

Penetration in Rural Market: Private Players Enigma

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ABSTRACT

The rural market in India constitutes 740+ million people, and is by far the largest potential market in the world. More than 600, 000 villages of India house two-thirds of its people, and earn one-third of the national income. The rural consumer has become more aware, concerned, and has added considerable purchase power to his disposal. A report by the National Council of Applied Economic Research (NCAER) in India shows that rural consumers represent more than 50 per cent of consuming classes and are the prime target market for consumer goods and essential services as education, healthcare and employment. Despite such an open market, around 68% of the rural economy still lies untapped.

The paper is an endeavour to study the private players enigma to penetrate in the rural market. The study is conducted in major villages of eight districts of Gujarat state selected for the study on the basis of potentiality and area of operations. The sample size consists of 500 respondents taken from the villages having population between 2500-5000.

The collected data is edited, coded, tabulated, grouped and organized according to the requirement of the study. A simple and appropriate statistical tool (viz. SPSS, statistical software package) is used by the researcher for testing the hypotheses and drawing conclusions.

The data is analyzed and interpreted using some basic techniques like percentages, bar plots, pie charts and also included advanced techniques like Chi-Square test.

Key Words : Rural market, Private, Insurance

INTRODUCTION

India has always been known as the 'land of villages.' In spite of the growing rate of urbanization or the migration of rural folks to cities, etc. the traditional way of life and the sanctity of our villages have always remained at the soul of every Indian. So it is but reasonable that the inhabitants of these testimonials to our tradition be given every opportunity to partake of these basic amenities and right to a secure life that their counterparts in the city enjoy.

Insurance is one such security blanket that has not yet enveloped for the majority of the rural masses.

Talking in numerical terms, in spite of 75 per cent of the Indian population residing in villages, over 80 per cent of them earn less than Rs. 6000 per month. This signifies that though the rural market presents a plethora of opportunities to the average insurer, no one has tapped these possibilities to the fullest.

It was to extend the insurance net to as much of non-urban India as possible that the Insurance Regulatory and Development Authority – established by parliament in 1999 prior to the industry being opened for private participation – made the acquisition of a certain amount of rural and social business mandatory for every company. That paved

the way for 'rural insurance', which translates in to small premium policies targeted at the weaker sections of the society.

Many of the new private sector life insurers were initially diffident towards rural business, and a few of them did not meet the mandatory requirements.

Although this may have been a cost-effective and pragmatic approach at the outset, it would be an expensive approach to pursue going forward as companies increase their overall business levels. Most of the private players are now beginning to realize the potential of the rural market, and have started to take more proactive initiatives.

ICICI Prudential Life Insurance and HDFC Standard Life Insurance have already partnered with NGOs to sell some low cost insurance in rural areas. Foreign players are also coming out with suitable product for the different section of the rural market. Two major questions sparked with the entry of private players are whether nationalization of the insurance companies has really helped Government to do anything for the poor and whether private foreign players are socially interested in the market?

LITERATURE REVIEW

Saturation of Urban Market

The high rate of growth of the rural market is not the main factor that has driven companies to go rural. The compelling factor is the fact that the urban markets are becoming increasingly complex, competitive and saturated. Both domestic companies and multinationals have burnt their fingers fighting off fierce competition, price wars and sluggish demand by high media spends and expensive consumer promotions in the urban markets. The marketers have used almost every trick to slice up the urban consumer-pie-from demographics to psychographics, usage patterns to gender.

This intensified competition in urban markets lead to increased costs and reduced market shares. Therefore, marketers are queuing up to derive benefit from the great rural opportunity. With growing incomes and aspirations in rural areas, both Indian and multinational companies have started designing strategies suited to the rural market.

Peculiarities of Rural Market

Entering into rural market is not only tough but Herculean task. This is why except the major players of the industry, companies are not venturing into this market in spite of knowledge of vast untapped potential of this market.

