A STUDY ON FACTORS INFLUENCING THE CHOICE OF INVESTMENT W.R.TO LIC OF INDIA

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ABSTRACT

Insurance has become a primary aspect in everyone's life today. The life insurance generally helps to insure the life of people. life insurance is the most important type of insurance which provides financial protection to a person and his family at the time of uncertain risks or damage. Life insurance provides both safety and protection to individuals and also encourages savings among people. The study aims to find out the factors and analyse the factors influencing customers life insurance investment decision and their preferences at the time of policy buying decision. The data for the research has been collected from primary source, the study area is limited to nagarkurnooldistrict, of Telangana and sample size is 150 policyholders of lic and different private life insurers have been selected and questionnaire method was used for data collection. To rank the factors and test the hypothesis various statically tools like correlation and weighted average method have been taken. The study finally concludes that trust is very important factor, which a majority of customers looks before buying policy from an insurance company and Security and Assurance, family welfare and Tax benefit are the major factors influencing the investors to choose insurance policy.

Keywords: life insurance, Tax benefit, Security and Assurance.

1. INTRODUCTION

Life Insurance can be termed as an agreement between the policy owner and the insurer, where the insurer agrees to pay a certain amount of money in the event that the insured person or people pass away or experience another event, such as a terminal disease, a serious sickness, or the policy matures. Other circumstances, such a terminal disease or serious illness, may also justify payment, depending on the terms of the contract.

The policy holder typically pays a premium, either regularly or as one lump sum. Other expenses (such as funeral expenses) can also be included in the benefits

Life insurance is one approach to give a person and his family financial security in the event of a calamity because human life is the world's most valuable asset. Individuals are given safety and protection through life insurance, which also encourages saving among people. By protecting millions of individuals against life risks like unforeseen death or accidents, insurance firms play a significant role in the welfare of human well-being. The most recognisable and well-liked brand in life insurance is LIC, and as public trust in private insurers grows, their market share is steadily rising. Numerous fresh, cutting-edge goods and services are offered by the emerging private companies. By utilising novel and creative methods of advertisement, they are raising customer awareness, introducing new products, increasing penetration of life insurance of consumers in uninsured markets. The competition among public and private players has helped to increase in variety of products being offered from pure risk based to ULIP plans.

HISTORY

Insurance has a long history in India. Writings by Manu (Manusmrithi), Yagnavalkya (Dharmasastra), and Kautilya all make reference to it (Arthasastra). In the works, it is discussed how resources can be pooled and then dispersed during disasters like starvation, diseases, fires, and floods. This served as likely the origin of contemporary insurance. The remnants of insurance from earlier eras can be found in marine trade loans and carrier contracts. India has adopted the idea of insurance from other nations, particularly England. The Oriental Life Insurance Company was founded in Calcutta in 1818, marking the beginning of the life insurance industry in India. The British Insurance Act was passed in 1870, and the Bombay Mutual (1871), Oriental (1874), and Empire of India (1897) were all founded in the Bombay Residency over the final three decades of the nineteenth century. However, foreign insurance companies like Albert Life Assurance, Royal Insurance, Liverpool, and London Globe Insurance, which did well in India, dominated this era and fiercely competed with the Indian insurance offices.

The guarantor is the individual who will pay for the insurance; they are also the policy owner. Although not necessary a party to the contract, the insured is a participant in it.

Upon the insured person's passing, the beneficiary is given the proceeds of the policy. The beneficiary is chosen by the owner, but they are not both parties to the insurance. Unless the policy specifies an irreversible beneficiary designation, the owner may modify the beneficiary. If a policy contains an irrevocable beneficiary, the original beneficiary must consent to any beneficiary changes, policy assignments, or cash value borrowing.

2. REVIEW OF LITERATURE

Ms babita Yadav and Dr.anshuja Tiwari in their article titled "A study on factors affecting customer investment towards life insurance policies" examined the factors influence customers policy buying decision and also analyse the preference of customer while life insurance policy investment in decision making. The researchers have collected sample size of 150 respondents in order to achieve the objective they used various tools like Chi square test, correlation and weighted average method from this study they have concluded that demographic factors of the people play a major and vital role in deciding the purchase of life insurance policies most of the respondents preferred LIC for safety and rest are for higher returns.

