

A Perception of Investors regarding Investment in Life insurance with special reference to Rajkot City

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Abstract

In this research I have found that most of respond are aging 21 to 30 years are more interested in buying life insurance. There are various types of life insurance service provider. Different companies provide different benefits so have choice to select the best plans for them which gives them good returns.

Research Methodology: -

In this study I have taken 100 respondents through online questionnaire. In this research connivance sampling and judgmental sampling to know the perception of investors regarding investment in life insurance. For analysis I have used chi-square.

Findings: -

Majority of respondents age group is 21 to 30 years as well as their family income is between 2 lacs to 5 lacs. Most of respondents wants long term investment.

Introduction: -

• Insurance: -

An insurance is a legal agreement between an insurer (insurance company) and an insured (individual), in which an insured receives financial protection from an insurer for the losses he may suffer under specific circumstances.

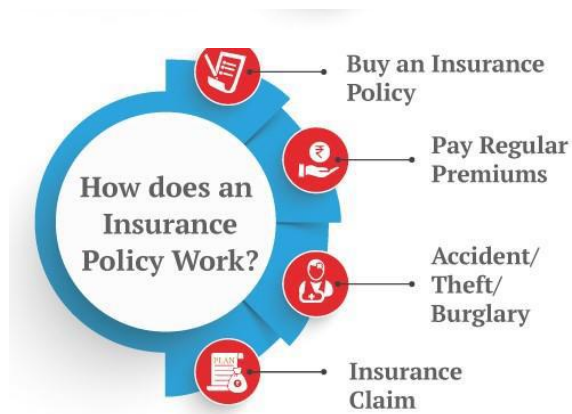
Under an insurance policy, the insured needs to pay regular amount of premiums to the insurer. The insurer pays a predetermined sum assured to the insured if an unfortunate event occurs, such as death of the life insured, or damage to the insured or his property.

The literal meaning of insurance would be an assurance against unforeseen and unfortunate loss. This means, that if you encounter a less than normal event in your normal course of life, and happen to incur a financial loss because of it, you can be compensated.

For example, you met with an accident on your way to the office in your car and the car suffers damage. Your insurer can reimburse the repair expenses in this case. However, the insurer will not reimburse normal wear and tear like a headlamp stopped working.

Legally insurance has been defined as a contract where the insurer agrees to compensate the insured against the losses incurred due to any unforeseen contingency. The contract also involves a consideration which is called a premium. The maximum available benefit amount is called sum assured or sum insured.

- How does an Insurance Policy Work?



To understand how insurance works, you should know below terms:

1. Premium
2. Sum Insured
3. Sum Assured

- **Types of Insurance: -**



- **Life Insurance Meaning: -**

Life Insurance can be defined as a contract between an insurance policy holder and an insurance company, where the insurer promises to pay a sum of money in exchange for a premium, upon the death of an insured person or after a set period.

- **Life Insurance Policy Meaning: -**

Life insurance is defined as a legally binding contract between a policyholder and an insurer in which the insurance company provides financial protection to the policyholder and pays a death benefit to the nominee when the insured dies. For a life insurance policy to remain in force, the

policyholder must pay regular premiums over the period of time or pay a single premium upfront.

In a nutshell, all the benefits of a life insurance policy are tied to the payment of premiums, which is why one should opt for a premium that can be easily serviced. A life insurance policy works only if the policyholder has paid all premiums regularly.

As you have understood the meaning of life insurance policy you will find it easier to know how life insurance works.

- **Factors that affect life insurance premium: -**

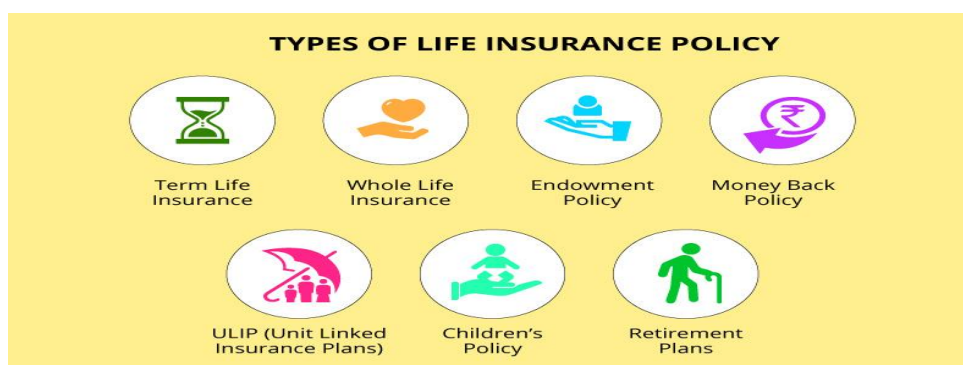
Now that you know what life insurance is and why you need it, find out the factors that can affect the life insurance premium:

1. Age
2. Gender
3. Health conditions
4. Family health history
5. Smoking and drinking alcohol
6. Type of coverage
7. Amount of coverage

- **Benefits of Life Insurance Plans: -**

1. Financial Protection
2. Builds saving Habit
3. Helps in Tax-Savings
4. Achieve your Big Financial Goals
5. Wealth Protection & Distribution

- **Different Types of Life Insurance: -**



Objective of the study: -

1. To determine the awareness level of consumers regarding life insurance policies and the number of consumers who have actually invested in life insurance policies.
2. To examine the attributes that consumers prefer while purchasing a life insurance policy.

Literature Review: -

1. Sandeep Chaudhary and Jasneet Kaur (2016) in their article “CONSUMER PERCEPTION REGARDING LIFE INSURANCE POLICIES: A FACTOR ANALYTICAL APPROACH” The study has extracted six factors that affect the buying decision of a consumer are Customized and Timely Services, Better Company Reputation, Effective Service Quality, Customer convenience, Tangible Benefits and Healthy Customer Client Relationship. In nutshell we could say that human life is a most precious asset and life insurance is one of the ways which provides financial protection to a person and his family at the time of any uncertainty.

2. Swati Jain in their article “A STUDY ON CONSUMERS” PERCEPTION TOWARDS INSURANCE AS A FINANCIAL PLANNING TOOL” Consumers prefer term deposits, money market funds, mutual fund and metals (gold & silver) for their short-term investments. Mostly preferred mode of investment for long term are Equity shares, bond & Debentures, life insurance policy and real estate. Safety, high returns, liquidity & risk evaluation these four are significant factors which helps the consumer in taking his or her decision of buying a particular investment plan.

3. Mahajan (2013); conducted a study on consumer decision making process in life insurance services and found that there are 5 stages i.e. need recognition, search of alternative, evaluation of alternative, purchase decision and post purchase evaluation. Special considerations pertaining to insurance industry are perceived risk, risk and standardization and risk and information. She even formulated certain stages to improve customer awareness about benefits of life insurance products like focusing on marketing techniques. Thus she concluded that the consumer’s perception towards Life Insurance Policies is positive. There is a positive mind sets developed for their investment pattern, in insurance policies. Still some actions need to be for developing insurance market.

4. Shamrao and Vibhute (2013); conducted a survey in Kohlapur on 127 respondents to find out the preference of customers towards insurance policy, the satisfaction level towards ULIP plan and traditional plans and the factors influencing the investment decision. It was found that LIC to be major insurance player and traditional plans being more preferred than ULIP plans. Majority of holders think insurance to be purely protection option followed by tax savings and pension scheme. Majority of holders take policies from financial advisors and banks. Investor opinion of investment also depend upon service quality, reputation, trust worthiness and future plans of company.

5. Jain and Saini (2012); in their article has highlighted the role of IRDA for life in insurance industry in India and has concluded that social, cultural, political, personal, psychological and demographic factors influence the consumer behaviour. This study reveals that the demographical factor has the major impact on the purchasing decision of consumer. The leadership does not lie in getting the maximum number of policies sold but in understanding

the demography of the customer and targeting them in their way. Finally, being they considered the success of insurance marketing dependent on understanding the social and cultural needs of the target population.

6. M.Epctimchin (2011); conducted a survey in Nigeria to find out factors enhancing the purchasing of life insurance and found that company loyalty is the major factor influencing purchasing decision and company client relationship as the last. These factors are beneficial to company as well as consume

7. Uma, Selvanayaki & Shankar (2011) based their article titled “A Survey of Life Insurance Customer’s Awareness, Perception and Preferences” on the survey of 100 customers of life Insurance policies, carried out in Coimbatore. It throws light on various aspects related to customers' awareness, perception and preferences pertaining to life insurance. The primary objectives of this survey were to find preferences of customer’s towards various life Insurance policies, factors influencing choice of life Insurance policy and awareness about life Insurance brands.

