

## Rural Postal Life Insurance: Its Growth and Public Awareness

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### Abstract

The Government should pay serious attention to insurance penetration in rural areas as it is abysmally low as compared to urban India. The Government has authorized postal department to provide insurance service in rural areas as India has the largest postal network in the world with over 1, 55,000 post offices of which 89.76% are in the rural areas. Rural Postal Life Insurance (RPLI) was introduced in 1993 with the aim of providing low cost insurance operation through the post offices/agents. This empirical and analytical research aims to analyze the growth of RPLI and the public awareness of RPLI in rural areas. The growth of RPLI was measured through the number of policies as well as sum assured under RPLI during the period from 2001-2 to 2009-10 and it is reported that the insurance policies have grown at a CAGR of 31.16% and the sum assured has grown at a CAGR of 38.48% for the nine-year period. In addition the study on the awareness of RPLI among the rural public has revealed that there is a significant relationship between awareness of RPLI and education, occupation, family income and percent of saving of the rural public.

**Keywords:** Postal Life Insurance, Postal Department, Rural areas, Awareness

### Introduction

Postal Life Insurance (PLI) is the oldest life insurer in India. It was introduced on 1<sup>st</sup> February 1884 as a welfare scheme for the benefit of Postal employees and later extended to the employees of Telegraph department in 1888. Presently, PLI covers employees of various Government sectors. Rural Postal Life Insurance (RPLI) was introduced in 1993. The aim of RPLI is to spread awareness as well as provide insurance cover to the rural areas with low cost of operations. RPLI offers six different schemes like Whole Life Assurance (GRAMA SURAKSHA), Convertible Whole Life Assurance (GRAMA SUVIDHA), Endowment Assurance (GRAMA SANTOSH), Anticipated Endowment Assurance (GRAMA SUMANGAL), GRAM PRIYA and scheme for physically handicapped persons. RPLI has a significant contribution in socio-economic development of rural areas but its success depends on the public awareness and their acceptance. In this situation the Researcher raised the following questions

- ❖ How is the growth of RPLI?
- ❖ Has the public sufficient awareness about RPLI?

In order to find the answer to the above questions, the Researcher has undertaken this research titled "Rural Postal Life Insurance: Its Growth and Public Awareness" with the following objectives.

### Objectives of the Study

- ❖ To evaluate the growth of RPLI
- ❖ To find out the public awareness of RPLI in rural areas
- ❖ To study the relationship of public awareness of RPLI among various demographic factors

### Hypotheses of the Study

- ❖ Ho<sub>1</sub>: There is a slow growth of RPLI
- ❖ Ho<sub>2</sub>: There is no significant relationship of awareness of RPLI among various groups of public.

## Review of Literature

Sridevi (2012) focuses on the factors which play a major role in buying behavior of consumers towards life insurance policies in Perambalur area and compares the differences in consumer perception of male and female consumers. Kirtilal and Rajendra (2012) in their study focus on the customer satisfaction towards LIC of India and it is reported that majority of the customers were satisfied with the LIC policies and service provided. Arulsuresh (2011) in his empirical study focuses on the service rendered by the Life Insurance Corporation (LIC) of India with the opinion of 300 policyholders in Madurai and it is concluded that availability of services in LIC branch and grievance redressal mechanism are the main factors for Customer Relationship Management (CRM). Ganapathi (2010) stated that post office deposits provide safety and security for the amount invested but proper advertisements must be made for creating awareness to the public towards Post Office Savings Schemes because deposits can be increased in various post office schemes. Krishnamoorthy (2008) concluded that all salaried people were aware of bank deposits, Provident Fund (PF) schemes, Insurance schemes, Post office savings schemes.

Sunayna Khurana (2008) in her study shows that the insurance sector plays a very important role in the development of any economy. Karthikeyan (2001) found that there was significant difference in the level of awareness towards KVP, National Savings Scheme (NSS), and deposit Scheme for Retired Employees (DSRE) among various age groups. Further, the old age group investors have higher level of awareness than young age group. Gavini and Prashanth (1999) say that Indira Vikas Patra (IVP), Kisan Vikas Patra (KVP) and Post Office Recurring Deposit Account (PORD) were the most popular among various post office schemes, in both urban and rural areas. Social considerations, tax benefits, and provision for old age were the major reasons for saving in urban areas, whereas provision for old age was the main reason in rural areas.

