



**DEMOGRAPHIC AND SOCIO-ECONOMIC VARIABLES AND  
THEIR ROLE IN DETERMINING  
ATTITUDE ABOUT LIFE INSURANCE AND  
PURCHASE-DECISION IN RURAL SECTOR**

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**ABSTRACT**

Banking inclusion is being successfully achieved through a host of measures adopted from various quarters of the economy. Next to follow banks are insurance services and the Government of India is actively promoting insurance inclusion. Insurance inclusion is to provide reasonable cover against financial losses in the event of uncertainties. This paper is an attempt to study the demographic and socio economic profile of the rural sectors with 12 variables and how these variables influence their decision to buy insurance policy or not. Further with four factors namely awareness, promotion, necessity and service, the level of attitude of respondents towards insurance is assessed. Source of borrowing is the only variable which significantly influences insurance decision and attitude. The other variables have mixed impact on the insurance decision and factors determining attitude about insurance.

Keywords: Life insurance, demographic and socio economic profile, attitude

**INTRODUCTION**

The real source of marketing promise is not wealthy few in the developing world, or even the emerging middle income consumers. It is the billions of

aspiring poor who are joining the market economy for the first time.

- C.K.Prahlad

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**Financial inclusion** or **inclusive financing** is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to **financial exclusion** where those services are not available or affordable. In India, after reviewing the existing mindset of exclusion in banking practices, RBI initiated several measures to extend banking services to include the vast sections of population. Opening of no-frills account, relaxation of various norms for accounts opened with deposits of less than Rs. 50,000, issuing general credit cards, utilizing the network of NGOs and SHGs, microfinance institutions, etc., make effective use of Information and communications technology, etc. are a few that deserve mention in this context.

Following banking inclusion, in the Budget Speech of 2013-14, insurance inclusion was discussed highlighting a target of an office of LIC or at least one public sector general insurance company in all towns of India with a population of 10,000 or more. IRDA took the lead in educating the common man about insurance services,

motivating and regulating insurance companies and advisors to actively participate in financial inclusion initiatives, also not forgetful of protecting the interests of policyholders.

The Rural sector has been defined by IRDA as any place which, as per the last census, has a population of not more than 5000, density of population of not more than 400 per square kilometer, and at least 75% of the male working population engaged in agriculture (from 2016-17, as per IRDA's revised regulations, rural sector means the places or areas classified as "rural" while conducting the latest available decennial population census (Census of India)). "Social Sector" includes unorganised sector, informal sector, economically vulnerable or backward classes and other categories of persons, both in rural and urban areas.

IRDA has stipulated that life insurance companies have to write 7% to 20% of their total policies from their first year to tenth year and following years of operations in the rural sector and 0.5% to 5% of their total policies from their first year to tenth year and

following years of operations in the social sector. IRDA created a special category of insurance policies called micro-insurance targeting rural population. **A micro-insurance policy is a general or life insurance policy with a sum assured of Rs 50,000 or less.**

Indian population represents a lot of growth potential for insurance industry. Against the total real premium growth for life insurance sector in emerging countries and Asia at 6.9% and 6.1% respectively, India's figure stood at 1.0%. (IRDA, 2015). From 2001 to 2009, life insurance penetration (measured as a percentage of insurance premium to GDP) had increased from 2.15% to 4.6% and since then it has been declining to reach 2.6% in 2014. Similarly life insurance density (measured as a ratio of premium to total population ) had grown from USD 9.1% in 2001 to peak levels of USD 55.7 in 2009, and lowered to USD 44 in 2014. In India, there are 24 life insurance companies as of 2015 and still the insurance services are under-penetrated in India due to lack of financial awareness and literacy among the masses.

