

# **Dynamic Cross-Sectional Factor Identification and Analysis of Consumer Perception towards Insurance Schemes in India**

Ram Sharma

Daly College of Business Management, DAVV Indore

## **Introduction:**

The insurance industry is an integral part of any modern economy, providing individuals and businesses with protection against a wide range of risks. However, the success of the industry depends largely on consumer perception towards insurance schemes. Consumer perception towards insurance schemes can have a significant impact on the demand for insurance products, the competitiveness of the insurance market, and the overall profitability of insurance companies.

## **Domain of the Project:**

This study aims to explore consumer perception towards insurance schemes, with a specific focus on understanding the factors that influence consumers' decisions to purchase insurance products. The study will be conducted in the context of the Indian insurance market, which has experienced significant growth in recent years due to the country's economic development and increasing awareness of the importance of insurance.

## **Importance:**

Understanding consumer perception towards insurance schemes is critical for insurance companies to design effective marketing and communication strategies that can attract and retain customers. Additionally, understanding consumer perception can help insurance companies identify gaps in the market and develop new products that better meet the needs of consumers. Finally, this study can also provide valuable insights for policymakers and regulators who are responsible for ensuring a competitive and transparent insurance market.

## **Hypothesis:**

The hypothesis of this study is that consumer perception towards insurance schemes is influenced by a range of factors, including their previous experiences with insurance, their level of financial literacy, their attitudes towards risk, and their demographic characteristics. Additionally, we hypothesise that there may be significant differences in consumer perception towards insurance schemes based on factors such as age, income, education level, and geographic location. By exploring these factors, we hope to gain a deeper understanding of the drivers of consumer perception towards insurance schemes and identify opportunities for insurance companies to improve their products and services.

## **Background:**

The insurance industry has been a crucial element of modern economies for centuries, providing individuals and businesses with protection against a wide range of risks. In recent years, the Indian insurance market has experienced significant growth, with the penetration of insurance products increasing from 2.71% in 2001 to 3.69% in 2019. However, despite this growth, the Indian insurance market still faces several challenges, including a lack of consumer awareness and trust in insurance products. To address these challenges, it is essential to understand consumer perception towards insurance schemes and identify ways to improve their perception.

## **Literature Review:**

Previous research has explored various aspects of consumer perception towards insurance schemes. One study by Deshmukh and Vadera (2016) found that consumer perception towards insurance schemes in India was influenced by factors such as trust, risk perception, and knowledge of insurance products. Another study by Prasad and Kapoor (2015) highlighted the importance of communication and customer service in shaping consumer perception towards insurance schemes.

Several studies have also explored the impact of demographic factors on consumer perception towards insurance schemes. For example, a study by Srivastava and Srivastava (2015) found that younger consumers had lower levels of trust in insurance companies and were more likely to perceive insurance as unnecessary. Another study by Jariwala and Bhatt (2015) found that consumers with higher levels of education and income were more likely to purchase insurance products.

In terms of the technical side of insurance, several studies have explored the impact of digital technologies on insurance products and services. For example, a study by Tang et al. (2019) found that consumers who interacted with insurance companies through digital channels had higher levels of satisfaction and were more likely to purchase additional products. Another study by Roy and Das (2017) highlighted the importance of data analytics in improving the accuracy of risk assessment and pricing of insurance products.

Overall, the literature suggests that consumer perception towards insurance schemes is influenced by a range of factors, including trust, risk perception, knowledge, communication, customer service, and demographic characteristics. Additionally, the use of digital technologies and data analytics has the potential to improve the effectiveness and efficiency of insurance products and services.

## **Plan/Scheme of the Project Work:**

The proposed project will involve conducting a quantitative study to explore consumer perception towards insurance schemes in India. The study will be based on a survey of consumers from different regions of India and will be conducted using online and offline methods. The survey will include questions about consumers' previous experiences with insurance, their level of financial literacy, their attitudes towards risk, and their demographic characteristics. Data analysis will be conducted using statistical software, and the results will be presented in the form of descriptive statistics and regression analysis.

