's (2023) study examined buyers' perceptions of life insurance policies in India. The researchers surveyed buyers in Indore and found that many still prioritize other financial instruments like bank deposits, mutual funds, and the stock market. While life insurance is often seen as an investment and tax-saving tool, its primary purpose as a risk coverage instrument is often overlooked.

The study by Suthakar and Ragunathan (2023) focused on understanding customer perceptions of the Life Insurance Corporation in Chennai. By conducting a questionnaire-based survey and analyzing the data statistically, the researchers identified the factors that influence customers' decisions when choosing life insurance products.

Sultana et al. (2023) conducted a study to understand consumer behavior towards health insurance during the COVID-19 pandemic. The research focused on factors influencing consumer perceptions of health insurance in Mumbai. A survey was conducted using a five-point Likert scale questionnaire, and 200 respondents were involved. Key findings revealed that awareness, understanding, tax benefits, claim settlement rates, and network hospital availability significantly impacted consumer perceptions

Patil and Limbad's (2022) study on consumer behavior in Nashik, India, explored the factors influencing life insurance investment decisions. They found that life insurance provides financial protection and promotes savings. Increasing awareness and financial security have led to the growth of the insurance sector

Nomi and Sabbir's (2020) study focused on the factors influencing consumer purchase intention towards life insurance in Bangladesh. Using the Theory of Reasoned Action as a framework, the researchers examined the impact of religiosity, risk aversion motives, saving motives, and financial literacy on consumer intentions.

Annamuthu et al. (2019) conducted a study to examine investors' perceptions of the Life Insurance Corporation of India (LIC) and how these perceptions influence their investment decisions. The research found that LIC plays a crucial role in providing financial security to individuals and their families. By offering life insurance policies, LIC encourages savings and promotes overall well-being.

Gowda and S.P.'s (2019) study investigated customer awareness and preferences regarding bancassurance in India. They found that while a significant portion of customers were aware of their banks selling insurance products, most relied on references and bank employees for information. Customers valued trust and convenience offered by banks but perceived insurance agents as having more expertise

The study by Paposa et al. (2019) delves into the relationship between service quality and customer satisfaction in India's life insurance industry. It found a significant correlation between these two factors, highlighting the importance of service quality in driving customer satisfaction. The study also examined how demographic characteristics like age and occupation influence customer perceptions of service quality. By analyzing the SERVPERF model and incorporating the additional factor of technology, the researchers identified specific attributes that contribute to overall service quality. These findings provide valuable insights for life insurance companies, helping them understand customer expectations and improve their service delivery strategies.

The study by Kannan (2018) investigated customer satisfaction with the Life Insurance Corporation in Chennai. Given the growing awareness of life's uncertainties and increasing competition in the insurance industry, understanding customer needs is crucial for insurance companies. By surveying 150 policyholders in Chennai and analyzing the data using various statistical methods, the study aimed to identify the factors that contribute to customer satisfaction with LIC.

Panigrahi et al. (2018) study investigated the factors influencing consumer purchase intention for life insurance products in Malaysia. Using a self-administered questionnaire, they collected data from 215 respondents in the Klang Valley region. The study analyzed seven key SERVQUAL factors: tangibility, reliability, responsiveness, assurance, empathy, helpfulness, and problem-solving. The findings revealed that customer satisfaction, trust, and SERVQUAL factors positively impact purchase intention

Shrivastava and Singh (2017) found that effective promotional strategies are crucial for life insurance companies to compete in today's market. Their study focused on identifying the effectiveness of various promotional tools in the Indian life insurance sector. They discovered that innovative promotional strategies are essential to arouse customer interest in life insurance, which is often considered an unsought product.

Anandi (2016) conducted a study to identify the factors that influence consumers' choice of insurance companies. The research focused on the 7Ps of services marketing and used surveys to gather data from respondents. The findings revealed that product features, accessibility, low premium amounts, advertising, effective complaint resolution, and efficient claim settlement were among the most influential factors in selecting an insurance company.

