



IMPACT OF CORPORATE ETHICAL VALUES ON CUSTOMER PERCEPTION AND PURCHASE BEHAVIOUR TOWARD SELECTED INSURANCE PRODUCTS: AN EMPIRICAL STUDY

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Abstract

This is an empirical study that will examine consumer attitudes and purchasing behaviour in relation to insurance services in India with a particular focus on life insurance products. The attitude of consumers towards buying insurance is determined by several factors that include: their socio-demographics (age, sex, income, etc.), their perception of service quality, the psychological factors that influence their decision-making process, and the perception they have of the risks associated with the products they are willing to buy. The theory of planned behavior has been considered in this study, and the financial and cognitive considerations of the purchasing behavior have also been involved; hence, this study has added to the existing body of knowledge on consumer purchasing behavior as it presents a comprehensive model that is specifically tailored to meet the nature of the Indian insurance sector. As the prior research results have indicated, the demographic profile of the customers, digital transformation, consumer awareness, and emotional motivations are the most significant influencing factors on the buying of the insurance services and the continuity of the insurance policy. Along with these results, this research offers the evidence that the consumer confidence level and market share of insurance companies can be increased by improving the transparency of communications and offering tailored insurance products, as well. Thus, the paper defines possible approaches that insurance firms can use to create marketing plans according to the segments of their clientele and enhance their customer service delivery models to address evolving customer demands. The implications of this study for future research are that it determines the possible areas of interest that can be covered in future research, which may involve the use of behavioral economics to analyze how consumers adopt new technologies in purchasing insurance services.

Keywords:*Customer Perception, Purchase Behaviour, Insurance Products, Life Insurance Service Quality, Digital Insurance.*

Introduction

This research paper examines the different kinds of people who purchase insurance and what motivates them to do so, as well as whether they feel satisfied with their insurance companies. Understanding these factors is critical because insurance companies can use them as tools to provide customers with something of value or a reason to have a long-term relationship with their company (Dragoş and Dragoş, 2017). The research will analyze the influence of various socioeconomic characteristics, attitudes toward service quality, and product knowledge on the willingness to purchase and hold a life insurance policy to address gaps in our current understanding of consumer behavior related to life insurance (Lim et al., 2020). This research will develop a comprehensive model that integrates psychological characteristics and financial incentives to explain the intent to purchase life insurance policies within the Indian insurance market, thereby extending and preserving the base of support for other behavioural theories/forms of planned action, such as the Theory of Planned Behaviour (K, 2024). The results will enhance our understanding of consumer behavior by looking beyond economic, cognitive, and affective

factors (Lim et al., 2020). The research will also examine how perceived value and usefulness influence the purchase of life insurance.

Literature Review

Ethical principles in corporations, like honesty, transparency, fairness, and accountability, have a great influence on customer perceptions about service organizations. This statement is supported by Ferrell and Fraedrich (2020), who state that ethical behavior improves both the cognitive and affective judgments of customers towards firms, resulting in positive perceptions. Ethical transparency helps to decrease information asymmetry and enhance customer confidence in service industries (Kotler and Keller, 2021).

Research in the service sector of Indian services proves that customer perceived ethicality (CPE) has a positive impact on brand trust, satisfaction, and perceived service quality (Sharma and Gupta, 2022). Ethical disclosure of the terms of the policy and ethical selling activity in the insurance sector increases the reputation and validity of insurers (Rao and Reddy, 2021).

The empirical research proves that there is a direct correlation between moral business actions and consumer buying behaviour. As stated by Singh and Verma (2021), customers tend to buy financial products of those companies that seem to be ethical, even when the offer of other companies is cheaper. Ethical marketing activities have a tendency to change consumer attitude and lessen doubt, consequently promoting buying choices (Laczniak and Murphy, 2019).

Ethical conduct in the insurance market, especially in the settlement of claims and redressal of grievances, has a positive effect on the purchase intention and policy renewal (Patel and Mehta, 2022). The perception of ethical insurers by the customers makes them feel less risky and the willingness to enter into long-term insurance contracts is higher.

