



## RESEARCH ARTICLE

## Impact Of Demographic Factors on Customer Satisfaction in Life Insurance Companies

Dr. M.L. Agdayemawer<sup>1</sup> & Mr. Muktak Vyas<sup>2</sup>

1. Associate Professor, Department of Business Administration, University of Rajasthan, Jaipur, India

2. Research Scholar, Department of Business Administration, University of Rajasthan, Jaipur, India

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#### \*Corresponding Author

Dr. M.L. Agdayemawer

### Abstract

Customer servicing today has become the focal point of insurance companies. It is an area where the new companies are clearly rejuvenating by bringing in their best practices and operational efficiencies by appropriate use of technology. There is a greater sensitivity in dealing with the customers. There are various demographic factors like age, gender, marital status, occupation, level of income and education that significantly affect customer satisfaction in life insurance companies. This research paper will throw light on the impact of demographic factors on customer satisfaction in selected private life insurance companies.

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## INTRODUCTION

A business cannot be imagined without customer because customer is the life of a business. So it is really an important element to deal with a great care, otherwise failure in this challenging task can bring disaster which destroys the existence of a company. Success in business is strongly related to customer satisfaction, so business success is proportional to customer satisfaction. One such industry where customer satisfaction is of utmost importance is the insurance industry. Insurance is not a commodity. It is a promise to perform in future in return for a present monetary consideration. Such a promise is made in an environment when the customer is absolutely not sure whether the promise will be fulfilled if and when the need arises. But then, if and when the need comes, it is already late for him to evaluate the customer service standards in the insurer. Yet another unique feature of the industry is the peculiar rules of the game such as uberrimae fidei (utmost good faith), indemnity etc, which underwriters are more aware of than the customers.

Insurance being an intangible product, the 'technical quality of the service' depends upon its reliability. Over the last few years, developments in the insurance sector have resulted in a paradigm shift in the way the business is conducted. In a free market scenario, the customer has a choice from whom to buy. He exercises this choice based on perceptions formed through his experiences.

## REVIEW OF LITERATURE

**Gautam and Kumar (2012)** attempt to illustrate the attitudes of Indian consumers towards the insurance services by collecting the responses of consumers through structured questionnaire on five point Likert scale. A total 377 responses were collected to assess the level of awareness about the insurance services and their attitude towards insurance services. Findings of the research show that basic socio demographic and economic variables have significant impact on consumers' attitudes towards insurance services in Indian scenario.

**C. Meera and D. M. Eswari (2011)**, explored a study on customer satisfaction towards cross selling of insurance products and supplementary services in Coimbatore district, centers around the dependent variable customer usage behavior and their relationship with the related independent variables such as Age, Gender, Marital status, Education, Occupation, Family Income, No. of years banking and Frequency of Visit to bank. Statistical tools

ANOVA and Garrett ranking were used and revealed that cross selling of insurance product is not influenced by age of respondent but have strong opinion on cross selling of insurance product is associated with education (UG), occupation (Business), and frequency of bank visit.

**Lester (2010)** concluded that life and non-life premiums are very low relative to expected levels given per capita income and demographic characteristics, and examine the causes of such poor performance.

**Hansanbanu, and Nagajyothi, (2007)** examined that there is significant relationship between age, educational qualification, gender, occupation and income of respondents and their level of investment with taking LIC policies and in their study they also found that there is no significant relationship between marital status, family type and family size and their investment in insurance sector.

### OBJECTIVES OF THE STUDY

1. To identify the factors motivating the customers to buy life insurance.
2. To analyze the impact of demographic factors on customer satisfaction in the insurance companies under study.

