

## **FACTORS AFFECTING CUSTOMERS BUYING BEHAVIOUR: A SPECIAL REFERENCE TO LIFE INSURANCE, MYSORE**

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### **ABSTRACT**

This abstract explores the factors influencing customers' purchasing decisions in the context of life insurance policies. It examines the multidimensional nature of these determinants, encompassing economic, psychological, and social aspects. The study delves into how personal financial stability, risk perception, family dynamics, cultural beliefs, and marketing strategies interplay to shape consumer choices. From an economic perspective, the paper analyzes how customers' financial stability, income levels, and perceptions of affordability impact their decision-making process. It delves into how cost considerations, potential benefits, and long-term value assessment influence their choices.

In conclusion, this research paper sets out to unravel the complexity of factors that collectively shape customers' decisions when purchasing life insurance policies and provide a comprehensive understanding of the dynamics influencing customer decisions regarding life insurance policies. The findings of this study have practical implications for insurers, enabling them to tailor their marketing approaches, policy designs, and customer interactions to better align with the factors that guide consumer choices.

**Keywords:** Life Insurance, Buying Decision, Factors Affecting In Purchasing

### **1. INTRODUCTION**

Consumer behaviour is a complex amalgamation of numerous elements that guide individuals' choices when selecting products or services. Customer buying decisions are influenced by a multitude of factors that collectively shape their preferences, choices, and behaviours. These factors can be broadly categorized into economic, psychological, social, and marketing-related influences.

Such as,

#### **Economic Factors:**

Affordability: The premium cost in relation to the individual's budget and financial stability plays a crucial role in the decision-making process. Value for Money: Customers assess whether the coverage provided by the policy justifies the premium payments and meets their long-term financial goals.

Financial Goals: Customers' short-term and long-term financial objectives impact their choice of life insurance coverage. This includes considerations for retirement planning, children's education, and legacy planning.

#### **Psychological Factors:**

Risk Perception: The perceived level of risk associated with life events, such as accidents, illness, or death, influences the need for insurance coverage.

Fear and Uncertainty: Emotions related to the uncertainty of the future can drive individuals to seek life insurance as a means of providing financial security for their loved ones. Loss Aversion: Individuals might prioritize avoiding potential financial losses to their family in the event of their demise, leading them to consider life insurance.

#### **Family and Social Factors:**

Dependents: The presence of dependents, such as children, spouse, or elderly parents, can significantly impact the decision to purchase life insurance to ensure their financial well-being.

Family Planning: Customers often consider life insurance as a means to secure their family's future, especially during major life events such as marriage or childbirth. Social Expectations: Cultural norms and societal expectations can influence the perceived importance of life insurance as a responsible financial decision.

#### **Marketing and Information Factors:**

Educational Content: The availability of clear and comprehensive information about different policy options, benefits, and terms can assist customers in making informed decisions.

Trust in Insurers: Brand reputation and the credibility of insurance providers can influence customers' confidence in the policies they offer. Personalised Advice: Receiving expert advice from insurance agents or financial advisors can guide customers towards policies that align with their individual needs and preferences.

### **Regulatory and Legal Factors:**

Regulatory Compliance: Customers may be influenced by policies that meet legal requirements and regulations, ensuring their protection and rights. Policy Transparency: Transparency in policy terms, conditions, and exclusions is crucial for customers to fully understand what is covered and make accurate comparisons. Understanding these factors and their interplay is vital for insurers and marketers to tailor their offerings and communication strategies effectively. By addressing the specific economic, psychological, family-oriented, and information-related considerations that guide customers' life insurance decisions, companies can better cater to their needs, build trust, and provide meaningful financial solutions. Understanding these interconnected factors is crucial for businesses seeking to meet customer needs effectively, tailor their marketing strategies, and enhance the overall customer experience. By recognizing the intricate interplay of economic, psychological, social, and marketing-related influences, organisations can better anticipate customer behaviour and make informed decisions to attract and retain their target audience.

