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CONTENT

"Investment Pattern Towards Life Insurance Policy of Salaried Persons in Kolhapur City."

Ekal Amar Dinkar, Assistant Professor, CSIBER, Kolhapur 416008

Abstract:

Investment for the salaried class is a self-restriction from spending the entire income to stabilize the regular financial flow during some inevitable time hindrance. Investment is the sacrifice of a particular present value of money in anticipation of a reward. Risks and uncertainties occupy human life. Emotional factors influence Indian consumers. A Typical Indian believes in future and tries to have a better and more secure life for his family in future. A rupee earned by the person will be spent towards leading the family in the present and for a better life in future. Life insurance covers both the components, viz., risk coverage and saving. The economy comprises people, the majority of whom are middle class and salaried. Insurance has emerged as the best option for saving and risk coverage. In India, insurance is frequently well thought out as a tax-saving or saving tool instead of a tool to protect future or for long-term financial benefits.

Insurance is essential in the complex modern world since risk can be insured. Life insurance broadly covers the financial loss incurred to the family due to the death of the Insured. The insurance company compensates the insured's family by paying the sum assured. Life insurance is also considered as insurance cum investment plan, in which the policy is for a stipulated period. The maturity is calculated at the death of the insured or the completion of a stipulated period, whichever is earlier.

Amid the spread of coronavirus, various measures are being taken by the insurance players. COVID-19 has spread in more than 70 countries worldwide and has led to a lockdown in India. With the recent coronavirus outbreak, many people have become more aware of insurance and want to ensure the best medical treatment for themselves and their family members.

Therefore, in this context, the present study becomes highly essential. The detailed, extensive analysis of the behavioral patterns of the investors would help the government to work out various schemes to mobilize finance. The respondents of the study consist of only those people who are earning fixed-income salaries in Kolhapur City. The investment pattern of salaried employees differs from that of professionals and business people due to safety, regular flow of income, tax saving benefits, security and retirement benefits.

Key Words: **Investment, Risk Coverage, Insurance, Savings, Planning, Salaried Persons**

1.1 Introduction:

Risks and uncertainties occupy human life. Emotional factors influence Indian consumers. A Typical Indian believes in future and tries to have a better and more secure life for his family in future. A rupee earned by the person will be spent towards leading the family in the present and for a better life in future. Life insurance covers both the components, viz., risk coverage and saving. The economy comprises people, and the majority of them are middle class and salaried. Insurance has emerged as the best option for saving and risk coverage. However, in India, insurance is frequently well thought-out as a tax-saving or saving tool instead of a tool to protect future or for long-term financial benefits. Indian people are predisposed to invest in property and gold, followed by bank deposits. They selectively invest in shares, but the percentage is tiny; likewise, spending in the life insurance sector is also meagre.

Insurance is vital in the complex modern world since risk can be insured. Life insurance broadly covers the financial loss incurred to the family due to the death of the Insured. The insurance company compensates the insured's family by paying the sum assured. Life insurance is also considered as insurance cum investment plan, in which the policy is for a stipulated period. The maturity is calculated at the death of the insured or the completion of a stipulated period, whichever is earlier. It has led to growth in the insurance business and the evolution of various types of insurance covers.

Most life insurance policies sold in India are not term-life but investment-linked policies, usually with modest returns. Since life insurance is used for risk coverage as well as a means of savings and investment, its demand depends on the changing financial resources and needs of a family.

The insurance sector is growing vastly in India. This growth is driven by India's favourable regulatory environment, guaranteeing reliability and fair play. This environment has become an insurance market, encouraging foreign investors to tap into the sector's enormous potential since the Indian government liberalized the insurance sector in 2000 and opened the doors for private contributions.

a. Theoretical Background

Insurance is defined as a contract or a policy in which an individual or organization receives financial protection and reimbursement of damages from the insurer or the insurance company. The basic principle of insurance is that an entity will choose to spend small periodic amounts of money against the possibility of a huge unexpected loss. All the policyholder pools their risks together. Any loss that they suffer will be paid out of their premiums which they pay.

