CONSUMER BEHAVIOUR

A Study on Consumer Awareness and Perception Towards Life Insurance Products in India

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Abstract

Generally, life insurance is seen as a way to financially assist your family members or dependents. Simultaneously, users can also link it to savings, investment and tax advantages. The way consumers perceive these items can affect their decision to acquire a policy. This research paper is about to study the consumer knowledge and perception about life insurance products in India. The data has been obtained through Google Form. There were 52 completed responses on the excel response sheet. The study looked at the age and occupation of the respondents, if they already had a life insurance policy, the types of products they were aware of, their knowledge of the purpose of life insurance and the variables that may influence or discourage a purchase. The findings are shown in the same kind of pie charts and response bar chart as shown in the Google Forms summary and basic frequency and percentage explanations. The responses indicated that 67.3% claimed they know the different types of life insurance and 75% identified the major objective of life insurance as financial help for family or dependants. The most selected purchase influence was family duties and the most common reason that could stop a purchase was costly premiums. The research shows that consumers in our sample typically understand that life insurance is about protection, but affordability, trust and clear product information are still important to them when they are looking to acquire a policy. The results are restricted to the 52 respondents and should not be taken as a representation of all the consumers in India.

Keywords: Life insurance; consumer awareness; consumer perception; financial security; purchase intention; India

1 Introduction

Among the financial products which could be purchased for future benefits is life insurance. The basic function of life insurance is providing monetary benefits to a nominee or a beneficiary should the insured die within the policy period according to the terms of the contract. Some of life insurance products also feature saving or investment functions. Therefore, in order to buy life insurance successfully, consumers should know what product to choose as different products have different functions.

Life insurance is usually mentioned in ordinary speech in connection with returns or tax benefits. At the same time, the issue of protection should not be overlooked. People's decisions are affected by family obligations, income, ability to pay premiums, trust in the insurance company and information provided by an agent or another person. The difficulty in understanding policy conditions can delay the process or even stop it.

It is worth exploring the chosen topic because there is a gap between the awareness and true understanding. A consumer may hear about term insurance, whole life insurance, and ULIPs but does not understand the difference between these products. In this paper, I aimed to find out what people

knew about life insurance, what were their expectations and concerns. My study is based on the results of the survey that I performed with the help of Google Form.

2 Objectives of the study

The main objective of this study is to understand consumer awareness and perception towards life insurance products in India.

1. To find out whether respondents are aware of different types of life insurance products.
2. To understand what respondents think is the main purpose and benefit of life insurance.
3. To identify the factors that may influence a person when deciding to buy life insurance.
4. To understand the reasons that may stop someone from purchasing a life insurance policy.
5. To find out whether clear information about a policy would make respondents more likely to consider buying it.
6. To understand respondents' willingness to consider a suitable life insurance policy in the future.

3 Literature review

Bhatia et al. (2021), in a systematic review of life insurance purchase behaviour, analysed 76 studies relating to life insurance purchase behavior. They discovered various elements that can affect a person's decision to get life insurance. This review is relevant for the present study because it reveals that the decision is not dependent on one basis. Personal needs, financial situation and other influences can be factors.

Bhatia et al. (2024) examine the effect of financial knowledge on consumer response to the framing of life insurance rates and benefits. This links to my research as I ask in my survey whether respondents would be more likely to consider a proposal if they were clear on it. The study illustrates how understandable information can make a difference when consumers choose insurance.

Another major source on this topic is Insurance Regulatory and Development Authority of India (IRDAI). IRDAI is the statutory regulator of the insurance industry in India. Its Master Circular on Life Insurance Products (2024) is a regulatory reference on life insurance products and information to be delivered to policyholders. The two journal articles above are academic research papers, while IRDAI is a regulator; these sources are used for different purposes in this paper.

The studies have made me aware of particular aspects that should be included within my questionnaire. I decided to include questions about awareness of product types, benefits, factors influencing purchase, why they do not buy and clarity. This questionnaire is not attempting to repeat previous studies. It is simply providing a snapshot of how the respondents to my Google Form answered.

