

Coverage and Acceptability of LIC among Rural and Urban Policyholders: A Case Study of Dharwad Branch

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Abstract: A sound insurance market is an essential characteristic of economic growth. Demand for insurance services remains low in large number of developing countries. The present study investigates empirically the issues of gaps in coverage and hurdles in acceptability of LIC policies at a branch level. The study is based on an experimental fieldwork and is tested with the sample of policyholders. The present study clearly shows that LIC has absolute advantage over other providers of insurance service, when it comes to the question of acceptability. Understanding the gaps in coverage could bring large share of uninsured masses under the ambit of LIC.

Key Words: LIC, Insurance Market, Insurance Services, Coverage, Acceptability and Policy Holders.

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I. Introduction

A sound insurance market is an essential characteristic of economic growth. Today, most of the developing countries have dominant domestic insurance industries. Insurance is a means of shifting the risks to the insurers for a consideration called premium. It is a method by which the society protects itself from uncertainties by involving insurance companies. However, demand for insurance services remains low in large number of developing countries. India being an emerging economy, the role of life insurance is more pertinent. According to the 'World Insurance in 2014' report published by reinsurance major Swiss Re, the prospect for Premium growth in Life insurance sector is expected to remain fairly strong in the advanced economies and to accelerate further in the emerging markets.

The present study investigates empirically the issues of gaps in coverage and hurdles in acceptability of LIC policies at a branch level. The study is based on an experimental fieldwork and is tested with the sample of 73 LIC policyholders.

1.1. Objectives

The present study is being structured around the following objectives:

- i. To analyze the satisfaction level LIC policyholders.
- ii. To analyze the factors determining the consumer satisfaction level.
- iii. To suggest recommendations for future policy options

The present study is organized follows. The second section provides the methodological framework of the study. The third section reports the results and discusses policy implications. The fourth section offers some conclusions.

II. 2. Methodology

The study is based on analysis of secondary data to little extent and the analysis of primary data to large extent in particular. Secondary data was used in understanding the basic information of Dharwad LIC Branch. Secondary data was obtained from LIC Branch Office, Dharwad. Details on LIC policyholders in Dharwad Branch in last one year (from 01.04.2015 to 31.03.2016) were collected from LIC Branch office, Dharwad. The sample units of the present study are the LIC policy holders who have obtained their policy during last one year. Primary data were elicited from respondents i.e. policyholders as a part of experimental field survey containing structured questionnaire. The sample size required for the present study was derived by using the following formula given by Godden (2004).

