Perception and attitude of investors towards life insurance with special reference to Madurai district

■ S. FATHIMA ROSALINE MARY AND T. MUTHAMIL SELVI

ABSTRACT

Quantum of investment made in different section is the most important determinant of the growth of an economy. Both private and the public sector investment needs are largely satisfied on the flow of funds from the general public. India being a developing country requires capital formation through savings and investment. This can be achieved when individual savings and investments have been properly planned, promoted and channeled. The educated and the uneducated also realize the importance of savings. Due to developments in the mass media and telecommunication people are aware of different investment alternatives. An investor determines the portfolio considering safety, liquidity, profitability and saving capacity. Age, gender, education, salary, marital status, family type, family members, household earners, family income and nature of employment also influence the saving pattern. The present study has been made to analyse the behavioural aspects of investors towards the preference for life insurance.

Key words : Investment, Investment pattern, Life insurance

How to cite this paper : Mary, S. Fathima Rosaline and Selvi, T. Muthamil (2012). Perception and attitude of investors towards life insurance with special reference to Madurai district. *Internat. J. Com. & Bus. Manage*, **5**(1): 16 - 19.

A thriving insurance sector can boost the growth of any economy, the reason being that for an individual it encourages the habit of saving, where as on a macro level it generates funds for infrastructure building, as the cash inflow of insurance companies is constant while the payout is deferred (Avadhani, 2002). Due to this characteristic, the insurance companies are the biggest investors in long gestation infrastructure development projects and hence of great importance to a developing economy like India. In 1999 the Malhotra Committee appointed by the Government of India reported that only 22 per cent of Indian population was insured. Per capita insurance premium in India was only US $ 6 as compared to US $1338 in South Korea, US $ 2250 in USA and US $1589 in UK. The insurance premium accounted for a mere 2 per cent of GDP as compared to the world average of 7.8 per cent. Thus, after years of deliberation, the Indian government finally opened the Insurance sector for the private and also the foreign players with a maximum of 26 per cent of joint equity. The year 2000 saw a plethora of companies trying to enter the sector. Of the two segments of Life and Non-Life, Life insurance is considered more lucrative owing to the high rate of returns.

Scope for market expansion in insurance sector:

India has a huge middle class population of about 300 million people who can afford to invests in health, life, disability and pension products. However, it is seen that only 20 per cent of the population actually invest in schemes catering to the said products. Further, the amount invested covers only 25 per cent of their actual needs and capacities. In this respect thus, Indian market can be labeled as a practically untapped market, which in its core holds immense potential and scope for growth. According to Stuart Purdy, MD and CEO, Dabur CGU Life Insurance Co, "Urban India is

MEMBERS OF THE RESEARCH FORUM

Correspondence to:
S. FATIMA ROSALINE MARY, Department of Commerce, Fatima College (Autonomous), MADURAI (T.N.) INDIA
Email : rosalinejohn65@gmail.com

Authors' affiliations:
T. MUTHAMIL SELVI, Department of Commerce, N.M.S. Sermathai Vasan College for Women, MADURAI (T.N.) INDIA

as financially aware as any other consumer in the world is." Hence, products have to be designed accordingly.

Objectives of the study:
– To study the investment pattern of the salaried persons in Madurai district.
– To study the choice of preference of Life insurance of the salaried persons in Madurai district.
– To examine the salaried persons behavioural aspects of investment in life insurance.

Scope of the study:
The study covers only the behavioural aspects of investment in Life insurance. The study has been carried out in the Madurai city. The study on investment pattern consisted of investment alternatives, choice of preference and the behavioural aspects regarding Life insurance.

METHODOLOGY

The problem of the research primarily focused on perceptional and behavioural issues that influence the decision making process for investment in life insurance by the salaried persons. Hence, collection of first hand information from the target group is highly essential for achieving accurate information for this a structure questionnaire has been used as a tool for collecting primary data. The data so collected have been tabulated and inferences have been drawn with the help of various stastical tool.

Percentage test was used to anaylse the and annual investment pattern factor anlalsis has been deployed to find the factors determining a particular investment alternatives. Chi square test was used to study the relationship between personal, family, career, variables and the choice of preference for life insurance.

