

## FACTORS OF POSITIVE INFLUENCE ON THE POLICYHOLDERS OF LIFE INSURANCE CORPORATION IN THOOTHUKUDI DISTRICT

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### Abstract

*Insurance plays a vital role in the development of National Economy. It acts as a protecting shield for the companies as well as the general public and it protects them from huge losses due to natural calamities such as fire, flood, tsunami, cyclone etc., and loss of life due to accident. This paper explores the factors positively influencing the policyholders towards Life Insurance Corporation of India. This study establishes six possible variables as responsible for the positive attitude of policyholders towards LIC in Thoothukudi district. In order to measure the attitude of policyholders towards LIC a five-point scale was adopted and discussed for policyholders of different habitats namely, rural, semi-urban and urban. Further, a reliability test has been carried out for acceptability of the six identified variables which are responsible for the positive attitude of policyholders towards LIC in Thoothukudi district.*

**Key Words:**LIC, Policyholders, Attitude and Awareness, Rural, Semi-urban and Urban

### Introduction

Life insurance has a low penetration among Indian households, with insurance premiums accounting for about 2.72 per cent of GDP. Due to lack of access to formal financial markets and low levels of financial literacy many Indian households do not effectively plan their financial future. With an increasing emphasis of the government towards greater financial inclusion of all sections of the society, it is important to understand how the socio-economic and demographic aspects of rural and urban households affect their decisions to acquire or discontinue life insurance coverage.

This paper explores the factors positively influencing the policyholders towards Life Insurance Corporation of India. The level of positive attitude of the policyholders indicates the extent of desirable services offered by the LIC. In this paper, six variables have been identified and analysed on the basis of opinions from policyholders of rural, semi-urban and urban areas. For the analytical purpose the sample policyholders are classified into rural, semi-urban and urban areas.

### Statement of Problem

At present there are 14 private insurance companies, including Indian private insurance companies and Indian private insurance companies with foreign partners, in India. These companies are competing with the Life Insurance Corporation of India to tap the immense insurance market potential of India. The new entrants with the most modern technologies and

sophisticated and efficient management capabilities pose a great threat to the monopolistic Life Insurance Corporation of India. Hence the study analyses the factors positively influencing the policyholders towards LIC in Thoothukudi district. In order to find out the facts it is imperative to take-up an in-depth study involving the LIC and its policyholders.

### **Review of Literature**

Harikumar et al., (2016) in their study reveals that the attitude and preference of policyholders towards purchase of life insurance products are influenced by multiple factors such as the nature and regularity of income, future needs, knowledge on its features and benefits etc. As agents are having better personal relationship with community of policyholders, it will be worthwhile to analyse the perception of agents on the preference of policyholders towards holding life insurance products so that product designs can be matched with needs and requirements of specific market segment. The analysis shows that as per the experience of agents, majority of policyholders prefer either endowment or money back policies in the life insurance product mix of LIC.

Bernardus Franco Maseke et al., (2021) in their paper have conducted to analyze different factors influencing clients' choice of insurance companies. Insurance is essential for peace of mind, however, clients should be cautious when choosing insurers to avoid future disappointments. Clients should also be aware of fake agents, misrepresentation of information, fraud and coercion by agents and brokers. The main objective of this paper was to identify the factors that drive clients' preferences in selecting insurance companies, whilst the second objective was to determine the relative importance of these particular factors (advertising, social and behavioral factors).

### **Objectives of the Study**

1. To discuss the factors positively influencing the attitude of policyholders towards Life Insurance Corporation in Thoothukudi District.
2. To offer suitable suggestions for improving the life insurance corporation services.

### **Methodology**

The Life Insurance Corporation of India functioning in Thoothukudi district has been selected for this study. The data from the LIC policyholders registered in this district are collected with the help of an interview schedule. Statistical tools like Reliability Test and 't' test are used for this analysis. A sample of 150 LIC policyholders representing various areas such as rural, semi-urban and urban area in Thoothukudi district are selected by using convenient sampling technique. The period of study was from January 2020 to March 2020.

### **Result and Discussion**

#### **Variables positively Influencing Policyholders Attitude towards LIC**

The identified six variables are influencing the attitude of different categories of policyholders towards LIC. Analysis of their mean score value in a comprehensive form highlights the significance of these variables in a comparative form. Hence, the comprehensive analysis of the mean score value of these six variables are presented in Table 1.

