



INSURANCE AS AN INVESTMENT AVENUE - A STUDY AMONG GENERAL PUBLIC IN KERALA WITH SPECIAL REFERENCE TO KOTTAYAM DISTRICT

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Abstract: Nowadays insurance is an inseparable part of the society. Insurance provides a safeguard both for living too long or dying too young, still it's not used wisely among common people. Thus the present study titled "Insurance As An Investment Avenue - A Study Among General Public in Kerala With Special Reference to Kottayam District" is conducted with the objectives viz., to analyze the attitude of people towards various insurance schemes, to identify the factors affecting the investments in insurance, to identify the main purposes behind the investments in insurance schemes, to find out the benefits of insurance schemes to public, to examine the level of awareness about the insurance schemes of various companies to the public, to know the present satisfactory levels of existing policy holders. The study aims at how effectively the insurance schemes plays as an investment avenue among general public. For the purpose of the study 60 samples were selected as based on judgmental sampling from the insurance investors in the Kottayam District. For collecting the information from the investors a structured questionnaire was used. The study uses both primary and secondary data. To analyze the primary data, statistical tools like Chi-Square test, Coefficient of Correlation, Rank test, and Percentages are used; Graphs are also included.

Index Terms – Investment Avenue, Insurance Schemes, Investment Decision.

I. INTRODUCTION

The insurance industry is one of the fastest growing industries in the country and offers large growth opportunity to the investors. When compared with the developed foreign countries, the Indian life insurance industry has achieved only a little because of the lack of insurance awareness, ineffective marketing strategies, poor affordability and low investment in life insurance products. The study is beneficial to understand the comparative rate of return of insurance companies further it is important from insurance companies' point of view. What are the difficulties and limitations faced by them, it also helps to understand the role performed by the advisor to achieve the desired goal through planned strategy. The huge and ever rising population levels in our country provide an attractive opportunity but still majority of Indian lives are un-insured. The study is basically intended to discover and examine the factors affecting investor's decision towards investment in insurance policy.

II. REVIEW OF LITERATURE

The authors M C Garg and Anju are of the opinion that “the Insurance market is likely to see changes in the spheres of Marketing Mix. They feel that the customer-driven market would result in many flexibilities and innovations in Product, Pricing, distribution channels and Communication mechanism. The authors have attempted to study the nature, process and pattern of Marketing Mix in Life Insurance companies in India”.

According to Mr. Vinay Kumar Sinha, “LIC aims to sell about 42 lakhs policies to the financially weaker section of the society during the current fiscal against 15.4 lakhs sold in the last year. With the establishment of a technology platform and tie-up with NGO’s, micro finance institutions and the Self Help Groups, the penetration of such products are growing. Micro insurance products of LIC are customized offerings to cater to the distinct needs of the most vulnerable low income sections of Indian population”.

Mr. Mohan Kumar, MD, Link-Insurance Broker Company (P) Ltd., “strongly feels that the high rate of attrition among Life Insurance agents is resulting in large number of policies remaining under services”.

The author T Sri Jyothi “opines, even after taking so many measures to educate the rural people about the benefits of Insurance, still the penetration in rural areas has not improved much. This is because the lack of awareness, motivation of rural customers and failure of timely settlements of claims by insurers. In some cases, the claim settlement process took years and has become a demotivating factor for the development of rural insurance. If tapped properly, this segment is poised to become one of the most profitable segments for Insurance”.

In her article, author Sabera says, “that the Insurance Industry in India is undergoing a major change. As the private players entered into the market, the competition has risen for the public sector companies. The competition has also increased among the private players and the main competition lies in a variety of products provided to customers, in the pricing of the products and the service they are providing”.

III. STATEMENT OF THE PROBLEM

The present study is related to the investment of general public to the various schemes from the different insurance companies. The investors are everyday facing number of problems regarding the insurance company and their investment plans. The investors confused that which company gives more returns from various insurance schemes. Lot of insurance companies coming into the market but we have to know their policy strategies required to safeguard the investors and the returns on the investments.

