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A Comparative Study on Customer Preference and Perception about Public and Private Life Insurance Companies.

ANJALI KUMARI

MBA Dual Specializations School of Business Galgotias University.

Abstract:

This study explores and compares customer preferences and perceptions regarding public (notably LIC) and private life insurance providers in India, focusing on two demographically distinct cities: Kolkata (Tier-1) and Bokaro Steel City (Tier-2). Data from 200 policyholders were collected using structured questionnaires and Analyzed using descriptive statistics and t-tests. Key parameters influencing customer choices, such as premium rates, company reputation, and risk coverage, were examined. Findings reveal significant preferences for LIC, although private firms are gaining ground. The study identifies the reasons behind these preferences and suggests strategic improvements for both sectors.

Introduction:

Insurance, particularly life insurance, plays a crucial role in economic stability and personal financial planning. With the liberalization of the Indian insurance sector post-1999, competition between public and private players has intensified. The research investigates what drives customer preferences—trust, policy terms, benefits, or external factors such as COVID-19—and how these factors vary between a metropolitan city and a Tier-2 city.

Objectives of the Study:

1. To compare customer preferences between LIC and private life insurance companies.
2. To examine how perceptions differ in Tier-1 (Kolkata) and Tier-2 (Bokaro) cities.
3. To identify the key factors influencing investment in life insurance.
4. To assess the challenges faced by investors post-purchase.
5. To provide suggestions for improving customer satisfaction in the life insurance sector.

Literature Review:

Extensive literature was reviewed to understand historical and contemporary developments in the life insurance industry. Studies by Senthilkumar & Selvamani (2016), Verma & Bala (2015), and others suggest that trust, customer service, and product innovation play pivotal roles in shaping customer preferences. The dominance of LIC stems from its historic monopoly and strong public trust. However, private insurers like ICICI Prudential, SBI Life, and HDFC Life are increasingly recognized for customer service and innovation. Yet, disparities in awareness and access still affect insurance penetration in rural and Tier-2 areas.

Research Methodology:

The study utilized both primary and secondary data. A structured questionnaire collected responses from 200 life insurance policyholders (100 each from Kolkata and Bokaro). Convenience sampling was used. Data was Analyzed through MS Excel and SPSS using descriptive statistics and t-tests. Variables included customer demographics, policy types, influencing factors, and post-purchase challenges.

Data Interpretation:

- **Demographics:** Majority of respondents were males aged 20-40 with postgraduate degrees and incomes between 1-5 lakh INR.
- **Preferences:** 57% favored LIC; private insurers like HDFC and ICICI trailed behind.
- **Purpose of Insurance:** Respondents from Kolkata prioritized risk coverage, while Bokaro residents focused on return on investment.
- **Factors Considered:** Kolkata customers emphasized individual risk coverage; Bokaro customers prioritized company image.
- **Challenges Faced:** Common issues included long processing time, lack of agent information, and payment delays.
- **Statistical Analysis:** A t-test showed no significant difference in overall perceptions of LIC's superiority between the two cities, suggesting consistent brand value across locations.
- **Table 1: Age Distribution of Respondents**

• Age Group	• Frequency	• Percentage
• Below 30	• 36	• 18%
• 31-40	• 60	• 30%
• 41-50	• 52	• 26%
• 51-60	• 40	• 20%
• 60 & Above	• 12	• 6%

• **Figure 1: Company-wise Insurance Preference** (LIC: 57%, ICICI: 13%, SBI: 11%, HDFC: 10%, Others: 9%)

• **Figure 2: Purpose of Insurance by City**

- Kolkata: 1) Risk Coverage 2) Saving 3) ROI 4) Tax Benefits 5) Liquidity
- Bokaro: 1) ROI 2) Risk Coverage 3) Saving 4) Liquidity 5) Tax Benefits

• **Table 2: Important Parameters Considered While Purchasing Insurance**

• Parameter	• Kolkata Rating	Avg	• Bokaro Rating	Avg
• Individual Coverage	Risk	• 4.5	• 3.8	
• Company Image		• 4.1	• 4.6	
• Return on Policy		• 4.0	• 4.3	
• Premium		• 3.9	• 4.2	

• **Figure 3: Challenges Faced Post Purchase**

- Processing Time (35%)
- Payment Delays (20%)
- Settlement Issues (15%)
- Lack of Info (18%)
- Maturity Period Concerns (12%)

• **T-Test Analysis:**

- **Table 3: Group Statistics - LIC Superiority Perception**

• City	• N	• Mean	• Std. Deviation
• Kolkata	• 50	• 4.05	• 0.81
• Bokaro	• 50	• 3.89	• 0.71

- **Table 4: Independent Sample T-Test**

• t	• df	• Sig. (2-tailed)
• 1.064	• 98	• 0.290

- Interpretation: Since $p > 0.05$, there is no significant difference in perception between the two cities regarding LIC's superiority.

- **Findings:**

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Findings:

- LIC remains the preferred choice due to trust, affordability, and extensive reach.
- Private insurers are preferred for technology-driven services and innovative products.
- Investment motives and perception factors vary by city.
- Key improvement areas include policy flexibility, information clarity, and process efficiency.

Conclusion:

Despite increased competition, LIC holds a dominant position due to its historic presence and trust. However, private firms are closing the gap by focusing on service quality and digital outreach. This study highlights that customer expectations are evolving, and both sectors must adapt to remain competitive.

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