

Life Insurance & Working Women : A Critical Study Of Factors Affecting The Purchase Decision

**Dr. Manish Srivastava*

***Megha Rastogi*

INTRODUCTION

As the economy is developing, the mind set of the people is also changing at a very fast pace. Some decades back, the best place for women was considered to be their home. It was thought that women are born to look after the family and children. They were not allowed to work outside because it ruined the reputation of the family and at the same time, it was not accepted by society. But now the scene has changed and so has the position of women in society. Women are working in every field. Their earning is at par with that of their male counterparts and they enjoy both personal and professional life, but in terms of insurance, they are either under insured or uninsured. Despite all of the changes, many married women still rely on their husbands' insurance policy to protect them. Studies have shown that while women indicate they understand life insurance as a product, few have quantified its economic value. A recent research conducted by Prudential Financial in USA says :

✿ Nearly 80% of women say they understand life insurance well or somewhat well (It is worth noting, that life insurance ranks among highest in women's understanding of financial products, second only to "savings accounts.").

✿ However, few women have put a price on their human life value. Just one out of three have preparations for premature death and life insurance. More than four in ten (44%) have not even discussed the issue with their spouse.

Another survey by country Insurance & Financial Services reveals that:

✿ 76% of women (vs. 69% of men) rate life insurance as very or somewhat important,

✿ Fifty six percent of working women (who have life insurance coverage) do not believe or are unsure that the amount of coverage they have is adequate.

✿ 46% full time working women have not taken any steps to determine their life insurance needs.

✿ Although 69% of Americans believe both parents in a household -where one parent works and the other stays at home to care for children- should have life insurance, just 7% report that to be the case in their home.

✿ Today, 59 percent of women have at least some life insurance (compared to 64 percent of men).

In India, social taboos and illiteracy has made the situation worse. Working women also do not have the right to spend their money as per their wishes. The latest National Family Health Survey (NFHS) found that one in six married working women had absolutely no control over the money they earned; only one in ten married women were able to make even relatively insignificant decisions, such as visiting friends and family and more than a quarter of them had say on the crucial matter of their own healthcare. The situation in India is shaping towards the need of Insurance products among working women. There are some companies, including the largest insurance player, that have come up with policies exclusively for women, but the awareness and interest towards insurance products is quite less. This paper is an attempt to know the behavior of working women towards the insurance products.

LITERATURE REVIEW

There is no such study available which studies the factors affecting the selection of life insurance product for working women. There are some studies regarding some factors affecting selection decision. A study done by Xumei Zhang at el. (2007) has found that worrying about future, economical condition, cognition about life insurance and adventure

**Associate Professor, KIET School of Management, Krishna Institute of Engineering & Technology, Ghaziabad, Uttar Pradesh. Email : manishftm@gmail.com*

***Lecturer, Department of Management Studies, Institute of Foreign Trade & Management, Moradabad, Uttar Pradesh. Email : megharastogimoradabad@gmail.com*

activities preference have significant positive effects on the intention of purchasing life insurance. Economical condition also has significant positive effect on the premium of purchasing life insurance; health status has significant negative effect on the premium of purchasing life insurance. Headen and Lee (1974) studied the effects of shortrun financial market behaviour and consumer expectations on purchase of ordinary life insurance and developed structural determinants of life insurance demand. They concluded that life insurance demand is inelastic and positively affected by change in consumer sentiments; interest rates playing a role in the shortrun as well as in the longrun. Cargill and Troxel (1979)) studied the effect of interest rates on life insurance demand. He concluded that that the competing yield is negatively related to the demand for life insurance. Greene (1954), Fortune (1973) and Brown and Kim (1993) examined the impact of the expected inflation rate on life insurance demand. Since a rising inflation may lead to devaluation of the future benefits from purchasing life insurance, inflationary expectation would seem to dampen insurance demand. The findings from these studies show that inflation is indeed statistically significant and negatively related to life insurance. Babbel (1981) studied the detrimental influence of inflation on demand. He identified empirically that life insurance sales in Brazil were still affected by inflationary expectations even after policies were linked to a price index. He concluded that anticipated inflation can lead to higher perceived real costs of life insurance, even when policies are index-linked. Schlesinger (1981) reveals that an optimal insurance decision is directly related to the level of risk aversion of the insured person and shows, following Pratt (1964) and Szapiro (1985) that the more risk adverse an individual is, the higher the amount of insured. Lewis (1989) and Showers and Shotick (1994) studied the effect of the dependency ratio on life insurance consumption. Lewis' theoretical explanation of dependency ratio influence (through term-life policies) is that life insurance is purchased to satisfy the needs of dependents, and that individual demand depends on the demographic structure of that household. He found out that the number of dependents act as an influence on the demand for life insurance.