The development of any economy depends on healthy savings and proper allocation of capital for the developmental activities of any country. The reduction of disposable income or increase in per capita income will contribute to savings. The avenues of investment and the investor’s opinion based on their preferences vary from person to person. Liquidity and safety play a major role in the investment decisions; tax exemption and other factors are also taken into consideration.

Apart from the above factors, there are demographic factors which influence the decision on investment. So that this study is conducted to know whether the investors considered investment in insurance as a best investment avenue, the exact title of the study is “Insurance as an Investment Avenue – A Study among General Public in Kerala with Special Reference to Kottayam District”.

IV. OBJECTIVES OF THE STUDY

- To analyse the attitude of people towards various insurance schemes.
- To identify the factors affecting the investments in insurance.
- To identify the main purposes behind the investments in insurance schemes.
- To find out the benefits of insurance schemes to public.
- To examine the level of awareness about the insurance schemes of various companies to the public.
- To know the present satisfactory levels of existing policy holders.

V. HYPOTHESIS OF THE STUDY

- H_0 = There is no significant relationship between age and perception on LIC returns.
- H_0 = There is no significant relationship between qualification of investors and their investment preference in insurance.

VI. RESEARCH METHODOLOGY

Nature of the Study: The study is analytical in nature.

Type of the Data: The study is on the basis of both Primary and Secondary data, of which primary data is mainly collected by providing questionnaires to various insurance investors in the Kottayam district and Secondary data was collected from various journals.

Sample Size of the Study: The sample size chosen for the study is 60 investors of Kottayam District.

Sampling Method: Judgemental sampling technique is used as the desired population for the study is uncommon or difficult to locate.

Tools of Data Collection: All the primary Data was collected with the help of Questionnaire which is supplied to the investors and also Interview method is used to extract information that is left out in the questionnaire. Opinions and suggestions were asked for the betterment of the study.

Tools for Data Analysis: Percentage Analysis, Graphs, Chi-Square test, Rank test, Karl Pearson's method of Co-efficient of Correlation.

VII. DATA ANALYSIS AND INTERPRETATION

❖ Rank Test

Criteria for Personal Investment: Generally, the criteria for personal investment may vary from person to person. Eight alternatives were enumerated in the schedule and each investor was asked to rank the criteria for personal investment in their order of preference. Table 1 reveals the details.

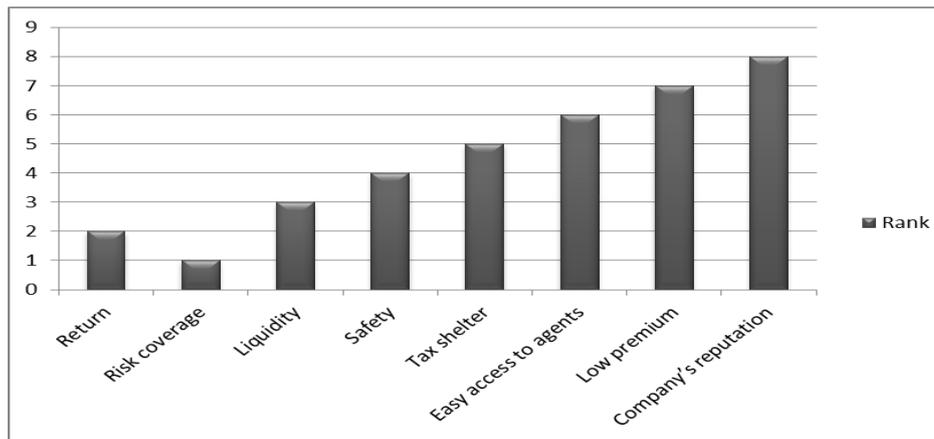
Table 1
Criteria for Personal Investment of the Investors.