## Research Methodology

The present empirical and analytical research design has used both secondary and primary data. The secondary data related to number of policies as well as sum assured under RPLI during nine financial years from 2001-2002 to 2009-2010 considered to measure the growth of RPLI in India. The secondary data used is officially issued by Dept. of Posts (DoPs). In addition, the primary data is used to study the awareness of RPLI in rural areas. The primary data was collected from public (respondent) who are living in various villages (Vadivelampalayam, Nathegoundenpudur, Naraseepuram, Kuppanur, Karadimadai, Sennanaur, Mathipalayam, Karunya, Semmadu and Molapalayam) of Thondamuthur block of Coimbatore South Taluk during May to August 2013. Totally 300 questionnaire - cum interview schedule were administered to collect primary data but only 82.67% of responses were used for final study. The convenience sampling method was used to select the respondents for the present study. Percentage analysis, Mean, Standard Deviation (SD), Co-efficient of Variation (CV), Compound Annual Growth Rate (CAGR), Comparative Growth analysis, Garrett's ranking and Chi-square test ( $\chi^2$ ) were used to draw the inferences.

## Results and discussion

The collected secondary & primary data were analyzed with the help of various tools and it was presented in tabulation and graphical form.

### Growth of Insurance Policies under RPLI

The growth of number of policies under RPLI across India during the study period from 2001-2002 to 2009-2010 were measured (Table 1).

The growth of RPLI with respect to number of policies during 2009-2010 was at 9925103 compared to 7356446 during the year 2008-2009 indicating an increase of 35% over the year of 2008-2009 but 7.73% over the year of 2001-2002 and the actual growth of policies under RPLI in India increased during the study period (Figure - 2). Further, the actual growth of policies under RPLI was lesser than the expected growth during the period 2003-2004 to 2008-2009 but the actual growth of policies under RPLI was higher than the expected growth in 2001-2002, 2002-2003 and 2009-2010 (Figure - 1). This is followed by number of policies under RPLI on yearly average based on the nine years was 4748032 while SD was 2806520 million and CV was 59.11% (Table - 1). In addition, the most

avored year on growth of number of policies forced under RPLI was found to be 2009-2010 and least favored year of 2001- 2002 (Figure – 2). Further, this study predicts the future growth of RPLI which will reach more than 14 million policies in the year of 2014-2015 (Figure – 2) with the growth of 39% than 2009-2010. The insurance policies under RPLI have grown at a CAGR of 31.16% for the nine-year period of study (Table – 1).

### Growth of Sum Assured under RPLI

The growth of sum assured under RPLI during 2009-2010 was at Rs. 59,572.59 Crore as compared to Rs. 53,072.10 Crore during the year 2008-2009 indicating an increase of 12.25% over the year of 2008-2009 and the actual growth of sum assured under RPLI in India increased during the study period from 2001-2002 to 2009-2010 (Figure - 4). Further, the actual growth of sum assured under RPLI was lesser than the expected growth during the period 2003-2004 to 2007-2008 but the actual growth of sum assured under RPLI was higher than the expected growth in 2001-2002, 2002-2003, 2008-2009 and 2009-2010 (Figure – 3). This is followed by sum assured under RPLI on yearly average based on the nine years was Rs. 28,484.51 Crores while SD was 19,909.76 and CV was 69.88% (Table – 2). In addition, the most favored year on growth of sum assured under RPLI was found to be 2009-2010 and least favored year of 2001- 2002 (Figure – 4). Further, this study predicts the future growth of RPLI with respect to its sum assurance which will reach more than the Rs.93000 Crore in the year of 2014-2015 (Figure – 4) with the growth of 56.5%. The sum assured under RPLI has grown at a CAGR of 38.48% for the nine-year period from 2001-2002 to 2009-2010 (Table – 1)

### Demographic Factors of the Respondents

Of the total respondents surveyed, 54.44% are female and 45.56% are male. Nearly 3/4<sup>th</sup> of the respondents belong to middle age group (26 – 50 years), 13.31% belong to young age group (Below 25 years) and the remaining 12.10% of them belong to higher age group (above 50 years). Majority (51.61%) of the respondents are unmarried and nearly half of them have completed higher education. The survey conducted showed that 2/5<sup>th</sup> of the respondents are agriculturists, 1/4<sup>th</sup> are govt. & private employees, nearly 1/5<sup>th</sup> are businessman. Majority of the respondents' family are middle income (Rs.1,00,001 – Rs.1,50,000) groups and a lower percent (18.15%) of the respondents' family have low income (Upto Rs.1,00,000).