The study by Truett et al. (1990) discussed the growth pattern of life insurance consumption in Mexico and United States in a comparative framework, during the period 1964 to 1984. They assumed that at an abstract level, demand depends upon the price of insurance, income level of individual, availability of substitute and other individual and environment specific characteristics. Further, they experimented with demographic variables like age of individual insured(s) and population within the age group of 25 to 64 and also considered education level to have some bearing on insurance consumption decision. They concluded the existence of higher income inelasticity of demand for life insurance in Mexico with low income levels. Age, education and income were significant factors affecting demand for life insurance in both countries.

Truett and Truett (1990) studied the impact of education on insurance. He found out that an increase in the number of educated people in a country may be associated directly with a greater recognition of various types of products offered by life insurance companies, leading to higher levels of demand. Browne et al's (1993), assumption that inhabitants of a country are homogeneous relative to those of other countries, expanded the discussion on life insurance demand by adding newer variables namely, average life expectancy and enrollment ratio of third level education. The study based on 45 countries for two separate time periods (1980 and 1987) concluded that income and social security expenditures are significant determinants of insurance demand, however, inflation has a negative correlation. Dependency ratio, education and life expectancy were not significant but incorporation of religion, a dummy variable, indicates that Muslim countries have negative affinity towards life insurance.

Browne and Kim (1993) studied the positive influence of education on life insurance demand through its effect on the period of dependency. He concluded that individuals educated over longer periods forgo the opportunity of full-time employment, and extend their reliance on the income stream of other working members of the family, increasing the demand for policies. It can also be proposed that these effects are exacerbated by the income effect of education. Browne and Kim (1993) studied the impact of inflation on life insurance. He concluded that inflation has a 'dampening effect' on demand for products offered by life insurance companies, as it erodes the real value of these products.

Brown and Kim (1993) studied the ratio of total expenditure on life insurance premiums to the amount of life insurance in force, and found that price is negatively related to life insurance consumption with an estimated price elasticity of 0.24, suggesting that demand is price elastic. Rubayah and Zaidi (2000) studied the effect of interest rates on life insurance demand. He identified significant negative relationships between the demand for life insurance and both interest rate measures. Enz (2000) studied the affect of income on insurance and found out that at higher levels of income insurance, consumption becomes less sensitive to income growth as insurance product saturation is reached.

The main reason for this phenomenon is that at high- income levels, consumers become so wealthy that they can afford

to retain risk and start saving. Esho et al. (2002) studied the affect of cultural factors on life insurance. He concluded that the demand for insurance is unaffected by cultural factors. Ward and zurbruegg (2002) did examine the impact of legal and political determinants on life insurance consumption within Asia and OECD countries. They concluded that in Asia, an improvement in the legal system has a significant and positive impact on life insurance demand. However, in the OECD countries, the functioning of the legal system was found to be insignificant. Beck and Webb (2003) also studied the positive impact of education on life insurance. He concluded that a better understanding of the benefits of risk management and long-term savings may encourage risk aversion. Hwang and Gao (2003) studied several reasons to explain why life insurance consumption should rise with income. Firstly, there is no reason to believe that insurance is anything other than a normal good, in the sense that consumption is rising in income. Also, if consumption levels fall relative to income, there follows a need for financial instruments to absorb surplus funds, enabling greater accumulation of wealth. Secondly, as a person's level of income rises, so too does the opportunity cost of dying. Thus, the desire to maintain living standards of dependents generates larger policies. According to Beck and Webb (2003), a higher real interest rate increases LIC investment returns and thus their profitability, in turn offering greater profitability of financial relative to real investments for potential purchases of life insurance policies. However, results of neither study offer any evidence to support the hypothesized relationship. Lim & Haberman (2004) studied the effect of interest rates on life insurance demand. He concluded that higher interest rates might be expected to reduce demand as higher yields on alternative savings products makes life insurance less attractive. Wasaw and Hill (1986), Brown and Kim (1993), Enz (2000) and Ward and Zurbruegg (2002) studied that whether countries with a strong Islamic background does dampen demand for life insurance consumption. They found that Consumers in Islamic nations purchase less life insurance policies. Brown and Kim(1993), Ward and Zurbruegg (2002) studied the impact of social welfare provision on life insurance demand. They concluded that the needs for individuals to make private provision against longevity or early death via life insurance are reduced when government spending on social security is increased. La Porta et al. (1997, 2000) and Levine (1998, 1999) studied the impact of legal and political factors on life insurance demand. They concluded that a legal environment, which provides good investor protection tend to encourage a higher degree of financial intermediation as well as economic growth. Hammond et. al. (1967), Drucker (1969) and Berekson (1972) reveal that one of the main purpose of life insurance is to protect dependants against financial hardship in the case of a wage earner's premature death. Beenstock et. al (1986), Brown and Kim (1993), Outreville (1996) and Ward and Zurbruegg (2002) assumed that the longer people expect to live, the greater it will be for life insurance. They find a positive relationship between life expectancy and life insurance demand. Yaari (1965) studied the problem of uncertain lifetime and life insurance. Including the risk of dying in the life cycle model, he concluded that an individual increases expected lifetime utility by purchasing fair life insurance and fair annuities.