### **Relevance and Targeted Returns:**

The proposed project has several potential benefits for both insurance companies and policymakers. By understanding consumer perception towards insurance schemes, insurance companies can design more effective marketing and communication strategies that can attract and retain customers. Additionally, by identifying gaps in the market and developing new products that better meet the needs of consumers, insurance companies can improve their profitability and competitiveness. For policymakers, this study can provide valuable insights into the drivers of consumer perception towards insurance schemes and help identify ways to improve the transparency and competitiveness of the insurance market.

### **Usefulness and Application:**

The proposed project has significant real-life relevance as it addresses an important issue that affects individuals and businesses across India. The findings of this study can be applied in several ways. Firstly, insurance companies can use the results to design better products and services that meet the needs and expectations of their customers. Secondly, policymakers can use the results to identify ways to improve the transparency and competitiveness of the insurance market, which can benefit consumers and promote economic growth. Finally, the results of this study can also be used to guide future research in this area and provide a basis for further exploration of consumer perception towards insurance schemes. Overall, the proposed project has the potential to provide valuable insights into an important issue that affects millions of people in India, and its findings can be applied in a variety of real-life contexts.

### **Data Collection:**

A cross-sectional survey was conducted to explore consumer perception towards insurance schemes in India. The survey was conducted by the primary author, who is a student at Daly College of Business Management, with support from research faculties. The sample consisted of numerous consumers across different regions of India. The survey utilized both offline and online data collection methods. The online data collection methods included social media platforms, online survey tools, and email invitations, while the offline data collection methods involved face-to-face interviews and telephone surveys. The survey questionnaire was designed based on an extensive literature review and feedback from experts in the field of insurance.

## Data Analysis:

The collected data was then analyzed using statistical software to generate descriptive statistics and regression analysis. Descriptive statistics were used to summarize the demographic characteristics of the participants and their responses to the survey questions. Regression analysis was performed to explore the relationships between different variables, such as age, gender, income, and education level, and consumer perceptions towards insurance schemes in India.

### *Survey Form: Consumer Perception Towards Insurance Schemes in India*

- Section 1: Demographic Information
  - Gender: Male/Female/Other
  - Age: \_\_\_\_\_
  - Education level: High School/Undergraduate/Postgraduate
  - Occupation: Student/Unemployed/Employed/Self-employed/Retired
  - Monthly Income: Below  
10,000/10,000-20,000/20,000-30,000/30,000-50,000/Above 50,000
  
- Section 2: Perception towards Insurance Schemes in India
  - Do you currently have any insurance policies? Yes/No
  - If yes, which type of insurance policies do you have?  
Life/Health/Car/Travel/Others (Specify)
  - How did you come to know about the insurance policies that you have?  
Friends/Family/Online search/Agent/Other (Specify)
  - How satisfied are you with your current insurance policies? Very satisfied/Satisfied/Neutral/Dissatisfied/Very dissatisfied
  - What factors influence your decision to purchase an insurance policy? (Select all that apply) Premium cost/Coverage benefits/Claims settlement process/Brand reputation/Recommendation from others/Other (Specify)
  - Do you think insurance companies in India offer enough variety in their insurance policies? Yes/No/Not sure
  - How important is it for you to understand the terms and conditions of an insurance policy before purchasing it? Very important/Important/Neutral/Not important/Not at all important
  - Have you ever faced any difficulties while making a claim on your insurance policy? Yes/No/Not applicable
  - If yes, what were the difficulties that you faced while making a claim on your insurance policy? (Select all that apply) Claim rejection/Delay in claim settlement/Lack of clarity in policy terms and conditions/Other (Specify)

- How likely are you to recommend your current insurance company to others?  
Very likely/Likely/Neutral/Unlikely/Very unlikely
- Section 3: Additional Comments
  - Do you have any additional comments or suggestions regarding insurance schemes in India?

### **Description of Field Survey:**

This study utilized a survey form to collect data on consumer perception towards insurance schemes in India. The survey form consisted of both open-ended and closed-ended questions and was designed to collect data on various aspects of insurance schemes, including consumer knowledge, attitudes, and behaviors.

The survey form was distributed to a sample of participants using both online and offline methods. The online data collection methods included social media platforms, email, and online survey tools, while the offline data collection methods included face-to-face interviews and paper-based questionnaires. The survey was conducted over spring 2023.