ATTRIBUTES	TOTAL WEIGHTAGE	RANK
Return	322	2
Risk coverage	357	1
Liquidity	312	3
Safety	279	4
Tax shelter	255	5
Easy access to agents	215	6
Low premium	206	7
Company's reputation	173	8

Source: Primary Survey

From the above table, it can be seen that investors give first preference to risk coverage of the investment. Second preference goes to return. Investors give their third preference to liquidity. The next preference goes to safety. Then they give more or less equal preference to tax shelter. Easy to access to agents of insurance is their next preference. Next preference of the investors is low premium. Company's reputation is next preference. Therefore, it is concluded that risk coverage and return are the major consideration for investing in insurance.

Figure 1
Criteria for Personal Investment of the Investors.



❖ Karl Pearson's Co-Efficient of Correlation Method

Preferred Insurance Schemes and the Level of Awareness: Among the various insurance schemes provided by both LIC and MNC companies most of the investors choose vehicle and medical insurance. Most of the people are risk averters and seek tax advantage from investment avenues. The table shows the relationship between awareness of investors among various insurance schemes and their actual investment.

Table: 2

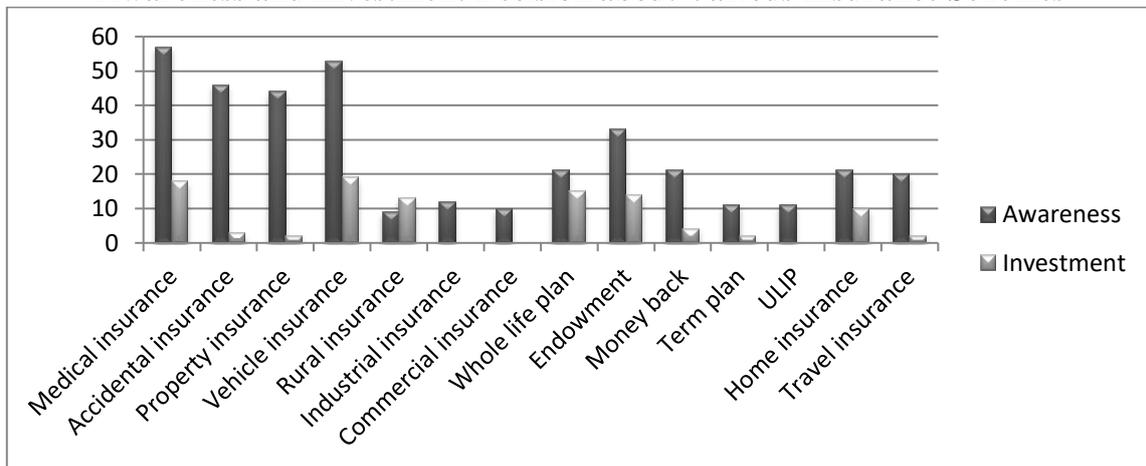
Awareness and Investment Decision about Various Insurance Schemes

INSURANCE SCHEMES	AWARE	PERCENTAGE	INVESTED	PERCENTAGE
Medical insurance	57	95	18	30
Accidental insurance	46	77	3	5
Property insurance	44	73	2	3
Vehicle insurance	53	88	19	32
Rural insurance	9	15	13	22
Industrial insurance	12	20	0	0
Commercial insurance	10	17	0	0
Whole life plan	21	35	15	25
Endowment	33	55	14	23
Money back	21	45	4	7
Term plan	11	18	2	3
ULIP	11	18	0	0
Home insurance	21	35	10	17
Travel insurance	20	33	2	3.3

Source: Primary Survey

Table 2 shows that majority of investors are aware about medical insurance (95%) and 30% of investors invested in this. 88% of the investors are aware about vehicle insurance and 32% of investors are invested in it. Most of the investors are not aware about rural, commercial, ULIP, term plan, industrial, and travel insurance. 25% are invested in whole life plan. And 23% are invested in the endowment policy. Most of the investors are not invested in industrial, property, accidental, commercial and term plan.