### RESEARCH DESIGN

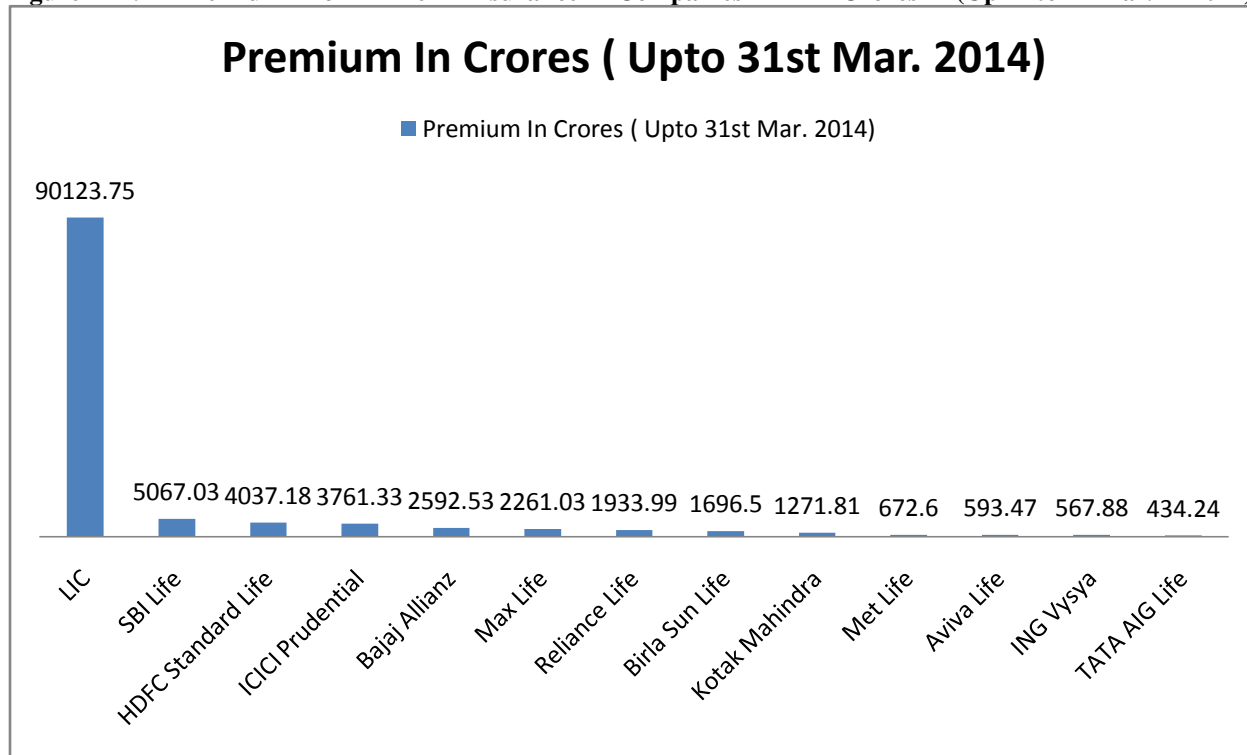
The research design used in the study is of Descriptive in nature.

### SAMPLE DESIGN & SCALING TECHNIQUE

For the purpose of the study, the population consists of all the policyholders of ICICI Prudential, HDFC Life, SBI Life Insurance & Bajaj Allianz Life Insurance in North India. The sample of 515 is taken from the four capital cities of North India viz, New Delhi (135), Jaipur (132), Lucknow (136) and Chandigarh (112) on the basis of **Convenience Sampling method**. **Likert Scale** has been developed from 1 to 5 where 1 represents Strongly Agree and 5 represent Strongly Disagree. The type of measurement scale used is **Nominal Scale** since it involves assigning of numbers or symbols to the objects or individuals.

The top four companies have been selected on the basis of premium collection up to 31st March 2014.

**Figure 1: Premium of Life Insurance Companies in Crores (Up to Mar. 2014)**



Source: Department of Financial Services, Ministry of Finance, Insurance Statistics.

### METHODS OF DATA COLLECTION

Both primary and secondary data have been used for research. Primary data was collected from policy holders through electronic questionnaires while the secondary data was collected from books, magazines, news papers, journals, IRDA annual reports, statistical abstracts, websites of the insurance companies and so on.