A survey undertaken with 70 business operations in rural market by Accenture came out with key findings about the rural sector: (i) percentage increase in monthly per capita expenditure in rural markets surpassed its urban counterparts during 2009 and 2012 to 19.20% (from 13.20% in 2004-10) indicating increased consumption in rural markets, (ii) Rural markets account for more than 20 percent of the total revenues for more than 65 percent of the companies surveyed, (iii) About two thirds of the respondents plan to rapidly accelerate their rural market expansion, rather than continue with current pace of or slow down expansion. However, challenges involved in reaching rural customers like high cost-to-serve, recruiting and selecting channel partners, sales force competency, Identifying and engaging the influencers, etc are also highlighted. About 55 percent of manufacturing GDP is rural; nearly 75 percent of new factories built in the last decade were in rural areas, and rural factories account for 70 percent of all new manufacturing jobs. Rural India accounts for about 50 percent of India's GDP and nearly 70 percent of India's population. Per capita

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rural GDP has also experienced strong improvement over the past few years. Since 2000, it has grown faster than per capita urban GDP: 6.2 percent compound annual growth rate (CAGR) versus 4.7 percent. About one in every two rural households has a mobile phone today, even in India's poorest states such as Bihar and Orissa. Nielsen estimates that the fast moving consumer goods market in rural India will hit US\$100 billion by 2025, up from US\$12 billion currently.

In the light of these observations and given to understand the market potential of rural insurance, an attempt has been made to study what factors, socio-economic in particular, influence the decision making and attitude of rural households in buying insurance policies.

### **LITERATURE REVIEW**

**Sahu (2009)** in his paper titled, "Microinsurance in India: Outreach & Efficacy" has studied about the outreach and efficacy of micro insurance in Tamilnadu and Orissa and has come out with useful observations. He finds that low-income households who

experienced some major risks in recent past followed multiple informal risk management tools, household's participation in insurance market considerably depends on their household feature, major occupation and prioritization of risks, huge gap in awareness and information about insurance, micro insurance products remain largely involuntary in nature tied to microcredit group loan from MFI, poor product design, limited insurance coverage, cumbersome claim settlement posing as problems, etc.

**Singh & Lall (2011)** in their study highlighted the opportunities for insurers in rural markets, strategies to be adopted to tap the uninsured market, understand consumer behaviour in the insurance sector, identify challenges faced by insurance companies and suggest measures to overcome those challenges.

**Venugopa (2012)** studied about the attitude of uninsured in the East Godavari District. Reasons for not knowing, the role of insurance agents, decision to buy or not and the

attitude of uninsured with reference to product, premium, promotion and distribution are covered in this study. Financial problem and low income are observed as the main reason for not taking insurance policy by rural respondents. Moreover, security for the dependents was considered as the main priority for taking life insurance. Many of the tribal respondents have not either met agents or not talked with any, he observed.

**Ahmed (2013)** studies about the issues and challenges that cause lower penetration of insurance services in rural sector. Further, the perception and attitude of rural people towards buying life insurance products are also examined. This paper also summarize the rural insurance marketing practices by life insurance players in India and offers suggestive remarks for capturing the rural potential and lastly this paper discuss about micro - insurance & its challenges in short details which is an opportunity as well as a responsibility.

**Gupta (2014)** in his article has pointed to the current status of rural insurance penetration and explored the reasons of poor performance of

insurance companies in rural India. Further the key aspects of tapping emerging insurance market in rural areas are covered in his paper. Based on the analysis, the paper tries to give a future forecast of the market that is intended to be a rough guide to the direction in which the market is likely to move.

**Raghavendran (2015)** studied about the socio-economic profile of rural life insurance customers and their buying behavior. He found that women were not adequately covered, endowment policies are preferred by rural policyholders, though unit-linked policies are sold more by private insurance companies. Rural people perceive insurance as a means of saving and low income is the main hindrance for the spread of life insurance in rural areas. However, the policy holders are satisfied with the performance of insurance companies.

## **OBJECTIVES OF THE STUDY**

- i. To study the socio economic profile of the rural respondents

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- ii. To assess the relationship between socio-economic variables and life insurance purchase decision in rural people
- iii. To determine the relationship between socio-economic variables and the attitude of rural respondents regarding life insurance

## **HYPOTHESES OF THE STUDY**

- i. Buying of Insurance policy is related to socio-economic profile of the respondents
- ii. The attitude of respondents about life insurance is related to socio-economic profile of the respondents

## **RESEARCH METHODOLOGY**

- i. The study is based on primary data collected through a well framed and structured schedule, whereby the researcher explained the questions and options listed and filled the responses expressed by the respondents.
- ii. For the purpose of this study, 205 respondents from 5 taluks of Madurai district (Melur, Vadipatti, Usilampatti, Thirupparankundram,

Thirumangalam) were approached through convenient sampling method.