4 Research gap

Some past studies investigated factors affecting life insurance buying behavior and the function of financial literacy. But the awareness level and the issues people have can be different from one group of responders to another. I would like to deal with these concerns with a simple questionnaire that may be filled effortlessly. The study consequently concentrates upon the replies received for this project and describes the trends identified within that set of data.

This is a student survey with limitations. It does not claim to be representative of the Indian population as a whole or to provide a full picture of the life insurance industry. It is designed to understand the answers of 52 persons that filled the questionnaire.

5 Research methodology

5.1 Research design

This research is descriptive. This means that the results obtained from the respondents have been presented in an easy to understand format in terms of percentages, tables and charts.

5.2 Data sources

Primary data has been collected through a Google Form titled "Consumer Awareness and Perception Towards Life Insurance Products in India". The responses have been provided in an Excel sheet which has been included in this paper with a total of 52 responses. Secondary data has been obtained from research articles by Ritika Bhatia, Anil K. Bhat and Jyoti Tikoria (2021, 2024) alongside the IRDAI Master Circular of Life Insurance Products (2024).

5.3 Sample

Within this analysis there are 52 responses. The summary provides information regarding the age range of respondents, their occupation and whether they currently have a life insurance policy. However, there is no information within the workbook provided regarding when the survey took place, where exactly the respondents were and the sampling technique used.

5.4 Analysis

The responses have been analysed question by question. Where there is a single response from each respondent a pie chart has been used in a similar format to the summary provided by Google Forms. Where there are multiple responses for a question, for example the product awareness question, a horizontal bar chart has been used. Below each chart there is an explanation of the frequencies and percentages.

5.5 Scope and limitations

This research looks at Consumer Awareness of life insurance products, opinions on why life insurance should be used and the benefits, influences on purchasing life insurance, barriers to purchasing and future intentions to purchase. The main limitation of this research is that it is based on only 52 responses. This means I can only provide results for this group of people and cannot generalise the findings to all consumers in India. The survey does not look into detailed knowledge of the products or whether they will actually buy in the future.

6 Analysis and interpretation of Google Form responses

This section is in order of the summary on the Google Form. Each chart has a brief description of what the results show. The results are in the same order using data from the sheet.

6.1 Age group of respondents

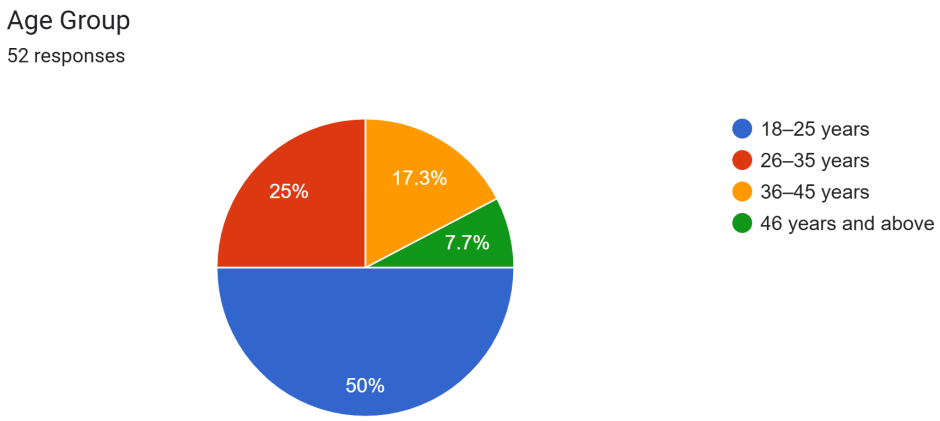

Figure 1. Age group of the 52 respondents.

Table 1. Age group.

Response	No. of respondents	Percentage
26–35 years	13	25.0%
18–25 years	26	50.0%
36–45 years	9	17.3%
46 years and above	4	7.7%

The highest number of respondents were between the ages of 18-25 years old. There were 26 respondents in this group which is 50% of the total. There were 13 respondents between the ages of 26-35 (25%), 9 respondents were between the ages of 36-45 (17.3%) and 4 respondents aged 46 or over (7.7%). Half of the responses were from the lowest age bracket on the form. It is important to keep this in mind when looking at the findings.