Trust has been established as a vital mediating factor between purchase behaviour and ethical values. The theory of Relational Exchange by Morgan and Hunt (1994) theorizes that relational exchanges are based on trust. Recent insurance research confirms that system trust is enhanced through ethical behaviour, which consequently affects customer perception and purchase behaviour (Chaudhuri and Holbrook, 2020).

Empirical research conducted among Indians demonstrates that ethical transparency, agent honesty, and fair premium practices increase trust, and this play an intermediary role in making customers buy and renew insurance policies (Kumar and Sahoo, 2023). Ethical conduct breeds a lack of trust, hence policy lapses and bad word of mouth.

Ajzen (1991) has a good theoretical basis for explaining the influence of ethics in insurance purchase behaviour, through the Theory of Planned Behavior. Ethical values influence the consumer behavioral attitude towards the insurers, shape the subjective norms based on social approval, and improve the behavioral control with regard to complexity and uncertainty.

Empirical research of the TPB in the insurance setting shows that the ethical perceptions have a positive impact on attitudes and intentions to purchase the life insurance products (Sarkar and Rao, 2020). Ethical companies decrease the perceived barriers, enhancing the intention-behavior connection of the customers.

Ethical conduct is strongly associated with corporate reputation. The author also highlights that ethical reputation is an intangible asset that affects the decision of stakeholders (Fombrun 2018). Ethical brand

image based on the fair management of claims and open communication has a great influence on consumer choice in the insurance industry (Malhotra and Singh, 2021).

Research suggests that customers would relate ethical insurers with long term security and financial stability, which translates into increased purchase intention and repeat buying behaviour (Bansal and Mishra, 2022).

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Research Objectives

1. To examine the influence of corporate ethical values on customer perception toward selected life insurance products.
2. To analyse the impact of corporate ethical values on customers' purchase behaviour and policy retention decisions.
3. To assess the mediating role of customer perception and trust in the relationship between corporate ethical values and purchase behaviour.
4. To study the effect of socio-demographic factors (age, gender, income, education, occupation, and family status) on customer perception and purchase behaviour of life insurance products.
5. To evaluate the influence of psychological factors such as perceived usefulness, perceived product risk, and emotional motivation on customers' life insurance purchase decisions.

Key Socio-Demographic Factors Influencing Customer Purchase Decisions For Life Insurance Products In India Include

1. Age - Consumers aged 21-40 are more likely to buy ULIPs; those aged 41+ typically purchase endowments/pensions. Insurance preferences, including the amount and type of coverage individuals prefer, vary by age (Sharma & Kaur, 2022).
2. Gender - Males demonstrate a preference for private entities like ICICI Prudential, whereas females typically prefer LIC Government Plans. Gender impacts the value of sums assured as well as how long one can expect the policy benefits to last.
3. Income - The type of policy someone chooses and how much premium they pay for it largely depends upon the level of income. Lower-income consumers typically prefer affordable endowment-type policies with lower sums assured; on the other hand, higher-income consumers typically buy ULIPs or high-value dollar-for-dollar.
4. Education - Individuals who have achieved a higher level of education tend to be more knowledgeable about and preferred to purchase complex types of products including ULIPs or term insurance vs traditional product types.
5. Occupation - People who are employed with stable jobs/professions tend to purchase life insurance because they have a steady source of income and can afford the premiums needed for their financial planning purposes.

6. Marital Status & Family Size - Generally, married couples and parents with dependents place a premium on using insurance for financial security; thus, they are more likely to purchase insurance than singles without dependents.
7. Location - Urban residents have higher rates of insurance penetration than rural residents due, in part, to increased accessibility and awareness of available products; however, there is now a growing segment of consumers in rural areas who are beginning to become more familiar with life insurance.

Customer Attitudes and Satisfaction with Insurance Providers.

The attitude of customers towards and level of satisfaction with an insurance provider in India is primarily influenced by their perception of the quality of the service received, the extent to which they understood the products being purchased, and the level of trust that exists between the customer and the provider. Research suggests that dimensions of service quality, such as tangible elements (i.e., the physical and visual aspects of the service), the dependability of services offered, the promptness and helpfulness of employees, the sense of competence and courtesy displayed by employees, and attention to the individual needs of customers, all influence the overall satisfaction levels of customers in the insurance sector.