- iii. Percentage analysis and Chi square tests have been employed in this study.
- iv. For the purpose of study, 12 demographic and socio economic variables have been identified. A set of statements to understand the awareness of insurance schemes and its features, reach of promotion undertaken by companies, necessity felt for insurance and perception of service rendered by insurance have been framed in the questionnaire. Mean and Standard Deviation values of each factor-awareness, promotion, necessity and service have been calculated based on the responses and hence, attitude of the respondents about life insurance is found.
- v. Statistical software SPSS 20 has been used for analysis of data.

## **ANALYSIS AND INTERPRETATION**

Table 1 lists 12 demographic and socio-economic variables chosen for this study. The variables chosen are gender,

Age, marital status, family type, education, occupation, average monthly family income, loan obligations, borrowing source, SHG membership and habit of savings. The number of respondents for every category of the

variable and their percentage values are given in the table. The decision of buying an insurance policy and the attitude regarding insurance policy may be influenced by these variables.

**Table 1. Demographic and economic profile of the respondents**

<b>S No</b>	<b>Variables</b>		<b>No. of respondents</b>	<b>Percent</b>
<b>1</b>	<b>Gender</b>	Male	64	31
		Female	141	69
<b>2</b>	<b>Age (in Yrs)</b>	Less than 20	8	4
		20 - 40	125	61
		40 - 60	68	33
		More than 60	4	2
<b>3</b>	<b>Marital Status</b>	Married	171	83
		Unmarried	23	11
		Divorced / Separated	6	3
		Widow / Widower	5	2
<b>4</b>	<b>Family type</b>	Nuclear	144	70
		Joint	61	30
<b>5</b>	<b>Earning members</b>	1	86	42
		2	91	44
		3	25	12
		4	3	1
		More than 4	0	0
<b>6</b>	<b>Education</b>	Illiterate	25	12
		Upto X	115	56
		XI - XII	19	9
		Diploma / ITI	6	3
		Graduate	38	19
		Post graduate	2	1
		Others	0	0
<b>7</b>	<b>Occupation</b>	Agriculture	26	13
		Employment	9	4
		Casual	53	26
		Self-employed	75	37
		100-day work	34	17
		Others	8	4
		Not employed	26	13

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<b>8</b>	<b>Average monthly family income (in Rs.)</b>	Less than 4000	25	12
		4000 - 6000	17	8
		6000 - 8000	27	13
		8000 - 10000	33	16
		More than 10000	103	50
<b>9</b>	<b>Loan obligations (in Rs.)</b>	Less than 5000	9	4
		5000 - 10000	24	12
		10000 - 50000	27	13
		50000 - 100000	38	19
		More than 100000	86	42
<b>10</b>	<b>Borrowing source</b>	None	21	10
		Friends & Relatives	9	4
		Moneylenders	24	12
		Banks	27	13
		SHGs	38	19
		Other sources	86	42
<b>11</b>	<b>SHG membership</b>	No borrowings	21	10
		Yes	58	28
<b>12</b>	<b>Save Income</b>	No	147	72
		Yes	148	72
		No	57	28

Source: Primary data

To discuss about the major categories of respondents across demographic and socio-economic variables taken for this study, we learn from Table 1 that among the 205 respondents, 141 (69%) are females, 125 (61%) respondents belonged to age group 20-40 years, 171 (83%) respondents are married, 144 them have loan obligations exceeding Rs.100000, 147(72%) are members of

(70%) of them live in nuclear families, 91 respondents have (44%) two earning members in their families, 115 (56%) of them are X Std. qualified, 75(37%) of the respondents are self-employed, 103 (50%) respondents have monthly average family income of Rs. 10000 and more, 86 (42%) of an SHG and 148 (72%) habit if saving a portion of their income.



**Table 2. Respondents who have taken an insurance policy**

S No.	Insurance policy taken	No. of respondents	Percent
1	Yes	130	63
2	No	75	37
	<b>Total</b>	<b>205</b>	<b>100</b>

Source: Primary data

Table 2 presents the details of how many among the total number of respondents have taken an insurance policy. Out of 205 respondents, 130 (63%) have taken an insurance policy and others have not.

