

# A STUDY ON FACTORS INFLUENCING THE BUYING OF LIFE INSURANCE POLICIES

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**Abstract:** The insurance industry facilitates the growth and development of the economy. The life insurance helps to have a proper coverage on risk towards life of the insured. The creation of awareness regarding the policies, plans and facilities enables a huge growth in the insurance sector. The main objective of the research is to determine the demographic profile of sample respondents and analyse the factors influencing buying of life insurance policies. This study supports to understand various drives that make the policyholders to buy life insurance policies. Primary data have been taken and adopted convenience sampling method as sampling design. The statistical tools used for analysis was percentage analysis and t-test. The conclusion is that the new products and services are to be well informed to the consumers for better prospects of the life insurance company.

**Keywords:** Life Insurance, Purchase decisions, Life Insurance Policies.

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## 1. INTRODUCTION

The insurance sector plays an active role in the wellbeing of its economy. It is a well-known fact that there are tremendous hazards in almost every aspect of life. There are risks of fire for property; perils of the sea for commodities shipment; risks of death or injury for human life; and so on. Because these events may or may not occur, the probability of their occurring and incurring losses are highly unpredictable. Getting life and property insurance is a straightforward approach to cover this financial risk of loss. A contract between two parties is called insurance. The insured is one party, and the insurer is the other. The person whose life or property is insured with the insurer is referred to as the insured. The insurer is the entity to which the insured transfers his or her risk. Insurance is a legal agreement between the insurer and the insured. The 'insurance policy' is the document that contains all of the terms and conditions of insurance. The term "life insurance" refers to a policy that protects a person's life. Because man's life is unpredictable, he is prone to premature death, accidents, disabilities, and old age. Without a doubt, rapid industrial progress and the revolution in transportation and communication systems have provided affluence, but these innovations have also put human life at risk, creating unprecedented tensions and uncertainties. Terrorist and extremist activities, industrial mishaps, and transportation accidents, among other things, have lowered the level of security in human life. In addition to the aforementioned factors, natural disasters such as floods, earthquakes, hurricanes, and other natural disasters, as well as environmental and ecological imbalances, have made life much more precarious. Life insurance is purchased for the dual aims of risk mitigation and investment. Life insurance is a long-term contract that provides security and is a safe investment. Natural and accidental causes of death and disability pose a threat to human existence. When a human life is lost or a person is permanently or temporarily incapacitated, the household loses income. Life insurance is a financial protection plan for events that occur throughout the course of a person's life, such as death, disability, accident, retirement, and so on.

## 2. REVIEW OF LITERATURE

**Zakaria, Z., Azmi, N. M., Hassanet.al (2016)** Malaysia's cost of living has risen dramatically during the last two decades. This example demonstrated the importance of establishing a solid financial management plan that will allow Malaysian citizens to comfortably enjoy their retirement years. According to previous study, there is a lack of understanding and awareness about the importance of having life insurance or a Takaful plan. Furthermore, since 2014,

expenses for medical consultations and procedures have increased. Having an insurance coverage would not only assist Malaysians ensure financial security for their families and satisfy outstanding financial responsibilities, but it will also help them lessen the retirement gap. Using a self-administered survey, this study aims to examine the perceptions of public university workers regarding the purchase of life insurance or Takaful. As a result, the primary goal of this article is to identify the elements that may impact public university employees' decisions to purchase or not purchase a traditional life insurance or TAKAFUL policy. Correlation and Multiple Regression analysis were used to analyse the data.

**Chimedtseren, E, & Safari, M. (2016)** the purpose of this study is to look into the elements that influence client purchase intention for life insurance products. Despite the economy's quick expansion and enticing considerable development, the life insurance business continues to encounter hurdles in expanding it is necessary to improve service design and delivery in order to increase service quality. Personal administered survey questionnaires with non-probability sampling technique with a total of 215 sample comprising insurance customers as the unit of analysis were used to explore their purchase intention for life insurance products as the sample frame According to the structural model's findings, the biggest issue of service quality in terms of enhancing customer satisfaction is a lack of problem-solving abilities and tangibility. From the validation of the framework, it is clear that all quality functions must be aligned with the organization's goal and objectives in order to increase competitive advantage.

**D.P.Warne, & Pawan Sharma. (2023)**This research paper is an inquiry and elaborates about investment in life insurance products, detaching illumination on the factors affecting also. With the passage of time, investment scenario of customers is changing. This study is an effort to explore and locate the behavior of the customers while they purchase life insurance products. This study is exploratory & descriptive in nature. Primary data has been significantly used for the successful completion of the study. Primary data for the study has been collected by choosing questionnaire method from 200 respondents. The findings and the results of the present study has been obtained by using percentage and graphical method. Results and findings of the study may be helpful & useful to the investors/customers for making their investments in life insurance products.