Figure: 2
Awareness and Investment Decision about Various Insurance Schemes



To measure the degree of relationship between awareness on various insurance schemes and the preferred investment decision, Karl Pearson’s Coefficient of Correlation (r) was applied.

$$r = \frac{N\Sigma X - (\Sigma X)(\Sigma Y)}{\sqrt{N\Sigma X^2 - (\Sigma X)^2} \sqrt{N(\Sigma Y)^2 - (\Sigma Y)^2}}$$

Where,

- N = Number of pairs of observations
- X = Given values of the first variable i.e. awareness
- Y = Given values of the second values i.e. investment

∴ N = 14

X values are: - 57, 46, 44, 53, 9, 12, 10, 21, 33, 21, 11, 11, 21, and 20

Y values are: - 18, 3, 2, 19, 13, 0, 0, 15, 14, 4, 2, 0, 10, and 2

And the correlation result shows that there exists a fair degree of positive correlation, i.e. r = 0.5172. Hence, it is concluded that there is positive relation between awareness and investment in various insurance schemes.

❖ **Testing of Hypothesis**

Hypothesis Test 1: In order to test the nature of relationship between age of investors and their perception on LIC returns, Chi-Square test is conducted by taking null hypothesis (H0) as “there is no significant relationship between age and perception on LIC returns”. For this purpose, data collected in this regard is presented in the table 3 given below.

Table: 3
Age and Perception on LIC Returns

PERCEPTION \ AGE	HIGH	MEDIUM	LOW	TOTAL
Below 25	5	1	2	8
25-35	4	18	2	24
35-45	2	11	3	16
45 & above	1	10	1	12
Total	12	40	8	60

Source: Primary Survey

Observed frequencies are: - 5, 4, 2, 1, 1, 18, 11, 10, 2, 2, 3, and 1

And the corresponding expected frequencies are: - 1.6, 4.8, 3.2, 2.4, 5.3333, 16, 10.6667, 8, 1.0667, 3.2, 2.1333, and 1.6.

∴ Chi-Square (χ^2) = $\frac{\Sigma(O-E)^2}{E} = 14.7495$

Level of significance = 5%

Degree of freedom = (c-1) (r-1) = (4-1) (3-1) = 3 × 2 = 6

Table value = 12.592

On testing it is found that the calculated value of χ^2 (14.7495) is greater than table value (12.592) at 5% level of significance. So the null hypothesis is rejected and the alternative hypothesis (H1) i.e. “there is a significant relationship between age and perception on LIC’s returns” is accepted. Hence it is concluded that the age of the investors and their perception on LIC’s returns are related.

Hypothesis Test 1: In order to test the nature of relationship between qualification of investors and their investment preference in insurance, Chi-Square test is conducted by taking null hypothesis (H0) as “there is no significant relationship between qualification of investors and their investment preference in insurance”. For this purpose, data collected in this regard is presented in the table 4 given below.

Table: 4
Qualification and Investment Preference of Investors in Insurance Schemes

PREFERENCE \ QUALIFICATIONS	PREFERRED	NOT PREFERRED	TOTAL
Below SSLC	3	3	6
SSLC	6	5	11
Plus two	7	1	8
Graduation	11	8	19
Post-graduation	9	6	15
Professional	1	0	1
Total	37	23	60

Source: Primary Survey

Observed frequencies are: - 3, 6, 7, 11, 9, 1, 3, 5, 1, 8, 6, and 0

And the corresponding expected frequencies are: - 3.7, 6.7833, 4.9333, 11.7166, 9.25, 0.6167, 2.3, 4.2167, 3.0667, 7.2833, 5.75, and 0.3833.

$$\therefore \text{Chi-Square } (\chi^2) = \frac{\sum(O-E)^2}{E} = 3.5929$$

Level of significance = 5%

Degree of freedom = (c-1) (r-1) = (2-1) (6-1) = 1 × 5 = 5

Table value = 11.070

Since the observed value of χ^2 (3.5929) is less than the table value (11.070) at 5% level of significance, the null hypothesis (H0) is accepted. Hence, it is concluded that there is no significant difference in the qualification and investment preference in insurance schemes.