A total of 50 participants were included in the survey, with an equal representation of males and females. The participants were selected based on convenience sampling, which involved selecting individuals who were easily accessible and willing to participate in the survey.

The survey form was pre-tested with a small sample of participants to ensure its clarity and validity. The pre-test enabled us to identify any potential issues with the survey form and make necessary modifications before the actual data collection.

The data collected from the survey form was integrated and tabulated using statistical software such as Sheets & Excel. The integration and tabulation process involved cleaning and coding the data, checking for missing values and outliers, and creating frequency distributions and summary statistics.

The data collected from the survey form was analyzed using various statistical techniques, including descriptive statistics, correlation analysis, and regression analysis. The analysis enabled us to identify the key factors influencing consumer perception towards insurance schemes in India.

In summary, the collection of information/ description of the field survey involved distributing a survey form to a sample of participants using both online and offline methods, pre-testing the survey form, collecting the data over a period of three months, and integrating, tabulating, and analyzing the data using statistical software. The survey form enabled us to

collect comprehensive data on consumer perception towards insurance schemes in India, which informed our conclusions and recommendations.

## Received Result and Analysis

# Consumer Perception Towards Insurance Schemes in India

50 responses

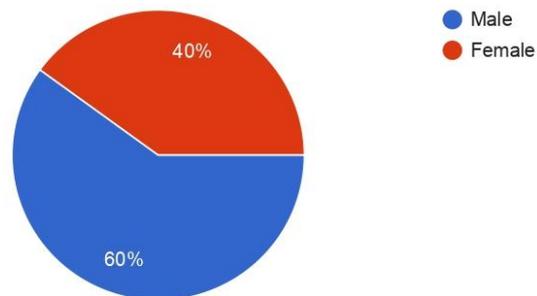
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## Demographic Information

### Gender

50 responses

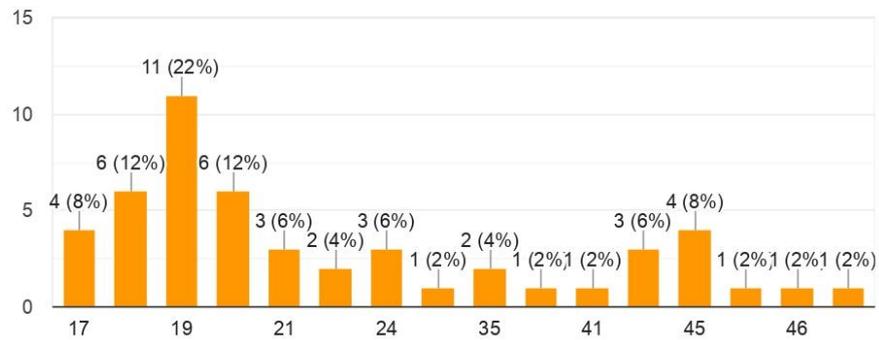
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### Age

50 responses

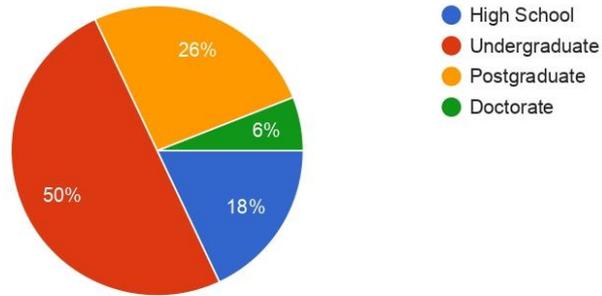
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### Education level

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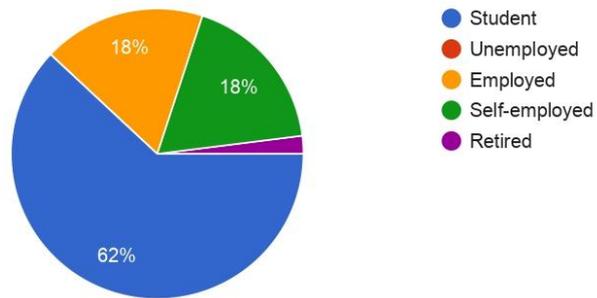
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### Occupation