OBJECTIVES OF THE STUDY

1. To know the awareness level of working women towards life insurance.
2. To know the motives behind taking insurance policy.
3. To identify the factors perceived by working women for selecting the life insurance products.
4. To find out the gap between expectation and satisfaction of working women regarding insurance .

RESEARCH METHODOLOGY

The study for exploring the factors affecting the decision to purchase Insurance Products was carried out on working women. A sample of 170 working women was taken and the questionnaire was distributed online and offline (offline survey was done in N. Delhi, Moradabad and Varanasi). The sampling Technique was convenience sampling. The researchers received the responses of 127 respondents, out of which, 15 questionnaires were rejected due to ambiguous data, missing data and in some cases, to maintain accuracy of the analysis. The respondents were young working women in the age group of 23-39 years. Type of questionnaire was structured, non-disguised and questions were closed ended with application of Likert scale.

PRE-TESTING OF THE SURVEY

The survey instrument was revised with the help of female faculty members of different management institutes of

North Delhi, Moradabad and Varanasi and to strengthen its validity, the questionnaire was circulated among these faculty members. Based on the feedback received from the pretested sources, the questionnaire was modified. The main purpose of the pretest was to validate the questions of the study.

DATA ANALYSIS AND INTERPRETATION

A profile of the sample population, including age, marital status and income is shown in Table 1. There were 48 unmarried and 64 married working women in the study. The mean age of sampled working women was found to be 28.214 years and average annual income as ₹ 2,70,535.714.

Table 1: Profile of The Respondents

Age	No. of Respondents	Percentage
Below 25	12	10.714
25-30	68	60.714
30-35	24	21.428
Above 35	8	7.142
Mean Age -	28.214	
Marital Status	No. of Respondents	Percentage
Married	64	57.15
Unmarried	48	42.85
Annual Income	No. of Respondents	Percentage
Less than 1,50,000	12	10.714
1,50,000-3,00,000	64	57.142
3,00,000- 4,50,000	28	25
More than 4,50,000	8	7.142
Average annual Income - ₹ 2,70,535. 714		

Insurance is a product, which often people do not buy. There is need of motivators, who motivate the individual to purchase a particular policy. In case of working women, these motivators can be different than others. From Chart no. 1, it is very much obvious that the motivators in case of working women are mainly parents and husband, although Insurance agents and Tax advisors also play a significant role in helping working women to decide about the insurance products. The next question was related with the information collection after awareness and motivation to purchase the insurance product. The result of the survey says that most of the working women (58%) even do not care to collect some more information before actual purchase. The next question of the survey was to know the person who is paying insurance premium of working women. The result is depicted in Chart No 2.

Chart 1: People Influencing The Purchase Of Insurance Policy

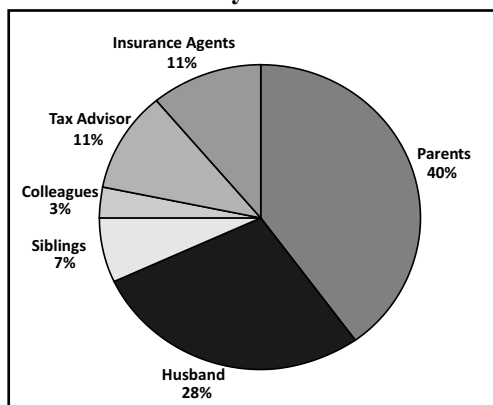
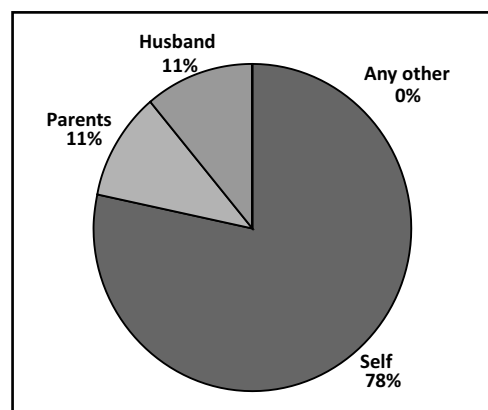


