**Literature Review:**

While earlier studies on life insurance sector mainly focused upon LIC, it was only after reforms in this sector that certain studies covering private players have taken place. Among early studies, Arora (2002) highlighted that LIC was likely to face tough competition from private insurers having large established network and their trained intermediaries throughout India. Verma (2003) analyzed the various types of products offered by public sector giant and the new global players in the private sector. Kumar and Taneja (2004) highlighted the opportunities and challenges before the insurance industry in India due to liberalization, globalization and privatization. Bhattacharya (2005) advocated that banc assurance provided the best opportunities to tap the large potential in rural and semi urban areas as banks have a strong network of more than 40000 branches in these areas. He suggested that the insurers should focus on Single Premium policies, Unit Linked Insurance, Pension Market and Health Insurance. Kumar(2005) highlighted that private insurance players introduced a wider range of insurance products and set up brand promotion as part of their new strategy. These new covers had flexibility and added benefits to suit the needs of customers who were unsatisfied with the traditional and rigid plans.

The object of this chapter is to review the related literature in respect of rural life insurance and the factors associated with rural insurance penetration. It also relates to the rural markets of India, the enigmas of rural market and rural life insurance marketing in rural areas. The end result of this review is to formulate a conceptual framework regarding the selected topic of research. It is possible to formulate certain hypotheses basing on the review. The primary assumption is that the insurers Private or Government are primarily responsible for the penetration of life insurance coverage to the rural masses and thus provide total social security. Marketing management techniques influence the spread of insurance message to the rural populace.

**What is a rural Area:-**

The Census of 2001 defines rural as follows:

Village: —Basic unit for rural areas is the revenue village, might comprise several hamlets demarcated by physical boundaries.

Town: —Towns are actually rural areas but satisfy the following criteria. Minimum population $\geq 5,000$, Population density $\geq 400$/sq km., 75% of male population engaged in non-agricultural activities.

As per Reserve Bank of India all locations with population up to 10,000 will be considered as rural and 10,000 to 100,000 as semi urban.

NABARD defines rural as all locations irrespective of villages or towns, up to a population of 10,000.
The Planning Commission says that towns with population up to 15,000 are considered as rural. The consumer durable giant LG Electronics defines all cities other than the seven metros as rural.

The regulations of IRDA, 2002, define the —Rural as follows:—The rural sector has been defined as a place in which, as per the latest census, the population is less than 5000, the density of population is less than 400 per square kilometer and more than 75% of the male working population is engaged in agricultural pursuits. (Agricultural pursuits are defined as cultivation, agricultural labour, and work in live stock, forestry, fishing, hunting, plantation, orchards and allied activities). The constitutional amendment in 1993 required the state governments to notify the settlements as —Urban and —Rural. Many State governments have notified as per the law laid down by the Constitution. These notified areas also constitute rural areas.

**Rural marketing:** Rural marketing, as per National Commission on Agriculture, is a process which starts with a decision to produce a saleable farm commodity and it involves all the aspects of market structure or system, both functional and institutional, based on technical and economic considerations and includes pre and post harvest operations, assembling, grading, storage, transportation and distribution. Pradeep Kashyap and Siddhart Raut, (2007) in their book, —The Rural Marketing Book provide a corporate rural marketing definition as follows: —Rural Marketing can be defined as a function that manages all activities involved in assessing, stimulating, and converting the purchasing power of rural consumers in to an effective demand for specific products and services and moving these products and services to the people in the rural areas to create satisfaction and a better standard of living and thereby achieving organizational goals.

In his book titled —Rural Marketing S.K. Velayudhan (2010) says that rural market consists of a set of consumers who are located in rural area and who exhibit behaviour that is different from the behaviour of consumers in urban areas. The marketing issues and, therefore, the marketing decisions in serving the markets vary considerably compared to marketing for urban consumers. He also goes on to add that the use of geography to define rural markets is relevant from the perspective of a marketing manager. Rural markets require a different marketing approach because of variation in consumer behaviour and income levels as also differences in macro and micro environment of consumers located in rural areas. The important aspects of the micro environment are the type of channels available in serving rural markets and also the type of media available to reach out to the rural markets. The type of infrastructure in rural areas has implications for marketers.