Rajat Deb Kanchan Kumar Nath and Sourav Chakraborty in their article titled "Do people choose life insurance for protection or for saving" examined that the people enroll in the life insurance plans for protecting their income lives or merely as a saving avenue. The researchers have collected sample size of 120 respondents. In order to achieve the objectives the researchers used tools like cross sectional study design and from this study they have concluded that life insurance has been preferred as saving tool rather as a protection mechanism

Ms Sunanya Khurana in her article titled "Customer preferences in life insurance industry in India" examined the customer preference regarding plans and companies, their purpose of buying the insurance policies, satisfaction level and their future plans for new insurance policy. The researcher collected sample size of 192 respondents, in order to achieve the objectives the researcher used various tools like percentages, frequency and tabulation finally she concluded that protection is the main purpose of buying life insurance policy

Shetty Ankita and Savita basriIn their article titled "The effect of relational selling on life insurance decision making in India" examined the relational selling behaviour on investors decision making in life insurance market in India and the mediating role of trust in predicting the purchase of life insurance policies by investors. The researchers collected sample size of 813 policyholders, in order to achieve the objective the researcher used tools like partial least square method and finally the researchers concluded that interaction intencity cooperative intentions and overt and covert information have an impact on insurance decision making

B. Lalitha Subhanam and Lt Cdr Dr. I Nagarajan in their article titled" Performance evaluation of life insurance sector a comparative study of public and private life insurance companies in India" examined the public and private life insurance companies in India and compare the perception of customers in terms of service quality the researchers have collected secondary data from 5 insurance companies, in order to analyse the data researcher have taken mean score ,finally the researcher concluded that while selecting the life insurance policy security is major factor considered by policyholders in both public and private insurance companies.

Maya Kannan in his article titled "Customer satisfaction towards life insurance cooperation with special reference to Chennai city" examined the customer satisfaction towards services offered by life insurance cooperation corporation in Chennai city and the attributes influence the policyholder policyholder's towards different policies. The researcher collected sample size 150 respondents, in order to achieve the objectives the researcher used tools like percentages analysis, cross tabulation, chi square test and ANOVA finally the researchers concluded that every insurer should understand the consumer recruitment about the policies offered by them as the satisfaction is a most important considered factor that add value choosing life insurance product.

OBJECTIVES:

•   To identify the factors influencing the investment in life insurance policy

•   To study and rank the factors responsible for the selection life insurance as an investment option.

•   To offer suggestions for popularizing life insurance among the public at large.

HYPOTHESIS OF THE STUDY:

HO: age of the policyholders has no significant impact on the customer life insurance investment decision.

H1:age of the policyholders has a significant impact on the customer life insurance investment decision.

3. RESEARCH METHODOLOGY

Need For the Study

The insurance sector, one of the fastest-growing in the nation, provides life insurers with numerous opportunities for expansion. In this rapidly developing sector, a sizable number of new competitors have emerged and are attempting to

increase their market shares. The current Insurance Industry in India has seen a remarkable expansion by leveraging LPG (Liberalization, privatization, Globalization) initiative. It has endured a major face-lift and surfaces with conspicuous developments. At this juncture, this study aims in identifying the demographic profile of investors; the factors influencing the choice of investors in choosing a life insurance policy as an investment; and to explore the choice of insurance company for investment. Even today many people are considering insurance as a saving option, in the minds of investors about the insurance policies and different insurance companies, But it has to be considered as a long-term investment with multiple benefits and with this view this study was undertaken

Scope Of the Study:

The scope of the study include;

1) The demographic profiles of respondents

2) Monthly investments in insurance

3) Factors consider while choosing an insurance policy

4) Awareness on Insurance companies and policy details

5) Duration of the policy and the target

4. DATA COLLECTION METHOD

Research Design

The study aims to find out the factors influencing customers life insurance investment decision and their preferences at the time of policy buying decision. In order to conduct this study, 150 policyholders of nagarkurnool district have been surveyed and questionnaire method was used for data collection.