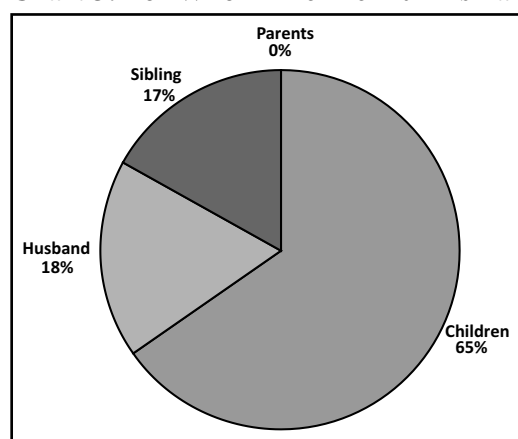
Chart 2: Person Who Pays The Premium



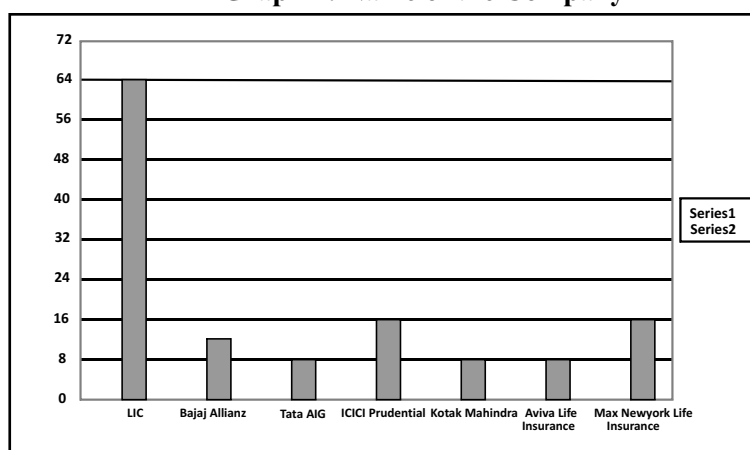
From the Chart No 2, it is obvious that mostly, the premium is paid by self, but in some cases, the premium is paid by either the Husband or parents too. It is also important to know that both married and unmarried working women have been considered for the study. If we confined our study to married women only, than out of 64 married working women, premium of 12 (18.75%) is being paid by Husband and of 3 (3.57%) is being paid by parents. The next question was to know that whether these working women also pays premium for others, then 88 (78.57%) respondents response was in negative. From Chart No. 3, it is clear that most of the working women pay the premium for their children and no women were found to pay premium for their parents. Here, one more important finding was that sibling means sister only i.e. 17% working women pay the premium for their sisters.

There were some questions related to the companies and products where working women have invested their money. The aim of these questions was not only to find out the most trusted name of life insurance and the most liked product of these companies, but to know the awareness level of these women too. The results are given in Graph 1.

Chart 3: For Whom The Premium Is Paid

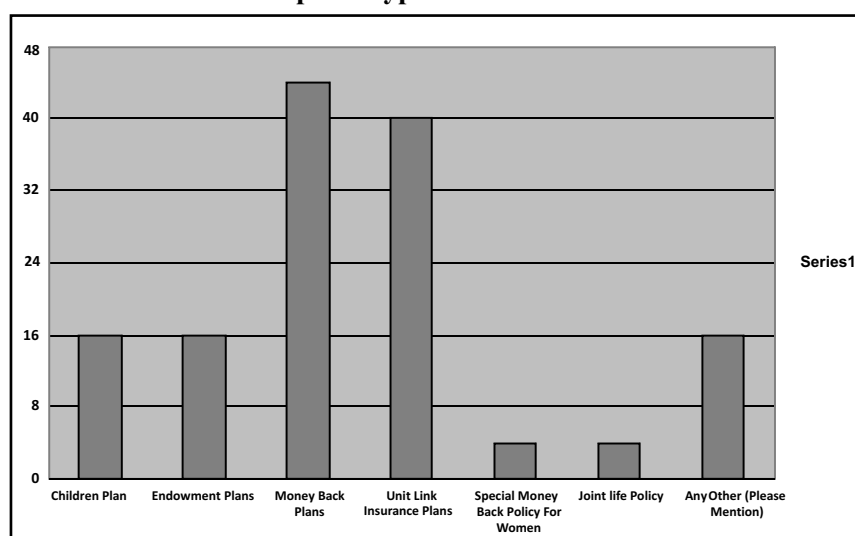


Graph 1: Name of the Company



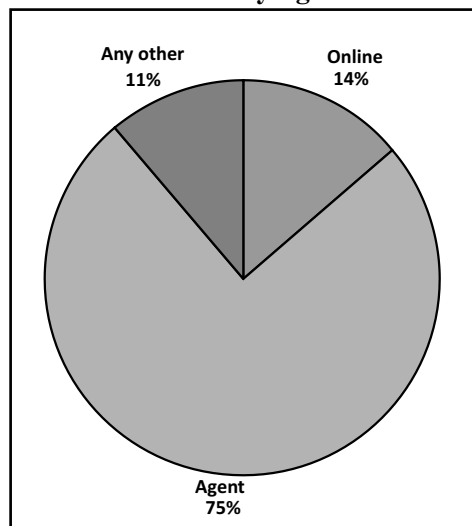
From the above Graph No. 1, it can be concluded that maximum number of women have invested their money in LIC and both private players- ICICI Prudential and Max New York life insurance occupy the second place. Here, the total no. exceeds 112, as respondents have option to tick more than one. The next question was to know the different type of plans which are chosen by working women.