### Percent of Saving and Preference of Saving Avenues of the Respondents

Figure 5 shows that 45.97% of the respondents' family has saved more than 20% of total income per month, 38.31% of respondents' family has saved between 12% to 20% per month and the remaining 15.73% has saved up to 10% per month.

To identify the most preferred saving avenue that are derived by the respondents, Garrett ranking can be employed and its computation procedures are given below:

$$\% \text{ Position} = \frac{100 \times (R_i - 0.5)}{N_j}$$

$R_i$  – rank allotted to the  $i^{\text{th}}$  factor by the  $j^{\text{th}}$  individual, and  $N_j$  – total number of factors ranked by the  $j^{\text{th}}$  individual. The % position of each rank was further converted into scores by using the Garret's approach. Then, the scores of all respondents assigned to each factor were added and divided by the total number of respondents who had responded. Next, the mean scores of all the items of particulars were arranged in a descending order and ranks allotted to them according to the score obtained. (See Table 3).

It could be seen from the Table 3 that "Gold/Silver" was the first preferred investment avenue of the respondents with mean of 56.38. And "bank deposit" is the second preferred saving avenue of the respondents with an average score of 54.82 in Garrett's Ranking. "Insurance" is ranked third and "postal savings" are ranked fourth with the next highest mean score of the techniques of Garrett. On the other hand, "stock market" get the last rank with the lowest mean score in the Garrett's ranking techniques.

## Awareness of RPLI

Distribution of the respondents based on their awareness of RPLI is shown in Figure 6 and depicts that nearly 2/3<sup>rd</sup> of the respondents are aware of RPLI and the remaining 1/3<sup>rd</sup> of them are not aware.

### Relationship of Awareness of RPLI to Various Demographic Factors.

Ho: There is no significant relationship of awareness of RPLI among various groups of gender, age group, marital status, educational qualification, occupational status, family income and percent of saving of the respondents.

H1: There is a significant relationship of awareness of RPLI among various groups of gender, age group, marital status, educational qualification, occupational status, family income and percent of saving of the respondents. See Table 4.

**Gender and Awareness of RPLI:** It is observed from Table 4 that the calculated value of  $\chi^2 \{ \sum (O - E)^2 / E \}$  comes out 0.347 @ 5% level whereas the tabulated value of  $\chi^2$  is 3.84. For that reason, null hypotheses Ho is accepted and it is concluded that there is no significant relationship of awareness of RPLI between male and female respondents.

**Age group and Awareness of RPLI:** It is observed from table 4 that the calculated value of  $\chi^2 \{ \sum (O - E)^2 / E \}$  is 2.595 @ 5% level whereas tabulated value of  $\chi^2$  is 5.99 so null hypotheses Ho is accepted and it is concluded that there is no significant relationship of awareness of RPLI among various age groups of the respondents.

**Marital Status and Awareness of RPLI:** Table 4 shows that the calculated value of  $\chi^2 \{ \sum (O - E)^2 / E \}$  comes out 0.725 @ 5% level whereas the tabulated value of  $\chi^2$  is 3.84. The null hypotheses Ho is accepted and it is concluded that there is no significant relationship of awareness of RPLI between married and unmarried respondents.

**Educational qualification and Awareness of RPLI:** It is seen from the Table 4 that the  $\chi^2$  calculated value significant @ 1% & 5% level because the tabulated value of  $\chi^2 \{ \sum (O - E)^2 / E \}$  is 9.21 @ 1% level and 5.99 @ 5% level. The null hypotheses Ho is rejected and it can be reported that there is a significant relationship between awareness of RPLI among respondents and their educational qualifications.

**Occupational Status and Awareness of RPLI:** Table 4 shows that the  $\chi^2$  calculated value significant @ 1% & 5% level because the tabulated value of  $\chi^2 \{ \sum (O - E)^2 / E \}$  is 13.23 @ 1% level and 9.49 @ 5% level. Hence the null hypotheses Ho is rejected and it can be reported that there is a significant relationship of awareness of RPLI with the occupational status of the respondents.

**Family income & Awareness of RPLI:** It is seen from Table 4 that the  $\chi^2$  calculated value significant @ 1% & 5% level because the tabulated value of  $\chi^2 \{ \sum (O - E)^2 / E \}$  is 9.21 @ 1% level and 5.99 @ 5% level. Hence the null hypotheses Ho is rejected and it can be reported that there is a significant relationship of awareness of RPLI with family income of the respondents.