6.2 Occupation of respondents

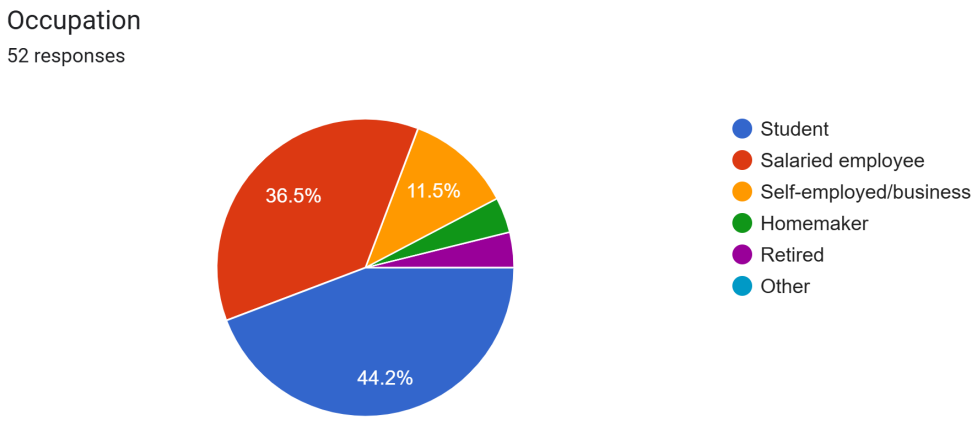

Figure 2. Occupational profile of respondents.

Table 2. Occupation.

Response	No. of respondents	Percentage
Self-employed/business	6	11.5%
Salaried employee	19	36.5%
Student	23	44.2%
Homemaker	2	3.8%
Retired	2	3.8%

Out of the 52 people 23 (44.2%) were students. After that there were 19 (36.5%) salaried workers. Then there were 6 self employed (11.5%) and 2 homemakers and 2 retired people (3.8%). It can be seen from this that there were mostly students and salaried people who filled in the form.

6.3 Current life insurance policy ownership

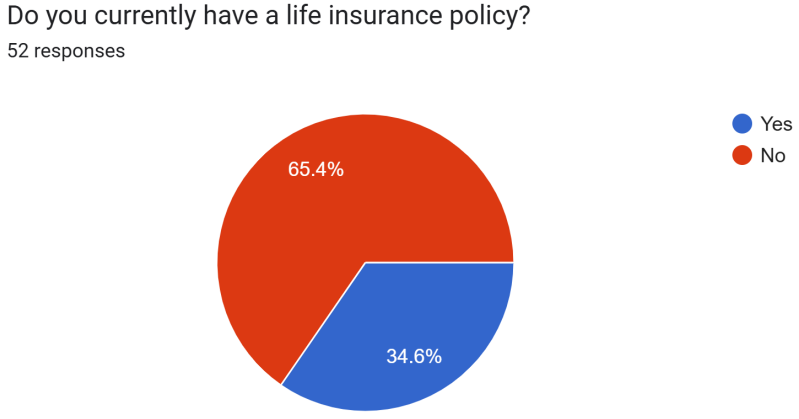

Figure 3. Respondents who currently have a life insurance policy.

Table 3. Current life insurance policy.

Response	No. of respondents	Percentage
No	34	65.4%
Yes	18	34.6%

Eighteen people (34.6%) said they currently have a life insurance policy and 34 people (65.4%) said they do not. Therefore within this sample roughly two out of three respondents do not currently have a policy. This is an important factor to consider when looking at the barriers to purchases and future interest.