**Table 3. Demographic and socio-economic variables and their relationship with insurance purchase decision**

S no.	Variables	Chi square Value	d.f
1	Gender	12.758**	1
2	Age (in Yrs)	5.266	3
3	Marital Status	21.21**	3
4	Family type	5.386*	1
5	Earning members	10.599*	3
6	Education	3.583	5
7	Occupation	7.685	5
8	Average monthly family income (in Rs.)	19.267**	4
9	Loan obligations (in Rs.)	5.79	5
10	Borrowing Source	20.713**	5
11	SHG Member	0.329	1
12	Save Income	30.794**	1

Source: Primary data, \*, \*\* - Statistically significant at 5% and 1% respectively

Table 3 explains the relationship between the demographic and socio-economic variable and the buying of insurance policy. From the above table, it is understood an insurance policy is

influenced by these variables. The other variables like age, education, occupation, that Gender, Marital status, Family type, No. of earning members, Average monthly income of the family,

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Source of borrowings in case of emergencies and Habit of saving income is related to the purchase of insurance policy. Loan obligations and being an SHG member do not influence buying decision, which means irrespective of these variables, the rural people buy or don't prefer to buy a life insurance policy. Hence, it can be understood that a person decides to take a policy or not take a policy irrespective of his age, loan obligations, being educated and being SHG member.

Four factors have been identified to measure the attitude of rural people towards life insurance, namely – Awareness, Promotion, Necessity and Service. A set of statements were framed under each of the factors in the questionnaire. Based on the responses collected, the respondents were grouped into having high, medium and low levels of attitude about the mentioned factors, with the mean and standard deviation values for each of the factors. Subsequently, Chi-Square tests have been carried out between the factors and the demographic and socio-economic

variables to bring out their relationship and the results are discussed in Table 4.

Considering the first factor- Awareness of insurance services, difference policies and their features, it is clear from Table 4 that Gender, Age, Marital status, Family type, Occupation, Average monthly income for the family, Loan obligations, Borrowing source, SHG membership and Saving habits impacts level of awareness at various levels of significance, whereas, No. of earning members and Education do not influence the level of awareness.

Taking the next factor into account – Promotion activities undertaken by public and private insurers to familiarize insurance services among the rural people, Age, Family type, Education, Occupation, Average monthly income for the family, Borrowing source and SHG membership influence significantly the level of attitude towards promotion activities undertaken by the insurance companies. Variables like Gender, Marital status, No. of earning members in the family, Loan obligations

Source: Primary data, \*, \*\*, \*\*\* - Statistically significant @ 10%, 5% and 1% respectively

**Table 4. Demographic and economic variables and their relationship with attitude of insurance**

S no.	Variables	Awareness		Promotion		Necessity		Service	
		Chi sq	d.f	Chi sq	d.f	Chi sq	d.f	Chi sq	d.f
1	<b>Gender</b>	33.98***	2	0.38	2	0.27	2	7.55**	2
2	<b>Age (in Yrs)</b>	27.83***	6	17.20***	6	10.40	6	14.16**	6
3	<b>Marital Status</b>	10.81*	6	10.39	6	11.36*	6	8.38	6
4	<b>Family type</b>	11.68*	2	7.95**	2	2.10	2	0.15	2
5	<b>Earning members</b>	4.28	6	8.25	6	4.93	6	3.08	6
6	<b>Education</b>	9.66	10	34.61***	10	22.43**	10	7.41	10
7	<b>Occupation</b>	35.66***	10	40.26***	10	28.65***	10	26.78***	10
8	<b>Avg monthly family income (in Rs.)</b>	14.65*	8	15.06*	8	9.85	8	6.43	8
9	<b>Loan obligations (in Rs.)</b>	19.43**	10	15.55	10	6.69	10	18.58**	10
10	<b>Borrowing Source</b>	24.43***	10	21.29**	10	23.45***	10	28.89***	10
11	<b>SHG Member</b>	4.85*	2	12.38***	2	7.35**	2	2.02	2
12	<b>Save Income</b>	11.14***	2	1.65	2	9.48***	2	5.00*	2

and Saving habits do not have a significant relationship with level of attitude towards promotion activities.