When customers have a clear understanding of the features of the products they are purchasing, including details regarding the terms, benefits, and risks associated with each product, it enhances their confidence in the provider and allows them to make well-informed decisions regarding the purchase of the product. As such, customers are less likely to experience post-purchase dissonance and more likely to be satisfied with their experience as a result of understanding the products they purchased. Additionally, the customer's trust in the provider is critical in developing loyalty to the provider and in encouraging customers to continue purchasing insurance from the provider.

Several studies have indicated that customization of services, employee empowerment for providing better education to consumers, and minimization of gaps in the communication and procedural complexities improve perceived service quality and trust and ultimately improve the customer's overall satisfaction with the insurance provider. Together, these factors contribute to creating a positive attitude towards an insurance provider and are essential in developing long-term customer relationships.

Describe the APE CAGR for Private Vs Public Insurers for the Years 2023 to 2025.

Overall APE CAGR for the Life Insurance Industry from 2023 to 2025 has been approximately:

APE growth has been primarily driven by private sector innovations, product diversification, and digital adoption, outpacing the relatively stagnant public sector

Table 1

Segment	CAGR (2023-2025)	APE Growth Characteristics
Private Insurers	~15.4%	Strong growth, rising market share (approx. 40%)
Public Insurer LIC	Flat to negative	Market share pressure, decline in some periods
Overall Industry	~11.0%	Moderated by public sector decline

Recent Empirical Research Highlights Several Psychological Motivators Influencing Life Insurance Purchase And Retention In India

Numerous empirical researches demonstrate that perception of usefulness and product risk are the most important psychological motivators in India regarding client's intention to purchase and policy retention. The perception of usefulness, which includes emotional security, family protection and fiscal stability, is based on a consumer's ability to see the long term benefits and coverage associated with products. As families are becoming increasingly aware of finances, the justification for protection and investment are both leading to higher intention to purchase products for younger consumers and those with higher incomes than older or lower income groups. The perception of tax savings, trust in the insurer and adequacy of the policy features all contribute to increasing the perceived utility and retention for each policy.

On the other hand, perceived product risk (claim settlement, reliable insurer, terms too complicated or the risk of losing money) will likely reduce a consumer's intention to purchase a policy. If a consumer has a high level of perceived risk or low transparency regarding product offerings, they will typically seek a trusted brand or not purchase at all.

Other psychological factors affecting consumers' intention to purchase and retention of life insurance policies include social norm influence (peer and family), attitudes, emotional triggers (fear, love, safety due to COVID-19), and behavioural biases; all of which together produce measurable impacts on both intention to purchase and policy retention.

In conclusion, the perception of usefulness provides for increased intention to purchase and loyalty, while product risk and complexity create disinterest to purchase and retention - which emphasises the need for insurers

Evaluation of Investment Behaviour And Patterns In Customers' Buying Decisions For Different Categories of Insurance Products Reveals The Following Insights Relevant To The Indian Market:

1. Investment behaviour regarding insurance by consumers incorporates both emotional influences as well as rational decision-making processes. For example, the need for financially secure investments with minimal risk is the key reason for purchasing life insurance however, other investment objectives such as return on investment, liquidity and tax advantages also have a significant impact on consumers' choices.
2. The majority of life insurance consumers are middle-income earners and/or full-time salaried employees; as a result, their purchasing habits reflect an interest in products that provide optimum risk/return trade-offs. This is demonstrated in their purchase of endowment policies for security and ULIPs as an investment vehicle.
3. The importance of product characteristics such as claim settlement ratios, flexibility of plans, affordability of premiums and brand loyalty are at the forefront of consumers' thought processes and affect consumers' switching behaviours and retention rates.
4. Consumers' purchasing decisions are affected by the amount of knowledge about different products as well as by the efforts of marketers (insurers) to impact consumers' perceptions of the product advantages and disadvantages through the use of agents and telemarketing.
5. Behavioural finance concepts such as loss aversion and social pressures lead consumers to prefer more traditional or familiar forms of insurance, regardless of the availability of better alternative investment options.

