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AN EMPIRICAL STUDY ON THE FACTORS THAT DRIVES THE RURAL CUSTOMERS TO PURCHASE LIFE INSURANCE PRODUCTS FROM LIFE INSURANCE CORPORATION OF INDIA

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Abstract:

This empirical study investigates the factors that drive rural customers to purchase life insurance products from the Life Insurance Corporation of India (LIC). Despite the increasing awareness of the importance of life insurance, rural penetration remains low, necessitating a deeper understanding of the unique motivations and challenges faced by rural consumers. Through a quantitative approach, the study collects data from a sample of rural respondents using structured questionnaires. Key factors examined include demographic influences, economic conditions, social norms, and the impact of marketing strategies employed by LIC. The findings aim to provide valuable insights for LIC to enhance its outreach and product offerings in rural markets, ultimately contributing to greater financial inclusion and security among rural populations.

Introduction

The Life Insurance Corporation of India (LIC) has long been a dominant player in the Indian life insurance sector, particularly in rural areas where it enjoys a strong reputation of trust and reliability. As one of the largest public sector insurers in the country, LIC has leveraged its governmental backing, wide distribution network, and brand recognition to maintain a strong presence in rural markets. However, the reasons behind rural customers' preference for LIC over private insurers are complex and influenced by various socio-economic and psychological factors.

Rural customers often make financial decisions based on a combination of factors such as income, family size, occupation, and social influences. In addition, the perception of LIC as a safe and trustworthy institution, combined with its long-standing presence and targeted outreach in rural areas, also contributes to customer preferences. Understanding these factors is crucial for LIC to maintain its competitive edge and continue providing products that meet the specific needs of rural communities.

This empirical study aims to identify and analyze the key factors that drive rural customers to purchase life insurance products from LIC. By understanding the motivations, perceptions, and socio-economic backgrounds of rural customers, this study will provide insights for LIC to refine its marketing strategies and product offerings to better serve rural markets.

Objectives:

- To identify the demographic factors influencing rural customers' decisions to purchase life insurance from LIC.
- To analyze the economic conditions that affect purchasing behavior in rural areas.
- To examine the social factors that drive rural customers toward life insurance products.
- To assess the effectiveness of LIC's marketing strategies and their role in shaping perceptions and increasing awareness of life insurance among rural consumers.

Research Methodology:

The study is based on the quantitative research design using survey-based data collection and statistical analysis. The research aims to identify the factors influencing rural customers' decision to purchase life insurance from LIC, focusing on socio-economic variables, psychological factors, and the perceived advantages of LIC over private insurers.

A sample of 700 rural customers who have purchased life insurance policies from LIC selected using random sampling from Erode district Tamil Nadu. The respondents are drawn from different income groups, occupations (such as farmers, wage laborers, and small business owners), and educational backgrounds to ensure a diverse representation. Data were collected through a structured questionnaire, divided into Demographic details, Insurance purchasing behavior, Perception of LIC: Likert-scale questions assessing the perceived trustworthiness, affordability, product variety, and service quality of LIC compared to other insurers. Influencing factors such as recommendations from peers or agents, the role of family, the influence of media, and the perceived financial security offered by LIC policies.

Data Analysis

The data analysis were carried out with Descriptive Statistics, Factor Analysis, which is focused to identify underlying factors that influence rural customers' decisions to purchase life insurance from LIC. Factor analysis helped to reduce the number of variables by clustering them into broader categories such as trust, affordability, and social influence. Multiple Regression Analysis: A multiple regression model is employed to examine the relationship between the identified factors (e.g., income, trust, family influence) and the decision to purchase life insurance from LIC. This helped to determine which factors have the most significant impact on purchasing behavior. The analysis were conducted using SPSS software

Literature Review

Ingo Walter (1999) in his article has examined the launching of the Euro Zone that accelerates reconfiguration of the financial intermediation process in Europe with dramatic consequences of commercial banking, investment banking, insurance and asset management functions. Banks, insurance companies and other financial intermediaries face strategic choices to be weighted with great care. This paper begins with a series of suppositions - essentially maximum - likelihood strate - variables relating to financial system conditions in the euro-zone, assuming a five-year time horizon. The focus is on institutional micro-

structure of the financial intermediation process and the determinants of competitive performance. This is followed by an assess much of strategic options facing financial outcomes from the perspective of efficiency and stability of the euro-zone financial systems. Further, it has been concluded that future strategies and policy indications need to strengthen the intermediary process.