VIII. FINDINGS

The major findings and conclusions arrive as results of this study are summarized below:-

- Majority (40%) of the investors are in the age group between 25 and 35 and 57% of the investors are Graduates.
- The analysis shows that the monthly income of the investors is good, majority (50%) of them have an income between 20000 and 40000 per month.
- The majority (53%) of investors have occasional habit of investment.
- The study reveals that, the investors (82%) consider insurance as a safer and profitable investment avenue.
- The analysis shows that the investors (53%) most preferred type of insurance company is Life Insurance Corporation (LIC).

- From the study it is found that investors most preferred Multi National Insurance Companies are ICICI Prudential Life Insurance (36%) and HDFC Standard Life Insurance Company (21%).
- From the study, it reveals that 57% of the investors are aware about the IRDA provisions.
- The study reveals that majority (40%) of the investors are partly understood about conditions of various insurance schemes provided by the insurance companies.
- From the study, it is clear that 43% of investors had invested an amount between 100000 and 1000000.
- The study reveals that majority (62%) of the investors received tax exemptions/benefits from their investment in insurance schemes.
- It is found that majority (73%) of the investors are satisfied in their investment schemes.
- From the study, it is clear that 62% of investors agree that investing in insurance is better than investing in other avenues.
- From the analysis, it is found that majority (26%) of the investors choose investment avenue on the basis of their own investigation without depending on external agencies.
- It is found that, the main purpose behind investment in various insurance schemes by the investors is to earn regular income from their investment.
- It is found that, majority (42%) of the investor's rate insurance as a good investment.
- The study reveals that, it can be seen that Risk coverage and Return aspects are the major consideration for their investment.
- From the study it is found that majority (67%) of the investors' perception about the returns on investment from LIC is average.
- There exists a fair degree of positive correlation (0.5172) in the awareness and preference of various investments in insurance schemes.
- It is found that the age of investors and their perception on LIC's returns are related.
- The study reveals that the educational qualification of investors' and their investment preference in insurance are not related.

IX. SUGGESTIONS

- Insurance companies should provide proper information about the conditions of various insurance schemes.
- The authorities and companies have to increase the awareness of investors about IRDA provisions.
- The investors are still not aware about different types of policies offered by the insurance companies. So that insurance companies would take due effort to educate the investors about the benefits of investing in insurance.
- Multi-National Companies, have to concentrate more on persuading the investors to invest in their policies. If they go for more sales promotion activities, their performance will become better in future.
- The insurance companies should provide adequate training to the insurance agents to learn how to win the confidence of the investors.
- If the insurance companies make their terms and conditions simple then it will be understood by all.
- The Government should made insurance policies mandatory to all the general public.
- Insurance is one of the best future secure plans. So that all people should take any insurance as to securing their life.

X. CONCLUSION

Insurance is a larger investment and the investors will most likely purchase multiple policies throughout their life time. It is essential that investors know what each type of insurance and how it works so the investors can make the best decision about what to buy. Insurance protects people from unplanned expenses when unexpected situations arise. The key benefit of insurance is it helps you to meet your needs of life cover and investment.

Life Insurance Corporations of India is the major insurer among the general public. Their insurance dealings with the public are more than that of the entire business of Multi National insurance companies. Majority of the investors are aware about the IRDA provisions but most of them are not aware about the various insurance schemes provided by both LIC and MNC companies. The investors choose insurance as an investment avenue because it offers risk coverage and returns. Most of the investors consider insurance as a safer and profitable investment avenue. Majority of investors state that they are satisfied in their investment schemes. And also majority of investors thinks that investing in insurance is better than investing in other avenues.

XI. REFERENCES

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