Original Research Paper

Commerce

PREFERENCES OF LIC POLICYHOLDERS ON INVESTMENT

Dr. S. Thirumaran — Assistant Professor, Department of Commerce, Annamalai University, Annamalai Nagar. Chidambaram – 608 002, Cuddalore –District, Tamil Nadu

ABSTRACT The risk only means that there is a possibility of loss or damage. The damage may or may not happen. Insurance is done against the contingency that it may happen. There has to be an uncertainty about the risk. Insurance is relevant only if there are uncertainties. If there is no uncertainty about the occurrence of an event, it cannot be insured against. In the case of a human being, death is certain, but the time of death is uncertain. In the case of a person who is terminally ill, the time of death is not certain, though not exactly known. He cannot be insured. In this paper disuses the investment preference if life insurance policyholders.

Introduction

Life insurance in its modern form came to India from England in the Year 1818. Oriental Life insurance company started by Europeans in Calcutta was the first life insurance company on Indian soil. All the insurance companies established during that period were brought up with the purpose of looking after the needs of European community and Indian natives were not insured by these companies. Indian lives were treated as substandard lives and heavy extra premiums were being charged on them. Bombay Mutual Life Assurance society heralded the birth of first Indian life insurance company in the year 1870, and covered Indian lives at normal rates. Starting as Indian enterprise with highly patriotic motives, Insurance and social security through insurance to various sectors of society. Bharat Insurance Company (1896) was also one such company inspired by nationalism.

Life Insurance Corporation

In the year 1912, the Life Insurance Companies Act and provident fund act were passed. The life insurance companies act, 1912 made it necessary that the premium rate tables and periodical valuations of companies should be certified by an actuary. But the act discriminated between foreign companies at a disadvantage. The insurance act 1938 was the first legislation governing not only life insurance but also non-life insurance to provide strict state control over insurance business. This gathered momentum in 1944 when a bill to amend the life insurance act 1938 was introduced in the Legislative assembly. However, it was much later on the 19th of January 1956 that Life Insurance in India was nationalized.

Objective of the study

1. To overview the Life Insurance Industry
2. To analyses the preference of LIC policyholders on investment.

Methodology

Both primary and secondary data were used for the purpose of the study. Primary data were collected through interview schedule from the respondents. The secondary data were collected from various books, journals, newspapers, articles and some websites, mainly from the insurance related lines.

Sampling design

The study area of Thanjavur Division of Life Insurance Corporation has 27 branches. Multi-stage sampling technique is adopted in the study. There are 27 branches in total, out of which 6 are rural branches and 21 are urban branches. 50 per cent of branches are selected for the study. Three rural branches 70 respondents and 11 urban branches 330 respondents are selected as sample size. The total sample size is 400.

Preferred investment product

As an investor, there are many investment products are available for the investors. The investment product preference varies from one person to one person. They largely depend upon availability and accessibility of product, risk attitude, socio-economic and demographic character of persons. The investment vehicle, in India, broadly classified into six (6), namely, Post Office Savings, Bank deposits, Mutual funds, Gold, Real Estate and Life Insurance products. Though life insurance product is life risk protecting product, it is generally considered as investment product in India. Therefore, the

orders of preference for Life insurance products with other products are studied in this section. The respondents are assigned ranks to each investment products on their order preference for the each investment alternatives. The respondents' order of preference is averaged so as to get Average rank score, with that the least average rank score, is given first in the rank order and so on.

Table 1 Average rank analysis and Investment Preference

S. No.	Type of Investment	Average Rank Score	Rank
1	Life Insurance Products	1.67	I
2	Post Office Savings	3.96	VI
3	Bank Deposits	2.73	IV
4	Mutual Funds	2.73	III
5	Gold	1.73	II
6	Real Estate	3.46	V

Source: Computed from Primary Data

Table 1 shows that the average rank score for Life Insurance products is 1.67, Post office savings 3.96, Bank deposits 2.73, mutual funds 2.73, gold 1.73 and for real estate 3.46. The least average rank score is given to Life Insurance Product. Therefore the first rank is for Life Insurance products, followed by gold, the second preferred investment vehicle for the respondents. Mutual funds, bank deposits, real estate and post office savings are the third, fourth, fifth and sixth order of preference for the respondents as their investment alternative respectively. Hence, the respondents have first preference for life insurance products as their investment.

Gender and investment preference

Gender of respondents also plays a vital role in choice of investment vehicle. Male attitude and preference of one product to another varies with female. Hence, it is imperative to study gender-wise order preference of various investment alternatives. It is clear that the analyses of gender and investment preference the male respondents have their first preference towards life insurance products and gold as their investment (1.53), followed by Mutual funds (2.47). The fourth, fifth and sixth order of preference for investment products are bank deposits (2.71), real estate (3.35) and Post office savings (4.45) respectively. The female respondents also have first preference towards life insurance products (1.84) as the order of preference towards investment. The second preference is given to gold (1.96) followed by Bank Deposits (2.76), Mutual funds (3.02), Post office savings (3.40) and the last is real estate (3.59).

