

# A STUDY OF FACTORS AFFECTING THE INVESTMENT DECISION OF CUSTOMERS TOWARDS LIFE INSURANCE POLICIES IN PUNJAB STATE

Sachin Dev<sup>1</sup>, Dr. Manish Bansal<sup>2,3</sup>

<sup>1</sup>Research Scholar, I.K.Gujral Punjab Technical University, Jalandhar

<sup>2</sup>Supervisor, I.K.Gujral Punjab Technical University, Jalandhar

<sup>3</sup>Associate Professor, MIMIT, Malout

## ABSTRACT

Human life is a most important asset and life insurance is the most important type of insurance which provides financial protection to a person and his family at the time of uncertain risks or damage. Life insurance provides both safety and protection to individuals and also encourages savings among people. LIC of India plays a vital role in the welfare of human well-being by providing insurance to millions of people against life risks such as uncertain death or accident. The present exploratory and descriptive based study was selected with an objective to identify those factors which influence customers buying decision and also analyze the preferences of customers while life insurance investment decision-making. Various insurance related factors have been discussed in the paper. The data for the study has been collected from both primary and secondary sources. The study area is limited to Punjab State and sample size is 150 policyholders of LIC and some other private life insurers have been selected through a stratified and purposive sampling method. Three major districts of Punjab (Amritsar, Jalandhar and Patiala) from Majha, Doaba and Malwa regions were taken for sampling. Researcher has taken few hypothesis based on demographic and insurance based preference factors and tested them with the help of various statistical tools like chi-square, correlation and weighted average method. The analyzed data has been presented in the form of table, bar Figs and pie-charts. LIC is the most accepted and popular brand in life insurance, the market share of private insurers are gradually increasing with people trust and better services offered by them are some of the main findings of the study. Insurance companies should spread more awareness about life insurance, reduction in premium amount and giving more attention on need based innovative products are some of the suggestions provided by the researcher. The paper concludes with that demographic factors play a major and pivotal role in deciding the purchase of life insurance policies.

**Keywords:** Customers, Demographic Factors, Investment Decision, Life Insurance Policies, LIC

## **I. INTRODUCTION**

Life insurance is a must for everyone because life is very precious. With a population of over one billion, national and international life insurance companies, see India as a land of opportunities and a market for big business. Until 1999, the business of life insurance in India was the monopoly of Life Insurance Corporation of India (LIC). Privatization witnessed dynamic changes in the insurance industry and most of the private insurance companies are joint ventures with recognized foreign players across the globe. Customers are the main pillar of life insurance business. Every company tries to attract and retain existing customers to keep their profits high. The proper understanding of customers, their needs and expectations help insurance providers to bring improvement in product as well as services offered. When compared with the developed foreign countries, the Indian life insurance industry has achieved only a little because of low consumer awareness, poor affordability, delayed customer services, lack of suitable products. In today's cut throat competition, it becomes essential for life insurers to provide better customer services, spread more awareness, emphasis on need based innovative products and reasonable price. So that, every individual may avail the benefits of insurance and protect their lives against future uncertainties.

## **II. REVIEW OF LITERATURE**

The researcher has made an effort to gather information from the prior researches and related studies conducted in the field of life insurance and consumer behaviour so that the important variables for the study could be identified and analyzed. The review of literature has been presented in a summarized and precise manner.

### **2.1 REVIEW OF LITERATURE ON THE BASIS OF VARIOUS FACTORS INFLUENCING BUYING DECISION**

#### **Demographic Factors**

**Age and Life Insurance:** Life insurance and age has revealed a significant relationship according to some groundwork studies carried out in seventies and eighties. Berekson (1972) [1], Showers and Shotick (1994) [2], Baek and DeVaney (2005) found that the effect of age was affirmative and noteworthy [3], but Ferber and Lee (1980) [4], Bernheim (1991) and Chen et al. (2001) [5] found a pessimistic significant relationship between age and life insurance demand, whereas Hammond et al. (1967), Duker (1969) anderson and Nevin (1975), Burnett and Palmer (1984), Gandolfi and Miners (1996) argued that age was not a significant factor in buying life insurance [6]. Bernheim (1991) applied Probit, Tobit and Heckman model to explore the impact of bequest reasons on savings based on the estimates of the demand for life insurance, using the 1975 Longitudinal Retirement History Survey data [7]. The youngest respondent was 64 years old and the oldest respondent was 69 years old in the 1975 survey. The effect of age on life insurance holding was also examined in the models. The outcome of all three models showed that the possibility of life insurance holdings fall with age. Bernheim pointed out that this pessimistic relationship reflects dissatisfied behaviour of the respondents. (Bernheim, 1991) [8]. Using the 1984 LIMRA data, Gandolfi and Miners (1996) explored that age was negatively linked with the

demand for life insurance for husbands, while the age variable was not significant in the model while studying life insurance demand for wives. (Gandolfi and Miners, 1996)[9].