6.4 Q1 – Awareness of different types of life insurance

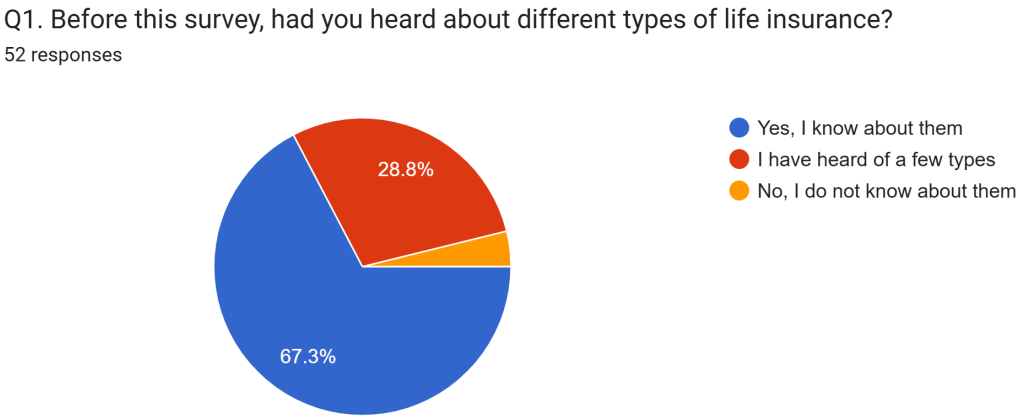

Figure 4. Awareness of different types of life insurance.

Table 4. Responses to Q1.

Response	No. of respondents	Percentage
I have heard of a few types	15	28.8%
No, I do not know about them	2	3.8%
Yes, I know about them	35	67.3%

35 people answered 'Yes I know about them' which is 67.3%. Another 15 answered they had heard about a few types (28.8%) and only 2 people (3.8%) answered that they did not know about them. Overall most people stated they know about them to an extent. This does not indicate that they have a clear understanding of them though.

6.5 Q2 – Life insurance products respondents have heard of

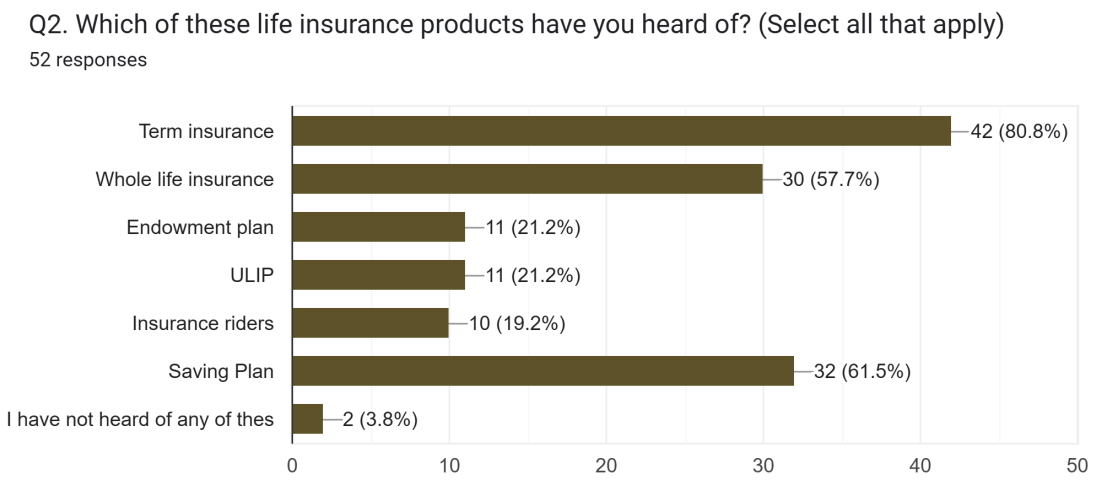

Figure 5. Product names recognised by respondents (multiple answers allowed).

Table 5. Products respondents have heard of.

Response	No. of respondents	Percentage
Term insurance	42	80.8%
Whole life insurance	30	57.7%
Endowment plan	11	21.2%
ULIP	11	21.2%
Insurance riders	10	19.2%
Saving Plan	32	61.5%
I have not heard of any of these	2	3.8%

Multiple responses could be selected; therefore, the percentages do not add up to 100%.