$$n = \frac{Z^2 \cdot \pi \cdot (1 - \pi)}{C^2}$$

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where,

n = required sample size

Z = desired confidence interval

π = desired population proportion

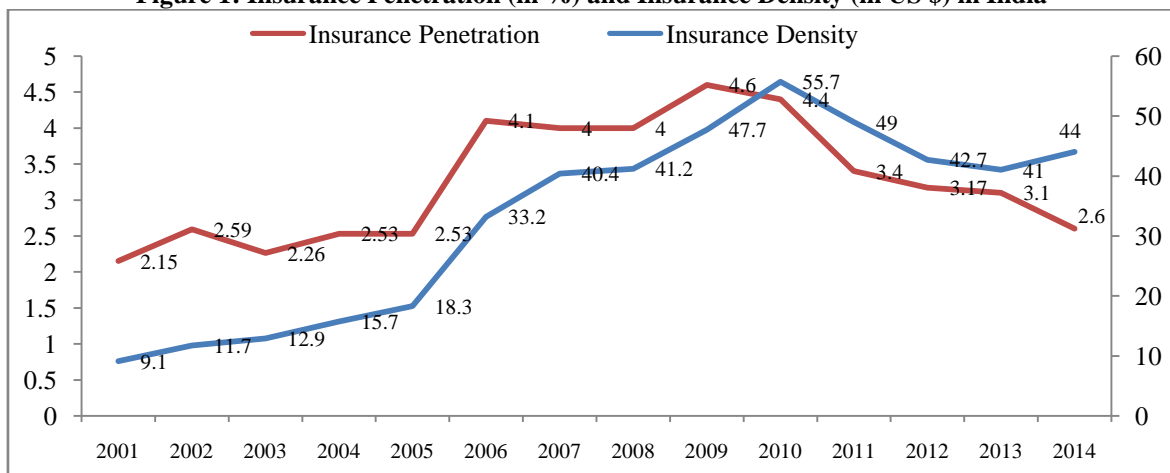
C = desired maximum discrepancy

With the substitution of desired confidence interval of 95 per cent (1.96), desired population proportion of 5 per cent and desired maximum discrepancy of ± 5 per cent, the pooled sample size was worked out to be 73 households. The total sample size thus obtained was proportionately divided across urban and rural area (presented in respondents profile in Section 3.1) based on the information on total urban and rural policyholders in 2015-16 obtained from Dharwad Branch Office. Stratified random sampling technique is being used for collection of data wherein the two strata are rural and urban area. Each of the policyholder was contacted personally with the help of LIC Agents.

III. Results and Discussion

Since the insurance sector is still in a nascent stage of development, the insurance industry in India has witnessed negligible growth during the past few years (NCAER, 2011). The measure of insurance penetration and density reflects the level of development of insurance sector in a country. Over the last 10 years, the penetration of non-life insurance sector in the country remained steady in the range of 0.5-0.8 per cent. However, its density has gone up from US\$ 2.4 in 2001 to US\$ 11.0 in 2014 (Figure 1).

Figure 1: Insurance Penetration (in %) and Insurance Density (in US \$) in India



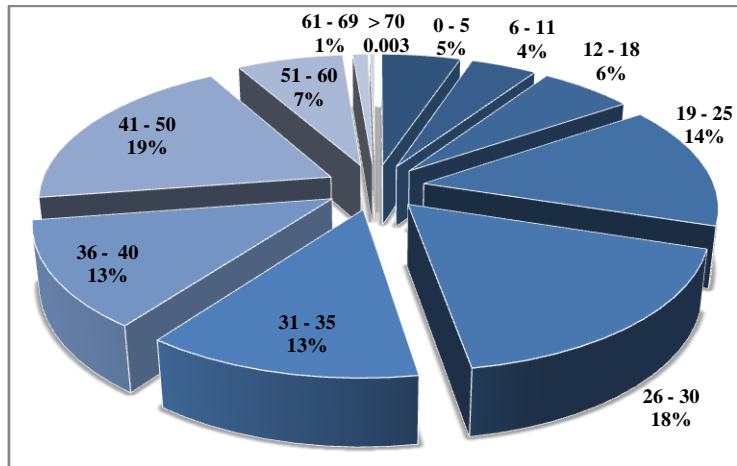
Source: IRDA, 2015

3.1. Bird view of LIC Policyholders in Dharwad Branch

During the financial year 2015-16, the total number of policies covered in Dharwad LIC branch was 4829. Figure 2 shows the age-group wise breakup of policyholders. Around 60 per cent of the policies belonged to the age-group of 0 – 35 years of age.

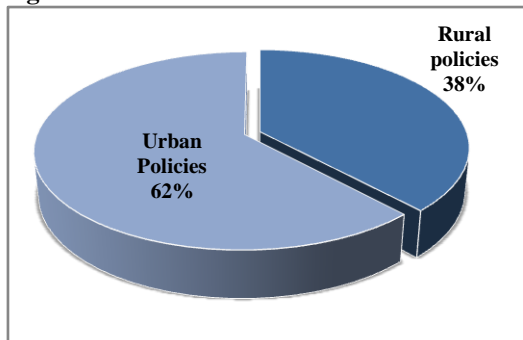
Further, out of the total policy holders 62 per cent of them belonged to urban area and 38 per cent of them belonged to rural area (Figure 3). Male-Female data break-up shows out of the total policy holders, only 32 per cent is the share of Females. Thus, Figure 3 and Figure 4 clearly picture the urban domination and Male domination in life insurance policy holders of in Dharwad branch.