**Education:** The majority of researchers such as Hammond et al. (1967), Ferber and Lee (1980)[10], Burnett and Palmer (1984) [11], Gandolfi and Miners (1996) and Baek and DeVaney (2005)[12], granted in their studies that there is a affirmative relationship between education and life insurance demand. They documented that those who have a healthier education will buy more life insurance. This is due to the actuality that households with better education can suppose their incomes to keep on rising at a quicker rate and for a longer period of time. Baek and DeVaney (2005) examined the effect of human capital, bequest motives and risk on term and cash value life insurance bought by households by using 2001 survey of Consumer Finance Data. They elucidated this affirmative relationship was due to a greater loss of human capital when the household head dies. Households with a head with greater education have potentially higher incomes. The death of such a household head will bring more financial loss to the family as compared with those with lower education. Hence, the buying of life insurance for those with greater education increases as the value of the lost human capital increases. (Baek and DeVaney, 2005) [13] Anderson and Nevin (1975) [14], found a negative association between education and the amount of life insurance purchased. The authors explained that higher educated people may believe that inflation often decreases the cash value of life insurance from a savings point of view and hence declined their need for life insurance. (Nevin, 1975)[15].

**Family size or number of children:** Family size and number of children were found to be significant explanatory variables for determining the demand for life insurance in many studies (Hammond et al.) 1967; Ferber and Lee, 1980; Burnett and Palmer [16], 1991; Showers and Shotick, 1994). In contrast, Anderson and Nevin (1975) obtained the outcome that there is no significant association between family size and the buying of life insurance using the data of Consumer Decision Processes 1968-1971. (Anderson and Nevin, 1975)

#### **Economic Factors**

**Income:** Income is generally found to be certainly associated to the demand for life insurance, holding supplementary factors constant. The effect of current income on life insurance demand is inspected in numerous studies (Duker 1969; Ferber and Lee, 1980; Truett and Truett, 1990; Showers and Shotick, 1994; Gandolfi and Miners, 1996). Showers and Shotick (1994) used a Tobit analysis to analyze the effect of household characteristics on the demand for total life insurance with data from the Consumer Expenditure Survey in 1987. The dependent variable used was premium expenditures on life insurance products. They assumed that life insurance was a normal good. The Tobit analysis indicated that a positive relationship existed between income and expenditures on life insurance premiums. They explained that as income increased the household has a motive to buy more life insurance policies because life insurance is bought as a utility of the income replacement needed, in the event of an unexpected death of the major wage earner[17].

**Net worth or wealth:** There are contradictory conclusions in previous researches regarding the affects of net worth or wealth on life insurance purchase decisions. Some authors supposed that there was a positive relationship between net worth or wealth and the demand for life insurance (Duker, 1969; Anderson and Nevin (1975); Hau, 2000) since life insurance provide protection for households' wealth. Using the data from the Panel

on Consumer Decision Processes (1968-1971), Anderson and Nevin investigated the variables associated with the amount and type of life insurance bought by a sample of young newly-married couples. The data were analyzed through Multiple Classification Analysis (MCA). The results of MCA showed that net worth was a positive and significant factor in explaining both the amount of life insurance purchased and the purchase of term life insurance.

### **III. BOOKS REVIEWED**

**Consumer Behaviour by Hawkins, Best, Coney and Mokherjee:** The authors of the book discussed various factors affecting consumer behaviour such as demographic and social influences (family and household), group influence, impact of advertising and internal influences (learning, perception, attitude etc.). The book explained the topics such as types of consumer decisions, purchase involvement and product involvement. The book also stressed upon information search process and various ways for providing relevant information to the consumers are recommended in this study. The book also emphasized on individual judgment and proposed that the ability of an individual to distinguish between similar stimuli is called sensory discrimination which could involve many variables related to individual preferences [18].