Graph 2 : Types of Insurance Plan

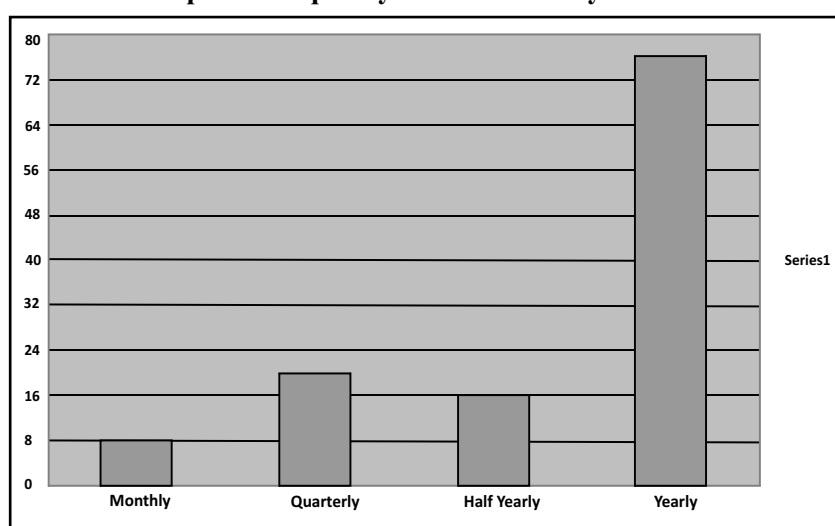


It is shown in the Graph No 2 that the maximum number of women have invested their money in money back and unit link plans. There were 16 women who have invested in pension plans too. Next question was to mention the name of the plans, which has shown poor awareness level of working women. Only 18 women were able to mention the correct policy name along with the name of company and rest did either not know or they were telling the plan type only. There was a question to know the mode of premium payment. The result of which is shown in Chart 4.

Chart 4: Mode of Paying Premium

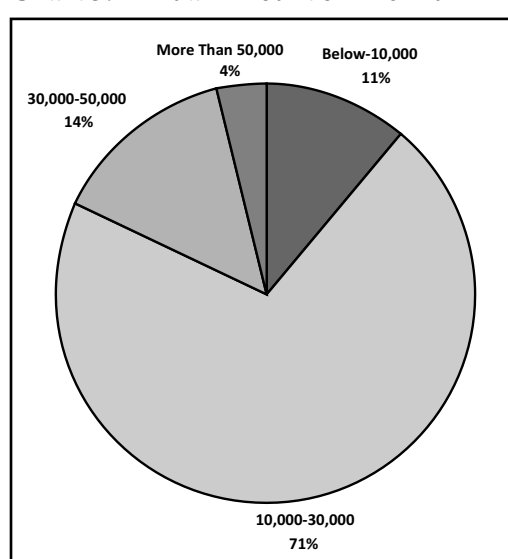


Graph 3: Frequency Of Premium Payment

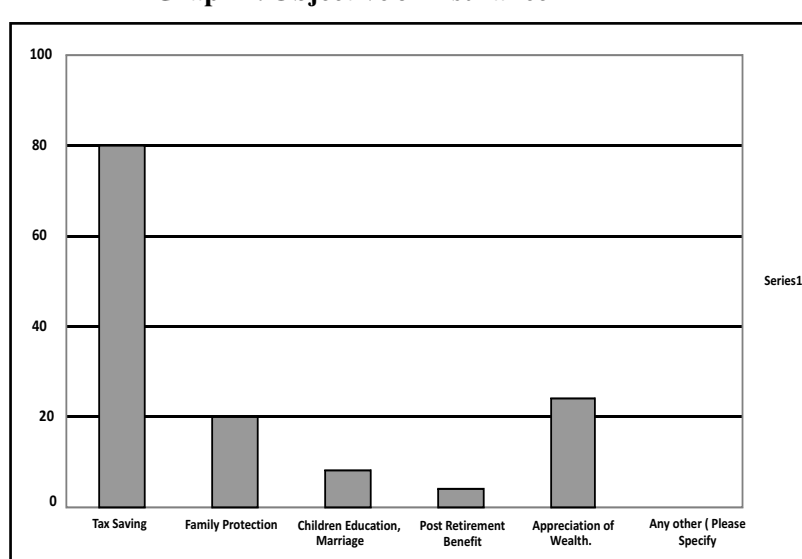


The Chart 4 clearly mentions that 75% of women paid premium through their agent from whom they have taken their policy. There are some women (14%) who pay the premium in the offices of insurance company either themselves in person or send someone to pay the premium in the office of insurance company. The next question was to know the frequency of premium payment. Here, 8 respondents have marked more than one frequency as they have chosen different frequency for payment for different policies. The result is presented in Graph 3. From the Graph 3, it is clear that maximum number of women prefer to pay premium only once in a year. Next question was to know the annual amount which the working women spend for insurance policies. From the Chart 5, it is obvious that 71% women pay the annual premium of ₹ 10,000-30,000. The average annual Income of working women is found to be ₹ 2,70,535.714. For this average salary, the Income tax lies between ₹ 10,000-30,000.