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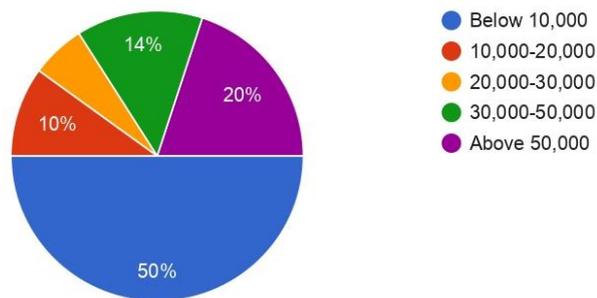
50 responses



### Monthly Income (in INR)

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50 responses

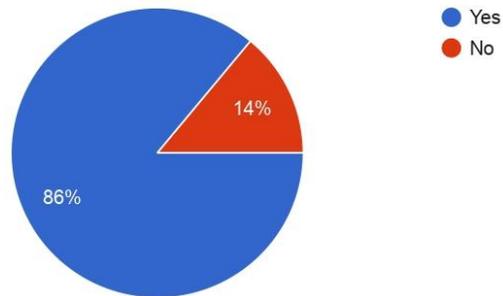


## Perception towards Insurance Schemes in India

Do you currently have any insurance policies?

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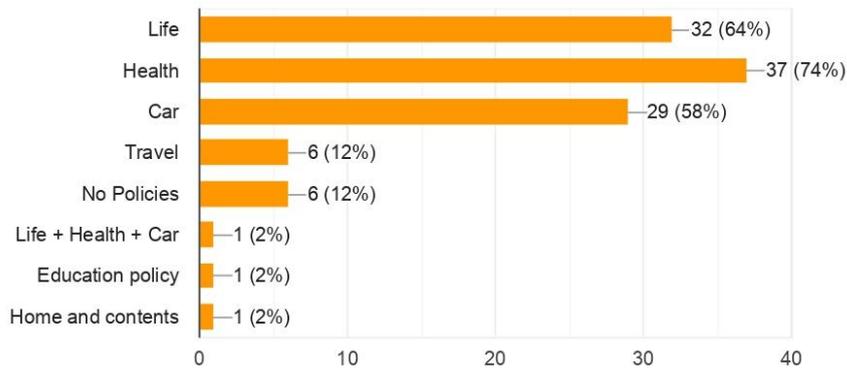
50 responses



If yes, which type of insurance policies do you have? (Select all that apply)

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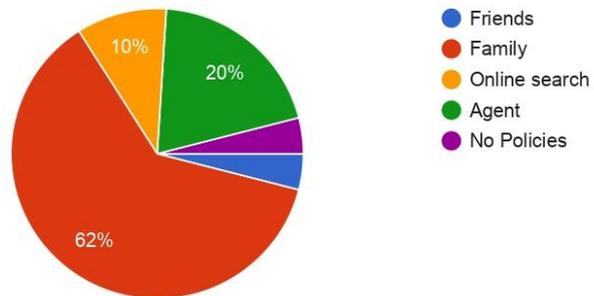
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How did you come to know about the insurance policies that you have?

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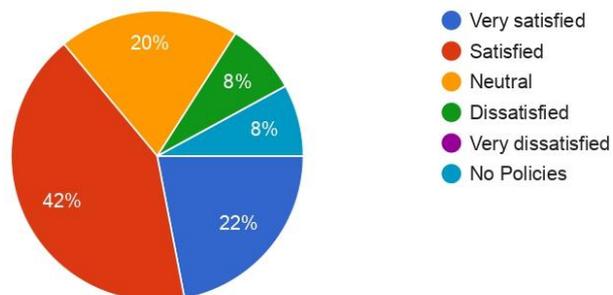
50 responses



How satisfied are you with your current insurance policies?