**Consumer Behaviour by Leslie Lazar and Schiffman:** The authors recommended consumer behaviour as individual differs from group. The family decision for a buying decision is completely diverse from individual decision making. The authors talked about various variables that affect consumer buying decision. The book focused on family life cycle and various needs of consumer during different life stages. The family decision making process as a group decision making is elaborated and it is recommended to segment the market according to family need hierarchy [19].

**Marketing Management by Philip Kotler:** The customer is always considered as a core of business activity. Author talked about in this book that marketing is only one factor in attracting and keeping customers. Peter F. Drucker observed that a company's' first task is "to create customers." Customer estimate will deliver the most *Chapter 3: Consumer Behaviour In Life Insurance* 165 value. The book highlighted consumer decisions making process and buying roles. The book considered customers as value maximiser within the bounds of search costs, limited knowledge, mobility and income [20].

### **IV. NEED OF THE STUDY**

The insurance industry is one of the fastest growing industries in the country and offers abundance growth opportunity to the life insurers. When compared with the developed foreign countries, the Indian life insurance industry has achieved only a little because of the lack of insurance awareness, ineffective marketing strategies, poor affordability and low investment in life insurance products. The huge and ever rising population levels in our country provide an attractive opportunity but still nearly 70% Indian lives are un-insured. The study is basically intended to discover and examine the factors affecting customers' buying decision towards investment in life insurance policies.

## **V. OBJECTIVES OF THE STUDY**

1. To explore the various factors influencing customer investment decision in life insurance.
2. To study and analyze the impact of various demographic factors on customers life insurance investment decision.
3. To evaluate preferences of the customers while taking life insurance investment decision.
4. To study and rank the factors responsible for the selection of life insurance as an investment option.
5. To offer suggestions for popularizing life insurance among the public at large.

## **VI. HYPOTHESIS**

1. Age and Income have no significant impact on the customer life insurance investment decision.
2. Occupation and Gender are independent factors in customer life insurance investment decision.
3. LIC is the most trusted and preferred brand among other life insurance companies.

## **VII. RESEARCH METHODOLOGY**

The present study is an exploratory and descriptive type of research study. The study aims to find out the factors influencing customers' life insurance investment decision and their preferences at the time of policy buying decision. In order to conduct this study, three major districts of Punjab (Amritsar, Jalandhar and Patiala) from Majha, Doaba and Malwa regions were taken for sampling. 150 policyholders (50 from each district) have been surveyed and questionnaire method was used for data collection.

## **VIII. SOURCES OF DATA**

The data for the study has been collected from both primary and secondary sources. The primary data has been collected through direct interviews by a well-drafted questionnaire. The secondary data has been collected from IRDA annual reports, insurance journals, magazines and insurance websites.

## **IX. DATA COLLECTION METHODS**

The data collection method used to obtain the desired information from primary sources has been through direct interview and questionnaire has been used as an instrument.

## **X. RESEARCH PLAN**

Target population and universe: Punjab State; Sampling unit: life insurance policyholders; Sampling method: purposive sampling; Sample size: 150.

## **XI. STATISTICAL TOOLS AND TECHNIQUES**

For measuring various phenomena and analyzing the collected data effectively and efficiently to draw sound conclusions, a number of statistical techniques including chi-square, correlation, and weighted average score have been used for the testing of hypotheses.

## **XII. DATA ANALYSIS & INTERPRETATIONS**

The respondents of different age groups, occupation, income and gender for study have been selected through purposive sampling method in order to achieve the research objectives.

## **XIII. DEMOGRAPHIC PROFILE OF THE RESPONDENTS**

Socioeconomic factors such as age, income, occupation and gender are some of the important determinant in the decision of life insurance. The study is conducted with reference to the customers of Amritsar, Jalandhar and Patiala districts of Punjab State. The demographic profile of the respondents is analyzed on the basis of age, monthly income, gender and occupation. The distribution of sample respondents is shown in table no. 1 and it is quite evident from the table that the majority of the respondents (52%) fall in the age band of 30-40 years. Out of 150 sample drawn, 108 (72%) are male and it depicts the domination of male in the life insurance sector. Occupation-wise, around 44% respondents are Govt. Employee followed by private employees/businessman, professionals, agriculture occupied respondents with 18.6%, 14.6% and 22.8% respectively.

