

STUDY OF FACTORS RESPONSIBLE FOR INVESTMENTS IN LIFE INSURANCE PRODUCT

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ABSTRACT

India with about 200 million classes household shows a huge untapped potential for players in the insurance industry. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. The insurance sector in India has come to a position of very high potential and competitiveness in the market. Consumers remain the most important centre of the insurance sector. This is a evolutionary change in the technology that has revolutionized the entire insurance sector. The insurance companies today must meet the need of the hour for more and more personalized approach for handling the customer. The Indian life insurance industry is a mixture of public, private ownerships. The Life Cooperation of India has recorded highest market share in Indian life insurance industry. , Life Insurance does not only provide protection but also it is a sort of investment wherein a certain sum is returnable to the insured at the time of death or at the expiry of certain period. The respondents of different age groups, occupation, income and gender for study have been selected through purposive sampling method in order to achieve the research objectives. The study is conducted with reference to the respondents of Aurangabad district. The demographic profile of the respondents is analyzed on the basis of age, monthly income, gender and occupation.

KEYWORDS: Investment, Life Insurance Companies, Perception, Policies.

Insurance is an umbrella against a rainy day. It is an agreement between the insurer and the insured in which the insured is assured by the insurer to compensate the loss occurred by a particular cause during a certain period by a definite cause in exchange of some consideration known as premium. Life Insurance provides protection to the family at the premature death of an individual or gives adequate amount at an old age when earning capacities are reduced.

In this way, Life Insurance does not only provide protection but also it is a sort of investment wherein a certain sum is returnable to the insured at the time of death or at the expiry of certain period. This agreement is based on utmost good faith and insurable interest. In this way, Insurance is a system to alleviate financial losses by transferring risk of loss from one entity to another Government has also taken steps in promoting the investment in life Insurance products. Following are the initiatives taken be Government in budget 2017-18.

GOVERNMENT INITIATIVES

The Union Budget of 2017-18 has made the following provisions for the Insurance Sector:

- The Budget has made provisions for paying huge subsidies in the premiums of Pradhan Mantri Fasal Bima Yojana (PMFBY) and the number of beneficiaries will increase to 50 per cent in the next two years from the present level of 20 per cent. As part of PMFBY, Rs 9,000 crore (US\$ 1.35 billion) has been allocated for crop insurance in 2017-18.

- By providing tax relief to citizens earning up to Rs 5 lakh (US\$ 7500), the government will be able to increase the number of taxpayers. Life insurers will be able to sell them insurance products, to further reduce their tax burden in future. As many of these people were understating their incomes, they were not able to get adequate insurance cover.
- Demand for insurance products may rise as people's preference shifts from formal investment products post demonetisation.
- The Budget has attempted to hasten the implementation of the Digital India initiative. As people in rural areas become more tech savvy, they will use digital channels of insurers to buy policies.

LITERATURE REVIEW

Ms. Babita Yadav and Dr. Anshiya Tiwari (2012) in the research paper titled "A Study on factors affecting Customer Investment towards Life insurance Policies", highlights that Customers are the real pillar of the success of life insurance business and thus its important for insurers to keep their policyholders satisfied and retained as long as possible and also get new business out of it by offering need based innovative products. There are many factors which affect customers investment decision in life insurance and from the study it has been concluded that demographic factors of the people play a major and pivotal role in deciding the purchase of life insurance policies.

Girish kumar and eldhose (2008), published in insurance chronicle icfai monthly magazine august 2008

in their paper titled "customer perception on life insurance services: a comparative study of public and private sectors", well explained the importance of quality services and its significance in raising customer satisfaction level. A comparative study of public and private sectors help in understanding the customer perception, satisfaction and awareness on various life insurance services.

Jayakar (2003) has emphasized in his study that new products innovation; distribution and better use of technology are helping the new private life insurers to take market share away from LIC, a only company before liberalization of insurance industry. Public Sector is having an increasing edge over the Private Sectors and this has been due to privatization of insurance sector and with the entrance and cut throat competition.