### **3. STATEMENT OF THE PROBLEM**

Life insurance is a necessity for all because life is very precious. An individual can insure himself for an unlimited amount of money. The main challenge facing insurance companies is to constantly develop new products while also keeping track of changes in policyholder behaviour, government action, competition, distribution networks, technological improvements, and the quality of client relationships, among other things. Here the researcher taken five constructs to check the influencing factors of policyholders viz Customer trust, Guidance, Customised and timely services, Agents services and efficiency. The researcher also used valid items to check the above said constructs in the questionnaire. Each service industry makes a greater contribution to client satisfaction in this direction. The study also helps to assess the type of policy held, the respondents' awareness toward LIC policies and facilities, and the respondents' level of satisfaction. The life insurance industry aids economic development, which leads to increased job opportunities, faster industrial growth, and so on. To make it easier for individuals to obtain insurance products, they must be made aware of the policies and services available. The fundamental goal of LIC is to make life insurance broadly available, especially in rural regions. Because so many insurance businesses are now involved in insurance marketing, policyholder satisfaction is critical in order to stay ahead of the competition. Therefore, the goal of this study is to determine how satisfied policyholders are with LIC plans.

#### **OBJECTIVES OF THE STUDY**

- To determine the demographic profile of sample respondents.
- To determine the factors influencing buying of Life insurance policies.

### **4. RESEARCH METHODOLOGY**

#### **RESEARCH DESIGN**

The research design denotes to the general plan that select to assimilate the diverse components in a comprehensible and reasonable way, here the researcher uses descriptive research design. Descriptive research design helps to conduct the study in an accurate manner.

#### **SAMPLING DESIGN**

The researcher adopted convenient sampling technique to select the respondents. It is a non-probability sampling where the samples are taken up on the convenience of researcher under study.

### SAMPLE SIZE

The sample size taken for the study is 100

### TOOLS USED FOR ANALYSIS

#### Percentage analysis

For the analysis purpose the researcher used data percentage analysis method. Percentage method is used in making contrast among two or more series of data. It is easy to analyse and simple to understand.

Percentage= (Number of respondents/Total number of respondents) \* 100

#### One sample t test

The one sample t test compares the sample mean to a predetermined value. The one sample t test, also known as the single sample t test, is a statistical hypothesis test designed to ascertain whether the mean estimated from sample data obtained from a single group differs from a designated value supplied by the researcher.

### SOURCES OF DATA

Primary data was collected from the selected respondents with the help of questionnaire specially designed for the purpose. Secondary data was collected from journals for the purpose of the study.

### LIMITATIONS OF THE STUDY

Sampling method use for the study is convenient sampling method hence the limitation of the method encompasses to the study also. Secondary data concerning to LIC could not be collected since LIC branches sustains secrecy. The study is based on the respondents' individual perception; it is not completely free of answer errors. The results of primary data are solely depending on the trustworthiness of respondents.

**Table 1: Gender Distribution of Respondents**

Gender	Frequency	Percentage (%)
Male	70	70.4
Female	30	29.6
Total	100	100.0

The data indicates that out of 100 respondents, **70.4% are male**, while **29.6% are female**. This suggests that the majority of the respondents in the study are male, accounting for nearly three-quarters of the sample, while females constitute less than one-third of the respondents.

**Table 2: Marital Status of Respondents**

Marital Status	Frequency	Percentage (%)
Married	59	59.8
Unmarried	41	40.2
Total	100	100.0

The data reveals that out of 100 respondents, **59.8% are married**, while **40.2% are unmarried**. This indicates that the majority of the participants in the study are married, comprising nearly 60% of the sample, while unmarried individuals make up a slightly smaller proportion of about 40%.

**Table 3: Educational Level of Respondents**

Education Level	Frequency	Percentage (%)
SSLC	1	0.9
Higher Secondary	2	1.8
Graduation	24	24.4
Post-Graduation	70	69.8
Others (< 10 <sup>th</sup> Std)	3	3.1
	100	100.0

The educational qualification distribution of respondents reveals that the majority, **69.8%**, hold postgraduate degrees, indicating a significant dominance of highly educated individuals in the sample. About **24.4%** of the respondents have attained graduation-level education, comprising nearly a quarter of the sample. Only a minimal proportion, **1.8%**, have Higher Secondary qualifications, and an even smaller percentage, **0.9%**, have completed SSLC-level education. Additionally, **3.1%** of the respondents fall under the 'Others' category, which includes individuals with less than 10th standard education.