Data Collection &Sample

Data has been collected from primary source and sample size of 150 policyholders

Statistical tools

Correlation: Correlation coefficients are used to measure the force of the two factors. There are several types of correlation coefficient, but the most common one is Pearson's. The Pearson correlation is a correlation coefficient often used for linear regression (also called Pearson's R. The coefficient of correlation is measured on a scale from +1 to 0 to − 1. Either + 1 or -1 represents the full association of the two variables. While one attribute rises as the other increases, the correlation is positive & if one decreases as the other increases, it is negative. The complete lack of association is expressed by 0. In this study, the correlation approach is utilised to identify the independent variables that have a significant positive or negative influence on the dependent variable so that they may be taken into account in the subsequent regression analysis.

5. DATA ANALYSIS &INTERPRETATION

PREFERENCE TOWARDS LIFE INSURANCE COMPANIES

Responses	Urban	Percentage	Rural	Percentage	Total
L.i.c.	38	55	31	45	69
Hdfc standard life insurance	14	48	15	52	29
Icici prudential	13	68	6	32	19
Sbi life	11	07	2	93	13
Bajaj allianz	8	67	4	33	12
Others	7	87	1	13	8
Total	91	61	59	39	150

Interpretation: the above table talks about respondents preference towards several life insurance companies area wise. Among all the respondents majority of the respondents from urban and rural areas prefer to invest in LIC, followed by HDFC standard life insurance and other private life insurance companies. From the above its is understood that the first preference of the respondents is LIC a public sector undertaking. 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 returns.

TYPE OF POLICY

Policy types/Age	20-30	30-40	40-50	Above 50	Total
Endowment	22	29	5	7	63
Term plan	22	5	1	0	28
Unit linked	9	12	5	2	28
Money back	10	8	3	3	24
Others	6	1	0	0	7
Total	69	55	14	12	150

Interpretation: It is clearly visible from above table that there are different types of life insurance policies that have specifications and values that meet the needs of certain target segments. The majority of respondents (63 out of 150) use the endowment policy followed by term plan, unit linked and money back have been preferred by 28,28 and 24 respondents respectively, Of the 150 samples, only 7 respondents preferred other plans. Thus it can depict that among many plans available, the most preferred one among the mass is endowment plan and majority of the respondents from age group 20-30 preferred both endowment and term plan equally, where the respondents from age group 30-40 preferred to invest in endowment plan.

PEOPLE WOULD LOOK FOR INSURANCE COMPANY

Responses	LIC of India	ICICI Prudential	Bajaj Allianz	HDFC Life insurance	SBI life insurance	Others	Total	Percentage
A trusted name	62	9	2	6	1	0	80	54
Friendly service & responsiveness	0	7	0	15	3	1	26	17
Good plans	4	1	3	3	6	2	19	13
Accessibility	3	2	7	5	3	5	25	16
Total	69	19	12	29	13	8	150	100

Interpretation: the above table shows respondents preference towards several life insurance companies and what would they look an insurance company. It is revealed from the above table, that a majority (54%) of the respondents look for a trusted name in a company for insurance and 62 out of 69 preferred LIC for its trusted name.18% looks for a friendly service & responsiveness where most of them chose HDFC Life insurance for its friendly service & responsiveness,16% respondents look for an ease of accessibility and remaining 13% respondents looks for good plans in a company for insurance. Hence it can be inferred that trust is very important factor, which a majority of customers looks before buying policy from an insurance company.