Athma. P and kumar. R (2007) in the research study titled "an explorative study of life insurance purchase decision making: influence of product and non-product factors" they undertake a study of 200 sample size comprising of both rural and urban market. They studied various product and non-product related factors and their impact on life insurance purchase decision-making has been analyzed. Based on their survey analysis; urban market is more influenced with product based factors like risk coverage, tax benefits, return etc. Whereas rural population is influenced with non-product related factors such as: credibility of agent, company's reputation, trust, customer services.

OBJECTIVES OF STUDY

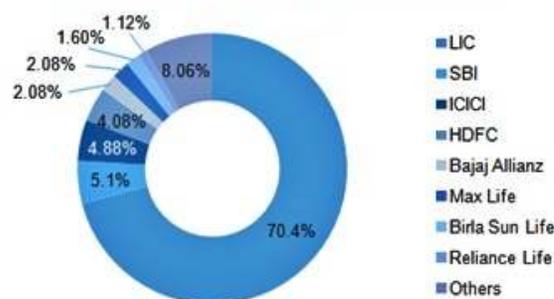
- To study the various policies of insurance companies.
- To explore the various factors influencing customer investment decision in life insurance.
- To evaluate preferences of the customers while taking life insurance investment decision.
- To study the factors responsible for the selection life insurance as an investment option.

SOME PROMINENT COMPANIES IN THE INDUSTRY

The Indian life insurance industry is a mixture of public, private ownerships. The below chart highlights that LIC Continues to Dominate Life Insurance Segment

- As of 2016, life insurance sector has 29 private players in comparison to only four in FY02.
- With 70.4 per cent share market share in FY16, LIC continues to be the market leader, followed by SBI (5.1 per cent), ICICI (4.9 per cent) and HDFC (4.1 per cent)

Major companies market share in terms of life insurance premium collected (FY16)



Source: TechSci Research, LIC - Life Insurance Corporation of India

RESEARCH METHODOLOGY

Data Collection

Both primary and secondary data was collected for the purpose of this study. Primary data was collected through questioners and Secondary data was collected from official website of insurance companies, other records, data was also collected from text books and other websites for theoretical knowledge.

Types of Data

Primary sources

The data is collected through the questioners from policyholders and respondent.

Secondary sources

Financial journals, annual reports of the LIC, website and other Publications of governments data.

Methods of Data

- Questioner
- Official website
- IRDA annual report

Sampling Method

The sampling method of project is randomly and questioners collected randomly from different places of Aurangabad region.

Sample Size

Sample of this study is the Customers or respondent of Life Insurance companies (both public and private insurance companies).

The total sample size is 75.

Sample Area

This study is conducted of the Customers or respondent of Life Insurance Companies from the Aurangabad region.

Sample Unit

The sampling unit is the area or field from where the sample will be collected. In this study the sample units are Customers or respondent of Life Insurance from the Aurangabad region.

DATA ANALYSIS AND INTERPRETATION

Factorial Analysis At Aurangabad Region

The respondents of different age groups, occupation, income and gender for study have been selected through purposive sampling method in order to achieve the objectives.

DEMOGRAPHIC PROFILE OF THE RESPONDENTS

Socioeconomic factors such as age, income, occupation and gender are some of the important determinant in the decision of life insurance. The study is conducted with reference to the Respondents of Aurangabad district. The demographic profile of the respondents is analyzed on the basis of age, monthly income, gender and occupation.

Table No I

Basis	Respondents	Percentage
Age		
20-30	68	90.66666667
30-40	6	8
40-50	1	1.333333333
Above 50	0	0
Total	75	100
Monthly income		
Bellow 10,000	56	74.66
10,000-20,000	11	14.66
20,000-30,000	4	5.33
Above 30,000	4	5.33
Total	75	100

The distribution of sample respondents is shown in table no. I and it is quite evident from the table that a majority of the respondents (90.66%) fall in the age band of 20-30 years.

Age and Income has a significant impact on the investment decision which can be seen from the following Coefficient Correlation .

Table Showing Calculation of Coefficient Correlation between Age of respondent and his investments in Life insurance product.