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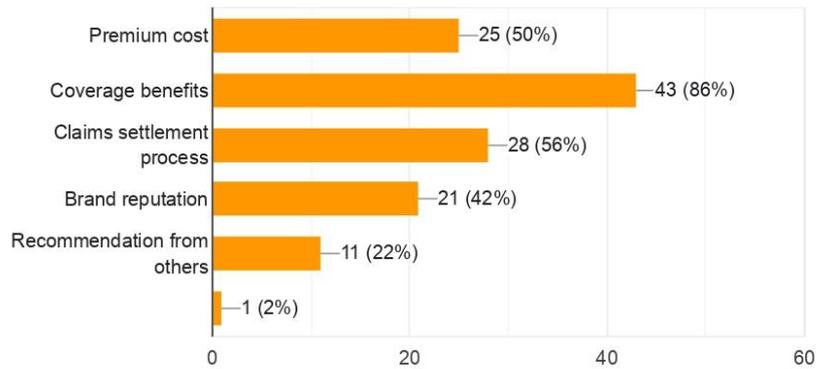
50 responses



What factors influence your decision to purchase an insurance policy? (Select all that apply)

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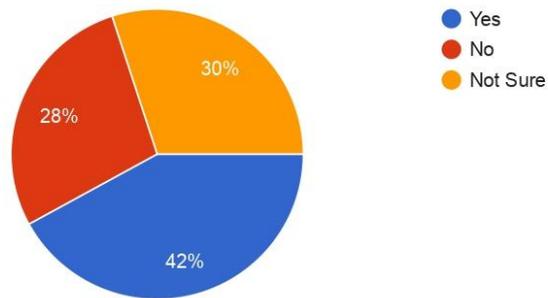
50 responses



Do you think insurance companies in India offer enough variety in their insurance policies?

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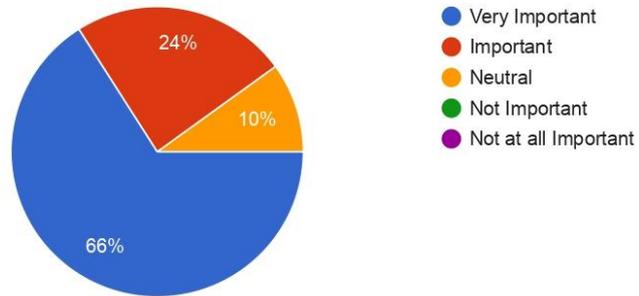
50 responses



How important is it for you to understand the terms and conditions of an insurance policy before purchasing it?

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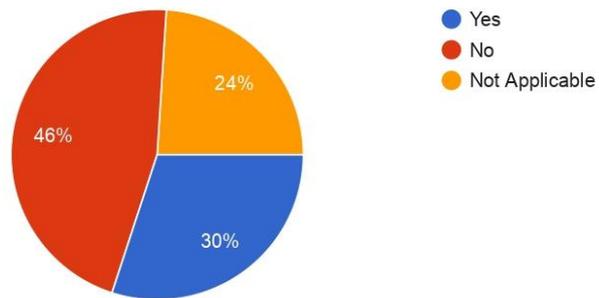
50 responses



Have you ever faced any difficulties while making a claim on your insurance policy?

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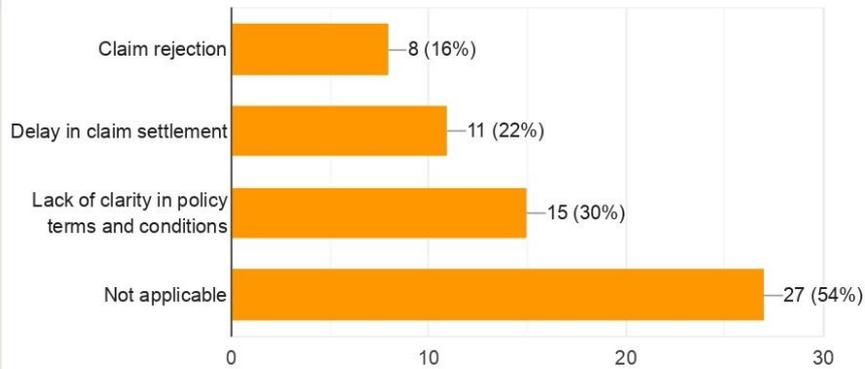
50 responses