## **2. REVIEW OF THE LITERATURE**

- 1. Kim, J., et.al; 2022-** The research focuses on the influence of customer perceptions derived from online reviews. Through empirical analysis, the study uncovers that positive reviews significantly enhance customers' confidence and trust in life insurance products. These positive perceptions are found to correlate with an increased likelihood of purchasing life insurance. Conversely, negative online reviews can deter potential customers due to concerns about product quality and reliability. The research highlights the significance of online reviews as influential information sources in the decision-making process. Insurers can leverage this insight to manage their online reputation effectively, build trust, and enhance customer engagement by addressing concerns raised in reviews and promoting positive experiences.
- 2. Chen, B., et.al; 2020-** The 2020 research paper "Understanding Customer Choices: A Study of Psychological Factors Affecting Life Insurance Purchases" by Chen, B., Lee, C., and Wang, L. in the Journal of Marketing Research investigates the psychological factors shaping life insurance decisions. Through empirical analysis, the study highlights the significance of risk perception and emotional triggers. Individuals with greater risk aversion tend to favour life insurance for financial security. Emotional elements, such as fear of uncertain life events, also drive decisions. The research underscores the importance of comprehending customers' psychological profiles to tailor effective marketing strategies that resonate with their emotions and risk perceptions. This deeper understanding of psychological influences helps insurers create connections between rational and emotional drivers, enhancing decision-making and communication strategies.
- 3. Smith, A., et.al: 2019-** examines the multitude of factors impacting customers' decisions to buy life insurance. The study delves into economic, psychological, social, and marketing-related influences. It analyzes how economic considerations like affordability and value for money interact with customers' psychological factors such as risk perception and emotional triggers. The study also explores the role of family dynamics and societal norms, as well as the impact of marketing strategies. The research provides a comprehensive understanding of these factors, contributing to a deeper comprehension of the intricate dynamics guiding consumer behavior in the life insurance purchasing process.
- 4. Kumar, R., et.al.; 2019-** research employs Hofstede's dimensions like power distance and individualism-collectivism to analyze their role in shaping attitudes towards life insurance. Through a cross-national analysis, the study reveals that cultural factors significantly influence perceptions of life insurance. It finds that individualistic cultures prioritize personal financial security, while collectivist societies emphasize family and community protection. Power distance and uncertainty avoidance also impact customers' risk perceptions and perceived insurance needs. This research underscores the need for tailored marketing strategies that align with diverse cultural preferences, helping insurers engage effectively with customers in varying cultural contexts.
- 5. Rodriguez, S., et.al; 2018-** research reveals that family responsibilities significantly impact choices, with individuals prioritizing policies to provide financial security for loved ones. The study also finds that cultural beliefs and societal expectations play a role in shaping the perceived importance of life insurance. By delving into the complex interplay of family dynamics and cultural influences, the research underscores the need for insurers to tailor policies that align with customers' familial and cultural contexts to better meet their preferences and needs.

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

Despite The Importance Of Life Insurance As A Financial Instrument For Risk Management And Future Security, There Exists A Significant Gap In Comprehending How Economic, Psychological, Social, And Marketing-Related Factors Interplay To Shape Customers' Choices. The Specific Problem Revolves Around The Need To Understand "Factors Affecting Customers Buying Behaviour: A Special Reference To Life Insurance, Mysore" To Unravel the complexity

of these influencing factors and their interconnections. This research aims to address the intricate challenge of understanding the diverse array of factors that influence customer buying decisions in the context of life insurance policies.

#### **4. OBJECTIVES OF THE STUDY**

- To identify and analyze the factors that impact customers' decisions when purchasing life insurance policies
- To identify how factors affecting decision-making differ across demographic segments
- To assess the prime factors which make customers to buy life insurance

#### **5. SCOPE OF THE STUDY**

The scope of this study encompasses an in-depth exploration of the factors influencing customer buying decisions within the scope of life insurance policies. The study will comprehensively investigate economic, psychological, social, and marketing-related factors that contribute to customers' choices. Geographically, the research will cover Mysore region to capture potential variations in preferences and decision-making factors, considering both urban and rural contexts. the study will involve quantitative surveys targeting a sample to understand preferences across demographic segments. However, the study acknowledges individual variations and aims to identify general trends rather than predicting individual behaviour. The research will provide practical recommendations for insurance providers to better align their strategies with the identified factors, enhancing customer engagement, informed decision-making, and overall satisfaction in the realm of life insurance purchasing.

#### **6. HYPOTHESES FRAMED FOR THE STUDY**

##### **Hypotheses:**

Null hypothesis: security is the major prime factor to buy the life insurance policy

Alternative hypotheses: security is not an major prime factor to buy the life insurance policy

#### **7. RESEARCH METHODOLOGY**

**Table: 1**

Research design	Descriptive research
Sampling frame	Customers who have life insurance policy
Sampling unit	Respondents from different demographic factors
Sampling size	100 respondents
Sampling method	Simple random sampling

#### **8. DATA COLLECTION METHOD**

**Table: 2**

Primary data	Survey method
Secondary data	Data collected from websites, journals and from past study related to life insurance
Types of schedules	Structured questionnaire
Types of questions	Close ended and Likert scale
Statistical tool used	Chi square test

##### **Research Instrument**

For primary data collection questionnaires were used, the questionnaire was divided into 2 parts

Part 1: Had questions related to demographic information of respondents

Part 2: was related to some basic information regarding respondents factors and choices in purchase power of life insurance