8. K.V. Ramanathan (2011) in his article “A study on policy holder’s satisfaction with reference to Life Insurance Corporation of India” identified a reliable and valid instrument for assessing customer perceived service quality, awareness level, and satisfaction level of customers for life insurance industry. Here, service quality needs to be measured using a six dimensional hierarchal structure consisting of assurance, competence, personalized financial planning, corporate image, tangibles and technology dimensions. This would help the service managers to efficiently allocate resources, by focusing on important dimensions first.

9. Dr. Anshuja Tiwari & Ms. Babita Yadav in their article “A Comparative Analysis of Investor’s Risk Perceptions towards Public & Selected Private Life Insurers in Jabalpur District of Madhya Pradesh” concluded that LIC was the only company in Indian life insurance business till 1999 and today facing tough competition with the existing and new private insurer which has resulted downfall in the market share of LIC. LIC is an old brand and majority people continue to buy policy from it because of security and trust on the brand.

10. Selvakumar & Priyan (2010) in their article “A comparative study of public and private life insurance companies in India” found that insurance companies are increasingly tapping the semi-urban and rural areas to take across the message of protection of life through insurance cover. Higher level of protection implies that customers are more conscious of the need for risk mitigation, greater security, and about the future of their dependents. Insurance sector has been evolving and improving its underwriting and risk management abilities.

11. Keerthi, R Vijayalakshmi (2009) in their article “A study on the Expectations and perceptions of the services in private life insurance companies” the policy holders’ expectations are well met in the case of certain factors like quality. But in the case of other variables, there exists a significant gap which means that policy holders have experienced low levels of service as against their expectations. If all the players in the life insurance industry

focus on the effective delivery of services, they can win the hearts of customers and anticipate their increased market share.

12. Debasish (2004) in the paper titled “Exploring Customer Preference for Life Insurance in India-Factor Analysis Method”. He made analysis and explores the various factors which customer takes into consideration while purchasing life policies and also determine the extent to which these factors are considered by the customers.

Research Methodology

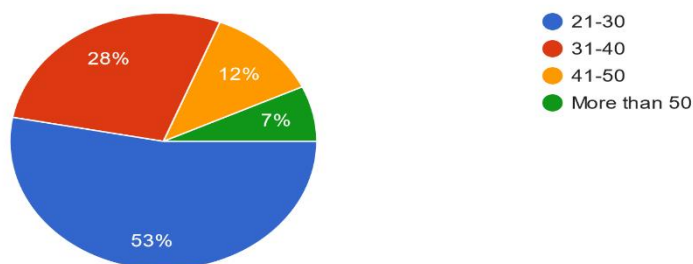
1. Hypothesis: -
 - Null Hypothesis: -
There is no relationship between factors affecting investing in life insurance and perception of investor.
 - Alternate hypothesis: -
There is relationship between factors affecting investing in life insurance and perception of investor.
2. Type of Research: -
 - Exploratory research Method.
3. Sample Size: -
 - In this research I have taken 100 respondents.
4. Sampling Technique: -
 - Convince Sampling & Judgmental Sampling techniques is used in this research.
5. Data Collection Source: -
 - In this research I have used Primary & Secondary Data
6. Data Collection Instruments: -
 - In this research I have collected data through online questionnaire & some books.

Data Analysis & Graphical Presentation

Age: -

Sr. No	Age Group	No. of Respondents
1	21-30	53
2	31-40	28
3	41-50	12
4	More than 50	7
Total		100

Age
100 responses



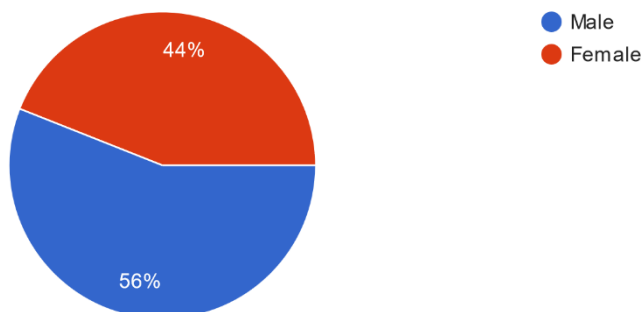
Interpretation: -

From above graph we can analyse 53% of respondents are of 21-30 age group. 28% of respondents are of 31-40 age group. 12% of respondents are of more than 50 age group.