Characteristics of rural markets: S.K. Velayudhan elaborates the unique characteristics of rural markets as follows:

The wants of rural customers are not necessarily same as those of urban consumers. These wants are shaped by a number of factors, including environment. The rural consumer who buys a vehicle for meeting his transportation needs may want a rugged rather than a sleek vehicle. Marketers are today alert to these preferences.
Social and cultural practices have an important influence on rural consumer behaviour. A marketer cannot ignore the influence of community on purchase and use behaviour as this can affect the product and the advertising message used. The presence of a community washing place would mean that washing soaps are not products used in private but used in front of others.

The nature of occupation also influences the marketers' strategy. Agricultural workers prefer to pay a smaller purchase price because of a daily wage system. The popularity of small packs is a result of this.

Rural institutions are different from those of in urban areas. The social, political and economic institutions are significant for marketers. An important rural institution that influences marketing is the weekly village market. Recognizing the importance of this institution marketers use them to reach the rural consumer. Colgate-Palmolive, for example, uses the weekly village markets to promote its products. Pradeep Kashyap (2007) writes about several myths of rural markets as follows:

Such as the belief that rural people do not buy brands. In fact, brand consumption, both national and regional, accounts for 80 percent of sales for FMCGs.

The belief is that rural customers buy cheap products. In reality, they seek value for money.

The belief that the rural market is a homogeneous mass. In fact it is fascinatingly heterogeneous.

Miss Pirakatheeswari, (2008) in her article, Rural marketing- a critical review'says that rural consumers are keen on branded goods now a days, so the market size for products and services seems to have burgeoned. The rural population has shown a trend of wanting to move in to a state of gradual urbanization in terms of exposure, habits, lifestyle and lastly, consumption patterns of goods and services.

Rural market is not an extension of the urban market. Socio cultural factors have a bearing on purchase decisions in rural areas. The rural people are brand conscious and value brand for money. With in the rural market there exists wide differences and one size fits all strategy does not simply work. Companies can co-create products for mutual good with an aim at inclusive growth.

Life insurance - Rural marketing: The Life Insurance Corporation of India identified the need of rural life insurance and the very first objectives of the LIC of India is to spread life insurance much more widely and in particular to the rural areas and to the socially and economically backward classes with a view to reaching all insurable persons in the country and providing them adequate financial cover against death at a reasonable cost. In spite of the above laudable objective, the concept of marketing entered in to life insurance industry very lately and the rural focus is still nascent.

P. Charan in his book titled ―Marketing and management strategy for insurance in rural India elaborates some of the challenges in the rural market as follows:

Consumers are scattered and spread over a vast area. 1 Exposure to print media is very low. 2 Variations to dialect and life styles abound. 3 Message comprehension poor. 4 Non conventional media more expensive and cumbersome. 5 Awareness and distribution channels not available
particularly for insurance. He further elaborates the evolution of rural insurance marketing as follows: —The general insurance industry in India, prior to nationalization concentrated its efforts in the urban organized sector to the relative neglect of the vast population in the rural areas. After nationalization, the approach of the general insurance industry towards the rural market has changed considerably. The insurers have broken their old shell of big cities and large business houses. They have made sincere efforts in reaching their service to the remotest village and satisfying insurance need of the rural population which are very different from the traditional urban market. Many need based covers have been designed, especially for the rural market, keeping in view the needs of economic activity in rural areas. By opening offices in smaller towns and appointing Development officers and agents, specially catering to rural areas, we have also tried to make the services available as near to the clients as possible. Through our innovative publicity and advertising efforts in local languages through media which are easily accessible to the rural population, we have also attempted to reach the message of insurance to the rural population. An increasing marketing orientation will alone usher in long term success based on consumer satisfaction and loyalty.
Till then the market has been broadly divided into urban and rural. However it was felt that this broad classification did not give sufficient knowledge as regards the extent of market exploitation and potential availability. It was felt a detailed planning; segment wise on the following pattern will lead to better results. Basic segments on the basis of occupations:

1. Segment I: Professional and managerial group (professional, technical, executive and managerial workers)

2. Segment II: Regular income group (clerical and sales workers).


4. Agricultural labourers.

Thus segmental planning with rural focus started after the OIC (Organization Improvement Cell) set up of decentralization of the LIC of India in early 80s. —Corporate Policies published by LIC Central Office (1994) elaborates the objectives and goals of its marketing policy as follows:

Objectives:

As a national organization LIC should provide optimal financial security through life insurance, as extensively as possible, to diverse populations in urban and rural areas:

- with different occupations and sources of income and economic value; and in high, middle and low income levels and more especially those whose income is not regular and the economically weaker sections;

Having in mind----

The changing socio-economic environment of the country;

- the organization's prime concern with customer satisfaction;

- the need to provide cover at the minimum possible price;

- the need for mobilizing an increasing volume of savings; and

- the economic viability of operations to ensure stability and growth of LIC.

For achieving the above- stated objectives, the goals are spelt out as follows:

Bringing about a marketing approach in the various tiers of the organizational hierarchy.

Better penetration into rural areas and market segments – urban & rural -hitherto not adequately explored.

Offering adequate range of products suitable for different segments of people.

Improving customer satisfaction.

Developing a dynamic field organization.

Improving cost effectiveness.

The techniques adopted are:

- Planning and performance budgeting.

- Product development.
- Product mix.
- Competent and productive agency organization.
- Adequate training of the sales force.
- Reward system to agents.
- Incentives to the development officers.
- Introduction of group schemes.
- Consumer education.
- PR & Publicity.
Philip Kotler has dealt the subject of marketing with reference to life insurance industry in USA which is worth relevant and significant. He says thus: —Marketing entered into the consciousness of different industries at different times — Marketing spread most rapidly in consumer packaged goods companies, consumer durable companies, and industrial equipment companies in that order — Bankers initially showed great resistance to marketing but in the end embraced it enthusiastically. *Marketing has begun to attract interest in the insurance industry and the stock brokerage industry although marketing is still poorly understood in these industries*. (Marketing & Public Relations by S.M.Shirodkar,(2008) published by Insurance Institute of India). K. Swaminathan,(2008) in his article — *Marketing- Think Beyond the Routines* says thus: —Marketing conveys many things to many people. The problem is, very often the marketer uses yesterday's techniques for today's market. In LIC major marketing activity is conducting agents meetings, mainly the ongoing sales competitions. These meetings do not attract new faces. Another activity is the follow up of agents on phone. Whether these activities are wholesome remedies for bringing optimal results in competitive era? Activities like putting up canopy stalls at busy locations, mass canvassing in one residential complex, adopting survey techniques in marketing, conducting insurance awareness camps with the help of insurance beneficiary, event marketing connected to birth of child, marriage etc, conducting lapsed service camp in big apartment complexes, encouraging the agents to do tele-marketing from their residences, doing the mail marketing to addresses in various directories, conducting five to ten cold canvassing in a week as a planned activity, strategic move for cross selling, up selling and so on, are not thought of. The need of the hour is innovativeness and the present day marketers are not prepared to have a different kind of approach to marketing. Nilesh Sathe (2008) in his article, —*Life Insurance- Recent Developments, Present Position and Future Prospects* (Yogakshema, March, 2009) says, In India only 10% of the market share has been tapped by LIC and the balance 90% remains untapped. Joshi quotes Marketing and Research Team (MART) survey sponsored by FORTE in 2005 on life insurance marketing in rural areas opined that there exists a huge savings market which after potential for expansion of life insurance and awareness level is very high but real purchase is low due to absence of market reach and probably due to lack of financial literacy. Pooja Chauhan in her dissertation entitled, —A dissertation on comparative and competitive analysis of private life insurance companies in India since their entry says that LIC is an undoubted leader in the field of average number of policies per year in the last five years. It is seen that private insurance companies are gaining momentum and are trying to defeat LIC in case of new insurances. Main reason behind LIC for having such a large number of policies is the trust of the common man. LIC being a government agency has got a faith of Indian mass. People are not yet prepared to give their savings in the hands of private players. World Insurance Report, 2008 by Capgemini, while dealing with Indian life insurance, observes that despite recent growth, there is still tremendous untapped potential in the Indian insurance sector. India accounts for 16% of the world population, but accounted for only 1.68% of the world life insurance market in 2006. India is also far behind world averages in terms of insurance penetration, and insurance density. A mere 20% of the insurable population aged 20 to 60 years is currently covered by life insurance. Jeb Brugman and C.K.Prahlad(2007), while emphasizing the role of NGOs in spreading insurance, argue that while companies have discovered the importance of NGOs as paths to markets, social groups have realized that carefully calibrated business models can unleash powerful forces for good. Their interactions have created new links between business innovation and social development. Companies and NGOs are increasingly going into business together, pursuing scale and profits, social equity, and
empowerment as part of an integrated value chain. Some NGOs are positively thriving where state-owned or multinational companies have failed. Some time back, when the Indian insurance giant, Life Insurance Corporation, found it difficult to collect premiums and pay claims in rural areas in the state of Andhra Pradesh, micro credit federations took over the business. Their extensive knowledge of customers and their superior reach allowed the NGOs to grow the market rapidly. They operate quite profitably, earning an average gross margin of 27%.
Understanding rural life insurance and assumptions: The discussion on rural marketing and life insurance rural marketing led to the idea that rural life insurance marketing encompasses the whole gamut of activities which include the following:
There is availability of much untapped rural potential with regard to life insurance.
Lack of proven marketing techniques and lack of will for penetration from the private players.
Inadequate market research of the needs of rural customers with regard to life insurance.
Inadequate use of new techniques for tapping the rural market.
Viewing rural coverage more of regulatory obligation than social obligation by the private players.
One size fits all strategy in designing products.

