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A STUDY ON THE IMPACT OF SOCIO-ECONOMIC FACTORS ON DECISION MAKING OF POLICYHOLDERS IN LIFE INSURANCE CORPORATION OF INDIA (LIC)

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ABSTRACT
The decision to purchase life insurance is significantly influenced by socio-economic factors that shape an individual's financial behaviour and long-term planning. In India, the Life Insurance Corporation of India (LIC) has been a dominant and trusted provider of life insurance services across diverse population segments. However, the decision-making behaviour of LIC policyholders varies widely due to differences in income, education, occupation, age, gender, family structure, and geographical location. This study examines the impact of these socio-economic factors on the insurance decision-making process of LIC policyholders. Using insights derived from secondary data, field-based observations, and a review of existing literature, the study identifies patterns in policy preference, awareness levels, and purchasing behaviour. The findings reveal that income and education play a decisive role in policy selection, while gender, occupation, and urban–rural differences significantly affect awareness and access to insurance services. The study also highlights emerging trends such as increasing financial awareness among youth and women, along with challenges related to financial literacy and product complexity. The paper concludes with strategic recommendations for LIC and policymakers to enhance insurance penetration, inclusiveness, and customer-centric product design in India.

KEYWORDS: *Socio-Economic Factors, LIC, Insurance Decision-Making, Financial Literacy, Policyholder Behaviour, Financial Inclusion*

1. INTRODUCTION

1.1 Background

INSURANCE INDUSTRY AND LIC

The insurance industry plays a crucial role in economic development by providing financial protection against risks and promoting long-term savings. In India, the life insurance sector forms a significant part of the financial system and contributes to social security and financial inclusion. Despite steady growth, insurance penetration in India remains low compared to developed economies, largely due to socio-economic disparities, limited financial literacy, and varying levels of awareness across regions.

The Life Insurance Corporation of India (LIC), established in 1956 under the Life Insurance Corporation Act, is the largest and most trusted life insurer in the country. LIC was created with the objective of making life insurance accessible to all sections of society, particularly rural and economically weaker populations. With its extensive branch network and large agent base, LIC has achieved deep penetration across urban and rural areas.

LIC offers a wide range of life insurance products, including term insurance, endowment plans, pension schemes, and child insurance plans. Apart from its commercial role, LIC also contributes to national development by mobilizing household savings and investing in infrastructure and government securities. Given its diverse policyholder base and strong social orientation, LIC provides an appropriate framework for examining the influence of socio-economic factors on insurance decision-making behaviour in India.

2. OBJECTIVES OF THE STUDY

PRESENT STUDY HAS BEEN UNDERTAKEN WITH THE FOLLOWING OBJECTIVES

- To examine the impact of socio-economic factors on the decision-making behaviour of LIC policyholders.
- To analyze the role of income and education in influencing life insurance policy selection.
- To study the effect of occupation and employment stability on insurance purchasing decisions.
- To assess gender-based differences in insurance awareness and decision-making.
- To compare insurance behaviour between urban and rural LIC policyholders.
- To identify challenges faced by policyholders in understanding and selecting LIC insurance products.
- To suggest measures for LIC and policymakers to improve insurance awareness and inclusiveness.

1.2 Research Hypothesis

Hypothesis

H_{01}: Income has no significant impact on the decision-making behaviour of LIC policyholders.
H_{11}: Income has a significant impact on the decision-making behaviour of LIC policyholders.
H_{02}: Education level has no significant impact on the decision-making behaviour of LIC policyholders.
H_{12}: Education level has a significant impact on the decision-making behaviour of LIC policyholders.

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1.3 Significance of the Study

Understanding socio-economic influences on insurance decisions is essential for designing inclusive and customer-oriented insurance products. The study contributes to policymakers, insurers, and researchers by identifying gaps in awareness and accessibility, thereby supporting improved insurance penetration and financial inclusion.

2. LITERATURE REVIEW

Previous studies have emphasized the strong relationship between socio-economic variables and insurance behaviour. Mishra and Mishra (2020) highlighted income and education as key determinants of insurance demand. Reddy (2021) observed low insurance awareness in rural India due to financial illiteracy and limited access. Sinha (2022) identified occupation and employment security as major factors affecting insurance penetration. Kotler and Keller (2017) emphasized the role of consumer behaviour and trust in financial product selection. These studies collectively suggest that socio-economic conditions significantly shape insurance awareness, preferences, and purchasing decisions.

3. METHODOLOGY

3.1 Research Design

The study follows a descriptive and analytical research design to examine the influence of socio-economic factors on LIC policyholders' decision-making.

3.2 Data Collection

The study is based on secondary data collected from LIC annual reports, IRDAI publications, academic journals, textbooks, and existing research studies. Informal interactions with policyholders and insurance agents also provided qualitative insights.

3.3 Data Analysis

The collected data were analyzed using qualitative content analysis, focusing on identifying patterns and relationships between socio-economic factors and insurance behaviour.

4. RESULTS

The analysis reveals the following key findings:

- Income level significantly influences policy type, premium size, and tenure.
- Educated policyholders demonstrate higher awareness and informed decision-making.
- Salaried and government employees prefer long-term and traditional insurance plans.
- Gender differences exist, with increasing participation of women in independent insurance decisions.
- Urban policyholders show higher adoption of digital services compared to rural policyholders.
- Family size and dependency levels strongly affect coverage and policy selection.

5. DISCUSSION

5.1 Interpretation of Results

The results indicate that socio-economic factors operate collectively rather than independently in shaping insurance decisions. Income and education emerge as dominant factors, while occupation and employment stability influence risk perception and policy preferences.

5.2 Implications

The findings suggest the need for targeted insurance products and awareness programs. Bridging the digital and financial literacy gap is essential, particularly in rural areas and among women and informal workers.

6. CONCLUSION

6.1 Summary

This study examined the impact of socio-economic factors on the decision-making behaviour of LIC policyholders in India. It highlighted how income, education, occupation, gender, age, and geography influence insurance awareness and policy selection.

6.2 Key Findings

Socio-economic factors significantly affect insurance decisions.

LIC continues to enjoy trust but must adapt to changing socio-economic realities.

Financial literacy and product simplification are crucial for inclusive growth.

The study concludes that LIC has a unique opportunity to strengthen its role by aligning insurance offerings with the diverse socio-economic needs of India's population.

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