**Table 4: Extent of Factors influencing Policyholders of LIC– Socio Demographic comparison**

Extent of Factors influencing Policyholders of LIC– Socio Demographic comparison				
S.No.	Factors	Gender	Marital Status	Educational Qualification
1	Customer trust	Difference (Rejected H0)	Difference (Rejected H0)	No Difference (Accepted H0)
2	Customised and timely services	Difference (Rejected H0)	No Difference (Accepted H0)	Difference (Rejected H0)
3	Agents services	Difference (Rejected H0)	No Difference (Accepted H0)	No Difference (Accepted H0)
4	Guidance	No Difference (Accepted H0)	Difference (Rejected H0)	Difference (Rejected H0)
5	Efficiency	Difference (Rejected H0)	Difference (Rejected H0)	No Difference (Accepted H0)

- There is difference between male and female policy holders regarding the influence of the factors such as customer trust, customer timely services, agents’ services and efficiency. And compared to male policy holders, female policy holders are more influenced by the above mentioned factors.
- There is no difference between male and female policy holders regarding the factor Guidance.
- The services offered by agents is the major factor that influence male policy holders to buy life insurance followed by efficient services offered by LIC, guidance provided regarding policies, availability of timely services and the trust in LIC policies.
- The major factor that influences female policy holders in buying life insurance policy is the useful services provided by the agents followed by efficiency in services, timely services, guidance provided regarding policies and the trust in LIC.
- There is difference between married and unmarried policy holders regarding the influence of the factor Guidance, Customer trust and Efficiency. But comparatively, married policy holders are more influenced by guidance offered by LIC, trust they have in LIC and the efficiency in services offered by LIC.
- There is no significant difference between married and unmarried policy holders regarding the factors such as Customer timely service and Agents’ service.
- The services offered by agents is the major factor that influence married policy holders to buy life insurance followed by guidance provided regarding policies, efficient services offered by LIC, availability of timely services and the trust in LIC policies.
- The major factor that influences unmarried policy holders in buying life insurance policy is the useful services provided by the agents followed by efficiency in services, timely services, guidance provided regarding policies and the trust in LIC.

- There is difference between under graduated and post graduated policy holders regarding the influence of factors such as Efficiency, Customer timely services and Guidance. Also study shows that both under graduated and post graduated policy holders are influenced by the above mentioned factors. But comparatively, under graduated policy holders are more influenced by efficiency in services of LIC, timely service and guidance offered by LIC in buying new life insurance policies.
- There is no difference between under graduated and post graduated policy holders regarding influence of the factor 'customer trust'. The study shows that the efficiency in services of LIC is the major factor that influence under graduated policy holders to buy life insurance followed by services offered by agents, guidance provided regarding policies, availability of timely services and the trust they have in LIC policies.
- The major factor that influences post graduated policy holders in buying life insurance policy is the useful services provided by the agents followed by guidance provided regarding policies, efficiency in services, timely services, and the trust in LIC

### **FINDINGS OF THE STUDY**

- 1. Out of 100 samples collected, 70.4 percent were male and 29.6 percent were female.
- 2. Regarding marital status, 59.8 percent of the respondents were married, and 40.2 percent of the respondents were unmarried.
- 3. Education wise analysis revealed that .9 percent of the policy holders were in the education level of SSLC, 1.8 percent of policyholders were in the education level of higher secondary. 24.4 percent of policyholders were in the education level of Graduation, 69.8 percent were in the category of Post-Graduation and 3.1 percent were in the category of others (less than 10th standard education category).

### **SUGGESTIONS OF THE STUDY**

The Life Insurance Corporation of India should make certain that its agents and employees are properly trained. Clients' demands should be understood by LIC of India, and services should be provided in accordance with what an organisation should provide for its customers. The study suggests that male and female policy holders have to be provided with efficient services, guidance provided regarding policies, availability of timely services and the trust in LIC policies. Married and unmarried policy holders also to be given with appropriate efficiency in services, timely services, guidance provided regarding policies and the trust in LIC. The under graduate and post graduate policy holders are being more offered with services offered by agents, guidance provided regarding policies, availability of timely services and the trust they have in LIC policies.

## **5. CONCLUSION**

LIC is more dominant in the Indian insurance industry. Customer satisfaction has become a vital part of customer retention in today's competitive market, not only to grow but also to serve. Companies value happy and highly profitable customers as a result of increased competition, a wide range of product offers, and different distribution methods. The study states that majority of policy holders are satisfied with the services provided by LIC and wish to purchase insurance from the same company in the future. The policyholder would also recommend the corporation's insurance coverage to their friends and relatives. Furthermore, policyholder preferences and expectations may shift over time. To keep existing policy holders and attract new ones, LIC must be at the forefront of offering innovative products and services, as well as improved customer care.

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