Life assurance is a contract between the policy owner and the insurer, where the insurer agrees to pay the designated beneficiary a sum of money upon the occurrence of the insured individual's death or other event, such as terminal or critical illness. In return, the policy owner agrees to pay a stipulated amount at regular intervals or lump sums. Life-based contracts tend to fall into two major categories:

- ✓ **Protection Policies** are designed to provide a benefit in case of a specified event, typically against lump sum payment. A common form of this policy is Term Insurance, Whole Life, and Pension/Retirement Plan.
- ✓ **Investment Policies**: The main objective is to facilitate capital growth by single or regular premiums. The common forms in this category include ULIP, Money Back, and Endowment Plans

b. Salaried Investors:

The respondents of the study consist of only those people who are earning fixed Income as salary. The Investment pattern of salaried employees differs from that of professionals and business people due to safety, regular flow of income, tax saving benefits, security and retirement benefits.

1.2 Significance of the Study

A big boom has been witnessed in the Insurance Industry in recent times. Many new players have entered the market and are trying to gain market share in this rapidly improving market.

- ✓ As the large insurance market is still untapped, based on the survey, the potential of the Indian market can be evaluated.
- ✓ New distribution channels and marketing strategies can be evaluated based on the awareness of Life Insurance.

1.3 Objectives of the Study

The purpose of the study is to determine the behaviour and preference of salaried persons toward Life Insurance Policies.

1. To determine customer's perceptions towards Life Insurance Companies
2. To study features considered while buying an Insurance Policy.
3. To analyze the factors considered before and while buying the Insurance Policy.
4. To study the most preferred type of policy and Life Insurance Company.

1.4 Hypothesis of the Study

Ho: There is no relation between Age and Policy type.
H1: There is a relation between Age and Policy type.

1.5 Research Methodology

Research methodology is a way to solve the problem systematically. The study of the research design is descriptive because it highlights the relationship between age group and income level on tax saving amount.

a. Sources of Data Collection

The primary data is collected through a questionnaire method by circulating Google Forms in the presence of various salaried persons in Kolhapur city.

The secondary data related to the literature review, theoretical background, and conceptual data are collected by visiting the Library and refereeing articles and research papers related to our study.

b. Sampling

The sample size was planned to be 80. The snowball sampling technique is used to select a sample of 80 salaried persons by using Google Forms. As the primary data is collected through Google form by snowball sampling, the data of the first 80 respondents are considered for data analysis.

c. Scope of the Study

As the data is collected from salaried persons of Kolhapur City, the scope of the study is limited to Kolhapur City.

1.6 Limitations of the Study

1. The present study is limited to a survey of only salaried persons.
2. The study is applied in nature. The findings emerging from the analysis are helpful to investment planning of salaried persons only.

## 2. Data Analysis & Interpretation

The primary data of 50 salaried persons is collected through a Google Forms questionnaire. The data of 50 respondents is analyzed in the following various tables.

Table 1 Demographic Profile of the Respondents

Demographic	Variable	No. of Respondents	% of Respondents
Age	18 – 30 years	31	39
	31 – 45 years	31	39

	46 – 60 years	18	22
Gender	Male	49	61
	Female	31	39
Working in	Banking / Insurance Sector	20	25
	Corporate /Industrial Sector	30	38
	Education Sector	17	21
	Other	13	16
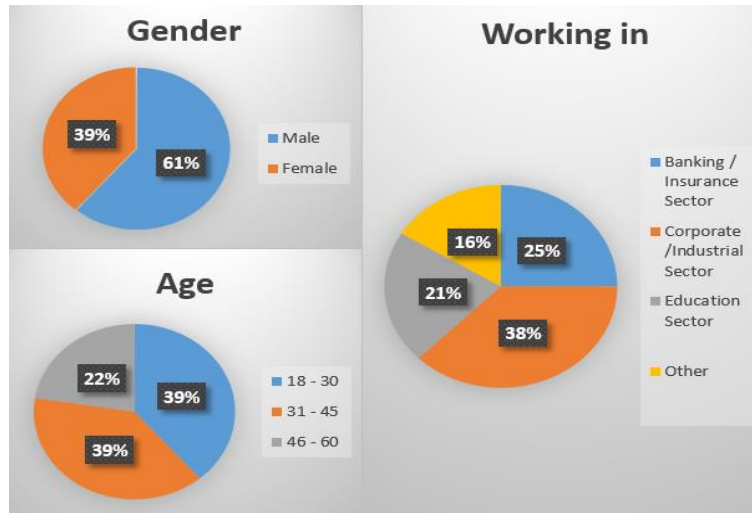
Inference: The demographic information gathered from the respondents in various graphs. According to the study, 39% of employees are aged 31 to 45 and 39 % are aged 46 to 60. 38% of respondents are working in the Corporate – Industrial Sector, and 25% are working in the Banking – Insurance Sector.