Develop Effective Recommendations For Insurance Providers Aimed At Enhancing Product Offerings, Communication Strategies, And Overall Customer Experience. Empirical Evidence Suggests The Following Focus Areas

Different and Flexible Products: Insurance companies need to provide multiple types of product offerings that appeal to the broadest range of people based on various demographics like age, income, education level, and job classification. To meet the various risk preferences and financial goals of customers, insurers can provide products such as unit-linked insurance plans (ULIPs) as well as traditional types of products like endowments and term life insurance in a single plan that allows policyholders to customize their coverage to their needs.

Clearer and Simpler Communication: Insurers need to clearly communicate the benefits of their policies to customers and how much they will cost. Insurers should strive to eliminate jargon and other complex words within both their marketing materials and policy documentation so that it is easy for customers to understand the benefits and features of their products, as well as to reduce the customer's perception of risk, which can prevent the customer from buying the product.

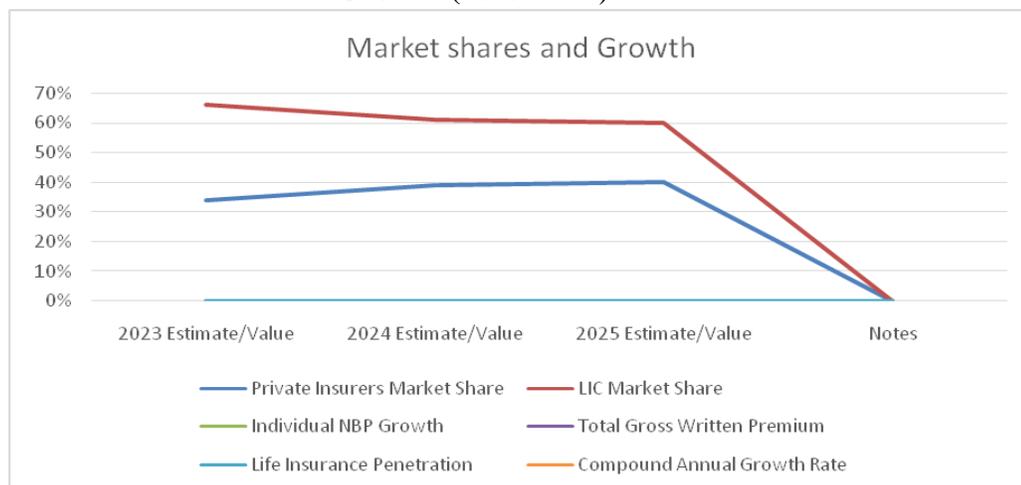
Digital Engagement and Customer Service: The creation and enhancement of digital channels where customers can obtain product details, make online purchases, file claims, and pay premiums, have improved access and convenience for younger and urban customers. In addition, by empowering their customer service representatives, insurers will be able to provide timely and empathetic service that has a direct impact on customer satisfaction and retention.

Trust and Brand Reputation: The creation of a transparent claims process, substituted by timely responses to customer inquiries, through consistent and ethical business practices helps to build customer trust in the insurer. In addition, the implementation of financial literacy initiatives, as well as community involvement, will also create goodwill and customer loyalty.

Targeted Marketing And Education: Using personalized marketing campaigns (based on analysis of data related to customer preferences) and educational channels (e.g., using digital media) to help educate consumers about how they could benefit from having insurance (as well as providing information about financial planning) can be effective in reaching the majority of consumers. Social influence from both friends and family can also help to break through psychological barriers.

Pricing and Incentives: Insurers should provide pricing that is competitive and transparent, and offer discounts through bundled purchases.

Figure 1: Trends in India's Life Insurance Market: New Business Premiums, Market Shares, and Growth (2023-2025)



Source: The primary source for the market data and growth trends used in the chart and analysis is the "Indian Life Insurance Industry Report" published by ICRA in November 2023.