If a marketer thinks of just disposing off the urban products, he is not taking the right step. This is because there exist vast difference between the two markets in terms of lifestyles, beliefs, consumption patterns and buying power. To service rural markets, the four A's have to be taken care of-Affordability, Availability, Awareness and Acceptance by overcoming prevalent attitudes and habits. The idea behind rural marketing should be to expand and create markets. For a long time, rural markets were catered to by default but the scenario has changed now. The companies have realized the fact that rural markets are not an extension of urban markets. They are redesigning their marketing mix to ensure that rural needs are met effectively.

Rural Demand for Insurance Services:

The demand for insurance, though not very well articulated, is also substantial. The PriceWaterhouse Study tried to identify the need for insurance based on major adverse events happened in the previous 10 years of rural households. The percentage of households of those surveyed, which reported adverse events were: flood/heavy rain (44 percent), drought (39), and pest attack (27). The average value of loss per annum was Rs.2641 per annum per household. Death of earning member was 3 per cent. The survey also found that 64 percent of the

respondents wanted some form of insurance- 50 percent wanted life cover, 30 percent live stock, while 20 percent crop and other asset insurance. Only 15 percent had any insurance at all. By this count, the aggregate claims from 130 million rural households would be in the range of Rs. 34,330 Cr. per annum, necessitating a premium income of around Rs. 40,000 Cr per annum.

NABARD has also conducted a market survey to assess the needs of life and general insurance products among the rural population in pursuance of its proposed stake in the Rs. 750 Cr., Agricultural Insurance Company to be formed shortly. The survey reveals that there is a vast market for insurance products and services in this sector.

Group Life Insurance has an important role to play in supplementing other state level efforts like providing old age pension, employment generation scheme, preventive health, medical care, etc. LIC has been active in the field of group insurance scheme for weaker sections of society since 1970's. It has been able to bring many such groups into its fold. They include milk producers, handloom weavers, rickshaw pullers, shop assistants and the like.

Padmavathy and Pandian found the literacy rate and awareness level low in rural. But as around 50% of people have their own land, cattle, sheep or all can be the right target market for marketers in soliciting life insurance.

Rural Insurance Needs

Several studies have shown that the awareness level of insurance and long-term savings in general, among the rural population in India is high. In fact, the rural savings to income ratio, at 30% is much higher than that of the urban population. A study carried out in 2001 by FORTE, a research agency in India set up under the aegis of the Dutch insurance and banking group ING, showed that the rural awareness level of the different types of insurance is, by far, the highest for life insurance, followed by motor insurance and

personal accident insurance. The study also showed the awareness level to be the lowest in respect of insuring agricultural implements, followed by crop insurance and health insurance.

Objectives of the Study

1. To identify the factors for soliciting life insurance policies.
2. To analyze the preference for various life insurance companies by ruralites.
3. To identify the sources influencing buying decision in rural customers.
4. To understand the profile of decision maker for life insurance products in a rural family.

Hypothesis Development Based on Literature Survey

Null Hypo 1: Rural Customers give much preference to Public Player.

Null Hypo 2: Awareness level of private players is low among rural customers.

Null Hypo 3: Brokers/Agents/Professional Consultants is the main source influencing the buying decision in Rural Customers.

Null Hypo 4: Educated person is self-dependent in buying life insurance policy.

Population

All customers residing in the selected villages of Gujarat were taken as the population for the study.

Sample Units

Individual Rural Customers.

Elements

All customers who solicit insurance plan, makes the decision or respond to our query were taken as element of study.

Sampling Method

To ensure proper coverage of entire village, sample was drawn from all the major localities of the village. So the cluster sampling method was used to draw samples. While drawing the sample proper care was taken to have enough representation of population by covering households of all major localities of those villages.

Sample Size

The study was conducted in major villages of Gujarat state. Details are given in Table#1.

entered using the SPSS, statistical software package. The data was then analyzed and interpreted using some basic techniques like percentages, bar plots, pie charts and also included advanced techniques like Chi-Square test.