Figure 2: Age-group wise share of policyholders in Dharwad Branch, 2015-16



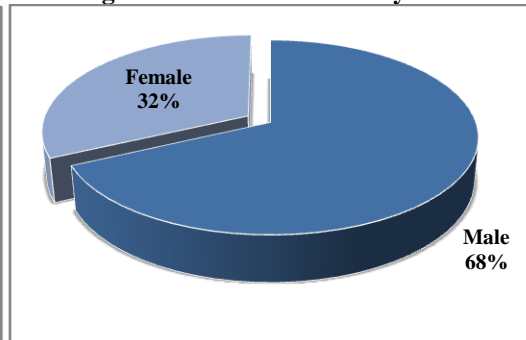
Source: BM-MIS, Dharwad Branch, 2015-16.

Figure 3: Rural-Urban Policies



Source: BM-MIS, Dharwad Branch, 2015-16.

Figure 4: Gender wise Policyholders



Source: BM-MIS, Dharwad Branch, 2015-16.

3.2. Sample Respondents Profile

The sample units i.e. LIC policyholders were chosen from both rural and urban area based on the proportion of total LIC policyholders in Dharwad Branch. The result of the present study is based on the special context of obtained sample units (i.e. respondents or policy holders). A description of the characteristics of the respondents is therefore essential. Table 1 presents the profile of the characteristics of the respondents of the experimental survey.

Table 1: Socio-economic Characteristics of the Respondents

Particulars	Rural	Urban
Mean Age		
Gender (% Male)	62%	76%
Education		
Undergraduate	28	27
Graduate	69	32
Post-Graduate	3	30
Doctorate	0	11
Occupation		
Student	55	41
In service	38	30
Self-employed	7	20
Other	0	9

Source: Primary Survey

Table 2 reveals half of the share of the total respondents were of the age group less than 30 years, 40 per cent of the respondents were of 31-40 years age group and the rest of the respondents are of the age above 40 years.

Table 2: Age group of respondents

Age group	Respondents(in %)
Less than 30 years	49
31-40 years	40
41-50 years	4
51-60 years	5
More than 60 years	2
Total	100

Source: Primary Survey

Occupation wise breakup of respondents (Table 3) shows that the majority of the respondents are students (47 per cent), followed by the respondents who are in service (employed in government and private sector). Share of self-employed is just 15 per cent, which is the category of occupation which has huge potentiality that needs to be tapped in. The share of 'others' category that included housewives, unorganized sector workers, farmers, etc. is just around 5 per cent. With respect to obtained sample, the breakup of 'others' category shows that rural housewives, unorganized sector workers, cultivators, agricultural labours are totally uninsured. Therefore, rural areas in general and low income groups of rural area in particular offer huge prospects for coverage in future.

Table 3: Occupation wise break-up of respondents

Occupation	Urban	Rural	Total
Student	41	55	47
In Service	30	38	33
Self-Employed	20	7	15
Others	9	0	5
All Occupation	100	100	100

Source: Primary Survey

The life insurance market needs to be tailored based to suit to the needs of payment ability. Even the rural poor could be brought under the coverage of insurance scheme if the policies are attractive enough. The problems and so the solutions to the problems of rural and urban areas are different. So, one type of policy brought out by a company cannot fit in both rural and urban areas alike. The policy needs to be tailored so as to suit to the needs and aspirations of rural people. If rural masses feel the insurance policy attractive, then there will be huge surge in insurance coverage in future.

To further investigate the context effects of rural-urban divide, several questions were posed on satisfaction level. About 93 per cent of the respondents surveyed, responded that the service provided by the LIC is satisfactory (Table 4).