Gender: -

Sr. No	Gender	No. of Respondents
1	Male	56
2	Female	44
Total		100

Gender
100 responses



Interpretation: -

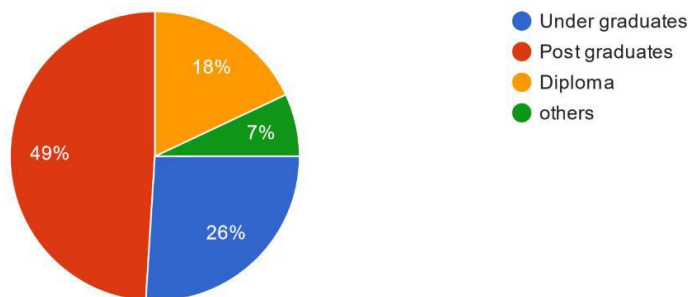
From above graph we can easily analyse that 56% respondent are male & 44% respondents are female respondents.

Education Qualification: -

Sr. No	Particular	No. of Respondents
1	Under-graduate	26
2	Post-graduate	49
3	Diploma	18
4	Others	7
Total		100

Educational qualification

100 responses



Interpretation: -

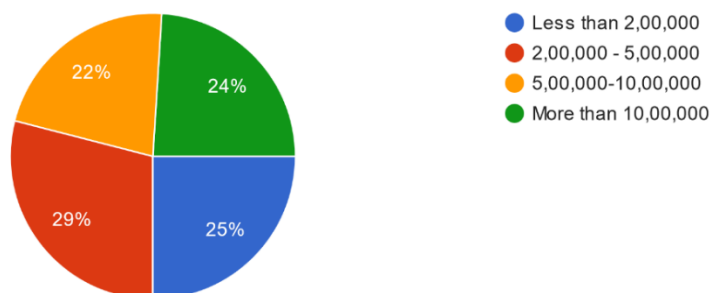
From above we can analyse that large number of respondents are Post Graduate i.e. 49%.

Annual Income Level:-

Sr. No	Particular	No. of Respondents
1	Less than 2,00,000	25
2	2,00,000-5,00,000	29
3	5,00,000-10,00,000	22
4	More than 10,00,000	24
Total		100

Annual income level

100 responses



Interpretation: -

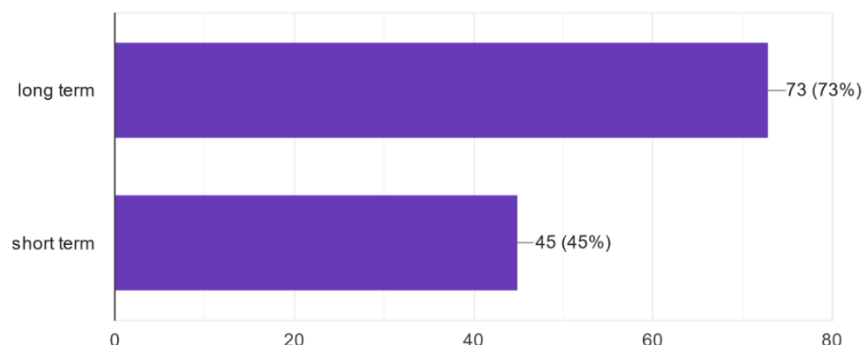
From above graph we can analyses that 29% respondents income is between 2 Lac to 5 Lac. 25% respondent's income is less than 2 Lacs .24% respondents' income is more than 10 Lacs.22% respondents' income is between 5 Lacs to 10 Lacs.

What kind of investment do you refer: -

Sr. No	Particular	No. of Respondents
1	Long Term	73
2	Short Term	45
Total		100

what kind of investment do you prefer?