The most known product is Term insurance, with 42 respondents (80.8%) selecting it. Saving Plan was next with 32 respondents (61.5%). Whole life insurance was also selected by quite a few people with 30 respondents (57.7%). Endowment plan and ULIP both had fewer selections with 11 respondents (21.2%). Lastly, Insurance riders was chosen by 10 respondents (19.2%). Two respondents (3.8%) selected the response showing they had never heard of any of the products. This was a multiple response question meaning that individuals could have selected more than one product. This is why the percentages do not add up to 100%. Overall, it can be seen that Term insurance was the best known product.

6.6 Q3 – Main purpose of life insurance

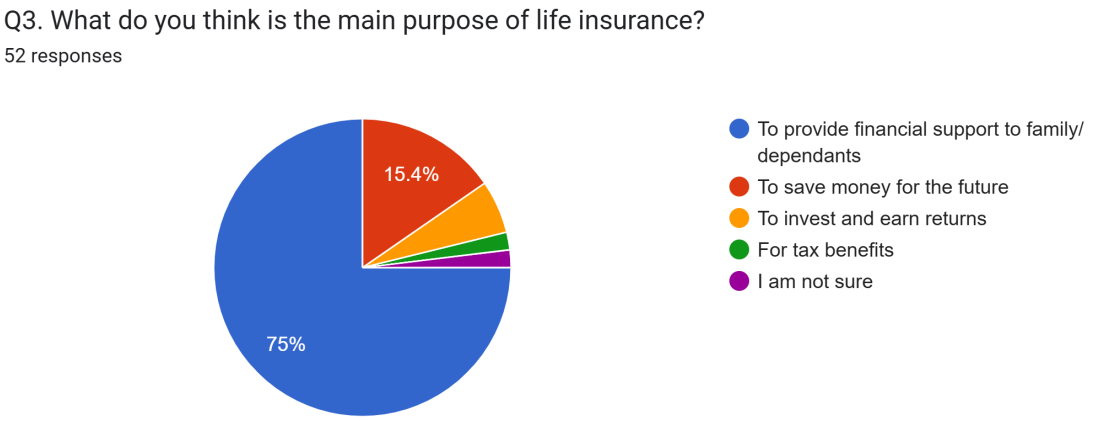

Figure 6. Respondents' understanding of the main purpose of life insurance.

Table 6. Responses to Q3.

Response	No. of respondents	Percentage
To save money for the future	8	15.4%
To provide financial support to family/dependants	39	75.0%
I am not sure	1	1.9%
To invest and earn returns	3	5.8%
For tax benefits	1	1.9%

Thirty-nine people (75%) said the main reason they would take life insurance out is to financially protect their family/dependents. Eight people (15.4%) said to save for the future, three people (5.8%) said to invest and get a return and one person said for tax advantages and one person said they were unsure (1.9%). This shows that most people see life insurance as a method of protecting their family.

6.7 Q4 – Most important expected benefit

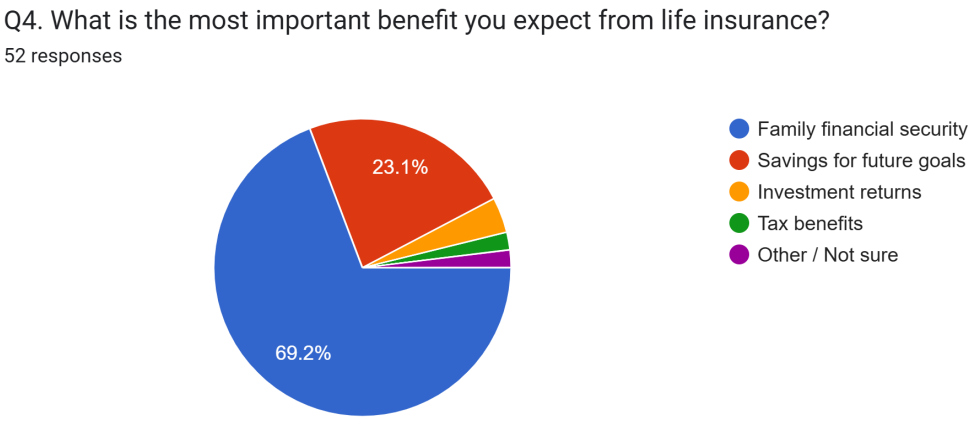

Figure 7. Benefit respondents expect most from life insurance.