**Percent of saving & Awareness of RPLI:** Table 4 shows that the  $\chi^2$  calculated value significant @ 1% & 5% level because the tabulated value of  $\chi^2 \{ \sum (O - E)^2 / E \}$  is 9.21 @ 1% level and 5.99 @ 5% level. The null hypotheses Ho is rejected and it can be reported that there is a significant relationship of awareness of RPLI with saving groups of the respondents.

## Conclusion

The growth of RPLI was at 9.93 billion policies and its sum assured Rs.59572.59 Crores during 2009-10 and grew 35% in number of policies and 12.25% in sum assured over the year of 2008-09 but the actual growth of RPLI in India with respect to number of policies as well as the sum assured increased from 2001-02 to 2009-10. This study expects the growth of RPLI to grow more than 14 million policies with the sum assurance of Rs.93000 Crore in the year of 2014-15. In rural areas, 2/3<sup>rd</sup> of the public are aware of RPLI and there is a significant relationship between the awareness and education, occupation, family income and saving of respondents in rural India.

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**Table 1. Growth of RPLI with respect to number of policies from 2001-02 to 2009-10**

Average Growth (Number of Policies)	4748032
SD	2806520
CV (%)	59.11
CAGR (%)	31.16

Source: Directorate of Postal Life Insurance, New Delhi

**Table 2. Growth of RPLI with respect to sum assured From 2001-02 to 2009-10**

Average Growth of Sum Assured (in Rs. Crores)	28484.51
SD	19903.76
CV (%)	69.88
CAGR (%)	38.48

Source: Directorate of Postal Life Insurance, New Delhi

**Table 3. Preference of saving avenue**

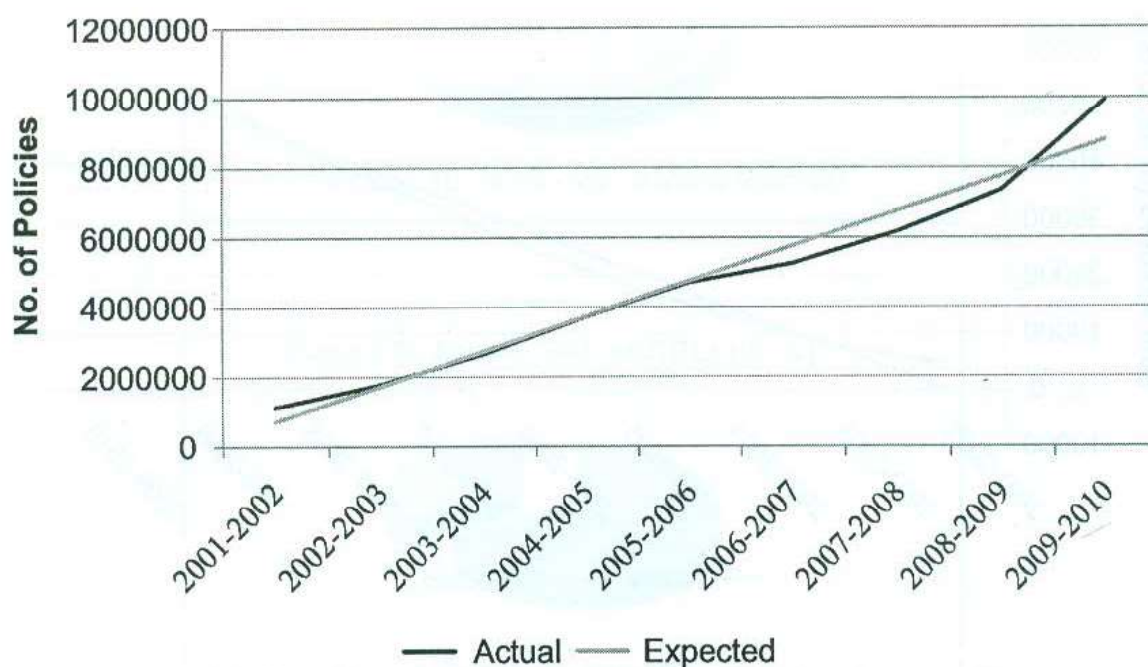
Saving avenue	Garrett's Point	Mean	Rank
Mutual funds	11777	47.49	V
Gold/Silver	13983	56.38	I
Insurance	12880	51.94	III
Bank deposits	13595	54.82	II
Postal savings	12861	51.86	IV
Real estate	11433	46.10	VI
Stock market	10023	40.42	VII