Hypothesis of the study:
– There exists no significant relationship between personal variables and the preference on life insurance.
– There exists no significant relationship between family variables and the preference on life insurance.
– There exists no significant relationship between career variables and the preference on life insurance.

ANALYSIS AND DISCUSSION

The findings of the present study as well as relevant discussion have been summarized under following heads:

Annual investment:
Every person saves some portion of income for investment. The proportion varies from person to person. Table 1 shows the annual investment made by the sample

Table 1: Classification of the respondents based on the annual investment

Annual investment	Number of the respondents	Percentage
Below 20%	103	51.5
20% - 35%	78	39.0
35% - 50%	18	9.0
Above 50%	1	0.5
Total	200	100

Source: Primary data

respondents.

With regard to annual investment, it is clear from Table 1 that among the total respondents, 51.5 per cent invested below 20 per cent, 39 per cent of respondents invested 20 per cent - 35 per cent, 9 per cent of respondents made investment between 35 per cent - 50 per cent and the remaining 0.5 per cent of respondents invested above 50 per cent. Hence, majority of the respondents made annual investment is below 20 per cent.

Investment pattern:
Investing in various types of assets is an interesting activity that attracts people from all walks of life irrespective of their age, occupation, economic status, education and family background. The salaried person who is having extra money could invest it is securities or in any other assets like gold or real estate or could simply deposit it in his bank account.

Table 2 shows the overall investment pattern of the sample respondents.

Table 2 : Classification of the respondents based on investment pattern

Investment alternatives	No. of the respondents		Percentage		Total
	Yes	No	Yes	No	
Bank deposits	181	19	90.5	9.5	100
Post office deposits	112	88	56.0	44.0	100
Shares	33	167	16.5	83.5	100
Mutual funds	70	130	35.0	65.0	100
Life insurance	174	26	87.0	13.0	100
Real estate	73	127	36.5	63.5	100
Gold	124	76	62.0	38.0	100
Chits	28	172	14.0	86.0	100
Antiques	7	193	3.5.0	96.5	100

Source: Primary data

It is prominent from Table 2 that 90.5 per cent of respondents had chosen Bank deposits, 87 per cent of respondents preferred Life insurance, 62 per cent of the respondents invested in gold, 56 per cent of respondents had

Post Office deposits, 36.5 per cent of respondents opted for Real Estate, 35 per cent of respondents had chosen Mutual funds, 16.5 per cent of respondents invested in Shares, 14 per cent of respondents invested in Chit funds, while 3.5 per cent of respondents had chosen Antiques as their investment pattern. Hence, majority of the respondents made investment in bank deposits.

Reasons for choosing the life insurance:

The life insurance policies offer many investment schemes to investors. The insurance policies carry special exemption from income tax. These schemes have the additional facility of life insurance coverage. Table 3 shows the reason for choosing the life insurance.

Table 3 : Classification of the respondents based on reason for choosing the Life insurance		
Reasons	Number of the respondents	Percentage
Savings	10	5.75
Tax planning	22	12.64
Secured future	128	73.56
No risk	14	8.05
Total	174	100

Source: Primary data

It is inferred from Table 3 that, 73.56 per cent of respondents preferred Life insurance for secured future, 12.64 per cent for tax planning, 8.05 per cent for no risk and 5.75 per cent for savings. Hence, majority of the respondents preferred Life insurance for secured future.

Behavioural aspects of investment in Life insurance:

Many investment alternatives are available to the investors such as Bank deposits, Post office deposits, Shares, Mutual funds, Life insurance, Real estate, Gold, Chits and Antiques etc.

An investor determines his portfolio considering Safety, Return, Liquidity, Regularity of income, Capital appreciation, Tax benefit, Risk, etc. An individual investor's investment decision may also be influenced by gender, age, education, salary, marital status, family type, number of members in the family, household earner status, Family income and occupation, etc.

An attempt has been made to analyse the relationship between personal, family, career variables and the choice in preferring Life insurance.

Relationship between personal variables and the preference for life insurance:

Attempt was made to analyse the relationship between personal variables such as age, gender, education, salary and the preference for life insurance.