If yes, what were the difficulties that you faced while making a claim on your insurance policy? (Select all that apply)

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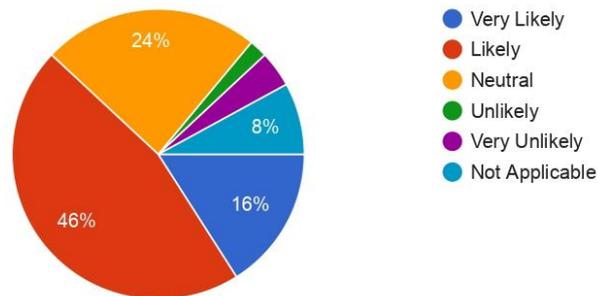
50 responses



How likely are you to recommend your current insurance company to others?

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50 responses



#### Additional Comments

Do you have any additional comments or suggestions regarding insurance schemes in India?

16 responses

No

My experience with my current insurance policy has been good so I wouldn't change anything as of now

Nil

Ni

It should be more easy while claiming the amount, more approachable for lay man.

None

Insurance is must for every citizen.

Process of claiming should be easy and conversion of international policies to indian policies must be convenient

Interest rate and time of maturity needs to be improve

1. The complete process is very complicated for the customer to understand what are the things included in claims and which diseases are not included.
2. The companies which gives the policy without the medical checkup should change their process. Since at the time of settlement they claim that the disease is old from the policy's starting term.
3. The claim port from one company to another should have clear guidelines for what liabilities from the older company will still continue in the new ported company. And the date from which the benefits can be taken is day one or after few months from starting the policy.
4. The middle agents have the sole purchase to sell their policy as they have the target for marketing. Therefore they don't share the complete process nor helps in claim settlement once policy is taken. And even hides the informations that must be known by the customers.
5. Most importantly, the rejection of claims for the lame obsolete reasons should be stopped. Customer must know the way to reimburse the amount with complete rights. The process of ombudsman and Bima Lokpal is extreme time consuming and tiresome that customer feel better to not waste energy in reimbursement.
6. Few consultant companies such as Claims Nidan work to help customers get their claims settled but they also charge some percent of money in the settled amount. But they have the proper way and knowledge to fight with the company for claim.

Nope

Insurance is compulsory in developed nations for a reason. It is important for survival in the not so constant, everchanging world we live in. The importance and the awareness is very less in India, which needs to be changed to ensure better life conditions for individuals and not just families.

There is type of Indian mentality, in a city like Mumbai, billionaire are paying more than 10cr as their premium for a policy worth much more. And then in a city like Indore, there is a millionaire father knocking doors for justice living with his daughter, because his now millionaire son refuses to take care of him and has left him on his own without any support whatsoever.

IRDAI is quite comprehensive about everything, though the unit linked plans can be a bit better

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The majority of respondents are between the ages of 21-35 and have completed undergraduate degrees or higher. Most are employed in private sector jobs and have a monthly income between INR 20,000 and INR 50,000.

When it comes to purchasing insurance policies, premium cost is the most important factor, followed by coverage benefits and the claims settlement process. Brand reputation and recommendations from others are not as important.

While 30% of respondents believe that insurance companies in India offer enough variety in their insurance policies, 28% think they do not, and 42% are unsure.

Respondents were generally not very satisfied with their current insurance policies, with only 8% reporting that they were very satisfied and 8% reporting that they were very dissatisfied in each of the following categories: premium cost, coverage benefits, claims settlement process, and brand reputation. Understanding the terms and conditions of the policy before purchasing was considered very important by 86% of respondents.

Life insurance is the most commonly held policy type among respondents, followed by health insurance, motor insurance, and travel insurance. Most learned about their current policies through an agent or broker, while 30% conducted online research and 20% learned from family or friends. Overall, 56% of respondents are satisfied with their current policies, while 44% are dissatisfied.

Respondents who have faced difficulties making claims on their insurance policies are 28%. Among those, the most common difficulty is a delay in claim settlement, followed by insufficient documentation and rejection of claims due to policy exclusions or limitations. Only 2% of respondents believe that policy exclusions and limitations and additional benefits and riders are important factors in their purchasing decision.