Table No I (a)

AGE	X	Dx=(X-40)	Dx ²	Y	Dy (Y-19)	Dy ²	DxDy
20-30	25	-15	225	68	49	2401	-735
30-40	35	-5	25	6	-13	169	-65
40-50	45	5	25	1	-18	324	-1620
Above 50	55	15	225	0	-19	361	-285
Total	160/4=40	0	500	75/4=18.75	0	3255	2705

Here value of Correlation (r) = $\sum dx dy / \sqrt{\sum dx^2 \sum dy^2} = 2705 / \sqrt{1627500} = 2705 / 1275.73 = 2.120$

Since the calculated value of r is Positive, we can say that there is significant relationship between age and respondents investment in life insurance product.

Table showing Calculation of Coefficient Correlation between Income of respondent and his investments in life Insurance product.

Table No I (b)

Monthly Income	X	Dx (X-200)	Dx ²	Y	Dy (Y-19)	Dy ²	Dx Dy
<10,000	5,000	-150	22500	56	37	1369	-5550
10,000-20,000	15,000	-50	2500	11	-8	64	-400
20,000-30,000	25,000	50	2500	4	-15	225	-750
>30,000	35,000	150	22500	4	-15	225	-2250
TOTAL	80000/4=20000	0	50000	75/4=18.75	0	1884	8950

Here value of Correlation (r) = $\sum dx dy / \sqrt{\sum dx^2 \sum dy^2} = 8950 / \sqrt{94200000} = 8950 / 9705.66 = 0.92$

Since the calculated value of r (0.92) is Positive, we can say that there is significant relationship between Income and respondents investment in life insurance product.

Occupation of Respondent

Table No. II

BASIS	NO OF RESPONDENT	%
GOVT. CLASS EMPLOYEE	0	0
BUSINESSMAN/PRIVATE	13	17.33
PROFESSIONALS	2	2.66
AGRICULTURE	1	1.33
STUDENT	59	78.66
TOTAL	75	100

Occupation-wise, around 78.66% respondents are student. Employee followed by private/businessman, professionals, agriculture occupied respondents with 17.33%, 2.66% and 1.33% respectively.

Gender of Respondent

Table No III

MALE	63	84
FEMALE	12	16
TOTAL	75	100

Out of 75 sample drawn 63 (84%) are male and it depicts the domination of male in the life insurance sector.

PREFERENCE OF THE POLICYHOLDERS TOWARDS LIFE INSURANCE COMPANIES

Table No IV

Responses	No. Of respondents	Percentage
L.I.C	46	61.33
HDFC standard life insurance	07	9.33
ICICI prudential	04	5.33
SBI life	08	10.33
Bajaj Allianz	03	4
Others	07	9.33
Total	75	100

It is revealed from the table no. IV that, a majority (61.33%) of the respondents preferred to buy policy from LIC, followed by the 10.33% and 9.33% of respondents preferred to buy from SBI life insurance, HDFC standard life insurance respectively. Remaining

5.33% and 4% of the respondents preferred ICICI prudential and Bajaj Allianz respectively. The left 9.33% respondents preferred other than these life insurance companies. Thus it can be inferred that LIC of India is the most preferred life insurance company and majority of them prefer government-owned LIC for getting insured because of security. The other private life insurance companies are having less percentage of share and those who prefer private insurers are because of better customer services and high return

Table No.V

Policy types	No. Of respondents	Percentage
Endowment	08	10.66
Term plan	17	22.66
Unit linked	04	5.33
Money back	30	40
Others	16	21.33
Total	75	100

It is quite evident from the Table no. V that various types of life insurance policies with customized features and value additions catering to the needs of specific target segments.

THE MOST ATTRACTIVE FEATURES OF POLICY

Table No VI

Responses	No. Of respondents	Percentage (%)
Money back guarantee	38	50.66
Larger risk coverings	15	20
Easy access to agents	01	1.33
Low premium	11	14.66
Company's reputation	10	13.33
Total	75	100

When the policyholders were asked to rank the features of policy that attracts the most. A majority (50.66%) of the respondents believes that Money back guarantee is the most influencing factor in policy buying decision.