Table 4: Service Satisfaction of LIC

Response	Urban	Rural	Total
Satisfactory	89	100	93
Not Satisfactory	11	0	7
Total	100	100	100

Source: Primary Survey

Notably, in rural area the satisfaction level accounted to 100 per cent, which shows that the policyholders in rural areas are not finding it difficult for availing the services of LIC in the form of communication, payment, etc. The study clearly shows that in the present age, accessibility and distance is no more a hurdle in deciding the satisfaction level of the policy holder. This opportunity needs to be tapped in considering huge insurance coverage possibilities.

As can be inferred from Table 5, when asked about the reasons for preferring LIC over other options, the respondents mainly cited the reasons of LIC being public sector company and the ease in approachability (to agents or officials), grievances handling etc. Interestingly, only 5 per cent of the urban policy holders prefer LIC policies over others by citing the reason of 'brand name' of LIC. This may be partially due to the awareness on policies of other companies. However, the 'Brand LIC' still works in rural areas as evident from the response rate of 31 per cent, the highest among the reasons cited by the rural policy holders for preferring LIC over other options. People naturally do not imbibe the culture of insurance unless convinced about the need for it (NCAER, 2011). Launching an awareness campaign through the mass media separately targeting the rural and urban populations with state specific features could be an important way of creating awareness at the grassroots level to reach an untapped market.

Table 5: Reasons for preferring with LIC

Reasons	Urban	Rural	Total
Company profile	11	3	8
Brand	5	31	15
Grievance Handling	20	24	22
Timely claims	5	0	3
Public Sector	32	17	26
Others (agents, approachability, etc)	27	24	26
Total	100	100	100

Source: Primary Survey

As it can be inferred from Table 6, about 68 per cent of the policyholders informed that they are fully aware of the details of the policy they have bought from LIC. Again, the noteworthy point here is the share of fully aware policy holders in rural area are greater than in urban area, which clearly shows the awareness in rural area is not same as it was a decade ago. It might be with advancement of technology in the form of telecommunication or because of advances in literacy and education or because of financial awareness, the rural masses are no more feeling difficult to gain awareness about their financial management.

Table 6: Awareness level of policy holders

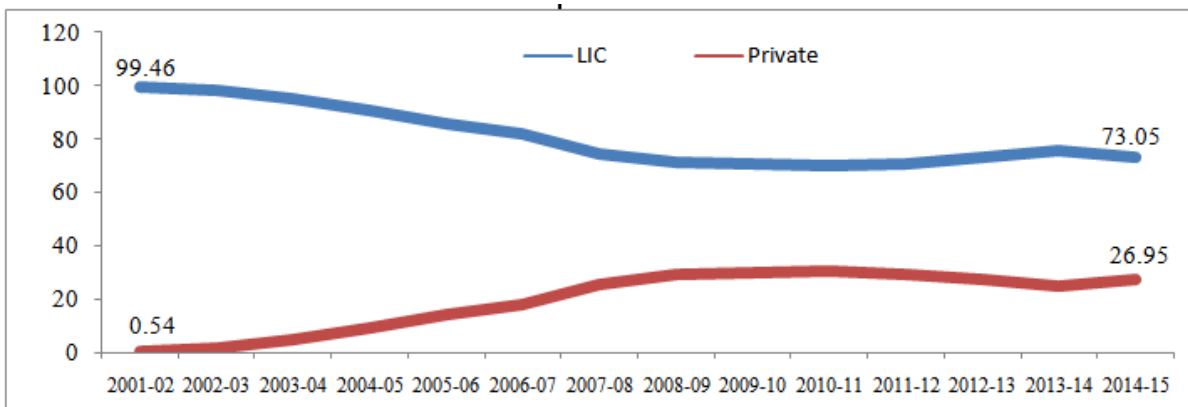
Awareness level	Urban	Rural	Total
Fully aware	66	72	68
Partially aware /Not aware	34	28	32
Total	100	100	100

Source: Primary Survey

However, so as to tap the uncovered masses and increase the insurance density and penetration, there is a need for insurance awareness campaign (NCAER, 2011) in a large scale. People should be educated about the concept of insurance, the various types of insurance covers available, and the benefits that an insurance cover could yield. For both in rural and urban area, the insurance agents are the most important source of information on insurance. The influence of insurance agents is such that, large share of surveyed policy holders informed that their decision on amount of policy was influenced by agents. The next important sources of information are friends and relatives, and the visual media

The market share of the LIC of India has been declining from 99.46 per cent in 2001-02 to 73.05 per cent in 2014-15 (Figure 4). In this context, the respondents were also asked about the future plans by giving options of LIC and policies of other companies (Table 7).