**Table: 1- Comprehensive Mean Score Value of Variables positively Influencing the Attitude of Policyholders towards LIC**

Variables	Rural Policyholders		Semi-urban Policyholders		Urban Policyholders	
	Mean Score	Status of Influence	Mean Score	Status of Influence	Mean Score	Status of Influence
Product Flexibility	2.44	LI	3.02	HI	3.16	HI
Payment Mode	3.18	HI	3.29	HI	3.06	HI
Loan Facilities	2.41	LI	3.29	HI	3.41	HI
Easy Management	3.07	HI	2.93	I	3.20	HI
Policy Sales Promotion	3.15	HI	3.17	HI	3.46	HI
Risk Management	2.49	LI	2.74	I	3.18	HI

Source: Computed from Field Survey.

Score Value > 3 = High Influence (HI)

Score Value 2.5 to 3 = Influence (I)

Score Value <2.5 = Low influence (LI)

The table 1 depicts that the variables namely, payment mode, easy management and policy sales promotion are highly influencing the attitude of the rural policyholders towards LIC. In the case of semi-urban policyholders, the variables such as payment mode, loan facilities and policy sales promotion are highly influencing their attitude towards LIC. Further, table 1 reveals that the variables namely, product flexibility, payment mode, loan facilities and policy sales promotion are highly influencing the attitude of the urban policyholders towards L.I.C.

**Reliability Test**

In total, six variables have been included to measure the attitude of policyholders towards LIC. Before summarizing the score of the six variables, it is imperative to examine its reliability and validity. The Confirmation Factor Analysis (CFA) has been executed for this purpose. The results in standardized factor loading of the variables, its ‘t’ statistics, composite reliability and average variance extracted. In order to examine the inclusion or consideration of these six variables for further analysis, reliability test is attempted through Cronbach’s alpha (9 ). The computed results are presented in Table 2.

**Table: 2 - Computed Value Cronbach’s Alpha – Reliability Test**

Variables	Standardized factor loading	‘t’ statistics	Cronbach alpha	Composite Reliability	Average variance extracted
Product Flexibility	0.741	3.218*	0.838	0.809	58.74
Payment Mode	0.823	3.671*			
Loan Facilities	0.733	3.518*			
Easy Management	0.702	3.164*			
Policy Sales Promotion	0.751	2.815*			

Risk Management	0.681	4.064*			
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Source: Computed from Field Survey.

Table 2 reveals that the included six variables influencing the attitude of policyholders towards LIC to the extent of 83.80 per cent since its Cranach alpha is 0.838. The standardized factor loading of the variables influencing the attitude of policyholders towards LIC are greater than 0.60 which reveals the content validity. The ‘t’ statistics of the standardized factor loading of the variables are significant at five per cent level which indicates its convergent validity. It is also supported by the composite reliability and average variance extracted since these are greater than 0.50 (0.811) and 50 (58.74%) respectively. Hence, it is concluded that these six variables have reliability and can be included for further analysis.

**Increase in Policyholders Choice Score among the Respondents**

The increase in the positive attitude score among the respondents of policyholders towards LIC at the study period have been examined with the help of the means of the score among the three groups of respondents. The ‘t’ test has been administered to analyse the significant difference between the mean score based on the residence category of the policyholders. The results are given in Table 3.

**Table: 3 - Increase in Policyholders Choice Score towards LIC**

Category of Policyholders	Mean Score among the Respondents	‘t’ statistics
Rural	2.819	2.384*
Semi-urban	3.518	3.716*
Urban	3.673.	4.286*
Overall	3.598	3.812*

Source: Computed from Field Survey.

\* Significant at five per cent level.

Table 3 reveals that the total score of the policyholder respondents is 3.598 per cent whereas among the urban policyholder respondents, it is 3.676 per cent, and for semi-urban policyholders and rural policyholders it is 3.518 and 2.819 respectively. There is clearly an increase in the positive attitude of policyholders among the urban, semi-urban and rural policyholders. The attitude score of policyholders towards LIC is statistically significant that is 4.286 for urban, 3.716 for semi-urban and 2.384 for rural customers, since their respective ‘t’ statistics are significant at five per cent level. The analysis reveals that there is an increase in the attitude score of policyholders towards LIC among the policyholders to a considerable extent during the study period.

Therefore, the hypothesis namely “The identified six variables have been influencing the attitude of policyholders towards LIC in Thoothukudi District” is valid and accepted.

**Conclusion**

In this study six variables have been identified as responsible for the positive attitude of policyholders towards LIC in Thoothukudi district. In order to measure the attitude of policyholders towards LIC, a five point scale was adopted and discussed for different residence

categories of policyholders namely, rural, semi-urban and urban Further, the reliability test has been carried out for acceptability of the identified six variables which are responsible for the positive attitude of policyholders towards LIC in Thoothukudi district.

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