Table 7. Responses to Q4.

Response	No. of respondents	Percentage
Family financial security	36	69.2%
Savings for future goals	12	23.1%
Other / Not sure	1	1.9%
Investment returns	2	3.8%
Tax benefits	1	1.9%

Family security: 36 respondents (69.2%). Saving for future goals: 12 respondents (23.1%). Investment returns: 2 respondents (3.8%). Tax benefits: 1 respondent (1.9%). Other / Not sure: 1 respondent (1.9%). Again similar to Q3 the results show that the main reason for most respondents to take out a Life Insurance policy is to ensure their family are secure.

6.8 Q5 – Main influence on the decision to buy life insurance

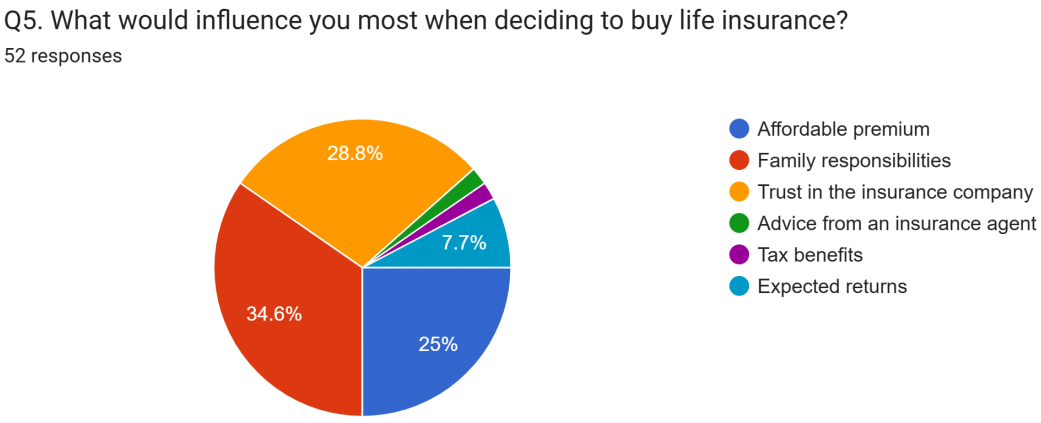

Figure 8. Factors that may influence the decision to purchase life insurance.

Table 8. Responses to Q5.

Response	No. of respondents	Percentage
Family responsibilities	18	34.6%
Affordable premium	13	25.0%
Trust in the insurance company	15	28.8%
Expected returns	4	7.7%
Advice from an insurance agent	1	1.9%
Tax benefits	1	1.9%

The most popular influence on purchase decisions was family commitments (18 respondents, 34.6%). 15 respondents (28.8%) mentioned trusting the insurance company and 13 respondents (25%) selected low premium price. 4 respondents (7.7%) selected expected returns and 1 respondent (1.9%) mentioned advice from an insurance agent and tax benefits. This suggests the main factors in this groups decision are their families needs, trusting the company and low cost.