Source: Field Survey

**Table 4. Relationship of demographic factors and awareness of RPLI**

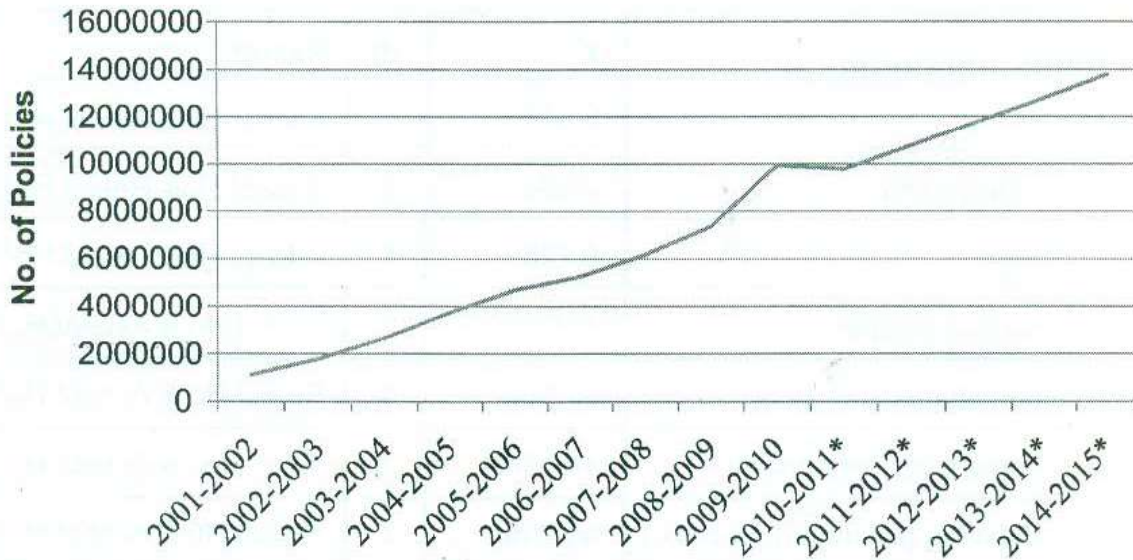
Variables	$\chi^2$	df	Result
Gender	0.347	1	Accept Ho & Reject Ho1
Age group (in years)	2.595	2	Accept Ho & Reject Ho1
Marital status	0.725	1	Accept Ho & Reject Ho1
Educational qualification	104.407**	2	Reject Ho & Accept Ho1
Occupational status	21.598**	4	Reject Ho & Accept Ho1
Family income (Rs. Per annum)	18.388**	2	Reject Ho & Accept Ho1
Percent of saving per month (approx.)	99.769**	2	Reject Ho & Accept Ho1

Source: Field Survey; \*\* @ 1% and \* @ 5% level

**Figure 1. Growth of policies under RPLI**

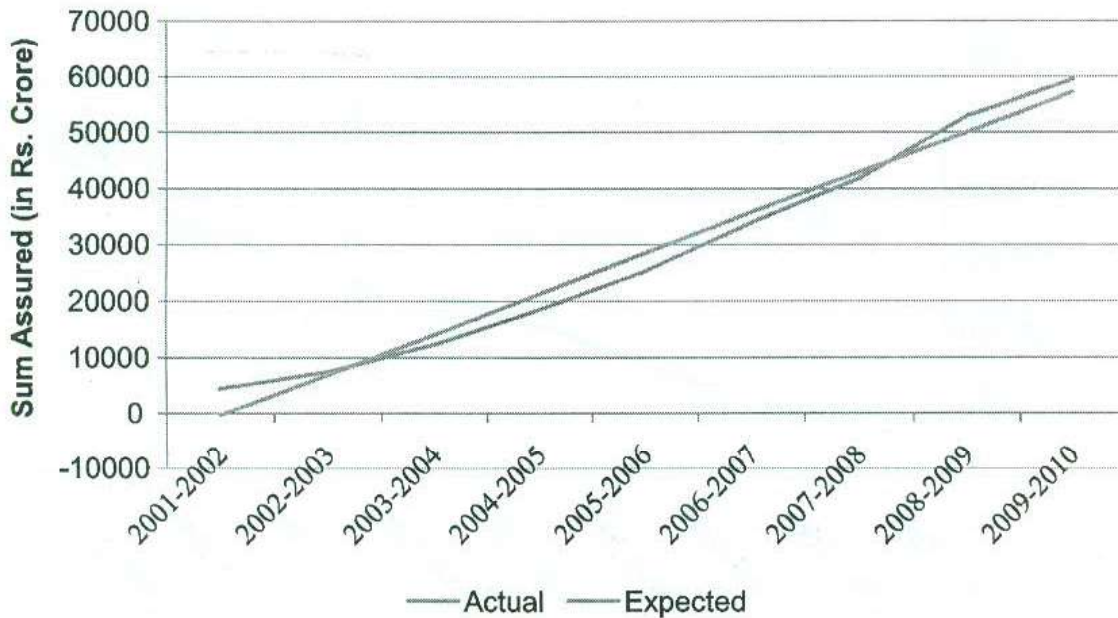
Source: Directorate of Postal Life Insurance, New Delhi