The data and information pertaining to the relationship between personal variables and the preference for Life insurance are presented in Table 4

Table 4 : Relationship between personal variables and the preference for Life insurance				
Sr. No.	Personal variables	Calculated value	D.O.F.	Table value	Result @ 5% significant level
1.	Age	0.93830	4	9.49	NS
2.	Gender	0.59746	1	3.84	NS
3.	Education	6.00356	4	9.49	NS
4.	Salary	2.73309	4	9.49	NS

NS=Non-significant

Null hypothesis test indicated there is no significant relationship between personal variables and the preference for Life insurance.

With regard to the personal variable, it was observed from Table 4 that, calculated value for gender (0.59746) at 1 degree of freedom, for age (0.93830), for education (6.00356) and for salary (2.73309) at 4 degrees of freedom were not significant for the preference of Life insurance.
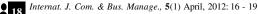
Relationship between family variables and the preference of Life insurance:

Attempt was made to analyse the relationship between family variables such as family type, number of family members, house hold earners status, and total income and the preference for Life insurance. The data and information pertaining to the relationship between family variables and the preference for life insurance are presented in Table 5.

Null hypothesis indicated and no significant relationship

Table 5 : Relationship between family variables and the relationship between preferences for Life insurance					
Sr. No.	Family variables	Calculated value	D.O.F.	Table value	Result @ 5% significant level
1.	Marital status	0.21541	1	3.84	NS
2.	Family type	1.42240	2	5.99	NS
3.	Family members	1.38635	3	7.81	NS
4.	Household earner status	0.02875	2	5.99	NS
5.	Family income	3.21713	4	9.49	NS

NS=Non-significant

Table 6 : Relationship between career variables and the preference for life insurance					
Sr. No.	Personal variables	Calculated value	D.O.F.	Table value	Result @ 5% Significant level
1.	Government employment	12.44021	1	3.84	S
2.	Private employment	5.16226	1	3.84	S
3.	Income tax assessee	0.66699	1	3.84	NS

NS=Non-significant   S=Significant

between family variables and the preference of life insurance.

With regard to the family variable, it was observed from Table 5 that, calculated value for marital status (0.21541) at 1 degree of freedom, family type (1.42240) at 2 degrees of freedom, for number of family members (1.38635) at 3 degrees of freedom and for household earners status (0.02875) at 2 degrees of freedom, for monthly family income (3.21713) at 4 degrees of freedom were not significant for the preference of Life insurance.

Relationship between career variables and the preference of life insurance:

Attempt was made to analyse the relationship between career variables such as nature of occupation and respondent as income tax assessee and the preference for Life insurance. The data and information pertaining to the relationship between career variable and the preference for Life insurance are presented in Table 6.

Null hypothesis indicated no significant relationship between career variables and the preference for life insurance.

With regard to the career variables, it was observed from Table 6 that, calculated value for the respondent as income tax assessee (0.66699) at 1 degree of freedom was not significant. However, the calculated value for government employment (12.44021) and for private employment (5.16226) at 1 degree of freedom were significant for the preference of Life insurance.

Hence, it is concluded that, there was a close association between nature of occupation and the preference for Life insurance (Jones, 2004).

Conclusion:

Analysis on the relationship between personal variables and the preference of life insurance indicated that all the four personal variables, age, gender, education and salary had insignificant influence on Life insurance.

Analysis on the relationship between family variables and preference for bank deposits indicated that all the five family variables, marital status, family type, family members, family income and house hold earner status had insignificant influence on Life insurance.

Analysis on the relationship between career variables and the preference for bank deposits indicated that out of three career variables, nature of occupation had significant influence on Life insurance.

While, respondent as income tax assessee had insignificant influence on Life insurance.

REFERENCES

Avadhani, V.A. (2002). *Investment management*, Himalaya Publishing House, Mumbai, p. 17.

Bhanoji Rao (2004). East Asian Economic Trends In Saving And Investment" Economics And Political Weekly, Nov.13 March 31, 2001, Pp. 1123-1133.

Jones, P. (2004). *Investments, analysis and management*, 9th Edition, John Willey and Sons, Singapore, p. 3.

Singh Preethi, "Investment Management", 2nd Revisied Edition, Himalaya publishing House, Mumbai.

WEBLIOGRAPHY

http://en.wikipedia.org/wiki/lifeinsurance

www.google.com

www.yahoo.com

———— ❋❋❋ ————