6.9 Q6 – Main reason that may stop someone from buying life insurance

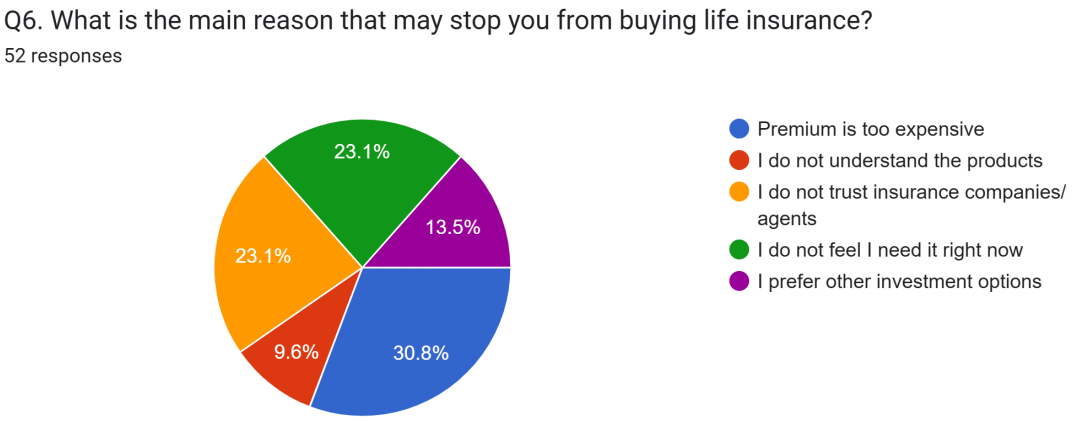

Figure 9. Reasons that may discourage respondents from buying life insurance.

Table 9. Responses to Q6.

Response	No. of respondents	Percentage
I do not feel I need it right now	12	23.1%
I do not trust insurance companies/agents	12	23.1%
I prefer other investment options	7	13.5%
Premium is too expensive	16	30.8%
I do not understand the products	5	9.6%

The main reason given was that it was too expensive, 16 people (30.8%) chose this option. 12 people (23.1%) stated they didn't feel they needed life insurance currently. 12 people (23.1%) said they didn't trust insurance companies/agents. 7 people (13.5%) said they wouldn't invest in life insurance because they would prefer to invest elsewhere. 5 people (9.6%) said they didn't understand the products. This shows that price is the major concern of people, but trust, perceived need and understanding of products are also a concern.

6.10 Q7 – Does clear information make respondents more likely to consider a policy?

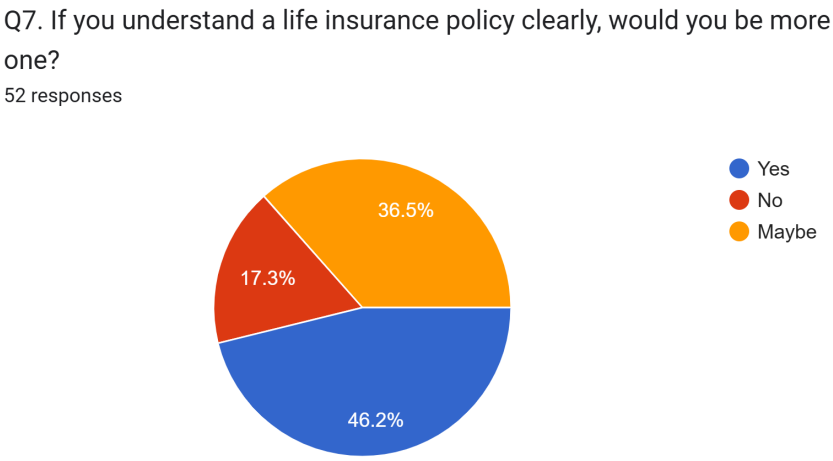

Figure 10. Whether clear policy understanding may increase consideration.

Table 10. Responses to Q7.

Response	No. of respondents	Percentage
Maybe	19	36.5%
No	9	17.3%
Yes	24	46.2%

24 respondents (46.2%) said Yes, 19 participants (36.5%) said Maybe, and 9 participants (17.3%) said No. So 43 participants out of 52 said Yes or Maybe. This shows that if there was an explanation about the policy, many people would be more receptive to it. However, not all may go on to buy it. But this shows that having an understanding of the policy can be an important factor to the decision.

6.11 Q8 – Future likelihood of considering life insurance

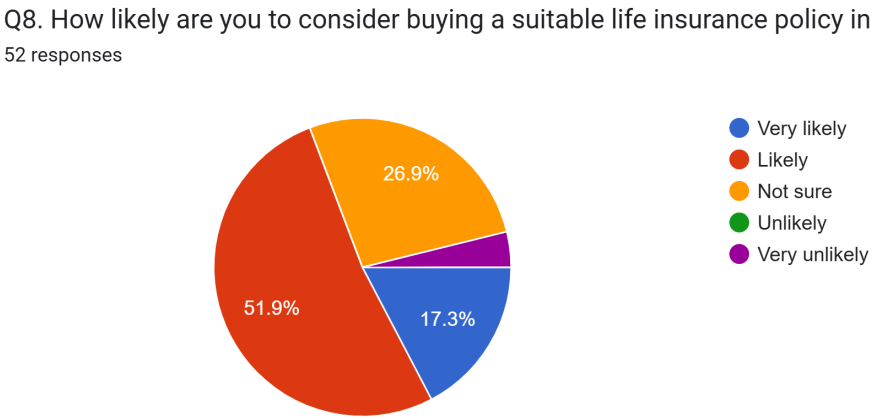

Figure 11. Respondents' future intention to consider a suitable life insurance policy.