Lakshmi and Santhi's (2015) study examined the importance of service quality in the insurance industry, specifically at LIC of India. They found a strong positive relationship between service quality perception and customer satisfaction. Factors contributing to positive perception included accuracy and accessibility, corporate image, honesty and competency, trust and confidence

The study by **Choudhury and Dasgupta (2013)** examined the relative importance of service quality dimensions from the perspective of customers in Burdwan, West Bengal. The authors found that the importance of these dimensions varies across different cultures, nations, sectors, and industries

Shameem and Gupta (2012) investigated the effectiveness of marketing strategies in the life insurance sector and their impact on sales, marketability, and customer satisfaction. They found that the industry faces numerous challenges, including rising costs, regulatory pressures, and technological limitations. Despite these challenges, effective marketing strategies are crucial for insurers to achieve their objectives and maintain market share.

Rajeswari and Krtheeswari's (2012) study explored the factors influencing customer satisfaction in the life insurance industry. They concluded that customer satisfaction is influenced by service quality, personal factors, perceived equity and fairness, price, product quality, situational factors, and attributions for service success or failure. The study focused on the perceptions of LIC policyholders in Virudhunagar District, South Tamilnadu, regarding the service provided by LIC.

Chaudhary and Bodla (2012) investigated the gap between expected and perceived service quality in ICICI Prudential Life Insurance Company (ICICIPLI) using the Service Quality model by Sureshchandar et al. (2001). The study found a significant gap in service quality, suggesting that ICICIPLI needs to improve its customer services to maintain its market position and achieve sustainable growth

Bala and Sandhu (2011) found that service quality is crucial for success in today's competitive market. LIC, a leading insurance company, has set high standards in this area. This study measured customer perceptions of LIC's service quality using a framework by Suresh chandar et al. (2001). A seven-factor construct (Proficiency, Media and Presentations, Physical and Ethical Excellence, Service Delivery Process and Purpose, Security and Dynamic Operations, Credibility, and Functionality) was developed to assess service quality. The study found that three factors (Proficiency, Physical and Ethical Excellence, and Functionality) significantly impact overall service quality at LIC. Managerial implications and future research directions are discussed (Monika et al. 2022).

The study by Singh (2010) examined consumer behavior in the context of the insurance industry. It explored the roles of IRDA, Indian banks, and private insurance companies, as well as the functions of insurance companies and the factors influencing consumer behavior and buying decisions. The study also analyzed the types of insurance policies purchased, the sum assured, and the market share of public and private insurers. Additionally, it investigated the reasons for investing in life insurance

Result & Findings

The study found that consumer awareness of insurance as a risk mitigation tool varied significantly. Many consumers recognized basic types of insurance (such as health and life insurance) but had limited understanding of the specific risk mitigation benefits provided by different policies. A subset of consumers, particularly those with higher financial literacy, recognized insurance as a crucial part of financial planning. These individuals were more likely to view insurance as a safeguard for protecting wealth and managing unexpected financial liabilities. The analysis of previous studies revealed multiple factors that influence consumer awareness regarding life insurance. Key determinants include education level, age, economic condition, and profession. These factors collectively shape consumers' understanding and attitudes toward insurance products, impacting their overall awareness and decision-making regarding life insurance. The findings offer a detailed picture of current consumer awareness and the diverse factors influencing perception, with a view to providing actionable insights for insurers and policymakers. Ultimately, the study aims to contribute to a more consumer-centered approach in insurance marketing and education, emphasizing the importance of transparent information, accessibility, and trust-building in promoting insurance as an essential risk mitigation tool.

Conclusion

The study highlights a need for insurers to bridge the awareness gap and improve perceptions through targeted consumer education, accessible advisory services, and policies that cater to diverse financial needs. By addressing these factors, insurers can foster a more informed and positive consumer outlook toward insurance as a reliable risk mitigation tool. The study highlights a need for insurers to bridge the awareness gap and improve perceptions through targeted consumer education, accessible advisory services, and policies that cater to diverse financial needs. By addressing these factors, insurers can foster a more informed and positive consumer outlook toward insurance as a reliable risk mitigation tool.

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