**TABLE 1: DEMOGRAPHIC DETAILS OF THE RESPONDENTS (IN PERCENTAGE)**

Basis	Respondents	Percentage
Age		
20-30	39	25.3
30-40	78	52
40-50	30	20
Above 50	03	2
Total	150	100
Monthly Income		
5000-10000	18	12
10000-15000	29	19.3
15000-20000	48	32

20000-25000	32	21.3
Above 25000	23	15.3
Total	150	100
Occupation		
Govt. Class employee	66	44
Businessman/private	28	18.6
Professionals	22	14.6
Agriculture	34	22.8
Total	150	100
Gender		
Male	108	72
Female	42	28
Total	150	100

Source: Compiled by Author

Age and customer investment decision in life insurance

H1: Age and Income have no significant impact on the customer life insurance investment decision.

**TABLE 2: CALCULATION OF COEFFICIENT CORRELATION BETWEEN AGE OF RESPONDENTS & LIFE INSURANCE INVESTMENT DECISION**

Age	X	Dx = (x-40)	Dx <sup>2</sup>	Y	Dy (y-38)	Dy <sup>2</sup>	Dxxdy
20-30	25	-15	225	39	1	1	-15
30-40	35	-5	25	78	40	1600	-200
40-50	45	5	25	30	-8	64	-45
Above 50	55	15	225	03	-35	1225	-525
Total	160/4=40	0	500	150/4=37.5	0	2890	785

here, the value of correlation (r) Correlation ( r ) = 785/1202.08=0.65

since the calculated value of r is positive, it is concluded that there is a significant relationship between age and customer insurance investment decision. Hence age affects the customer life policy buying decision.

**TABLE 3: CALCULATION OF COEFFICIENT CORRELATION BETWEEN MONTHLY INCOME OF RESPONDENTS & LIFE INSURANCE INVESTMENT DECISION**

Monthly income	X	Dx=( x-175))	Dx2	Y	Dy (y-30)	Dy2	DxxDy
5000-10,000	7500	-100	10000	14	-16	256	-1600
10,000-15,000	12500	-50	2500	37	07	49	-350
15,000-20,000	17500	0	0	54	24	576	0
20,000-25,000	22500	50	2500	29	-1	1	-50
Above 25,000	27500	100	10000	16	-14	196	-1400
Total	87500/5=17500	0	25,000	150/5=30	0	1078	3400

here, the value of correlation ( $r$ ) =  $650/3612.4= 0.65$

Since the calculated value of  $r$  is positive, it is concluded that there is a significant relationship between monthly income and customer insurance investment decision. Hence income is one of the important determinants in customer life policy buying decision.

H2: occupation and gender are independent factors in customer life insurance investment decision.

**CHI-SQUARE TEST:** chi-square test is applied to test the goodness of fit, to verify the distribution of observed data with assumed theoretical distribution. Therefore it is a measure to study the divergence of actual and expected frequencies; Karl Pearson's has developed a method to test the difference between the theoretical (hypothesis) & the observed value. The researcher has used chi-square test to test the impact of occupation and gender on customer investment decision

**TABLE 4: CALCULATION OF ASSOCIATION BETWEEN OCCUPATION OF RESPONDENTS AND LIFE INSURANCE INVESTMENT DECISION**

Occupation	Investment Decision			Total
	High	Medium	Low	
Govt. Service	38	22	6	66
Businessman/Private Service	18	8	2	28
Professionals	14	6	2	22
Agriculture	21	9	4	34
Total	91	45	14	150

chi – square test  $(x^2) = (o - e)^2 / e$

Degrees of freedom =  $v = (r - 1) (c - 1)$

Were here  $x^2$  calculated =  $(o - e)^2 / e = 14.09$  at 5% level of significance for 6 df, the calculated value of chi-square is 12.59

Since the chi-square calculated > chi-square tabulated, it is concluded that there is a no significant association between occupation and customer insurance investment decision. Hence occupation does not influence the customer life insurance policy buying decision.

**TABLE 5: CALCULATION OF ASSOCIATION BETWEEN GENDER OF RESPONDENTS AND LIFE INSURANCE INVESTMENT DECISION**

Gender	Investment Decision			Total
	High	Medium	Low	
Male	72	28	8	108
Female	26	10	6	42
Total	98	38	14	150

