

Impact of Demographic Variables on Purchase of E-Insurance in Urban Areas in India

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Doi: 10.18510/ijmier.2015.112

Article History: Received on 14th Dec 2014, Revised on 20th Jan 2015, Published on 25th Apr 2015

Abstract

In this globally dynamic business scenario, it is vital for any marketer to contemplate and grapple with any kind of opportunity which one can translate into an exceptionally superior service offering than his competitive counterpart. The evolution in the trend of insurance is e-insurance. Many insurance companies in India have their own independent websites catering mediation services at a very low price. Despite lucrative offers e-insurance in India has not been able to capture much attention of the public in general. The share of e-insurance in business largely depends upon consumer want, inclination, preferences and usage which in turn depend on other demographic variables such as age, gender, income occupation, and education. This study highlights the influence of demographic variables on e-insurance sector in India. It is found in the study that there is a significant impact of gender, educational qualification, income and occupation on the reason, like saving, investment, risk and protection tax benefit and children education and marriage to purchase e-insurance products.

Keywords

Online insurance, Consumer behavior, Life insurance, Demographic variables.

Introduction

The exploding apotheosis of the internet and social media has made the term “Digital” an indispensable part of life for many consumers across the globe. This trend is expanding exponentially and changing all the diversified sectors. The insurance industry around the world is no exception. The insurance industry in India and abroad has undertaken profound changes during the last decade.

Internationally, insurance has the high percentage of consumers using the internet to research or/and to buy as compared to other product categories. In the United States, the digital impact in case of motor insurance has already touched a high benchmark while in the United Kingdom moderate percentage of consumers who had been surveyed bought their policies through the internet.

In India, the insurance sector is experiencing major change due to digitalization. Trend analysis in Google search queries related to insurance in India has shown that there has been exponential growth since 2008, 6 times in case of motor insurance, 4 times in case of health insurance and 4.5 times in case of life insurance. The market of online insurance in India is already exceeded the amount of 700 crore rupees. Seeing this trend of the online insurance industry in India, it is expected that it will maintain its high growth trajectory over the next few years.

Until 1999, there was no private insurance player in India except Life Insurance Corporation (LIC). The insurance industry in India consisted of only two insurers LIC and General Insurance Corporation (GIC). The government then introduced the Insurance Regulatory and Development Authority Act in 1999, thereby de-regulating the insurance sector and allowing private companies to participate. Furthermore, foreign investment was also permitted which capped at 26% holding in the Indian insurance companies. Global players then rushed into the market and collaborated with Indian insurance players for both life and

non-life segment. Today there are 26 life insurers and 21 non-insurers and 1 reinsurer operating in the country.

Regardless of all the developments about most of the Indians do not have life insurance cover, while health insurance and non-life insurance cover in India is also below international standard. Premium collected from life insurance policies sold in India as against Gross Domestic Product (GDP) is 4.1%. It is lower than the developed market level of 6-9%. However, the e-insurance sector has not made much progress in the urban sector as expected. There is still a number of opportunities available waiting to be tapped. The present paper highlights the impact of demographic variables on e-insurance sector in urban India. The study focuses that there is an impact of gender, educational qualification, income and occupation on the reasons like saving, investment, risk protection, tax benefit, retirement benefit and children education and marriage to purchase insurance products.

Review of Literature

According to Banan (2009), the fundamentally information-intensive nature of the insurance product will eventually make full e-business treatment a workable option provided that efficiencies do materialize and are passed on to consumers. According to Sapa (2010), Information and Communication Technology (ICT) application may have a positive impact on a company's supply chain and its relations with business partners or it may give the possibility of providing new services or create new distribution channel for a company. According to Dasgupta (2002), online insurance requires replacing traditional methods by online processes analogous to those in e-commerce. According to Karthi (2002), Insurance companies are offering better values to customers in e-insurance than in conventional marketing methods.

According to David (2006), most Indians are willing to pay one percent of income or more for health insurance.

Objective of the Study

The objective of this research paper is to assess the impact of educational qualification, occupation, income and gender on the reasons like investment, saving, risk protection, tax benefit, retirement benefit to purchase e-insurance products in urban areas in India.

Research Methodology

The present study is empirical in nature. The primary data were collected using structured questionnaire from urban consumers of Lucknow region of Uttar Pradesh, and a sample of 100 respondents was selected. The secondary data were collected from various journals, magazines, and websites. The collected data was then analyzed and interpreted with the help of statistical tools such as percentage method and Chi-square test.

The following hypotheses have been formulated on the basis of objectives:

- H_{01} : Stimuli that encourage the customers to purchase insurance products are independent of gender.
- H_{02} : Stimuli that encourage the customers to purchase insurance products are independent of qualification.
- H_{03} : Stimuli that encourage the customers to purchase insurance products are independent of income.
- H_{04} : Stimuli that encourage the customers to purchase insurance products are independent of occupation.

Results and Discussions

Insurance companies are constantly working to know all those factors that influence the demand of the insurance products by the customers. In this process, they design and redesign to innovate such a product that is saleable in the market. To do this, they are continuously involved in the market research to understand the reason that encourages the customer to show his/her preference in the insurance products. The present paper highlights the impact of demographic variables on e-insurance sector in urban India. The study focuses that there is an impact of gender, educational qualification, income and occupation on the reasons, like investment, saving risk protection, tax benefit, retirement benefit and children education and marriage to purchase insurance products.

The result obtained through analysis, are tabulated in Tables 1-8.

Inference (Tables 1 and 2)

The majority of the male, as well as female respondents, consider long-term saving as the most important stimuli that encourage them to purchase insurance products. The male respondents consider risk protection as the least important stimuli whereas female respondents consider risk protection and tax benefit as the least important stimuli.