Table 2 Factors considered for selection of Insurance Policy

Factor	Variable	No. of Respondents	% of Respondents
Maturity Period	5 – 10 Years	10	13
	10 – 15 Years	39	51
	Above 15 Years	31	36
Premium Frequency	Yearly	18	23
	Half Yearly	21	26
	Quarterly	12	15
	Monthly	29	36
Selection Channels	Self	20	25
	Agent	36	45
	Financial Advisor	24	30
Perception	Protect Future	43	54
	Tax Saving Instrument	21	26
	A Saving Tool	16	20

Inference: The table shows that 36% of respondents are investing for more than 15 years, while in total, 87% are investing for more than 10 years. 36% are selecting premiums on a

monthly basis, while 23% are paying yearly premiums. 75% of respondents are selecting insurance policies with the help of an Agent or Financial Advisor. 54% are investing to protect their future, while 26% are investing as tax benefit instruments.
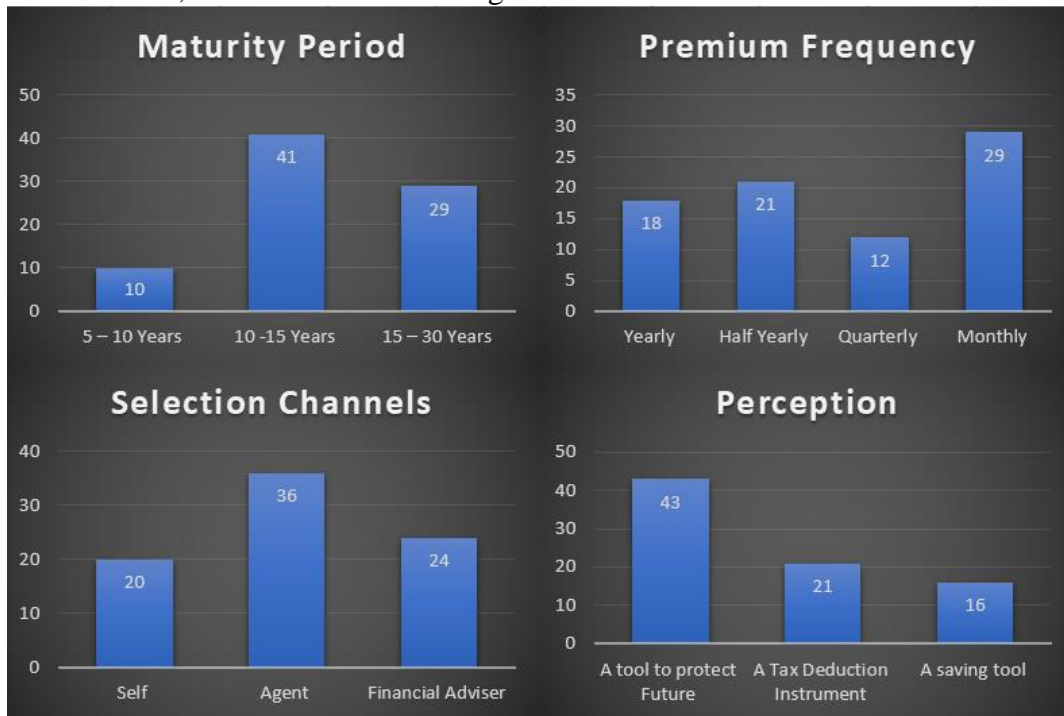