Scope of the Research

The sample size consists of 500 respondents taken from the villages having population between 2500-5000. Following eight districts were selected for the study on the basis of potentiality and area of operations as follows:

Table1 - Distribution of Respondents: Region wise & Gender wise

Region	District	No. of Respondents		Total
		Male	Female	
Central Gujarat	Anand	60	2	62
	Kheda	59	3	62
Saurashtra	Bhavnagar	61	3	64
North Gujarat	Patan	60	2	62
	Banaskantha	59	3	62
South Gujarat	Surat	60	4	64
Panchmahal	Dahod	59	3	62
	Panchmahal	60	2	62
Total		478	22	500

Data Processing Through Tabulation

ANALYSIS:

The collected data was edited, coded, tabulated, grouped and organized according to the requirement of the study. A simple and appropriate statistical tool (viz. SPSS, statistical software package) was used by the researcher for testing the hypotheses and drawing conclusions.

The questionnaire was coded and data gathered was

1. Anand
2. Banaskantha
3. Bhavnagar
4. Dahod
5. Kheda
6. Panchmahal
7. Patan
8. Surat

The survey will highlight on the following information areas in regards to rural segment:

1. Factors influencing / affecting soliciting Insurance plan
2. Preference and reasons for preferring insurance products of a particular company/corporation if any
3. Profile of a decision maker for life insurance products in a rural family
4. Source of information/ Recommendations /Reference
5. Major Policy Sellers

Customer Survey: Expected Outcome

1. The study will help to determine the purchase pattern for life insurance products in Rural Gujarat.
2. It will enable to understand various behavioral aspects of rural people for the range of insurance policies of various companies.
3. The study will facilitate life insurance companies in formulating marketing strategy for selling its life insurance products in Rural Gujarat.

First Hand Observations

1. 83.7% villagers have policy of Life Insurance Corporation of India (LIC), followed by Reliance (7.9%). Aviva and TATA AIG (2.2%), ICICI Prudential (1.2%), Max New York and Bajaj Allianz (1%) and SBI Life, HDFC Standard and Birla Sunlife (0.2%). Details are given in Table#2.
2. 42.33% of rural villagers chose a particular company as it is considered trustworthy by them. The reason for this can be mainly because it is a government organization. This is followed by companies with Good Agents (21.29%), Public Player (18.07%), Good Returns (9.90%), Safety of Funds (4.70%), Old Company (3.71%) and Local Network to pay Premium (1.24%). Details are given in Table#3.
3. The researcher also finds that the rural customers are mainly aware of LIC when asked to write name

for the same. Life Insurance Corporation of India (LIC) stands first with 93.98% followed by Reliance 34.23%, ICICI Prudential 21.58%, Bajaj Allianz 15.35%, SBI Life 9.34%, HDFC Standard 4.36%, Tata AIG 3.32%, Max New York 3.11%, Sahara Life 2.07%, Aviva 1.87%, Birla Sunlife 1.24%, Kotak Mahindra Old Mutual 0.41%, Shriram Life 0.21% and ING Vyasya, Met Life and Bharti Axa Life with 0%. Details are given in Table#4.

4. The total distribution of the various age groups of the respondents shows nearly relative distribution amongst the age groups 21-30 years, 31-40 years and 41-50 years, although the age group 31-40 leads amongst the respondents. This shows that the respondents who are presumed to be the decision makers for the purchase of policy belong to the youth age group. Details are given in Table#5.
5. Considering the gender distribution of the rural customers, researcher has found that 95.60% of villagers are male, while, 4.40% are female respondents. Thus, it can be said that dominance for male person or knowledge of males for life insurance is clearly higher than in females. Details are given in Table#6.
6. As far as the decision making for the purchase of insurance policy for rural customers is concerned, 72.90% of villagers purchase policy on their own i.e. self-decision. While, 21.30% villagers' spouse take the decision for the same. In 3.0% cases daughter or son of the villager take the decision. While in 2.8% cases, any other person takes the decision to purchase the insurance policy. Details are given in Table#7.
7. Insurance agents are the main source for rural mass for getting information on life insurance with 74.8% followed by TV (8.0%), newspapers (7.4%), friends/co-villagers (6.4%), opinion leaders of village (1.8%) and hoardings (1.6%). Details are given in Table#8.
8. 94.7% of rural villagers buy the policy from Sales

Agent; while, 3.80% villagers have bought them from someone's reference about life insurance and 1% villagers have taken from the bank. Thus, it

can be said that most of the rural buyers buy policy from the sales agent or in other words, insurance agents of the village. Details are given in Table#9.