Narasima Murthy (1999) in his paper attempted to examine and evaluate the effectiveness of customer service provided by LIC at Hanamkonda branch in Andhrapradesh. In the survey opinion of the policy holders were grouped as professional group, Managerial group, regular income group, self employed group with agricultural group and a sample of 100 customers of random areas were selected and the data was collected by using structured questionnaire. Findings of the study reveals that majority of the policy holders are satisfied with the premium rates fixed by LIC. It is suggested that the rates should be reviewed in view of declining mortality rate. Majority of respondents expressed their satisfaction towards the services of agents at the time of maturity.

Ramakrishna Reddy K. and Raghundaha Reddy, (2000) the study made an attempt to know about the drawbacks and shortcoming of the LIC in satisfying the customers. The study revealed that the rates of premium charged under postal Life Insurance are less and cheaper compared to the rates of premium of LIC. LIC is covering a confined class of selective good salaried masses and it is necessary to concentrate on non salaried class as potential market segments. The foremost change required by the LIC is to motivate the unorganized sector workers and rural households to invest in insurance.

Malliga, (2000) in her study examined the association between socio-economic status and personality traits of the agents in Tirunelveli, Tuticorin and Kanyakuarmi districts. Further, the impact of marketing strategies and attitude of the agents towards the organization on the performance was studied among the respondents selected using stratified random sampling technique. The results shows that performance of the agents in terms of number of policies, the sum insure, the total commission received was found to be dependent on the socio-economic status of the respondents. There is a significant correlation between marketing strategies and the personality traits of the agents was observed in this study.

Maheshchandra Garg (2001) brought out the new paradigm in the insurance industry by imposing the increase in the life expectancy of individuals and disintegration of joint family system where each individual arranges the cover for him to take care of the family. He pointed out that the insured population percentage has grown very fast after privalization. Private sector operators in collaboration with their overseas partners are likely to bring in more professional and focused approach. Once competition grows lower premium may also become a reality and the regulatory body has to ensure a balance in the enactment of the regulation to ensure the overall development and maturity of the insurance industry.

Praesh Praanish (2001) studied the effectiveness of various channels of distribution in the Life Insurance industry in India and new avenues being explored by the new players. Importance is given to the fulfillment of customer requirements within the minimum time span, quality of service rendered, complexity of products and so on were analysed. One of the recent experiments worth explaining is bank assurance. This new channel emerged to improve the effectiveness of the sales channels by offering of products that are tailor made. To conclude that industry is in transition and presents opportunity with challenges of unknown magnitude. Therefore, only the best will survive in the long term and helps to capitalize the benefits of its customers.

Factor Analysis:

Factors Influenced the Purchased of Life Insurance Policies among the Customers of LIC:

The factors influencing the purchase of life insurance policies were examined with the help of factor analysis. The rating on the importance of variables influence to buy life insurance has taken for analysis. Initially, the KMO measures of sampling adequacy and Bartlefts test of sphericity have been conducted to test the validity of data for factor analysis.

Table 1

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.637
Bartlett's Test of Sphericity	Approx. Chi-Square	1.044E4
	Df	435
	Sig.	.000

The above table shows the measures of sampling adequacy and Bartlefts test of sphericity to test the validity of data for factor analysis. Both these tests “justify the validity of data for factor analysis since the KMO measure is greater than 0.5 and the chi-square value is significant of zero percent.

With the help of principal compenent method and through normalization the communalities of the variables are extracted from the correlation matrix and shown below.

Table 2

Communalities		
	Initial	Extraction
Knowledge	1.000	.779
Intention	1.000	.765
Positive attitude	1.000	.794
Fear	1.000	.892
Advices and reinforcements	1.000	.717
benefits of Insurance	1.000	.842
Clear presentation	1.000	.716
administrative and other charges	1.000	.735
“Need Analysis”	1.000	.831

contribution towards nation building	1.000	.889
Quantum of Disposable income	1.000	.751
Regularity of income	1.000	.766
More than one earning members	1.000	.640
priority to the payment of premium	1.000	.834
Ability to mobilize money	1.000	.775
Trust worthiness of the channel	1.000	.698
Positive referrals	1.000	.672
having faith with the Government Company	1.000	.812
Brand image	1.000	.768
Strong belief over the Regulatory Body	1.000	.828
Delivering a very good returns	1.000	.842
benefits for my children Education and their marriage	1.000	.870
Flexible policies	1.000	.792
additional benefits like health and accidental cover	1.000	.792
old age benefits	1.000	.873
knowledge and customized presentation skill	1.000	.849
Repeated attractive advertisements	1.000	.620
Pamphlets carrying various features of Life insurance	1.000	.835
Insurance advise in banks	1.000	.759
Special camps at the local centers	1.000	.775
Extraction Method: Principal Component Analysis.		