Table 2 tests the hypothesis H_{01} at 5% significance level. The significance (p) = 0.078 which is >0.05 . Thus, the Chi-square value is significant which leads us to accept the null hypothesis.

Thus, the modified hypothesis is “stimuli that encourage the customers to purchase insurance products is independent of gender.”

Inference (Tables 3 and 4)

The illiterate respondents are indifferent of the various stimuli that encourage them to purchase insurance products. Metric and graduate respondents consider long-term saving as the most important factor. However, they differ on other less important stimuli.

Table 4 tests the hypothesis H_{02} at 5% significance level. The significance (p) = 0.001 which is <0.05 . Thus, the Chi-square value is significant which leads us to reject the null hypothesis.

Thus, the modified hypothesis is “stimuli that encourage the customers to purchase insurance products are dependent on qualification.”

Inference (Tables 5 and 6)

The majority of the respondents in less than 1 lakh and 1-2 lakh consider long-term saving as the most important stimuli that encourage them to purchase insurance products. The respondents in 2-3 lakh income category consider long-term saving and investment as the most important stimuli whereas respondents in above 3 lakh income category consider tax benefit as the most important stimuli.

Table 6 tests the hypothesis H_{03} at 5% significance level. The significance (p) = 0.007 which is <0.05 . Thus, the Chi-square

Table 1: Stimuli that encourage customers to purchase insurance products on basis of gender

Gender	Stimulus						
	Long term saving	Investment	Risk protection	Children education and marriage	Tax benefit	Retirement benefit	Total
Male							
n	22	12	6	7	10	6	63
%	34.92	19.04	9.52	11.11	15.87	9.52	
Female							
n	14	7	2	6	2	6	37
%	37.83	18.91	5.40	16.21	5.40	16.21	

Table 2: Chi-square test

Value	Degree of freedom	Asymp. sig. (2-sided)
38.72	5	0.078

Table 3: Stimuli that encourage customers to purchase insurance products on basis of qualification

Qualification	Stimulus						
	Long term saving	Investment	Risk protection	Children education and marriage	Tax benefit	Retirement benefit	Total
Illiterate							
<i>n</i>	0	0	0	0	0	0	0
%	0	0	0	0	0	0	
Up to metric							
<i>n</i>	4	3	2	1	1	1	12
%	33.33	25	16.66	8.33	8.33	8.33	
Up to graduate							
<i>n</i>	27	12	4	8	6	8	65
%	41.53	18.46	6.15	12.30	9.23	12.30	
Above graduate							
<i>n</i>	5	4	2	4	5	3	23
%	21.73	17.39	8.69	17.39	21.73	13.04	

Table 4: Chi-square test

Value	Degree of freedom	Asymp. Sig. (2-sided)
34.12	15	0.001

Table 5: Stimuli that encourage customers to purchase insurance products on the basis of income

Income	Stimulus						
	Long term saving	Investment	Risk protection	Children education and marriage	Tax benefit	Retirement benefit	Total
<1 lakh							
<i>n</i>	12	4	3	4	0	4	27
%	44.44	14.81	11.11	14.81	0	14.81	
1-2 lakh							
<i>n</i>	7	2	1	2	0	1	13
%	53.84	15.38	7.69	15.38	0	7.69	
2-3 lakh							
<i>n</i>	12	11	2	4	5	6	40
%	30	27.5	5	10	12.5	15	
Above 3 lakh							
<i>n</i>	5	2	2	3	7	1	20
%	25	10	10	15	35	5	

Table 6: Chi-square test

Value	Degree of freedom	Asymp. sig. (2-sided)
32.58	15	0.007

value is significant which leads us to reject the null hypothesis.

Thus, the modified hypothesis is “stimuli that encourage the customers to purchase insurance products are dependent on income.”

Inference (Tables 7 and 8)

The majority of the respondents in government service, private sector and self-employed consider long-term saving as the most important stimuli that encourages them to purchase insurance

products. Other respondents consider children education and marriage as the most important stimuli.

Table 8 tests the hypothesis H_{04} at 5% significance level. The significance (p) = 0.038 which is <0.05 . Thus, the Chi-square value is significant which leads us to reject the null hypothesis.

Thus, the modified hypothesis is “stimuli that encourage the customers to purchase insurance products are dependent on occupation.”

Table 7: Stimuli that encourage customers to purchase insurance products on basis of occupation

Occupation	Stimulus						
	Long term saving	Investment	Risk protection	Children education and marriage	Tax benefit	Retirement benefit	Total
Government service							
<i>n</i>	8	2	1	4	4	1	20
%	40	10	5	20	20	5	
Private sector							
<i>n</i>	14	12	3	3	5	9	46
%	30.43	26.08	6.521	6.52	10.86	19.56	
Self employed							
<i>n</i>	12	3	2	3	1	1	22
%	54.54	13.63	9.09	13.63	4.54	4.54	
Others							
<i>n</i>	2	2	2	3	2	1	12
%	16.66	16.66	16.66	25	16.66	8.33	

Table 8: Chi-square test

Value	Degree of freedom	Asymp. sig. (2-sided)
42.68	15	0.038

Conclusion

It may be concluded from the study that the stimuli on the demand of the urban people for insurance products are saving, investment and children education and marriage purpose is most. The stimuli that encourage the urban customers for buying the product is highly influenced by their demographic factors. It is found by the study that there is impact of gender, educational qualification, income and occupation on the reasons such as saving, investment, risk protection, tax benefit, retirement benefit and children education and marriage to purchase e-insurance products. Therefore in order to attract the customers on a long-term basis and to sell their products insurance companies have to frame their strategies after studying the impact of demographic factors on the stimuli.

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