Table 2 - Preference for Life Insurance Companies

		Frequency	%	Valid %	Cumulative %
Valid	Life Insurance Corporation of India (LIC)	338	60.4	83.7	83.7
	ICICI Prudential	5	.9	1.2	84.9
	Bajaj Allianz	4	.7	1.0	85.9
	SBI Life	1	.2	.2	86.1
	HDFC Standard	1	.2	.2	86.4
	Max New York	4	.7	1.0	87.4
	Reliance Life	32	5.7	7.9	95.3
	Birla Sunlife	1	.2	.2	95.5
	Aviva	9	1.6	2.2	97.8
	Tata AIG	9	1.6	2.2	100.0
	Total	404	72.1	100.0	
Missing	System	156	27.9		
Total		560	100.0		

Table 3 - Reason for the selection

Reason		Frequency	%	Valid %	Cumulative %
Valid	Public Player	73	13.0	18.1	18.1
	Trustworthy/Good Co	171	30.5	42.3	60.4
	Old	10	1.8	2.5	62.9
	Good Returns	40	7.1	.9	72.8
	Safety of Funds	19	3.4	4.7	77.5
	Good Agents	86	15.4	21.3	98.8
	Local Network to pay premium	5	.9	1.2	100.0
	Total	404	72.1	100.0	
Missing	System	156	27.9		
Total		560	100.0		

Table 4 - Name the insurance Companies existing in the market

Company Name	No.	%
Life Insurance Corporation of India (LIC)	453	93.98
ICICI Prudential	104	21.58
Bajaj Allianz	74	15.35
SBI Life	45	9.34
HDFC Standard	21	4.36
Max New York	15	3.11
Reliance Life	165	34.23
Birla Sunlife	6	1.24
Aviva	9	1.87
Kotak Mahindra Old Mutual	2	0.41
ING Vysya	0	0.00
Tata AIG	16	3.32
Shriram Life	1	0.21
Met Life	0	0.00
Sahara Life	10	2.07
Bharti Axa Life	0	0.00

Table 5 - Age group

	Age Group	Frequency	Valid Percent	Cumulative Percent
Valid	< 20 Years	15	3.0	3.0
	21 - 30 Years	138	27.6	30.6
	31 - 40 Years	166	33.2	63.8
	41 - 50 Years	110	22.0	85.8
	51 - 60 Years	57	11.4	97.2
	61 to 70 Years	12	2.4	99.6
	More than 71 Years	2	.4	100.0
	Total	500	100.0	

Table 6 - Gender

		Frequency	%	Valid %	Cumulative %
Valid	Male	478	95.6	95.6	95.6
	Female	22	4.4	4.4	100.0
	Total	500	100.0	100.0	

Table 7 - Decision taker who takes decision for buying insurance policy?

		Frequency	%	Valid %	Cumulative %
Valid	Self	336	67.2	72.9	72.9
	Spouse	98	19.6	21.3	94.1
	Daughter/Son	14	2.8	3.0	97.2
	Others	13	2.6	2.8	100.0
	Total	461	92.2	100.0	
Missing	System	39	7.8		
Total		500	100.0		

Table 8 - Who sold you the policy?

		Frequency	%	Valid %	Cumulative %
Valid	Sales Agent	425	85.0	94.7	94.7
	Referral	19	3.8	4.2	98.9
	Bank	5	1.0	1.1	100.0
	Total	449	89.8	100.0	
Missing	System	51	10.2		
Total		500	100.0		

Table 9 - From where did you know about life insurance?