PEOPLE WOULD LOOK FOR INSURANCE COMPANY

Table No VII

Responses	No. Of respondents	Percentage (%)
A trusted name	30	40
Friendly service & responsiveness	15	20
Good plans	27	36
Accessibility	03	4
Total	75	100

It can be inferred that trust is very important factor, majority of customers looks before buying policy from an insurance company

VARIOUS FACTORS RESPONSIBLE FOR INVESTMENT IN LIFE INSURANCE PRODUCTS

During the study, it was found that the investors generally invest in life insurance due to the reasons like tax benefit, risk coverage, saving, return, insurance services, premium charges, security.

Table No VIII

Responses	No. Of respondents	Percentage
Tax benefit	16	21.33
Risk coverage & saving	25	33.33
Security with high return	26	34.33
Insurance Services	08	10.66
Total	75	100

It is revealed from Table no. VIII, which among the surveyed people, majority of the respondents invest in life insurance for Security with high return, followed by the risk coverage & and insurance services, Tax benefit and Insurance Services can be ranked as 1st, 2nd, 3rd, 4th and 5th respectively on the basis of ranks asked to the respondents. Thus it can be depicted that Security with high return is the main concern of customers while making investment in insurance policy.

INVESTMENT OF RESPONDENT TOWARD POLICY AND COMPANY

During the study, it was found that, what is the criterion of respondent toward policy and which insurance company prefer for investment.

Table No.IX

Basis	Respondents	Percentage
Investment		
Below10,000	46	61.33
10,000-20,000	13	17.33
20,000-30,000	9	12
Above 30,000	7	9.33
Total	75	100
Insurance Company		
LIC	43	57.33
Other	28	37.33
Both	4	5.33
Total	75	100

Table IX reveals the relationship between the amount invested and the company in which investment is done.

Maximum investment was done in LIC as compared to other companies and the almost 61.33% respondents have done investment below Rs. 10,000/- .

FINDINGS

1. The decision to invest in insurance product can be affected by several factors like age, gender and income level. From the analysis, it is inferred that respondents belonging to the age group between 20 to 30 years (which contribute 91% to the total respondents) found to be more interested in investing in life insurance product as compare to other age group.
2. It can be revealed that out of 75 respondents, majority (40%) respondents preferred money-back policy of LIC. This is followed by the Term plan (22.66%) and other plans (21.33%).
3. Money Back guarantee is the most attractive features of life insurance Product that attracted policyholders . Followed by Large risk covering and low premium.
4. Out of 75 samples drawn, SBI life insurance was given preference by only (10.33%) among the private players. Whereas majority (61.33%) of policyholders have shown preference towards LIC Therefore LIC has the maximum no. Of policyholders and rank as 1st among other insurance companies, followed by SBI LIFE (10.33%), HDFC and others at (9.33%).
5. Security with high returns is the reason for higher investments in insurance product as compared to insurance services which is least i.e., 10.66% only

prefer investment in insurance due to there services. Risk coverage and saving as well for Tax benefits respondents prefer insurance products

6. 61.33% of investors have done less than Rs.10,000/- investment in insurance product and 57.33 % investor prefers to invest in LIC only.

SUGGESSTION

1. Life Insurance products are better investment options so every income earner should give first preference of investment to life insurance than others.
2. Other investment options only give higher returns but does not give any risk coverage or riders which are provided for Life insurance products.
3. People should first do Financial Analysis of their own requirements. Should calculate how much amount they require to run monthly expenditure of family and how much they will get if some mishap happens (death) or they become non earners (permanent disability) due to accident .
4. Preference should be given to their own fund requirements and family requirements when they are doing investments. Life insurance products also give them benefits, so it should be given first priority.

CONCLUSION

India's insurable population is anticipated to touch 750 million in 2020, with life expectancy reaching 74 years. Furthermore, life insurance is projected to comprise 35 per cent of total savings by the end of this decade, as against 26 per cent in 2009-10.

The future looks promising for the life insurance industry with several changes in regulatory framework which will lead to further change in the way the industry conducts its business and engages with its customers.

Demographic factors such as growing middle class, young insurable population and growing awareness of the need for protection and retirement planning will support the growth of Indian life insurance.

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