100 responses



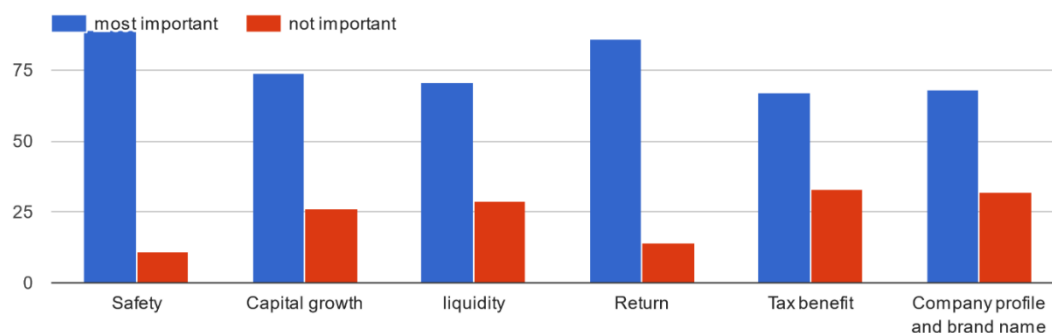
Interpretation: -

From above graph we can analyse that 73% respondents are interested in investing in long term & 45% respondents are interested in investing in short term investment.

Q.In which investment alternative you are ready to investment?

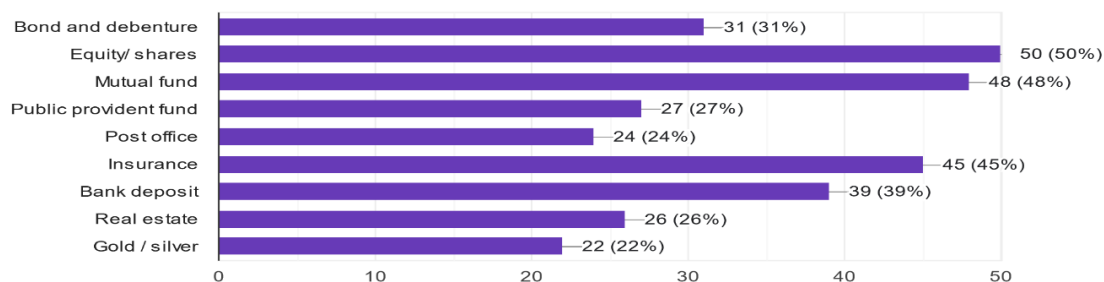
Investment Alternative	No of respondents	Percentage
Bond and debenture	31	31%
Equity/ shares	50	50%
Mutual fund	48	48%
Ppf	27	27%
Post office	24	24%
Insurance	45	45%
Bank deposit	39	39%
Real estate	26	26%
Gold / silver	22	22%

State your expectation on investment alternatives by ticking according to its importance.



In which investment alternative you are ready to investment?

100 responses



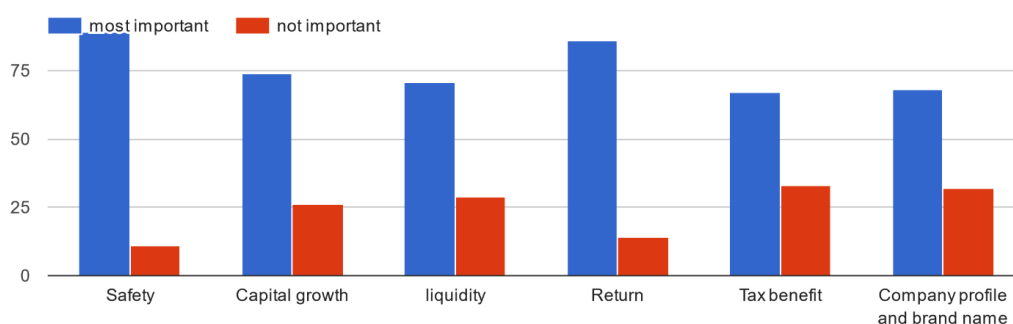
Interpretation: -

From above graph we can easily analysed that people are most likely to invest in equity /share. There are also investors who are willing to invest in mutual fund bank deposit and insurance i.e. 48% 39% and 45% respectively. Out of this entire investment avenue less percentage are ready to invest in gold i.e. only 22%.

Q-State your expectation on investment alternatives by ticking according to its importance.

Expectation on investment	Highly important	Not important
Safety	89	11
Capital growth	74	26
Liquidity	71	29
Return	86	14
Tax benefit	67	33
Company profile and brandname	68	32

State your expectation on investment alternatives by ticking according to its importance.