here  $x^2$  calculated =  $(o - e)^2 / e = 1.66$

at 5% level of significance for 2 df, the calculated value of chi-square is 5.99

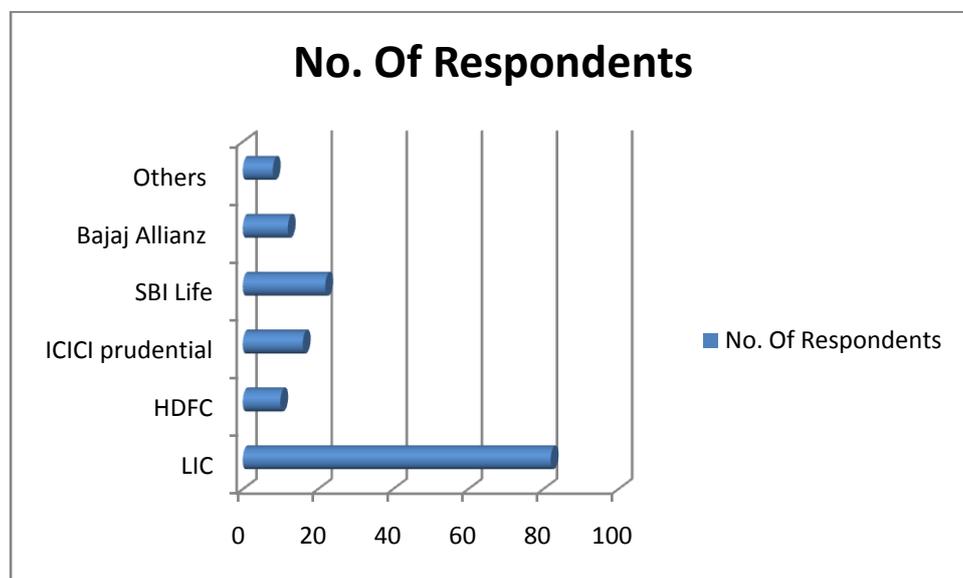
Since the chi-square calculated < chi-square tabulated, it is concluded that there is a significant association between gender and customer insurance investment decision. Hence gender influence customer life policy buying decision.

#### XIV. PREFERENCE OF THE POLICYHOLDERS

H3: LIC is the most trusted and preferred brand among other life insurance companies.

**TABLE 6: PREFERENCE TOWARDS LIFE INSURANCE COMPANIES**

Responses	No. Of respondents	Percentage
LIC	82	54.6
HDFC Std Life Ins.	10	6.6
ICICI Prudential	16	10.6
SBI Life	22	14.6
Bajaj Allianz	12	8.0
Others	08	5.3
Total	150	100



**Fig 1: PREFERENCE TOWARDS LIFE INSURANCE COMPANIES**

Interpretation: it is revealed from the table no. 6 and Fig no. 1 that a majority (55%) of the respondents preferred to buy policy from LIC, followed by the 14.6% and 10.6% of respondents preferred to buy from SBI life insurance, ICICI Prudential life respectively. Remaining 8% and 10.6% of the respondents preferred Bajaj Allianz and HDFC standard life insurance respectively. The left 5.3% respondents preferred other than these life insurance companies. Thus it can be inferred that LIC of India is the most preferred life insurance company and majority of them prefer government-owned LIC for getting insured because of security. The other private life insurance companies are having less percentage of share and those who prefer private insurers are because of better customer services and high returns.

**TABLE 7: TYPES OF POLICY**

Policy types	No. Of respondents	Percentage
Endowment	23	15.3
Term plan	15	10.0
Unit linked	47	31.3
Money back	56	37.3
Others	09	6.0
Total	150	100