The following points emerged from the review of literature with regard to techniques for the spread of insurance coverage in rural areas.
The identification of rural needs and necessities.
Designing the products suiting to the needs.
Devising innovative methods to price the insurance products suiting the needs.
Positioning the product around the rural horizon.
Selection of opinion makers as advisers and also buyers of insurance products to infuse trust towards the companies.
Creating the innovative distribution channels and strengthening the existing channels.
Scientific management and collection mechanism with rural focus.
Advertising products understandable to rural folk.

An analysis of the literature has revealed that there is a gap between the rural potential available in terms of life insurance business and the potential tapped (only 25% of the rural people are covered by any type of life insurance). The analysis also revealed that the life insurers are using yesterday’s techniques to today’s problems and there is less research of the rural insurance market. The one size fits all strategy is one of the marketing techniques adopted by all insurers as revealed by the review of literature. Every writer on insurance is categorical in stating that there is a necessity to have innovative marketing techniques that are rural specific and further there should be inclusive growth with the involvement of the poor. But there is less research at micro level as to what rural centric techniques are effective for the objective of wider rural coverage. There is thus a research gap between conceptualization to formulation of techniques.
Secondly the study of the rural market by many authors is general in nature and there is less systematic research orientation with reference life insurance rural market. Majority of the opinions are based on secondary data.

Research problem: The general opinion of all the authors on life insurance is that the potential of the rural market is not fully tapped and there is a need for suitable marketing design by all companies for ultimate objective of inclusive growth. But there is less research to study the life insurance needs and necessities of the rural people. This situation gives raise to the problem of identifying the specific needs and design suitable marketing design at micro level. Further the marketing practices have by and large excluded the rural areas and rural areas are neglected. Therefore, the problem is how to increase the insurance coverage without any loss to the
companies. Hence it is thought fit to study the rural insurance market with special reference to life insurance.