The result of the principal - component analysis is shown in the following table. The initial eigen values of the variables and its per cent variance for all the cases are sequenced in decending order. The extraction is made with the help of the eigen values obtained by the variables. The variables that scored the eigon value of more than one is extracted and the per cent variance and its cumulative percentages are estimated.

Table 3: Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.185	27.283	27.283	8.185	27.283	27.283	3.205	10.683	10.683
2	2.491	8.302	35.585	2.491	8.302	35.585	3.077	10.256	20.938
3	2.235	7.45	43.035	2.235	7.45	43.035	2.691	8.969	29.907
4	1.864	6.215	49.25	1.864	6.215	49.25	2.402	8.006	37.913
5	1.567	5.224	54.474	1.567	5.224	54.474	1.955	6.515	44.428
6	1.403	4.676	59.15	1.403	4.676	59.15	1.834	6.114	50.543
7	1.299	4.33	63.48	1.299	4.33	63.48	1.786	5.952	56.494
8	1.218	4.059	67.539	1.218	4.059	67.539	1.682	5.607	62.101
9	1.125	3.75	71.289	1.125	3.75	71.289	1.638	5.459	67.561
10	1.096	3.654	74.942	1.096	3.654	74.942	1.637	5.458	73.018
11	1.027	3.422	78.364	1.027	3.422	78.364	1.604	5.346	78.364
12	0.858	2.861	81.225						
13	0.785	2.616	83.841						
14	0.705	2.349	86.191						
15	0.577	1.922	88.112						
16	0.52	1.734	89.846						
17	0.499	1.662	91.508						
18	0.435	1.451	92.959						
19	0.365	1.217	94.176						
20	0.298	0.995	95.171						
21	0.281	0.938	96.109						
22	0.24	0.8	96.909						
23	0.187	0.623	97.532						
24	0.157	0.524	98.056						
25	0.143	0.476	98.532						
26	0.127	0.422	98.954						

27	0.114	0.38	99.334						
28	0.08	0.266	99.6						
29	0.069	0.229	99.829						
30	0.051	0.171	100						

It is observed from the above table that the principal component method has grouped the total variables under study into elevan components with the help of eigon values that one greater than one. The components are sequenced in a way that the factor with maximum eigon value is extracted first and the factor with the next maximum value placed second like wise the entire components are extracted. The total variance explained by all the elevan components is 78.364 per cent. The first component is extracted with the maximum eigon value of 8.185. the second component's eigon value is estimated as 2.491 and the third component with the eigen value of 2.235. the rest of the components are extracted with a minimum difference in their eigen value.

The further extraction of variables comes under each component was made with principal - component method and by using varimax rotation and kaiser normalization. All the 30 variables are grouped into eleven components and are shown in the following table.

Table 4

Rotated Component Matrix[a]											
	Component										
	1	2	3	4	5	6	7	8	9	10	11
Having faith with the government owned company	.815										
Brand image	.723										
Trust worthiness of the channel	.665										
Positive referrels	.608										
Special camps at local centers	.535										
Delivering a very good returns		.828									
Benefits for children's education and their marriage		.659									
Additional benefits like health and accidental cover		.602									
Old age benefits		.511									
Repeated attractive advertisements			.808								
advices & reinforcements through marketing channels			.642								
pamphlets carrying various features of life insurance			.527								
insurance advices in banks			.526	.							
Ability to mobilize money for the premium payment				.814							
Regularity of income				.759							
Customized presentation skill of the agents and other channel members					.854						
Benefits of life insurance policies and						.822					
Administrative & other charges involved in the policies						.787					
Knowledge about life insurance policies							.758				
Intention to protect the family							-.733				
Flexible policies								.892			
Suggestions through "Need Analysis"								.515			
More than one earning member in the family									.830		
Strong belief over the Regulatory Body (IRDA)										.717	

Positive attitude gained towards Life Insurance by seeing the beneficiaries										.561	
Fear over the hazardous living condition											.892
Eigen Value	3.205	3.077	2.691	2.402	1.955	1.834	1.786	1.682	1.638	1.637	1.604
Percentage of Variance	10.683	10.256	8.969	8.006	6.515	6.114	5.952	5.607	5.459	5.458	5.346
Cumulative Variance	10.683	20.938	29.907	37.913	44.428	50.543	56.494	62.101	67.561	73.018	78.364