		Frequency	%	Valid %	Cumulative %
Valid	TV	39	7.8	8.0	8.0
	Newspaper	36	7.2	7.4	15.4
	Hoardings	8	1.6	1.6	17.0
	Friends/Co - villagers	31	6.2	6.4	23.4
	Opinion leaders of the village	9	1.8	1.8	25.2
	Insurance Agents of village	365	73.0	74.8	100.0
	Total	488	97.6	100.0	
Missing	System	12	2.4		
Total		500	100.0		

Data Analysis & Discussion

Null Hypo 1: Rural Customers give much preference to Public Player.

Here, $p < 0.05$, in fact p value is 0.0 so it is highly significant that H_0 is accepted resulting into acceptance of null hypothesis i.e. "Rural Customers give much preference to Public Player". Details are given in Table#10.

Null Hypo 2: Awareness level of private players is low among rural customers.

Non parametric test named Chi Square test is used here to test the hypothesis that "Awareness level of private players is low among rural customers." In this context, Life Insurance Corporation of India (LIC) is considered to be a public player while other companies were kept under the private player category, as Life Insurance Corporation of India (LIC) is a government undertaken firm while others belong to private sector.

Here, $p < 0.05$, in fact p value is 0.0 so it is highly significant and H_0 is accepted resulting in to "Awareness level of private players is low among rural customers". Details are given in Table#11.

Null Hypo 3: Brokers/Agents/Professional Consultants is the main source influencing the buying decision in Rural Customers.

Firstly, the status of customers on the basis of source of information about life insurance was identified. As there is more than one source of knowledge or getting information about life insurance, each source was considered separately here. And then the same was categorized and summarized to know the exact information from the respondents on the basis of ranking.

Here, $p < 0.05$, in fact p value is 0.00 so it is highly significant that H_0 is accepted resulting into "Brokers/Agents/Professional Consultants is the main source influencing the buying decision in Rural Customers". Details are given in Table#12.

Null Hypo 4: Educated person is self-dependent in buying life insurance policy.

Here, $p < 0.05$, in fact p value is 0.01 so it is fairly significant that H_0 is accepted resulting into "Educated person is self dependent in buying life insurance policy". Details are given in Table#13.

CONCLUSION

Thus, the researcher senses that the rural market holds a lot of promise, but insurance companies have to tread carefully. Merely selling the product is only a minor part of the insurance cycle and the major challenge is to efficiently service the rural customer. There cannot be one standardized solution for this. The companies must customize and for the foreseeable fallout while innovating appropriate product and technology to deliver the promise.

In other words, rural insurance should be looked upon as opportunity, not an obligation which researcher feels and has been felt as of now. A smaller bundle of innovative products in sync with rural needs and perceptions and an efficient delivery system which time and again has been repeated during the entire research are the two aspects that have to be developed to penetrate rural markets.

Thus, researcher finally construes that insurance is no longer an unexciting business. The insurance market is in for a deep segmentation with a few companies becoming financial conglomerates and others transforming into niche players to attract the budding rural markets.

Table 10 Chi - Square Tests

	Value	df	Asymp. Sig. (2 sided)
Pearson Chi - Square	149.265	54	.000
Likelihood Ratio	137.407	54	.000
Linear - by - Linear Association	66.156	1	.000
N of Valid Cases	404		

Table 11 - Test Statistics

Chi - Square(a)	1100.774
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Table 12 - Chi-Square Tests

	Value	df	Asymp. Sig. (2 - sided)
Pearson Chi - Square	69.001	10	.000
Likelihood Ratio	28.960	10	.001
Linear - by - Linear Association	2.436	1	.119
N of Valid Cases	442		

Table 13 - Chi-Square Tests

	Value	df	Asymp. Sig. (2 sided)
Pearson Chi - Square	23.396	7	.001
Likelihood Ratio	21.411	7	.003
Linear - by - Linear Association	1.147	1	.284
N of Valid Cases	461		

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