Interpretation: -

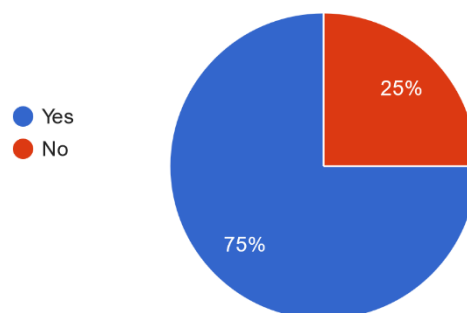
- This graph can be concluded like this
- Most of investors are expecting safety and return at appropriate percentage and at regular time interval.
- Another part of expectation is capital growth and good brand image of company
- Liquidity and tax benefit are also part of expectation but at less important thing.

Do you invest money in life insurance?

Sr. No	Particular	No. of Respondents
1	Yes	75
2	No	25
		100

Do you invest money in life insurance?

100 responses



Interpretation: -

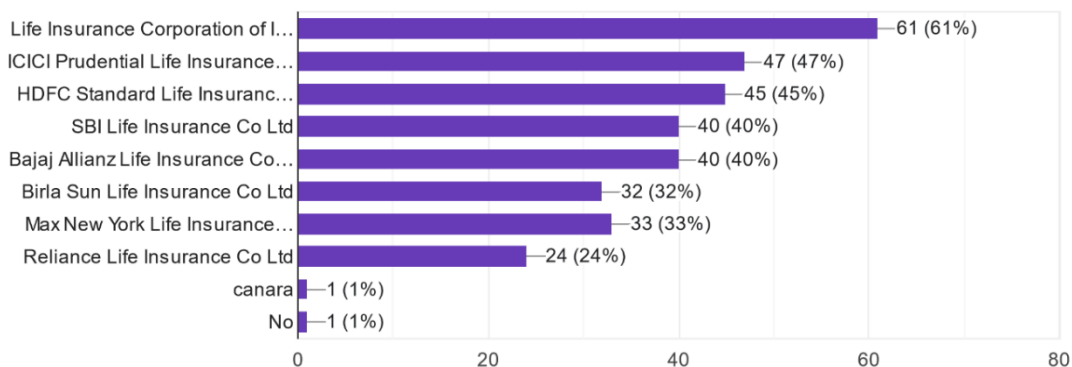
From above graph we can analyse that majority i.e. 75% respondents invest their money in Life Insurance.

Which life insurance company do you know?

Company	No of respondents	Percentage
Life Insurance Corporation of India	61	61%
ICICI Prudential Life Insurance Co Ltd	47	47%
HDFC Standard Life Insurance Co Ltd	45	45%
SBI Life Insurance Co Ltd	40	40%
Bajaj Allianz Life Insurance Co Ltd	40	40%
Birla Sun Life Insurance Co Ltd	32	32%
Max New York Life Insurance Co Ltd	33	33%
Reliance Life Insurance Co Ltd	24	24%

Which life insurance company do you know?