The rotated component matrix above shows the grouping of variables into elevan factors of different nature. The first factor consists of five variables with an eigen value of 3.205 explains 10.683 percentage of variance. The variables included in the first factor are having faith with the government owned company, Brand image, trust worthiness of the channel, Positive referrels, Special camps at local centers. Among the five variables having faith with the Government Company loaded with a maximum of 0.815 and followed by Brand image with 0.723 loading and the least loaded variable is Special camps at local centers which explains the underlying factor with 0.517 points. The second factor includes four variables namely, Delivering a very good returns, benefits for children's education and their marriage, additional benefits like health and accidental cover, old age benefits. The second factor accoutns 10.256 per cent variance with an eigen value of 3.077. Among the four variables Delivering a very good returns loaded heavily with 0.828 loadings followed by benefits for children's education and their marriage with 0.659 loadcings. Old age benefits is the last variable in the second factor with the least loading of 0.511. The next factor is a combination of four variables. They are repeated attractive advertisements, advices & reinforcements through marketing channels, pamphlets carrying various features of life insurance, and insurance advices in banks. The third factor explains the 8.969 per cent to the total variance with an eigen value of 2.691. The cumulative percentage of variance upto third factor is observed as 29.907 per cent. Among the variables in the third factor the repeated attractive advertisements loaded with 0.808 and followed by advices & reinforcements through marketing channels with 0.642 loadings. Pamphlets carrying various features of life insurance occupies the third position with 0.527 loadings and finally insurance advices in banks with the least loading of 0.526.

The component four is extracted with two variables namely Ability to mobilize money for the premium payment before the due date with a high level of loading and followed by Regularity of income with 0.759 loadings. The total percentage of variance explained by the fourth factor is 8.006 per cent with an eigen value of 2.402. The cumulative percentage of variance upto fourth factor is 37.913 per cent. The fifth factor is extracted with a single variable namely Customized presentation skill of the agents and other channel members of distribution. The fifth factor explains 6.515 per cent variance with an eigen value of 1.955. The next factor is a combination of the variables Benefits of life insurance policies and Administrative & other charges involved in the policies. There two variables explains 6.114 per cent variance to the total variations with an eigen value of 1.834. The seventh component carries two variables namely Knowledge about life insurance policies and Intention to protect the family explains 5.952 per cent variance with an eigen value of 1.786. Among there two variables Knowledge about life insurance policies is heavily loaded with 0.758. The next factor is a combination of the variables Flexible policies which permits to pay premiums in installments and extended time for the payment and Suggestions through "Need Analysis" process in matching the policy expectations with its type explains 5.607 per cent variance with an eigen value of 1.682. The comulative percentage of variance upto the eighth factor is 62.101 per cent. The nineth factor is extracted with an important variable More than one earning member in the family with an eigen value of 1.638. This factor explains 5.459 per cent variance to the total. The tenth component is extracted with two variables namely Strong belief over the Regulatory Body (IRDA) in protecting the interest of the policy holders and Positive attitude gained towards Life Insurance by seeing the beneficiaries of Life Insurance. There two variables explains 5.458 per cent variance with an eigen value of 1.637. Last factor is extracted with the variable fear over the hazardous living condition with an eigen value of 1.604 and the per cent variance is 5.346. The cumulative percentage of all these factors is estimated as 78.364 which shows that the present study identified the maximum posible factors that influence the purchase of life insurance policies among the customers of public sector life insurance company in the rural areas.

Conclusion:

This study provides valuable insights into the factors driving rural customers to purchase life insurance products from LIC. It is observed that trust in government institutions, affordability, and recommendations from peers or agents are emerged as significant factors influencing rural customers' preferences for LIC over private insurers. Additionally, factors such as family size, income, and occupation are likely to play an important role in determining the type and amount of insurance coverage chosen. The findings of this study could enable LIC to better understand the needs and motivations of its rural customer base, allowing the company to further tailor its products and services to this market. For example, LIC may focus on promoting its reputation for reliability and financial security, while also developing more affordable products for lower-income customers. The study's results will also be beneficial for policymakers seeking to enhance financial inclusion by increasing life insurance penetration in rural areas, as it highlights the factors that build trust and drive purchasing behavior among rural populations.

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