**Importance of Study**

Life Insurance is a social security tool. It provides the much needed security and when the income of the head of the family ceases owing to the unexpected risk, the family is protected to the extent of insurance coverage. More than 70% of Indians live in villages but the rural life insurance penetration is as low as 25% as at March, 2009. The Government of India has nationalized life insurance industry in 1956 by the amalgamation of two hundred and odd private companies and established LIC of India with a mission to spread the message of life insurance to rural areas. In a span of four decades, the LIC of India made rapid strides both in premium income and number of lives but its spread to rural India was limited to 20% of the insurable public as at 2000. The Government of India established Malhotra Committee to study and recommend structural reforms in insurance industry. As per its recommendations, the government has opened up the industry to private players and established a regulating agency called IRDA in 2000 with an object to regulate and develop insurance to all the deserving lives. As at March, 12, we have nearly 23 life insurance players operating in the Indian market including LIC. The reforms in life insurance sector and its opening to private players saw huge rise in premium income. The insurance office branches grew from 2100 in March, 2000 to 8913 as at March,08. The agency force grew from 10 lakh to 25.2 lakh strong force in the same period. The growth is more of urban centric and rural penetration hardly increased by 5%. The rural obligations as put forth by IRDA that at least 16% of rural lives are to be underwritten in the first five years of operations were viewed more as obligations only and never reached the stage of commitments. It is, therefore, felt necessary to study whether the insurance companies are really interested in rural business, whether the rural people have sufficient insurance awareness levels, whether the marketing techniques of different companies with regard to developing need based rural centric products, pricing and promotion have deficiencies and if the marketing techniques have drawbacks, what techniques can be suggested for more rural insurance coverage. All these points are covered in Chapter 1. In the second chapter, with these objectives in mind the literature survey related to rural life insurance marketing is made by referring to books dealing with rural markets, insurance books, journals, insurance magazines, insurance company manuals and the insurance websites. This review of literature helped in understanding the characteristics of the rural market, the needs and expectations of the rural customers, the current marketing techniques of different life insurers in rural areas and the gap between rural potential and penetration. The third chapter deals with research design and methodology. The review of literature done in the second chapter threw broad hints that the rural India is broadly neglected by the life insurers with the result that inclusive growth could not be possible. The objectives of the study are to study the expectations of the rural customers, to study the levels of insurance awareness, to unearth the reasons for low insurance coverage in rural areas, to study the effects of advertisement and other promotional activities, to study the factors that influence purchase decisions, to study the dimensions of customer satisfaction, to identify the deficiencies in the current marketing techniques and offer suggestions with the objective of mass rural coverage. To understand the perceptions of the customers and the agents for the poor life insurance coverage in rural areas, three rural villages Balipur, Shall & Chandpur dist.
Mathura - State UP. Proximity to metro centre Delhi (since it ensures exposure to all private players) and economically poor status (low GDP, reliance on primary sector etc which ensure more rural orientation) are the criterion for selecting these villages which are connected to Yamuna Expressway. The population of 15000 approximately.
The research design selected is exploratory and aimed at understanding the rural life insurance market, the current marketing techniques, the deficiencies and drawbacks in reaching rural customers and suggest suitable alternate techniques for wider rural insurance coverage. The objectives of the study are made use of to formulate hypothesis and primary data is utilized to check the hypotheses. In the fourth chapter an attempt is made to study and analyze the secondary data culled from the insurance magazines, IRDA journals and insurance manuals for studying the rural Indian life insurance market, the rural centric marketing techniques and their limitations focusing mainly five major players in the life insurance industry. The performance of agency channel, bank assurance channel, micro insurance channel and alternate channels are discussed. The marketing techniques dealing with insurance awareness programs, customer relationship, societal marketing, sales promotional campaigns, the advertisement mechanisms, and relaxations in claim settlement procedures and such other marketing initiatives are presented to find their role and limitations. The fifth chapter deals with analysis of primary data collected from 50 villagers. Various Statistical charts like Histograms, pie diagrams and bar diagrams are drawn for analyzing the data, to assess the expectations and insurance awareness levels of customers, knowledge levels and motivational factors for agents and the rural centric marketing techniques of different companies and their deficiencies. In the sixth chapter the results of primary data and secondary data as discussed in Chapter 5 and Chapter 4 are analyzed for achieving the objectives of study. The Chapter is thus aimed at discussing the results viz, insurance awareness levels and the initiatives of the insurers; knowledge of the regulatory mechanism by the rural people and the role of insurers; the security perceptions of the rural customers and the initiative roles of the insurers; the role of caste, sex and religion in the purchase decision of the rural public; the role of opinion leaders and the initiative of the insurers to rope in the opinion leaders; the relationship between customer satisfaction and repeat sales; the relationship between income levels and the mode of payment of premiums; marketing techniques in designing need based products as per the expectations and requirements of rural customers; evaluation of pension market; demand for insurance on liabilities and the response of the companies; the innovative collection mechanisms; the performance of bank assurance, agency channel and alternate channels; the possibility of e-insurance, internet sale and other IT initiatives; the raising expectations of the customers and the training techniques of insurance companies; and the long and short term strategies for wider rural coverage.