Educational qualification and investment preference

Educational qualification of respondents plays an important role in the selection of particular investment alternative. Generally educational qualification gives the individuals knowledge and awareness about the available alternatives. Therefore, it is important to see whether educational qualification has any significant influence in the order of preference on the selection of Investment Avenue.

It is shows that respondents who have studied upto HSC have first preference towards life insurance products with average rank of 1.44. The second and third preferences are given to gold (1.58) and mutual funds (2.49) and bank deposits. Real estate and post office savings are

the fourth, fifth and sixth order of preference for the respondents who have educational qualification upto HSC.

Gold (1.76) is the first order of preference for the respondents belonging to graduates. The second preference is given to life insurance products (1.81) followed by Bank deposits, mutual funds, post office and real estate in the order of preference.

The respondents who possess the postgraduate degree have first preference towards real estate (2.27), followed by gold (2.38). The life insurance products ((2.44) get the third preference as their order of preference among various investment vehicle. Bank deposits and post office savings are ranked as fourth and fifth order of preference.

The professional qualified respondents rank life insurance products (1.20) as their first order of preference among other investment alternatives. Gold and mutual funds are ranked second and third respectively as their order investment preference. Bank deposits, real estate and post office savings are the next three order of investment preference for the professional qualified respondents.

Monthly income and investment preference
The income of the respondents plays a vital role in investment. The earning capacity is measured by the monthly income of respondents. The type of investment preference normally depends upon the earnings of the persons

It is clear indicates that the respondents whose monthly income upto Rs.10, 000 have first preference towards Life Insurance Products is (1.66), followed by Gold (1.75). Mutual funds, bank deposits, real estate and post office savings are next four order preference respectively.

Gold (1.64) is the first order of preference for the respondents who are earning Rs.10, 001 to Rs.25, 000 and life insurance products (1.66) is second order of preference for them. The third, fourth, fifth and sixth order of preference among investment alternatives are bank deposits, mutual funds, real estate and post office savings.

The respondents, whose monthly income is between Rs. 25,001-Rs.50, 000, have first preference towards life insurance products with an average rank of 1.33, followed by gold as second preference. Bank deposits, mutual funds, real estate and post office savings are the third, fourth, fifth and sixth ranked investment products for the respondents who are earning monthly income between Rs.25, 001- Rs.50, 000.

The respondents whose monthly income is above Rs.50, 000 have first preference towards gold with average rank of 1.79 followed by Bank deposits. The life insurance products (2.40) have third order of preference. The fourth, fifth and sixth preferred investment alternatives are real estate, mutual funds and post office savings.

Monthly savings and investment preference
Investments are made out of savings and so savings per month is the pivotal variable that may influence the type of investment preference. Monthly savings hence may have influence on the choice of investment type or its preference over others. It is necessary to analyse that how the respondents have preferred one another investment alternative according to their monthly savings.

It reveals that gold (1.63) is the first preferred investment avenue, followed by Life insurance products (1.71) for the respondents who are savings upto Rs.5, 000 per month. Mutual funds, Bank deposits, real estate and post office savings are third, fourth, fifth and sixth order of preference respectively to the policyholders whose saving is are upto Rs.5,000 per month.

Life insurance product (1.46) have the first preference among the stated investment alternatives to the respondents who are saving Rs.5.001 to Rs.15, 000 per month. Gold, mutual funds, Bank deposits, real estate and post office savings are the next following order of preference respectively to respondents.

The respondents whose savings per month is between Rs.15,001 – Rs.25,000 have first preference towards gold (1.24) and second order preference to Life insurance product with the average rank of 1.66. The respondents assigned third, fourth, fifth and sixth order of preference to Bank deposits, mutual funds, real estate and post office savings respectively.

Gold (1.77) has the first preference over other investment alternatives for the respondents whose monthly saving is above Rs.25,000. The second preference is given to Life insurance products (2.69), followed by real estate, bank deposits, mutual funds and post office savings respectively for the respondents whose saving per month is above Rs.25,000.

Conclusion
In the emerging scenario, the insurance sector must pay attention to product innovation, appropriate pricing and speedy settlement of claims. Only those companies will survive which can respond to the customers needs faster and better than others. To do all these, it may require a new paradigm, high degree innovation and above all people involvement. Innovation means finking conventional wisdom, destroying old advantages, violating established norms, reengineering business practices. In short customer care is an approach of nonstop caring.

REFERENCES
1. Charles Dutt, Insurance Marketing – its Principle and Practice, - A Short Overview, Swiss Re-insurance Company, First Edition, p.28.
2. Insurance Business Environment : Publisher : Insurance institute of India Universal Insurance Building, Sir Pherozshah Mehta Road, Mumbai, 2007.
3. Kothari. C.R. Researck Methodology, New Age international Publishers, New Delhi, 2009.
4. Brian Lawrence- The journal of Risk Management and Insurance, Volume 8, 2003, P 89-95.
5. Mishra K.C & Simita Mishra "Global Insurance Market structure" the Management Accounts Vol. 35 No.1 Jan 2000 p 51-54.