The third factor considered in this study to determine the attitude about insurance services is the Necessity felt for insurance services for

all. The results of the study indicate that Marital status, Education, Occupation, Source of borrowing, SHG membership and Saving habit are the variables that are significantly related to the level of attitude towards necessity for insurance services. The rest of the variables do not

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show any significant relationship with the level of attitude towards necessity of insurance services.

The last factor considered in this study for determining the attitude of rural people towards insurance services is the service rendered by insurance companies. Variables like Gender, Age, Occupation, Loan obligations, Borrowing source and saving habits among others significantly impact the level of attitude towards service offered by insurance companies.

### **SUMMARY OF FINDINGS**

In this section, it is intended to present the findings by variables and their significant influence on the insurance purchase decision and factors determining attitude towards insurance services.

Gender significantly influences insurance buying decision, level of awareness and attitude towards services offered by insurance companies. Age significantly influences the level of awareness, attitude towards promotion activities and services offered. Marital status influences insurance buying decision, level of awareness and attitude towards necessity of insurance services.

Family type significantly influences insurance buying decision, level of awareness and attitude towards promotion activities of insurance companies. No. of earning members impacts only the decision of buying insurance and does not influence any factor determining the level of attitude towards insurance services. Education significantly affects the level of attitude towards promotion activities of insurance companies and towards necessity felt for insurance services.

Occupation influences all the four factors determining attitude towards insurance services namely – awareness, promotion, necessity and service. Average monthly income of the family has a significant impact on the buying decision of insurance policy, the level of awareness and attitude towards promotion activities. Loan obligation of rural people is significantly related to the level of awareness and attitude towards services offered by insurance companies. Borrowing source significantly impacts insurance decision and all the four factors determining attitude towards insurance services. SHG membership significantly

influences the level of awareness, attitude towards promotion activities and necessity felt for insurance services. Finally, saving habits determines insurance decision, level of awareness and attitude towards necessity felt for insurance services and services offered by insurance companies.

### **SUGGESTIONS**

Based on this study, it can be suggested that there is a reasonable awareness of insurance services among rural people and the promotion activities are visibly influential. However, in terms of understanding the necessity of insurance services for all, a lot more efforts have to be channelized.

The study results enable the insurance companies to appreciate the demographic and socio-economic variables that have a bearing on the level of attitude rural sector have towards insurance and on the decision of purchasing life cover. The companies can take serious note of the results and direct their efforts in design and delivery of insurance products that will be best suited for the rural market. This will expand their market base and increase profits. Apart from LIC, the

next first movers among private insurers penetrating into this segment are sure to benefit to greatest extent in increased market share and profitability.

Awareness about Government insurance schemes that offer basic insurance services at extremely lower premium should be created extensively. Apart from using banks as partners in enrolling into these schemes, other organizations like NGOs, SHGs, government bodies, etc that are close to the rural segment can be included in enrolling into government schemes.

Advertisements in the media can focus on how many rural people have benefitted from claims made from insurance policies and how would they have suffered without such policies. The loss arising out of uncertainty affects the rural masses more than the urban people, especially financially. Hence, the importance of insurance cover in providing a cushion against losses to some extent to these rural masses can be reinforced to them.

It has been widely discussed about the significance of cost-effective means of servicing rural masses for various products and services. To increase

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penetration of insurance in rural sector, innovative and suitable methods of selling policies, reminding of renewal premiums, conveniently paying renewal premiums and disbursing claims on highest priorities should be devised.

Group insurance policies are considered as being cost-effective way to enroll more members of a community in an insurance policy with lesser premium. Rural people can be made to understand about the features of group policy through village heads, etc and with the help of appropriate channel partners, rural people can be encouraged to enroll in such policies.

IRDA has urged the insurance companies to introduce micro insurance policies which are tailored for the rural masses. The insurance companies, rather considering rural market as an obligation, can take concentrated efforts to tap the untapped potential of rural markets by selling micro insurance policies.

## CONCLUSION

Having achieved reasonable progress in banking inclusion, the government has turned its attention in insurance inclusion of rural people. This

study attempts to comprehend the influence created by demographic and socio-economic variables of the rural people on the insurance decision and the attitude towards insurance services. The results highlighted are helpful in understanding the steps to be taken by the Government and the insurance companies to increase penetration of insurance service in rural areas. Financial inclusion will enable upliftment of the rural sector and in turn, boost the growth of the economy.

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