100 responses

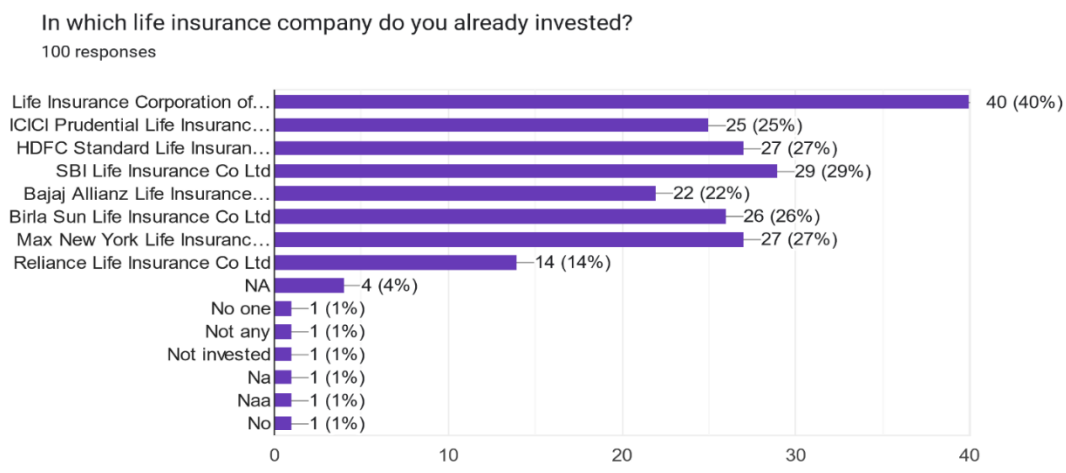


Interpretation: -

This graph shows investors are aware about which insurance companies. These all are having very good brand image. More than 60% respondents are aware about Life insurance Corporation of India. More than 45% respondents are aware about ICICI prudential life insurance and HDFC standard life insurance. Less than 25% respondents are aware about Reliance Life Insurance Company.

Q.In which life insurance company do you already invested?

Company	No of respondents	Percentage
Life Insurance Corporation of India	40	40%
ICICI Prudential Life Insurance Co Ltd	25	25%
HDFC Standard Life Insurance Co Ltd	27	27%
SBI Life Insurance Co Ltd	29	29%
Bajaj Allianz Life Insurance Co Ltd	22	22%
Birla Sun Life Insurance Co Ltd	26	26%
Max New York Life Insurance Co Ltd	27	27%
Reliance Life Insurance Co Ltd	14	14%



Interpretation: -

This graph indicates in which insurance company investors are already invested, Life Insurance Corporation of India is on top i.e. 40% and all other company is having range of around 25% and other part reliance life insurance is at 14%.

Test Applicable

A chi- square test for independence is used to analyze the data as it compares two variables in a contingency table to see if they are related.

Factors Included

To measure preference of individual investors regarding investment in life insurance. They are as follows:

Safety

Capital growth Liquidity Return

Tax benefit

Company profile and brand name

Factors	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Individual perception of investment	Safety	55	15	6	16	8	100
	Capital growth	40	20	10	15	15	100
	Liquidity	35	30	20	5	10	100
	Return	80	15	1	2	2	100
	Tax benefit	45	16	18	11	10	100
	Company profile and brand name	52	28	6	10	4	100

O _i	E _i	O _i -E _i	(O _i -E _i) ²	(O _i -E _i) ² /E _i
55	51.16	3.84	14.7456	7.3728
40	51.16	-11.16	124.5456	62.2728
35	51.16	-16.16	261.1456	130.5728
80	51.16	28.84	831.7456	415.8728
45	51.16	-6.16	37.9456	18.9728

52	51.16	0.84	0.7056	0.3528
15	20.66	-5.66	32.0356	16.0178
20	20.66	-0.66	0.4356	0.2178
30	20.66	9.34	87.2356	43.6178
15	20.66	-5.66	32.0356	16.0178
16	20.66	-4.66	21.7156	10.8578
28	20.66	7.34	53.8756	26.9378
6	10.16	-4.16	17.3056	8.6528
10	10.16	-0.16	0.0256	0.0128
20	10.16	9.84	96.8256	48.4128
1	10.16	-9.16	83.9056	41.9528
18	10.16	7.84	61.4656	30.7328
6	10.16	-4.16	17.3056	8.6528
16	9.83	6.17	38.0689	19.03445
15	9.83	5.17	26.7289	13.36445
5	9.83	-4.83	23.3289	11.66445
2	9.83	-7.83	61.3089	30.65445
11	9.83	1.17	1.3689	0.68445
10	9.83	0.17	0.0289	0.01445
8	8.16	-0.16	0.0256	0.0128
15	8.16	6.84	46.7856	23.3928
10	8.16	1.84	3.3856	1.6928
2	8.16	-6.16	37.9456	18.9728
10	8.16	1.84	3.3856	1.6928
4	8.16	-4.16	17.3056	8.6528
				1017.334

Degree of Freedom = (C-1) * (R-1) (5-1) * (6-1)

4 * 5

20

Calculated Value = 1017.33 Tabular value at 5% = 31.41

Interpretation of the Result

The Chi- Square Test was conducted for testing the statistical significance of association between perceptions of investor regarding invests in life insurance. Decision at 5% level of significance, the calculated value 1017.33 which is More than critical level of 0.05, the table value 31.41 therefore the Null Hypothesis H0 is Accepted, and Alternative Hypothesis H1 is rejected. From the above test we can these factors are not too much affecting to life insurance.