Table 11. Responses to Q8.

Response	No. of respondents	Percentage
Likely	27	51.9%
Very unlikely	2	3.8%
Very likely	9	17.3%
Not sure	14	26.9%

Of those questioned, 27 (51.9%) would be likely to consider the appropriate policy in the future. Nine (17.3%) would be very likely to do so. Fourteen (26.9%) were unsure whilst two (3.8%) would be very unlikely to consider the policy. Overall, 36 people (69.2%) would be likely or very likely to consider policy. This is a positive sign showing that they are likely to show interest in the future however it doesn't show any actual purchases.

7 Findings and discussion

- The survey received 52 responses, with half of the respondents belonging to the 18–25 age group.
- Students and salaried employees made up most of the respondent group.
- A larger share of respondents (65.4%) did not currently have a life insurance policy.
- Most respondents reported knowing about at least some types of life insurance, although the survey did not test detailed product knowledge.
- Term insurance was the most recognised product option, followed by Saving Plan and Whole life insurance.
- Family protection was the most common understanding of the purpose of life insurance and the most expected benefit.
- Family responsibilities, trust in the insurance company and premium affordability were the leading influences on purchase decisions.
- The cost of premiums was the most common reason that could discourage purchase. Lack of perceived need and lack of trust were also frequently selected.
- Most respondents said that clear understanding of a policy would make them more likely, or possibly more likely, to consider it.
- More than two-thirds of respondents said they were likely or very likely to consider a suitable policy in the future.

Overall looking at the answers it seems that people view life insurance as a way to protect their family. However, just knowing that they exist may not encourage people to take one out. Answers to questions regarding cost of premiums and trust show that people are considering whether they can afford the policy and whether they feel comfortable with the provider. Answers to question 7 also suggest that having simple explanations could help people to feel more confident to consider the policies.

8 Suggestions and recommendations

- Insurance companies should provide simple details about features, cost of premiums, benefits and exclusions

- Compare different insurance policies based on your household obligations and what you want to protect rather than focusing on the returns or tax benefits
- Insurance agents and companies should create a trustworthy environment by being clear and accurate with the details they provide.
- Premiums and commitments should be clearly explained so that you can make an informed decision on whether it's affordable for you.
- Financial literacy programmes can inform you about the differences between term insurance, whole life insurance, endowment plans, ULIPs and riders.
- Read through the policy document before purchasing to understand the conditions, exclusions and charges.

9 Conclusion

This study aims to gain an understanding of consumer awareness and perception around life insurance products within India. The analysis was performed using data collected from 52 respondents via a Google Form. The results showed that most respondents have heard of the various types of life insurance available. Most respondents chose term insurance as the product name. It was very clear that the majority of respondents saw life insurance as primarily a tool to provide financial support to family members or dependants.

The survey has shown that practical considerations are taken into consideration when making a purchase. The main factors considered were family commitments, trust in the provider and low premium costs. The most common reason that would prevent a purchase would be high premium costs. However, some respondents mentioned that they do not feel they need it at the moment or do not trust insurance providers or agents. Many respondents mentioned that if there was clear information it would make them more likely to consider it.

Overall, I can see that there is awareness within many of the people in this sample. However, there must be clear information provided alongside affordable costs and trust. Life insurance should be clearly explained so that consumers know what it is there to protect them and whether a specific product will be suitable for their requirements. Due to only 52 responses being used in this study, the results are limited to those who completed the form. If a larger survey was completed with a wider age range, occupation and location then we would have a better understanding of consumer awareness and perception within India.

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