Chart 5: Annual Amount of Premium

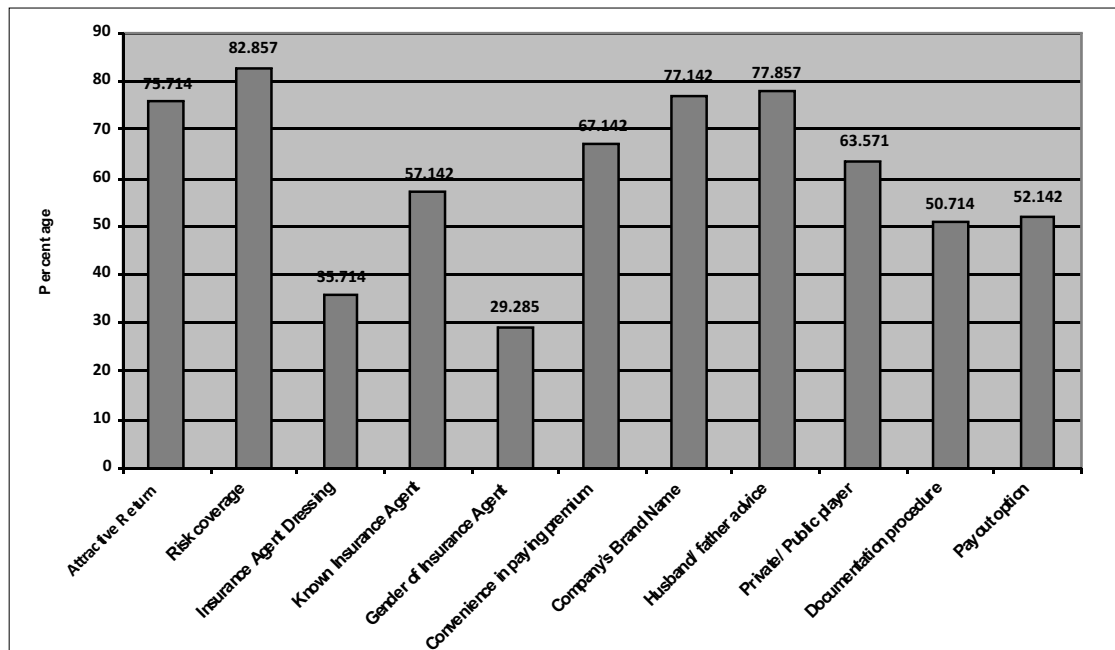


Graph 4: Objective of Insurance

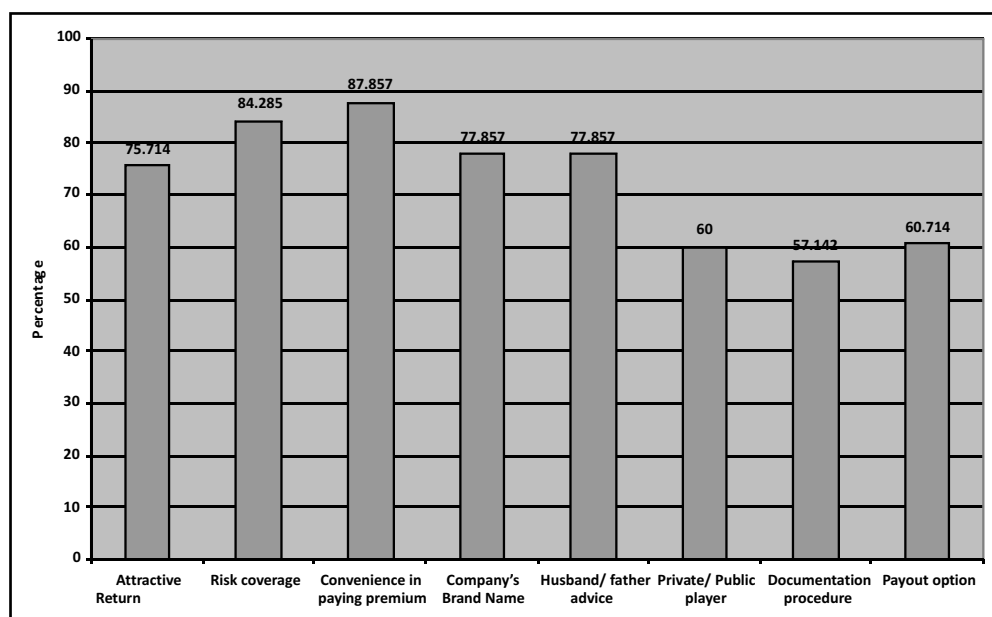


It is very much obvious that most of the working women purchase insurance plan for tax benefit, which is confirmed by the next question, which was related with the objective of investment in insurance. The result is presented In Graph 4. This Graph 4 clearly confirms our assumption and tells us that the main objective of taking insurance policy is to get tax benefit. Other prominent reasons were appreciation of wealth and family protection. The primary concern of this paper is to determine overall expectation and satisfaction levels among women and determine specific attributes that contribute to their level of satisfaction and find the gap between expectation and satisfaction for these attributes. The survey asked very simple questions just to give points for various attributes on the Likert scale of 5. On the basis of these points, an average point for each attributes has been calculated. Differences in expectation and satisfaction between these attributes were explored using Chi-Square test. The Graph 5 for customer expectation is given below.