#### **HYPOTHESES OF THE STUDY**

1. There is no significant association between Age and Customer Satisfaction
2. There is no significant association between Gender and Customer Satisfaction
3. There is no significant association between Marital Status and Customer Satisfaction
4. There is no significant association between Income level and Customer Satisfaction.
5. There is no significant association between Education level and Customer Satisfaction.
6. There is no significant association between Occupation Type and Customer Satisfaction.

#### **DATA ANALYSIS AND INTERPRETATION**

**Table 1 : DEMOGRAPHIC PROFILE OF THE RESPONDENTS**

<b>Demographic Profile of Respondents</b>		
<b>Gender</b>	<b>Respondents</b>	<b>Percentage</b>
Male	323	63
Female	192	37
<b>TOTAL</b>	<b>515</b>	<b>100</b>
<b>Age Group</b>	<b>Respondents</b>	<b>Percentage</b>
21-30 Years	115	22
31-40 Years	222	43
41-50 Years	137	27
51-60 Years	28	5
Above 60 Years	13	3
<b>TOTAL</b>	<b>515</b>	<b>100</b>
<b>Educational Level</b>	<b>Respondents</b>	<b>Percentage</b>
Graduate	94	18
Post Graduate	297	58
Professional Degree	111	22
Under Graduate	13	2
<b>TOTAL</b>	<b>515</b>	<b>100</b>
<b>Marital Status</b>	<b>Respondents</b>	<b>Percentage</b>
Married	436	85
Single	79	15
<b>TOTAL</b>	<b>515</b>	<b>100</b>
<b>Purpose of Buying Insurance</b>	<b>Respondents</b>	<b>Percentage</b>
Tax benefits	89	17
Savings	136	27
Providing risk cover	135	26
Dependents Welfare	86	17

Loan facilities	26	5
Unforeseen medical expenses	43	8
<b>TOTAL</b>	<b>515</b>	<b>100</b>
<b>Annual Income</b>	<b>Respondents</b>	<b>Percentage</b>
Rs. 1,00,000 to 3,00,000	17	3
Rs. 3,00,001 to 5,00,000	333	65
More than Rs. 5,00,000	165	32
<b>TOTAL</b>	<b>515</b>	<b>100</b>
<b>Preferred Insurance Co.</b>	<b>Respondents</b>	<b>Percentage</b>
ICICI Prudential	107	21
HDFC Standard Life	128	25
SBI Life	119	23
Bajaj Allianz	121	23
Others	40	8
<b>TOTAL</b>	<b>515</b>	<b>100</b>

### TOOLS OF HYPOTHESES TESTING

Cross tabulation and chi square test have been used for hypothesis testing.

### TESTING OF HYPOTHESES

1. There is no significant association between Age and Customer Satisfaction

**Table 2 : AgeGroup \* Customer Satisfaction Crosstabulation**

		Customer Satisfaction					Total
		Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	
Age Group	21-30 Years	54	48	5	6	2	115
	31-40 Years	84	101	11	22	4	222
	41-50 Years	50	60	12	8	7	137
	51-60 Years	15	10	1	0	2	28
	Above 60 Years	5	5	2	1	0	13
<b>Total</b>		<b>208</b>	<b>224</b>	<b>31</b>	<b>37</b>	<b>15</b>	<b>515</b>

**Table 3 : Chi Square Test Statistics**

	Customer Satisfaction	Age Group
<b>Chi-Square</b>	416.990	283.359
<b>df</b>	4	4
<b>Asymp. Sig.</b>	<b>.000</b>	<b>.000</b>

The p value (.000) is less than 0.05 which clearly indicates that null hypothesis is rejected, hence there is a significant association between Age and Customer Satisfaction.