Awareness on policy details before investment

Responses	Urban	Percentage	Rural	Percentage	Total
Yes	85	61	55	39	140
No	6	60	4	40	10
Total	91	61	59	39	150

Interpretation: The above table shows the number of respondent knows insurance policy and awareness details of the policy before they invest in life insurance of both rural and urban areas. Majority of the respondents 93 percent are aware of details about the policy before they invest in the form of life insurance policy, This means majority of the respondents are aware of the benefits of insurance policy and aware of their investment

RANKING VARIOUS FACTORS RESPONSIBLE FOR INVESTMENT IN LIFE INSURANCE PRODUCTS

Factors responsible for investment in life insurance						
Ranking factors	No. Of respondents					Total
	1	2	3	4	5	
Security and Assurance	95	48	6	1	0	150

Tax benefit	66	43	29	8	4	150
Risk coverage	50	44	52	2	2	150
Savings	34	58	45	10	3	150
Product features	28	47	63	7	5	150
Retirement plans	10	29	85	16	10	150
Family welfare	61	63	23	2	1	150
Long term goals	10	34	74	24	8	150
Hobbies	5	20	72	32	21	150
Health history	18	31	58	28	15	150
Age	47	51	34	10	8	150
Gender	26	62	41	14	7	150
Occupation	46	52	38	7	7	150
Income level	54	53	27	10	6	150

Interpretation: The above table shows that for analyzing the various factors responsible for investment in life insurance, ranking is done on the basis of weighted scores. Scoring is done as per the following scale: rank 1 – 5 weights, Rank 2 – 4 weights, rank 3 – 3 weights, rank 4 – 2 weights and rank 5 – 1 weights.

Ranking of various factors			
Factors	Weighted score	Mean value	Rank
Security and Assurance	672	4.48	1
Tax benefit	609	4.06	3
Risk coverage	588	3.92	5
Savings	560	3.73	8
Product features	536	3.57	9
Retirement plans	436	3.08	11
Family welfare	631	4.20	2
Long term goals	464	3.09	12
Hobbies	406	2.70	14
Health history	459	3.06	13
Age	569	3.79	7
Gender	536	3.57	10
Occupation	573	3.82	6
Income level	589	3.92	4

Interpretation: It is revealed from the table no. 13 and table no. 14, which among the surveyed people, majority of the respondents prefer to invest in life insurance for Security and Assurance, followed by family welfare and Tax benefit and ranked as 1 st, 2nd and 3rd. From the above table the factors influencing the choice of investment in life insurance that are income level, risk coverage, Occupation, Age, Savings, Product features, Gender, Retirement plans, Long term goals, Health history and Hobbies ranked as 4th ,5th,6th , 7th, 8th, 9th ,10th,11th , 12th, 13thand 14th respectively. Thus it can be depicted that Security and assurance is the main concern of customers while making investment in insurance policy.

H1: age of the policyholders has a significant impact on the customer life insurance investment decision.

H0: age of the policyholders has no significant impact on the customer life insurance investment decision.

Age	X	Dx=(x- 40)	Dx2	Y	Dy(y-38)	Dy2	Dxxdy
20-30	25	-15	225	69	31	961	-465

30-40	35	-5	25	55	17	289	-85
40-50	45	05	25	14	-24	576	-120
Above 50	55	15	225	12	-26	676	-390
Total	160/4=40	0	500	150/4=37.5	-2	2502	-1060

here, the value of Correlation r = -1060/1118.48 = -0.947

since the calculated value of r is negative, it is concluded that there is no significant relationship between age and customer insurance investment decision. Hence age doesn't affect the customer life policy buying decision null hypothesis can be accepted

6. CONCLUSION OF THE STUDY

India is a developing country where income levels of the people are increasing with increased opportunities. As a result their disposable incomes are also increasing which paves a path for insurance companies to gather and explore the opportunities. life insurance is an important form of insurance and essential for every individual. Life insurance penetration in India is very low as compare to developed nation where almost all the lives are covered and stage of saturation has been reached. According to this study, the overall perception of investors towards life insurance is found to be positive. Customers are the real pillar of the success of life insurance business and thus it is 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 If the private insurance companies try to provide and serve the investors with service quality coupled with empathy and assurance, India could become a biggest market for any insurance company. This study was focused to identify the underlying reasons, facts that influence the investors to invest in life insurance. Majority of the customers feel insurance as protection and for tax benefit.

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