Figure 1: The line chart above depicts trends in several key measurements over the three years from 2023 to 2025, including continued growth of the industry's new NBP premiums as well as a continued share of the market by private insurance companies. The line showing LIC's share of the market shows slow decline, indicating that there has been a shift in the market with an increasing number of private companies entering into business. In addition, individual NBP growth and total gross written premium have both continued to trend up, demonstrating that consumers continue to increase their purchase of life insurance products. There has been modest growth in the penetration rate of life insurance, though this still remains below the global average. In summary, the line chart accurately depicts the changing competitive landscape and growth trends of the Indian life insurance industry from 2023 to 2025..

Methodology

Empirical studies rely mostly on structured surveys and quantitative modelling for examining the associations between socio-demographic characteristics, perceptions, and purchasing behaviour. Most of the studied samples are representative of a wide variety of consumer groups living within urban or semi-urban areas, with much of the emphasis placed upon the working middle-class (due to their high representation within the insurance industry). For analysis purposes, the most commonly used methods include factor analysis, regression, and mediation analysis (particularly in determining the impact of risk perceptions on purchase intentions).

Results

Consumer satisfaction with the product and intention to buy will be mainly decided by the quality of service received, the ease of completing the transaction, the level of trust the customer has in the company and in the brand, and how well the company can tailor its products to meet the specific needs or desires of the customer. There is a strong demographic effect on behaviour; young consumers are more likely to buy term insurance and variable policies when their income increases while older and higher-educated consumers are more likely to have a wider range of insurance products and will purchase products that have a greater value. Gender has little effect on overall satisfaction; there may be slight differences in what types of policies are chosen and what customers expect from those policies. It is difficult for customers to purchase because of the perceived risk associated with the product and/or the complexity of the policy; however, when customers perceive that there will be a financial benefit or usefulness resulting from their purchase, their intention and likelihood to purchase will increase. Overall trends are reflecting that there is a slow but noticeable increase in customer education and satisfaction with private insurance products where proactive communication and comprehensive products are provided.

Discussion

Utilizing psychological motivators in conjunction with traditional economic motives develops a comprehensive model of insurance product purchasing behaviour in India. Customers are increasingly relying on customized and transparent insurance products being offered to them by their agents, as well as the agents themselves, as key determinants of their willingness to purchase insurance. A multitude of demographic trends, financial literacy increases, and risk exposure (e.g., through post-pandemic circumstances) have radically altered consumer insurance demand, and these impacts will continue to change the marketplace in the future. Thus, insurance providers must segment their products and their communication to consumers based upon demographic and psychographic data.

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Conclusion.

The analysis contained in this paper allows for a complete understanding of the different factors that influence how consumers perceive life insurance, including social and demographic characteristics, psychological motivators and investment behaviours, and will shape the way in which they purchase and continue to hold their relationships with life insurers in India. The Indian life insurance market is one that is growing steadily, with the majority of this growth coming from private sector companies increasing their share of the market and offering innovative products. The influence of psychological factors (such as perceived usefulness and the level of risk related to the product) on consumers' intentions to purchase life insurance and to remain loyal to the brand is apparent, and indicates the importance of communication and building trust through clear and transparent communications between life insurers and their customers. Segmentation based on demographic variables (age, income, education, and geographic location) shows how consumers' preferences for purchasing life insurance products differ from one another, and indicates the need for marketers to develop customized, segmented marketing strategies to meet those needs. Digital transformation and the increasing level of financial literacy among people in India present opportunities for creating better customer experiences and penetrating markets more deeply. However, challenges remain in the areas of product transparency, complexity of product offerings and educating the consumer about the products. Addressing these challenges through the use of targeted communications, improved quality of service to the customer and simplified design of products should increase customer satisfaction and reduce lapses in customer retention. Future research efforts should look at behavioural economics and technology acceptance to improve the prediction of insurance consumers' behaviour in India. These research findings yield substantial insights for insurers that want to become more competitive in the life insurance industry as it evolves, build stronger relationships with their customers and achieve long-term growth in the rapidly growing life insurance market in India.

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