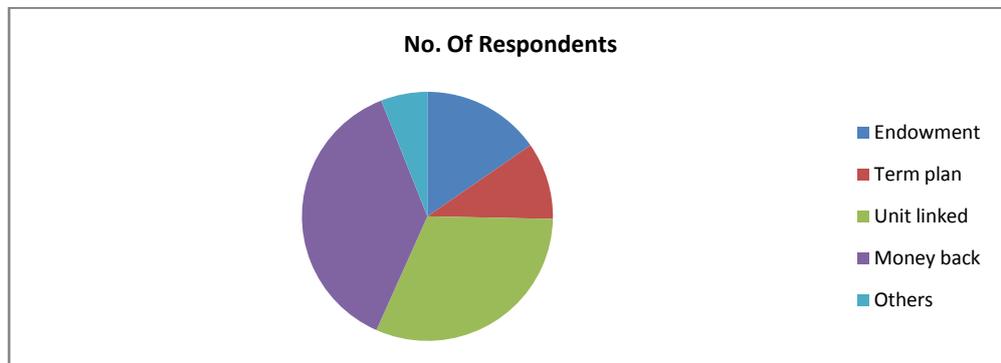


Fig 2: TYPES OF POLICY

**INTERPRETATION:** It is quite evident from the table no. 7 and Fig no. 2 that there are various types of life insurance policies with customized features and value additions catering to the needs of specific target segments. That a majority (38%) of the respondents preferred money back policy, followed by 31.3% of the respondents preferred unit linked plans and 15.3% preferred endowment plans. Out of 150 samples drawn, only 10% of the respondents preferred term plans. Thus it can depict that among many plans available, the most preferred one among the mass is money back plan. This plan helps you to withdraw your money at regular intervals and still staying insured. This plan is famous for its high liquidity advantage. The other product gaining popularity is ULIP (unit linked insurance plan), as its serve multiple purpose, it give high returns, tax benefit, life insurance, critical illness cover and is admired for its flexibility for paying premium amount.

**TABLE 8: THE MOST ATTRACTIVE FEATURES OF POLICY**

Responses	No. Of respondents	Percentage (%)
Money back guarantee	39	26
Larger risk coverage	28	18.6
Easy access to agents	18	12
Low premium	23	15.3
Company's reputation	42	28
Total	150	100

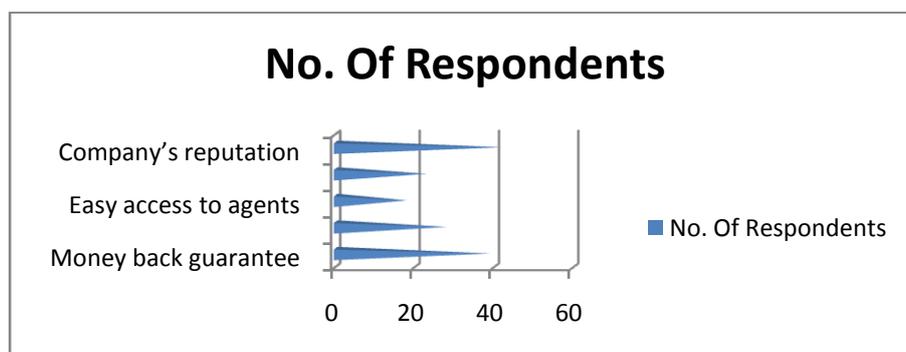


Fig 3: THE MOST ATTRACTIVE FEATURES OF POLICY

**INTERPRETATION:** It is evident from the table no. 8 and Fig no. 3 that when the policyholders were asked to rank the features of policy that attracts the most their order of their preference as 1, 2, 3, 4, 5 and 6. A majority (28%) of the respondents believes that company reputation is the most influencing factor in policy buying decision, followed by the 26% of respondents influenced with money back guarantee, 18.6% influenced with larger risk coverage. Remaining 15.3% and 12% of the respondents are influenced with low premium rates and easy access to agents respectively. Hence reputation of company is the main influencing factor during policy purchasing decision.

**TABLE 9: PEOPLE WOULD LOOK FOR INSURANCE COMPANY**

Responses	No. Of respondents	Percentage
A trusted name	72	48
Friendly service & responsiveness	27	18
Good plans	45	30
Accessibility	06	4
Total	150	100

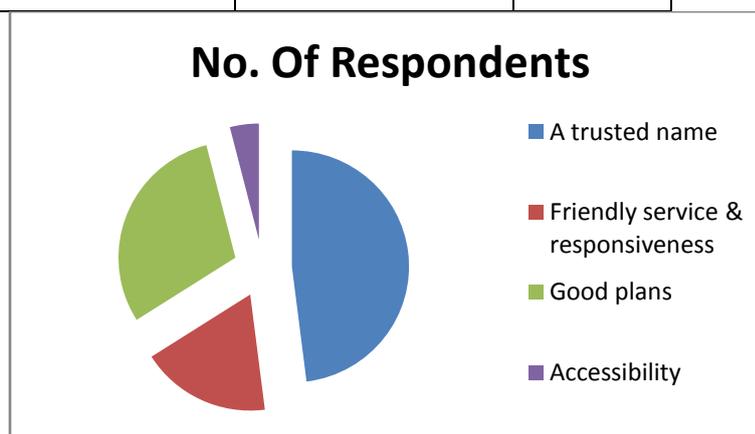


Fig 4: PEOPLE WOULD LOOK FOR INSURANCE COMPANY

**INTERPRETATION:** It is revealed from the table no. 9 and Fig no. 4 that a majority (48%) of the respondents look for a trusted name in a company for insurance. 30% respondents look for a good plans and 18% looks for a friendly service and responsiveness. Remaining 4% respondents looks for an ease of accessibility in a company for insurance. Hence it can be inferred that trust is very important factor, which a majority of customers looks before buying policy from an insurance company.