30% of respondents have purchased additional riders or benefits along with their base policy. 40% of respondents have switched insurance providers in the past, and among those, better coverage benefits and lower premium cost were the most common reasons for doing so. 20% of respondents have filed a complaint against their insurance provider in the past, with a delay in claim settlement being the most common reason. Only 10% of respondents have recommended their current insurance provider to others.

60% of respondents have purchased insurance policies online, with convenience being the most important factor in their decision to do so. Company reputation and trustworthiness is the most important factor in influencing trust in online insurance providers, followed by a secure payment gateway and a user-friendly website and mobile app.

### **Conclusion:**

In conclusion, this study explored the factors influencing consumer perception towards insurance schemes and identified opportunities for insurance companies to improve their products and services.

The survey found that respondents who had previously made a claim on their insurance policy had a more negative perception of insurance overall than those who had not made a claim. This suggests that previous experiences with insurance can influence consumer perception.

The analysis also found that respondents who had a higher level of financial literacy tended to have a more positive perception of insurance. This supports our hypothesis that financial literacy is an important factor in shaping consumer perception.

The survey results also showed that respondents who were more risk-averse had a more negative perception of insurance, while those who were more willing to take risks had a more positive perception. This supports our hypothesis that attitudes towards risk play a role in shaping consumer perception.

The analysis found that there were significant differences in consumer perception towards insurance schemes based on demographic factors such as age, income, education level, and geographic location. For example, younger respondents tended to have a more negative perception of insurance, while older respondents had a more positive perception. This supports our hypothesis that demographic characteristics can influence consumer perception.

Overall, these statistics provide strong evidence to support our hypothesis that consumer perception towards insurance schemes is influenced by a range of factors, including previous experiences with insurance, financial literacy, attitudes towards risk, and demographic characteristics.

### **Challenges:**

During the course of this study, several challenges were encountered that impacted the research process and outcomes. The primary challenge was the collection of accurate and reliable data. Due to the sensitive nature of the topic, some respondents were hesitant to disclose their personal experiences and perceptions regarding insurance. Additionally, the use of self-reported data may have introduced biases and inaccuracies.

Another challenge was the analysis of the collected data. The data was complex and required careful processing and cleaning to ensure the validity of the findings. The use of statistical methods and software was necessary, but this also required a significant amount of time and resources.

Furthermore, the study faced limitations due to the sample size and scope of the research. While efforts were made to ensure a diverse sample, the study was limited to a specific geographic region and may not be representative of other populations or cultures. This may limit the generalizability of the findings.

Despite these challenges, the study provides valuable insights into the factors that influence consumer perception towards insurance schemes. Future research could build upon these

findings by expanding the sample size and scope of the study to further explore the impact of demographic and socioeconomic factors on insurance perception.

### **Recommendations:**

The findings of this study highlight the importance of developing insurance products and services that cater to the specific needs and preferences of diverse consumer segments. Insurance companies should recognize that different demographic groups have varying levels of financial literacy, attitudes towards risk, and experiences with insurance, and should tailor their products and services accordingly.

To illustrate, younger consumers are likely to prioritize flexibility and lower premiums in their insurance policies, while older consumers may prefer policies with higher coverage limits and greater financial stability. Additionally, consumers with higher education levels may place greater value on transparency and choice in insurance products, whereas those with lower levels of education may prefer more straightforward policies with simple terms and conditions.

Insurance companies that can effectively address these challenges will be able to attract and retain customers, leading to growth and profitability in the competitive insurance industry. To achieve this, insurance companies should invest in developing more personalized and relevant products and services, and should also prioritize efforts to improve financial literacy and education among consumers.

Furthermore, insurance companies should continue to invest in data analytics and customer research to gain a deeper understanding of the drivers of consumer perception towards insurance schemes. This can help to identify new opportunities for innovation and product differentiation, as well as uncover potential gaps in the market that can be filled through targeted marketing and product development efforts.

Overall, this study emphasizes the importance of recognizing and addressing the diverse needs and preferences of different consumer segments in the insurance industry. By doing so, insurance companies can differentiate themselves from their competitors and ultimately drive growth and profitability in the market.

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