Graph 5 : Customer Expectations Towards Various Attributes

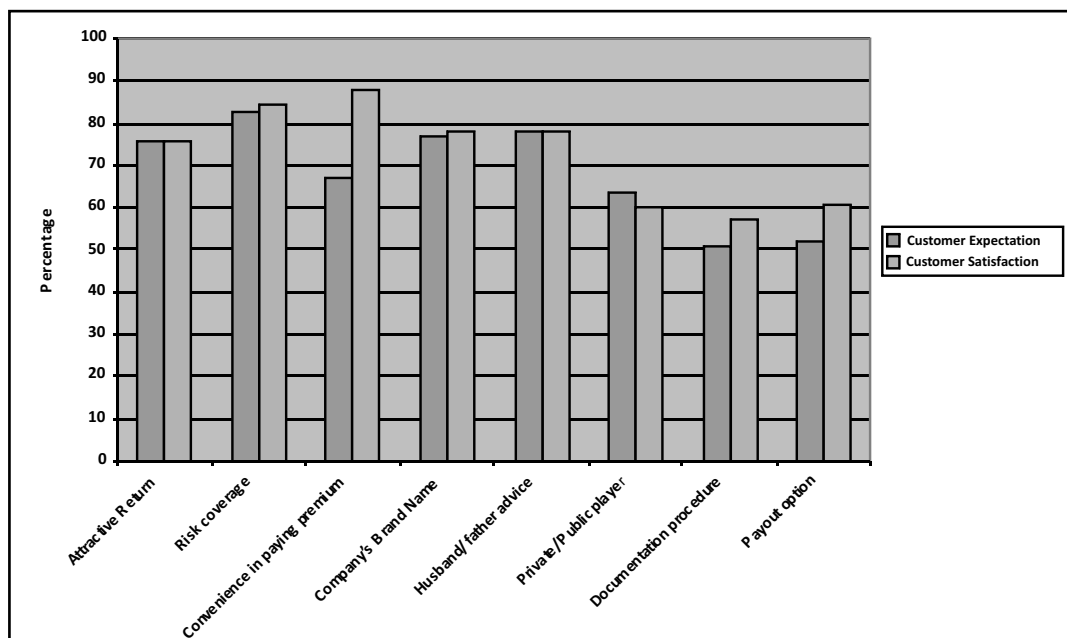


Graph 6: Customer Satisfaction Towards Various Attributes



It can be concluded from the Graph 5 that risk coverage attribute is the most influential attribute at the time of purchase of policy and company's brand name, husband / father's advice equally influences the purchase decision of a woman. The satisfaction level regarding these attributes is given in the Graph 6. This graph clearly mentions high satisfaction level of working women regarding these attributes. If we compare these two graphs, then the picture is given in Graph 7.

Graph 7: Comparison Between Customer Expectation and Satisfaction For Various Attributes



From the Graph 7 itself, it can be drawn that the customers are satisfied and there is no gap between expectation and satisfaction level. To confirm it, we use Chi-square test with the null hypothesis as There is no difference in expectation and satisfaction of working women regarding insurance services.

Table 2 : Chi-Square Test

Attributes	Expectation Index	Satisfaction Index
Attractive Return	75.714	75.714
Risk coverage	82.857	84.285
Convenience in paying premium	67.142	87.857
Company's Brand Name	77.142	77.857
Husband/ father advice	77.857	77.857
Private/ Public player	63.571	60
Documentation procedure	50.714	57.142
Payout option	52.142	60.714

The value of Chi-square coefficient is 8.8469. The degree of freedom for this problem is $(8-1) \times (2-1) = 7$. For 7 degrees of freedom, the critical value is 14.1 at 5% level of significance. That approves our null hypothesis i.e. there is no difference in expectation and satisfaction level of working women regarding insurance.

CONCLUSION

From the above analysis, it can be easily concluded that the decision to purchase an Insurance policy is mainly affected by the advice of Father/ Husband and even women blindly follow advice of their family without searching for more information regarding the policies. The main objective of purchasing policies for working women is to save income tax. Majority of the working women have invested their money in government approved LIC because they are risk

aversive. Most of the women do not even remember the name of policy they have purchased. Risk coverage, Company's brand name and Father/ husband's advice are the most influential attributes for the purchase of insurance policy by them. Working women are satisfied with the attributes for which they invested their money. In fact, there is no significant difference in their expectation and satisfaction level. Although the Insurance in India is an industry which is almost one and a half centuries old, having begun in the 1850s with the Tital Insurance Company, the insurance industry still has a long way to go in addressing problems related with working women.