#### **XV. RANKING VARIOUS FACTORS RESPONSIBLE FOR INVESTMENT IN LIFE INSURANCE PRODUCTS**

During the study, it was found that the investors generally invested in life insurance due to the reasons like tax benefit, risk coverage, saving, return, insurance services, premium charges, security. During the survey, the respondents were asked to rank these factors and the data obtained is presented in table no. 10.

**TABLE 10**

Factors responsible for investment in life insurance						
Ranking factors	No. of Respondents					Total
	1	2	3	4	5	
Tax benefit	100	36	5	9	0	150
Risk coverage & saving	18	42	36	33	21	150
Security with high return	15	9	39	33	54	150
Insurance Services	3	18	21	44	64	150
Premium Charges	12	39	48	27	24	150

now, for analyzing the various factors responsible for investment in mutual funds, ranking is done on the basis of weighted scores (table 7).

Scoring is done as per the following scale:

rank 1 – 5 weights, Rank 2 – 4 weights, rank 3 – 3 weights, rank 4 – 2 weights and rank 5 – 1 weights.

**TABLE 11**

Ranking of various factors			
Factors	Weighted score	Mean value	Rank
Tax benefit	695	4.63	1
Risk coverage & saving	453	3.02	2
Premium charges	438	2.92	3
Security with high return	348	2.32	4
Insurance services	302	2.01	5

**INTERPRETATION:** It is revealed from the table no. 10 and table no. 11, which among the surveyed people, majority of the respondents invest in life insurance for tax benefit, followed by the risk coverage & saving, premium charges, security with high return and insurance services can be ranked as 1st, 2nd, 3rd, 4th and 5th respectively. Thus it can be depicted that tax benefit is the main concern of customers while making investment in insurance policy.

## **XVI. FINDINGS**

1. The consumer decision to purchase insurance product from different insurance companies can be affected by several factors like age, gender and income level. From the analysis, it is inferred that respondents belonging to the age group between 30 to 40 years (which contribute 52% to the total respondents) found to be more interested in buying a life insurance policy as compare to other age group.
2. Out of 150 samples drawn, a majority (54.6%) of policyholders have shown preference towards LIC followed by SBI life insurance with (14.6%) among the private players. Therefore LIC has the maximum no. of policyholders and rank as 1<sup>st</sup> among other insurance companies, followed by SBI life (14.6%), ICICI Prudential (10.6%), Bajaj Allianz (8.0%) and HDFC standard life with 6.6%.
3. The features of policy that attracted policyholders can be ranked as follows: company reputation, money back guarantee, risk coverage, low premium and easy access to agents as 1st, 2nd, 3rd, 4th and 5th respectively. Thus it can be inferred that goodwill of the company is the most influencing factor while policy buying decision.
4. It is found from the analysis that out of 150 respondents, majority (37.3%) respondents preferred money-back policy. This is followed by the ULIP (31.3%) and endowment plans (15.3%). Only 10% of the respondents have shown interest towards term plan. Hence in present days people are more interested in such policy which gives higher return along with the risk coverage benefit.
5. It is evident from the above study that most (54.6%) of the respondents have opted for LIC policies because of safety and rest of the respondents opted for private players for higher returns. Among private insurers, SBI life insurance holds 14.6% market share, followed by the ICICI Prudential and Bajaj Allianz with 14.6% and 8.0% respectively. The study reveals the fact that LIC still holds the major share of the life insurance market.
6. A large no. of the respondents (48%) said that they look for trusted name in a company for insurance, followed by good plans, friendly service and accessibility with 30%, 18% and 4% respectively.

## **XVII. SUGGESTIONS**

1. In present competitive world, customer satisfaction has become an important aspect to retain the customers, not only to grow but also to survive. Customer service is the critical success factor and private insurers through their best services can be able to reposition and differentiate itself from LIC.
2. Private insurers should emphasis more on advertising and building brand awareness through different modes of communication. This will help in spreading insurance awareness among the common man.
3. To achieve greater insurance penetration, the healthier competition has to be intensified by both the sectors and they should come up with new innovative products to offer greater variety or choice to the customers and also make improvement in the quality of services and sell products through appropriate distribution channel to win-win situation for both the parties.
4. Insurance companies should devise policies which provide effective risk coverage rather than focusing on the tax benefits and also encourages them for long term investment in insurance.