**Table: 3** Demographic profile of the respondents

Demographic	No of respondents	
	FREQUENCY	PERCENTAGE%
Age	20-25	30
	25-30	13
	30-35	20

	35-40	16	16
	>40	21	21
Total		100	100
Gender	Male	49	49
	female	51	51
Total		100	100
Marital status	Married	59	59
	single	41	41
Total		100	100
Occupation	student	28	28
	House wife	20	20
	Employee	20	20
	business	32	32
Total		100	10
Educational qualification	Schooling	22	22
	12 <sup>th</sup>	18	18
	Graduate	25	25
	Post graduate	29	29
	Professional	6	6
Total		100	100
Income	<3L	69	69
	3-5L	15	15
	5-10L	14	14
	>10L	2	2
Total		100	100

### **Analysis-**

Demographic characters of the respondents (Table 1) shows that majority of respondents (51%) are females, it further reveals that most of the respondents (30%) belong to the age group of 20 to 25 year age group. shows that most of the respondents are married people (59%), then business group (32%) comprise a maximum portion of respondents, followed by students (28%). majority of respondents are postgraduate (29%) followed by graduates (25%). further reveals that majority of respondents are in income level of below 3,00,000 per annum (69%). It is that education level and income of the respondents also play a dominant role in the buying decision of life insurance products.

**Table 4** factors effecting the customers buying choices

Factors iio		frequency	percentage
Owning any life insurance policy	Yes	87	87
	No	13	13
Total		100	100
Insurance they owned	Private	23	23
	Public	48	48
	Both	16	16
	None	13	13
Total		100	100
Who influenced to buy	Media	16	18
	Insurance agent	33	38
	Family/friends	35	40
	Government initiatives	3	4 jj ih ij hIjhoiui iojujihijuihji

Total		87	100iihiu j
Prime motive to buy	Security	48	ijiuni juijo ijj
	Savings	10	12
	Investment	22	26
	All of the above	7	jh
Total		87	100
Type of insurance prefer	Savings policy	42	48ji
	Term insurance	27	31ii,ji iinimpojjijjjii
	Whole life insurance	14	17jijoijui,uhu
	Endowment policy	4	4
Total		87	kio uu u
Price factor play important role in purchasing	Strongly agree	20	22
	Agree	51	59
	Neutral	12	14
	Disagree	4	5
	Strongly disagree	0	0
Total		87	100
Quality of service will influence in buying decision	Strongly agree	20	22
	Agree	55	63
	Neutral	10	12
	Disagree	2	3
	Strongly disagree	0	0
Total		87	100
Brand will influence buying decision	Strongly agree	14	16
	Agree	48	55
	Neutral	20	22
	Disagree	5	7
	Strongly disagree	0	0
Total		87	100

**Analysis:**

From the Table 2 it can be concluded that 87% of respondents owns life insurance policy further reveals that 48% of respondents prefers public sector insurance than private insurance. again reveals that family friends (40%) influenced them to buy insurance policy and 38% are from insurance agents. additionally reveals that for most (54%) of respondents security place as an prime motive to buy insurance policy. further reveals that most of the respondents 48% prefers saving policy and then 81% of respondents states that price factor play an important role in purchasing, then 85% states that quality of service will influence their buying decision and further research says that 71% of respondents states that brand will influence there buying decision.

**Hypotheses:**

Null hypothesis: security is the major prime factor to buy the life insurance policy

Alternative hypotheses: security is not an major prime factor to buy the life insurance policy

Chi square test:

**Table: 5**

FACTORS	RESPONDENTS
Security	48
Savings	10
Investment	22
All of the above	7

TOTAL	87
Absorbed frequency	Expected frequency
48	21.75
10	21.75
22	21.75
7	21.75
Chi square value	<b>48.02</b>
Significance level	0.05
Degree of freedom	3
Critical value	<b>7.81</b>

Chi square value is greater than critical value. Therefore, the null hypothesis,  $H_0$  is rejected.

## 9. CONCLUSION

The buying decision in the life insurance industry is influenced by a complex interplay of various factors. Through this research paper, we have identified and analysed key determinants such as individual demographics, financial considerations, perceived value of the policy, trust in the insurance provider, and the role of social influences. These factors collectively shape consumers' perceptions, attitudes, and behaviours towards life insurance purchases. It's evident that understanding these influences is crucial for insurance companies to tailor their marketing strategies and offerings to effectively address the diverse needs and preferences of their target audience. As the insurance landscape continues to evolve, further research in this area will be essential to adapt to changing consumer behaviours and market dynamics, ultimately fostering a more informed and empowered consumer base in the realm of life insurance.

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