Figure 4: Market Share (in per cent) of LIC and Private Sector in Indian Life Insurance Industry



Noteworthy, that even in the era when 49 per cent of FDI is allowed in insurance sector nationwide, the present study clearly shows the dominance of LIC in the minds and business of people. Provided with two options, about 82 per cent of the respondents preferred LIC over others in the near future. However the share of urban area (77 per cent) is less than that of rural area (90 per cent). Hence the trust, brand name, history, cultural connections with masses are all playing the dominant role in making LIC the dominant player in Indian insurance sector and makes it the 'Pride of India'. These factors of intangible superiority needs to be retained LIC at any cost.

Table 7: Plan over future policies

Future Plan	Urban	Rural	Total
Prefer LIC over others	77	90	82
Undecided	23	10	18
Total	100	100	100

Source: Primary Survey

3.2. Policy Implications

The empirical results clearly indicate the gaps in insurance coverage in urban and rural areas. There is a large scope for LIC to broaden their base in rural areas by bringing new plans and policies specifically for rural masses. Similarly, need based policies can be formulated for unorganized sector workers, so as to expand the coverage on one hand, and so as to provide insurance security and encourage savings among large share of uninsured poor sections of the society on the other hand. The coverage of LIC among women only signifies that there is still a huge potential for coverage in future. The study also shows that LIC being the trusted brand, is also the most preferred life insurance company among many other companies.

Considerable more empirical research work is needed at micro level, i.e. at branch level to model the individual differences and context effects of rural urban setting and occupational categories. Such research that contribute in investigating differences in contextual factors (for example: rural and urban setting) could help the branch offices to identify the gaps of insurance coverage. Future research with larger sample and broader objective could throw more light on the perceptions of insurance policyholders. In addition, acceptability and preference of could be understood in clear depth. Understanding of these complexities should yield considerable payoffs at the level of public policy and marketing of socially desirable insurance.

The present study argues that the design of public policy needs to be based on a clear understanding of the different types of socio-economic characteristics with a regional perspective. The attitude of 'enjoy the present instead of securing the future' and 'companies swallow hard earned money' should be changed with proper awareness about the benefits of insurance. Not only is there lack of knowledge about insurance, there are also misconceptions such as the ability of insurance to prevent certain unforeseen events or to prevent damage to assets. Insurance should be packaged in such a way that the policyholders should feel that life insurance is both 'saving and protection tool'. The insurance packages need to be different and made attractive to the rural poor, keeping their needs in perspective. This is because rural poor households are more in need of social protection but at the same time are less capable of paying premium.

3.3. Limitations

Given the time and financial constraints on the part of authors, limitations in the present study should be noted. Because the present study was purposely conducted for presenting the results for 'National Conference on LIC', the sample size chosen was moderately low. Further, again because of the rural policyholders were chosen from the villages cautions should be exercised in generalizing the results to other populations. However, it should be reiterated that, because the sample was chosen scientifically with prior knowledge of the study area, the reliability of results of present study is beyond a reasonable doubt.

IV. Conclusion

Acceptability of policyholders is an important factor through which the mutual trust between the company and policyholder is built over years. The present study clearly shows that LIC has absolute advantage over other providers of insurance service, when it comes to the question of acceptability. Understanding the gaps in coverage could bring large share of uninsured masses under the ambit of LIC. It was interesting that to know that even the large share of urban fixed income group has been left out of the coverage of insurance.

Mention worthy, it is through the value of trust, brand name, reliability, sensitivity and other cultural connections with policy holders, Life Insurance Corporation of India can envision to be the transnational competitive financial conglomerate.

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