Figure 2. Growth of policies under RPLI from 200102 to 201415



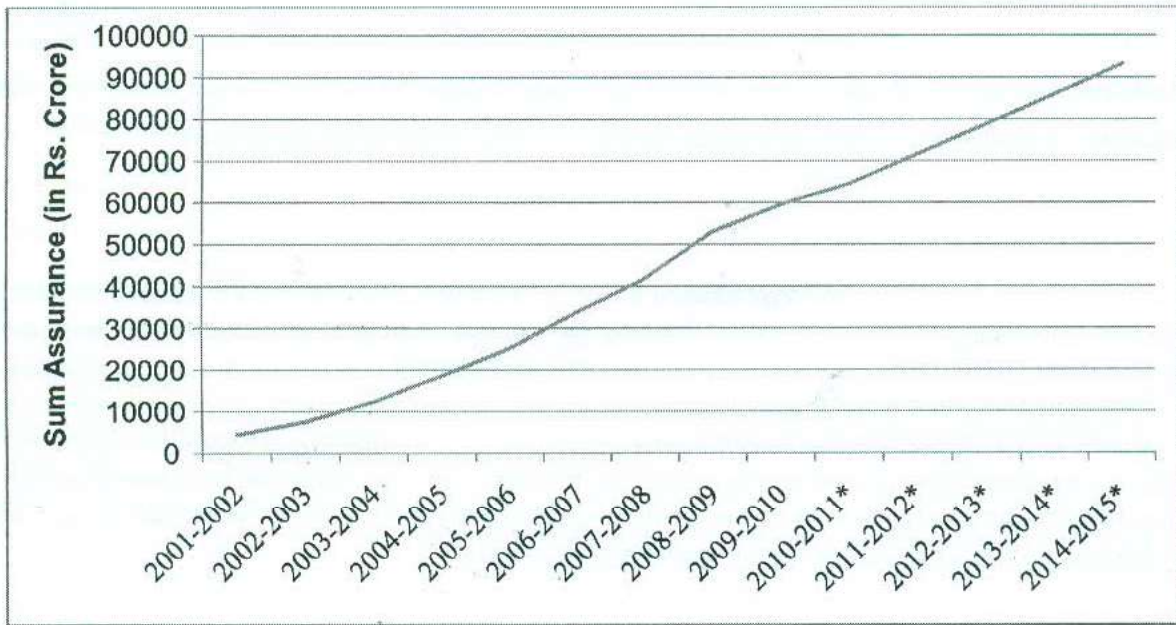
Source: Directorate of Postal Life Insurance, New Delhi; \* forecast

Figure 3. Growth of sum assured under RPLI



Source: Directorate of Postal Life Insurance, New Delhi

Figure 4. Growth of sum assured under RPLI from 2001- 02 to 2014-15



Source: Directorate of Postal Life Insurance, New Delhi; \* forecast

Figure 5. Percent of Saving Per Month

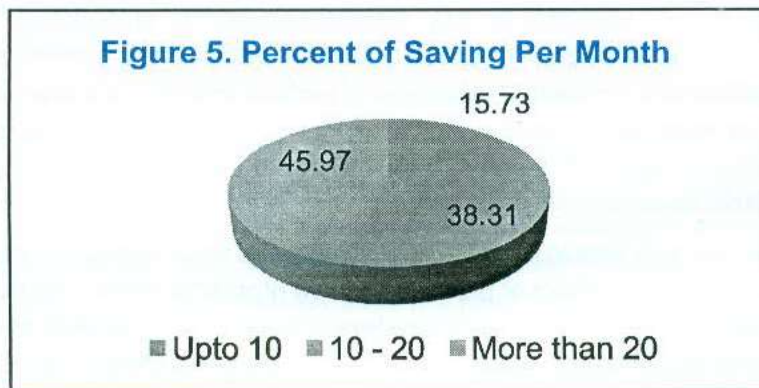


Figure 6. Awareness of RPLI (In %)