Results and findings

- Majority 32% of respondents belongs to age group of 21 – 30.
- Majority 56% of respondents belongs to male.
- Majority 29% of respondents were having family income between 2,00,000 to 5,00,000.
- 75 % of the respondents are invest in life insurance
- Most of the respondents want long term investment.

Suggestion and conclusion

The insurance sector has a vast potential not only because incomes are increasing and assets are expanding but also because the volatility in the system is increasing. In a sense, we are living in a more risky world. Trade is becoming increasingly global. Technologies are changing and getting replaced at a faster rate. In this more uncertain world, for which enough evidence is available in the recent period, insurance will have an important role to play in reducing the risk burden individuals and businesses have to bear. In the emerging scenario, the insurance industry must pay attention to

- (a) Product innovation,
- (b) Appropriate pricing and
- (c) Speedy settlement of claims.

Limitation of the study

- The following limitations can be pointed out from the research
- The sample size chosen for the questionnaire was only 100 and that may not represent the true picture of the consumer perception about the Life Insurance sector.
- The research got confined to the city of rajkot district only. The respondent belonged only to Rajkot city and not others who were out of Rajkot city.
- The selection of people for the questionnaire will be done on the basis of convenient random sampling, so, there were certain cases in which the people selected did not have any life insurance policy, so they could not give any positive feedback regarding the important criteria to be considered before taking a life insurance policy.
- The product offered by different companies had different options and names in them, so at the time of comparison it will become very difficult. The parameters for comparison will also different in the selected companies.
- Resource Constraint
- Time Constrains

Scope of the Study: -

- The result of this research would help the company to have a better understanding about the consumer's perception towards life insurance products offered by LIC of India.
- The study helps the LIC of India to focus the consumer's preferences and expectations on the product which they offer.

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Annexure

"A perception of investors regarding investment in Life insurance with special reference to Rajkot City"

1. Name

2. Age
 - a. 20 – 30
 - b. 31 – 40
 - c. 41 – 50
 - d. 51 – 60
 - e. More than 60

3. Gender
 - a. Male
 - b. Female

4. Contact number

5. Educational qualification
 - a. Under graduates
 - b. Post graduates
 - c. Diploma
 - d. Other

6. Annual income level
 - a. Less than 2,00,000
 - b. 2,00,000 - 5,00,000
 - c. 5,00,000 - 7,00,000
 - d. 7,00,000 - 10,00,000
 - e. More than 10,00,000

7. What kind of investment do you prefer?

- a. Long term
- b. Short term
- c. Both

8. Rank these various investment alternatives According to your preference

Sr no	Investment alternative	Rank
1	Bond and debenture	
2	Equity/ shares	
3	Mutual fund	
4	Ppf	
5	Post office	
6	Insurance	
7	Bank deposit	
8	Real estate	
9	Gold / silver	

9. State your expectation on investment alternatives by ticking according to its importance.

Expectation on investment	Highly Important	Important	Neutral	Less important	Not important
Safety					
Capital growth					
Liquidity					
Return					
Tax benefit					
Company profile and brand name					

10. Do you invest money in life insurance?

- a. Yes
- b. No

11. Which life insurance company do you know?

- a. Life Insurance Corporation of India
- b. ICICI Prudential Life Insurance Co Ltd
- c. HDFC Standard Life Insurance Co Ltd
- d. SBI Life Insurance Co Ltd
- e. Bajaj Allianz Life Insurance Co Ltd
- f. Birla Sun Life Insurance Co Ltd
- g. Max New York Life Insurance Co Ltd
- h. Reliance Life Insurance Co Ltd

12. In which life insurance company do you already invested?

- a. Life Insurance Corporation of India
- b. ICICI Prudential Life Insurance Co Ltd
- c. HDFC Standard Life Insurance Co Ltd
- d. SBI Life Insurance Co Ltd
- e. Bajaj Allianz Life Insurance Co Ltd
- f. Birla Sun Life Insurance Co Ltd
- g. Max New York Life Insurance Co Ltd
- h. Reliance Life Insurance Co Ltd

13. What parameters do you look into before you take up a life insurance policy ?

Parameters	Highly Important	Important	Neutral	Less important	Not important
Premium					
Charges					
Policy terms					
Riders benefit					
Bonus and interest					
Services					
Accessibilities					
Company image					