2. There is no significant association between Gender and Customer Satisfaction

**Table 4 : Gender \* Customer Satisfaction Cross tabulation**

		Customer Satisfaction					Total
		Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	
Gender	Male	129	135	23	25	11	323
	Female	79	89	8	12	4	192
Total		208	224	31	37	15	515

**Table 5 : Chi-Square Test Statistics**

	Customer Satisfaction	Gender
Chi-Square	416.990	33.322
df	4	1
Asymp. Sig.	.000	.000

The p value (.000) is less than 0.05 which clearly indicates that null hypothesis is rejected, hence there is a significant association between gender and Customer Satisfaction.

3. There is no significant association between Marital Status and Customer Satisfaction

**Table 6 : Marital Status \* Customer Satisfaction Cross tabulation**

		Customer Satisfaction					Total
		Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	
Marital Status	Single	36	34	2	4	3	79
	Married	172	190	29	33	12	436
Total		208	224	31	37	15	515

**Table 7 : Chi Square Test Statistics**

	Customer Satisfaction	Marital Status
Chi-Square	416.990	247.474
df	4	1
Asymp. Sig.	.000	.000

The p value (.000) is less than 0.05 which clearly indicates that null hypothesis is rejected, hence there is a significant association between Marital Status and Customer Satisfaction.

4. There is no significant association between Income level and Customer Satisfaction.

**Table 8 : Annual Income \* Customer Satisfaction Cross tabulation**

		Customer Satisfaction					Total
		Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	
Annual Income	Rs. 1,00,000 to 3,00,000	6	6	2	2	1	17
	Rs. 3,00,001 to 5,00,000	136	144	20	25	8	333
	More than Rs. 5,00,000	66	74	9	10	6	165
<b>Total</b>		<b>208</b>	<b>224</b>	<b>31</b>	<b>37</b>	<b>15</b>	<b>515</b>

**Table 9 : Chi Square Test Statistics**

	Customer Satisfaction	Annual Income
Chi-Square	416.990	291.231
df	4	2
Asymp. Sig.	.000	.000

The p value (.000) is less than 0.05 which clearly indicates that null hypothesis is rejected, hence there is a significant association between Income Level and Customer Satisfaction.

5. There is no significant association between Education level and Customer Satisfaction.

**Table 10 : Education Level \* Customer Satisfaction Cross tabulation**

		Customer Satisfaction					Total
		Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	
Education Level	Under Graduate	7	7	1	1	0	16
	Graduate	32	42	7	7	5	93
	Post Graduate	117	126	18	25	9	295
	Professional Degree	52	49	5	4	1	111
<b>Total</b>		<b>208</b>	<b>224</b>	<b>31</b>	<b>37</b>	<b>15</b>	<b>515</b>

**Table 11 : Chi Square Test Statistics**

	Customer Satisfaction	Education Level
Chi-Square	416.990	325.784
df	4	3
Asymp. Sig.	.000	.000

The p value (.000) is less than 0.05 which clearly indicates that null hypothesis is rejected, hence there is a significant association between Education Level and Customer Satisfaction.

6. There is no significant association between Occupation and Customer Satisfaction.

**Table 12 : Occupation \* Customer Satisfaction Cross tabulation**

	Customer Satisfaction	Total

		Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	
<b>Occupation</b>	<b>Service</b>	97	107	15	24	5	248
	<b>Agriculture</b>	0	2	0	0	0	2
	<b>Retired</b>	16	14	2	2	1	35
	<b>Business</b>	51	56	10	6	8	131
	<b>Professional</b>	39	41	4	3	1	88
	<b>Others</b>	5	4	0	2	0	11
<b>Total</b>		<b>208</b>	<b>224</b>	<b>31</b>	<b>37</b>	<b>15</b>	<b>515</b>

**Table 13 : Chi Square Test Statistics**

	Customer Satisfaction	Occupation
<b>Chi-Square</b>	416.990	507.435
<b>df</b>	4	5
<b>Asymp. Sig.</b>	<b>.000</b>	<b>.000</b>