BIBLIOGRAPHY

- 1) Babbal, D. F. (1981) Inflation, indexation and life insurance sales in Brazil, *Journal of Risk and Insurance*, 48, 115-135.
- 2) Berekson, L. L. (1972) Birth order, anxiety, affiliation and the purchase of life insurance, *Journal of Risk and Insurance*, 35, 931-938.
- 3) Browne, M. J. and Kim, K. (1993) An international analysis of life insurance demand, *Journal of Risk and Insurance*, 60, 4, 616-634.
- 4) Beck, T. and I. Webb (2003) "Economic, Demographic, and Institutional Determinants of Life Insurance Consumption Across Countries", *World Bank Economic Review*, Vol. 17; pp 51-88.
- 5) Cargill, T. F. and T. E. Troxel (1979) "Modelling Life Insurance Savings: Some Methodological Issues", *Journal of Risk and Insurance*, Vol. 46; pp 391-410.
- 6) Drucker, J. M. (1969) Expenditures for life insurance among working-wife families, *Journal of Risk and Insurance*, 36, 525-533.
- 7) Enz, R. (2000) "The S-curve Relationship Between Per-Capita Income and Insurance Penetration", *Geneva Papers on Risk and Insurance*, Vol. 25; pp 396-406.
- 8) Fortune, P. (1973) A theory of optimal life insurance: Development and tests, *Journal of Finance*, 28, 587-600.
- 9) Greene, M. R. (1954) Life insurance buying in inflation, *Journal of the American Association of University Teachers of Insurance*, 21, 99-113.
- 10) Hammond, J. D., Houston, D. B. and Melander, E.R. (1967) Determinants of household life insurance premium expenditure: An empirical investigation, *Journal of Risk and Insurance*, 34, 397-408.
- 11) Headen, R. S. and J. F. Lee (1974) "Life Insurance Demand and Household Portfolio Behaviour", *Journal of Risk and Insurance*, Vol. 41; pp 685-698.
- 12) Hwang, T. & Gao, S. 2003, 'The determinants of the demand for life insurance in an emerging economy: The case of China', *Managerial Finance*, vol 29, no. 5/6, pp. 82-97.
- 13) Lim, C.C. & Haberman, S. 2004, 'Modelling life insurance demand from a macroeconomic perspective: The Malaysian case', *Research paper: The 8th International Congress on Insurance, Mathematics and Economics*, Rome
- 14) Lewis, F. D. (1989) Dependents and the demand for life insurance, *American Economic Review*, 79, 452-467.
- 15) La Porta, R., Lopez-De-Silanes, F., Shleifer, A. and Vishny, R. W. (1997) Legal determinants of external finance, *Journal of Finance*, 52, 3, 1131-1150.
- 16) Levine, R., 1998, The Legal Environment, Banks, and Long-Run Economic Growth, *Journal of Money, Credit, and Banking*, 30(3 part 2): 596-613.
- 17) Levine, R., 1999, Law, Finance, and Economic Growth, *Journal of Financial Intermediation*, 8(1/2): 36-67.
- 18) Mossin, J. (1968) "Aspects of Rational Insurance Purchasing," *Journal of Political Economy*, Vol. 79; pp 553-568.
- 19) Outreville, J. F. (1996) Life insurance markets in developing countries, *Journal of Risk and Insurance*, 63, 2, 263-278.
- 20) Pratt, J. W. (1964) Risk aversion in the small and in the large, *Econometrica*, 32, 122-136.
- 21) Rubayah, Y. & Zaidi, I. 2000 'Prospective insurance', *Utara Management Review*, vol. 1, pp. 69-79.
- 22) Showers, Vince E. and Joyce A. Shotick, 1994, The Effects of Household Characteristics on Demand for Insurance: A Tobit Analysis, *The Journal of Risk and Insurance*, Vol. 61, No.3, 492-502
- 23) Schlesinger, H. (1981) The optimal level of deductibility in insurance contracts, *Journal of Risk and Insurance*, 48, 465-481.
- 24) Szpiro, G. G. (1985) Optimal insurance coverage, *Journal of Risk and Insurance*, 52, 705-710.
- 25) Truett, D. B. and Truett, L. J. (1990) The demand for life insurance in Mexico and the United States: A comparative study, *Journal of Risk and Insurance*, 57, 2, 321-328.
- 26) Wasaw, B. and Hill, R. D. (1986) *The Insurance Industry in Economic Development*, New York University Press, New York.
- 27) Ward, D. and Zurbrugg, R. (2002) Law, politics and life insurance consumption in Asia, *The Geneva Papers on Risk and Insurance*, 27, 3, 395-412.
- 28) Yaari, M. (1965) Uncertain lifetime, life insurance and the theory of the consumer, *Review of Economic Studies*, 32, 137-150.
- 29) Xumei Zhang, Yingxiu Zhang, Hanguang Qiu, Bin Dan (2007) An Empirical Study Of The Key Factors Affecting Consumers' Purchase Decision On Life Insurance, *International Conference on Service Systems and Service Management*, 2007, page 1-5.
- 30) Country Insurance and Financial Services, PR Newswire, "Women Lag Behind Men on Life Insurance Coverage", May 2007.
- 31) Annual MetLife Study of Employee Benefits, Press Release August 2008.
- 32) http://www.prudential.com/media/managed/2006WomenBrochure_FINAL.pdf