5. Life insurance companies should come up with innovative tailor-made products with high risk cover, more return and low insurance premium to attract more number of customers.

## **XVIII. CONCLUSION**

Life insurance is an important form of insurance and essential for every individual. Life insurance penetration in India is very low as compare to developed nations where almost all the lives are covered and stage of saturation has been reached. Customers are the real pillar of the success of life insurance business and thus it's important for insurers to keep their policyholders satisfied and retained as long as possible and also get new business out of it by offering need based innovative products. There are many factors which affect customers' investment decision in life insurance and from the study it has been concluded that demographic factors play a major and pivotal role in deciding the purchase of life insurance policies.

## **REFERENCES**

- [1] L.L. Berekson, (1971). Birth order, anxiety, affiliation and purchase of life insurance, *Journal of Risk and Insurance*, 39, 1972, 93-108.
- [2] V.E. Showers, A. S. Joyce, The Effects of Household Characteristics on Demand for Insurance: A Tobit Analysis, *The Journal of Risk and Insurance*, 61(3),1994, 492-502.
- [3] E. Baek, S.A. DeVancy, Human Capital Bequest Motive Risk and The Purchase of Life Insurance, *Journal of Personal Finance*, 4 (2), 2005, 62-84.
- [4] R. Ferber, L.C. Lee, Acquisition and accumulation of life insurance in early married life, *Journal of Risk and Insurance*, 47, 1999, 132-152.
- [5] B.D. Bernheim, B. Berstein, J. Gokhale, L.J. Kotlikoff, Saving and life insurance holdings at Boston university- A unique case study. *National Institute Economic Review*, 198, 2006, 75.
- [6] J.J. Burnett, A.P. Bruce, Examining Life Insurance Ownership through Demographic and PsychoFigic Characteristics, *The Journal of Risk and Insurance*, 51(3), 1984, 453-467.
- [7] B.D. Bernheim, B. Berstein, J. Gokhale, L.J. Kotlikoff, Saving and life insurance holdings at Boston university- A unique case study. *National Institute Economic Review*, 198, 2006, 75.
- [8] J.J. Burnett, A.P. Bruce, Examining Life Insurance Ownership through Demographic and PsychoFigic Characteristics, *The Journal of Risk and Insurance*, 51(3), 1984, 453-467.
- [9] A.S. Gandolfi, Laurence Miners, Gender-Based Differences in Life Insurance Ownership, *The Journal of Risk and Insurance*, 63(4), 1996, 683-693.
- [10] R. Ferber, L.C. Lee, Acquisition and accumulation of life insurance in early married life, *Journal of Risk and Insurance*, 47, 1999, 132-152.
- [11] J.J. Burnett, A.P. Bruce, Examining Life Insurance Ownership through Demographic and PsychoFigic Characteristics, *The Journal of Risk and Insurance*, 51(3), 1984, 453-467.
- [12] E. Baek, S.A. DeVancy, Human Capital Bequest Motive Risk and The Purchase of Life Insurance, *Journal of*

*Personal Finance*, 4 (2), 2005, 62-84.

- [13] E. Baek, S.A. DeVancy, Human Capital Bequest Motive Risk and The Purchase of Life Insurance, *Journal of Personal Finance*, 4 (2), 2005, 62-84.
- [14] D.R. Anderson, J.R. Nevin, Determinants of Young marrieds life insurance purchasing behaviour: an empirical investigation, *Journal of Risk and Insurance*, 42, 1975,375-387.
- [15] D.R. Anderson, J.R. Nevin, Determinants of Young marrieds life insurance purchasing behaviour: an empirical investigation, *Journal of Risk and Insurance*, 42, 1975,375-387.
- [16] J.J. Burnett, A.P. Bruce, Examining Life Insurance Ownership through Demographic and PsychoFigic Characteristics, *The Journal of Risk and Insurance*, 51(3), 1984, 453-467.
- [17] J.M. Duker, Expenditure for Life Insurance Buying Strategies, *Journal of Risk and Insurance*, 36, 1969, 525-533.
- [18] D. I. Hawkins, R. J Best, K.A. Coney, A. Mukherjee, Consumer Behaviour. *Tata McGrawhill*, 2007.
- [19] L.G. Schiffman, L.L. Kanuk, Consumer Behaviour. *Prentice Hall of India*, 2006.
- [20] Philip Kotler, Marketing Management, *Prentice Hall of India*, 2000, 2002 and 2008.