**The p value (.000) is less than 0.05 which clearly indicates that null hypothesis is rejected, hence there is a significant association between Occupation Type and Customer Satisfaction. All the above research output has been produced with the help of SPSS.**

The demographic factors like age group, gender, marital status, income level, occupation type and education level all affect customer satisfaction in private life insurance companies selected under study. Gender has a significant role in influencing the attitude of the policyholders. As the head of a family, the male member has more responsibilities than the female one. In the present day, ladies are also earning members in most of the families. But, with regard to the services of the advisors, both the male and female do not get the same exposure. The percentage of male respondents is around 63% and female respondents are around 37%. It may be inferred from the analysis of age profile of the respondents that majority (43%) of the policyholders lies between 31-40 years and after that 27% of the policyholders lies between 41-50 years. The analysis clearly reveals the demographic awareness profile of the respondents on socio economic aspects. This confirm findings by researcher that a typical insurances buyers are not very young persons, with increasing interval of age, the number policyholders population is gradually decreasing. Educational level of respondents also plays a significant role in buying decision of the life insurance. The results show that 58% of the respondents were Post Graduate followed by 22% of the respondents who had some professional degree. As regards the marital status of the respondents, married policyholders represent 85%, whereas unmarried policyholders represent 15% which clearly shows that most of the respondents were married. After marriage, the need for life insurance arises very often. Annual income of the policyholders plays a very significant role in buying decision of the life insurance policy. Most of the policyholders (around 65%) are having annual income between Rs. 3,00,001 to 5,00,000 followed by around 32% who have annual income of more than Rs. 5,00,000. It can be inferred from the occupation that majority of the policyholders come under "Service" category (around 48% ) because of more tax benefits and savings followed by "Business" category (around 25% ) because of greater risk cover. The lowest percentage of policyholders (around 1%) belong to "Agriculturists, Housewife and Student" category. Majority of the policyholders (around 27%) buy life insurance as it is considered as an important saving tool followed by 26% of the policyholders who buy insurance for providing risk cover. Around 17% of the respondents buy insurance for availing tax benefits and welfare of the dependents. Since the study is confined to the four leading private life insurance companies, majority of the policyholders (around 25%) have taken the policies from HDFC Standard Life Insurance followed by around 23% of the policyholders who have taken the policies from SBI life insurance and Bajaj Allianz. 21% of the policyholders have taken the policies from ICICI Prudential and remaining 8% have bought the policies from other insurance companies.

#### **LIMITATIONS OF THE STUDY**

1. For the sake of convenience, the study is confined to only four capital cities of North India namely, Jaipur, Lucknow, Chandigarh & Ahmedabad. Similarly, only top four private life insurance companies have been selected for the study.
2. The results of the proposed study is based on the information given by the Life Insurance Policyholders, being individuals, such information is based on an element of bias.
3. The present study is confined to three aspects of the life insurance companies, namely, product attributes, agent qualities and service attributes.

### **CONCLUSION & SCOPE FOR FURTHER RESEARCH**

Customer service is an integral part of any life insurance company. It is necessary to identify the key success factors in the life insurance industry, in terms of customer satisfaction, so as to survive the intense competition and increase insurance penetration. There was a time where customers were less critical and vocal if not satisfied when dealing with a business. This is not the case today. Today customers are becoming increasingly more demanding, less tolerant and very critical when not having their expectation met. The private life insurance companies have to focus on satisfying the different requirements of the customers and at the same time help in retaining them. Product attributes of the insurance policy, overall service experience affects customer satisfaction. The demographic pattern suggests few important factors which need to be catered well in order to keep the investors satisfied. The present study is only confined to the four capital cities of North India. Further studies can be conducted in other cities also. Similarly, research can be conducted on various other private life insurance companies on different other aspects which are not covered in this study. Also, the research can be undertaken to assess customer satisfaction in general insurance companies.

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