Table 3 Insurance Company Preferred by Respondents

INSURANCE COMPANY	Number of Respondents	Percentage
Life Insurance Corporation	42	27%
SBI Life Insurance	34	22%
ICICI Prudential	19	12%
HDFC Life Insurance	17	11%
Tata AIA Life Insurance	12	8%
Max Life Insurance	10	6%
Bajaj Allianz Life Insurance	6	4%
Birla Sun Life Insurance	6	4%
Kotak Life Insurance	5	3%
AEGON Life Insurance	3	2%
Reliance Nippon Life Insurance	2	1%

Note: Since some of the respondents have mentioned more than one response, the responses outnumbered the respondents

Inference: The above table shows that 27% of respondents are with LIC – Life Insurance Corporation. SBI Life Insurance is in second position with 22% preferred insurance company. ICICI Prudential Insurance and HDFC Insurance are with 12% and 11% at third and fourth positions.

Table 4 Company Features considered for buying Insurance policy

COMPANY FEATURES	RESPONSES	PERCENTAGE
Reputation of Company	55	47%
Larger Life Coverage	28	24%
Claim Settlement Ratio	25	21%
Minimum Investment Amount	10	8%
Total	**118**	**100%**

Note: *Since some of the respondents have mentioned more than one response, the responses outnumbered the respondents*

Inference: The above table shows that 47% of respondents buy insurance by considering the Reputation of the Company. Also, 21% of respondents were selected based on the claim settlement ratio.

Hypothesis of the Study

Ho: There is no relation between Age and Policy type.

H1: There is a relation between Age and Policy type.

Table 5 Policy Nature and Age Group

Plans and Age	18-30	31-45	46-60	Total
Insurance with Investment Plans	34	41	11	86
Pure Insurance Plans	13	20	26	59
Total	47	61	37	145

Observed Frequency Of	Expected Frequency Ef	$\dfrac{(Of - Ef)^2}{Ef}$
34	28	1.29
41	36	0.69
11	22	5.50
13	19	1.89
20	25	1.00
26	15	8.07
	$\chi^2 =$	**18.44**

Degrees of Freedom = (r -1) x (c – 1) = (2 -1) x (3 -1) = 2 **Hence, $\chi^2_{0.05, 2}$ = 5.99**

As the calculated Chi-square value is greater than the table value at a 5 % significance level, we reject the null hypothesis.

Inference: Hence, it is concluded that "There is a relation between Age and Policy type."
3. Findings

1. In the study, the student has investigated 80 salaried respondents of Kolhapur City, and it reveals that 25% of investors are selecting the insurance policies by themselves while the remaining 75 % are taking the help of Financial Advisers and agents.
2. 87% of the investors are taking insurance policies for more than 10 years.
3. 51% of investors pay insurance premiums on a monthly or quarterly basis, while the remaining 49% pay on a yearly or yearly basis. It indicates that the premium paying frequency does not affect policy selection.
4. 54% of investors are selecting insurance for protecting their as well as their family's future.
5. Though many companies are in the insurance business, Life Insurance Corporation of India is still leading with 27%, followed by SBI Life Insurance with 22%.
6. 47% of investors are buying insurance policies by considering the Company's Reputation, and 21% of investors by considering the Claim Settlement Ratio.
7. The chi-square' method is used for hypothesis testing, and it found that "There is a relation between Age and Policy type."

4. Conclusion

In Kolhapur City, the investment habits of salaried persons are changing very frequently. Individuals have their perceptions towards various types of investment plans. Most of those feel insurance is a tax-saving option rather than risk protection and saving options. If their investment patterns are analyzed, most respondents prefer long-term investments and low-risk-moderate return options. The respondents are choosing an insurance company and insurance policy from agent and certified financial adviser. Analysis shows that investment preferences are affected by age and income. However, LIC, without any doubt, is the market leader in the life insurance sector.

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