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Investors Attitude towards Investment in Private Insurance Companies in Madurai City, Tamilandu State

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Abstract

The business of insurance is concerned with the economic values of assets. Every asset has a value. The asset would have been created through the efforts of the owner, in the expectation that, either through the income generated there from or some other output, some of his needs would be met. The main objective of the study is to analyse the various investment options of the investors and to study the customers' perception on investing in private sector insurance companies. The secondary objectives of this study include analysing, the investing habits of the investor, the factors influencing the investor in investing in insurance. This study is compiled with the help of primary data and secondary data. Primary data were collected from 260 respondents with the help of structured Questionnaire method in various places in Coimbatore city. Cluster Random sampling technique has been adopted to select the respondents. The Secondary sources of data are company profile, organization Website and other related library books. The Simple Percentage analysis, Weighted Average Method for ranking was used for analysing the collected data.

Keywords: Private Insurance, Investment, Individual attitude, market risk, insurance policy.

Introduction

The business of insurance is concerned with the economic values of assets. Every asset has a value. The asset would have been created through the efforts of the owner, in the expectation that, either through the income generated there from or some other output, some of his needs would be met. However, the assets get lost earlier being destroyed or made non-functional, through an accident or other unfortunate event, the owner and those deriving benefits there from suffer. Insurance is a mechanism that helps to reduce such adverse consequences.

Importance of Insurance: Assets are insured, because they are likely to be destroyed or made non-functional through an accident occurrence. Such possible occurrences are called Perils. Fire, floods, breakdowns, lighting, earthquakes, etc., are perils. The damage that these perils leads to the asset known as the risk. The risk only means that there is a possibility of loss or damage. It may or may not happen. There must be an uncertainty about the risk. Insurance is done against the contingency that it may happen.

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Objectives

1. To identify the investors' attitude towards various investment alternatives
2. To study the customers' perception on investing in private sector insurance companies.
3. To analyze the factors influencing the investor in investing in insurance
4. To determine the Sector and Plan Preferred by investors.
5. Toanalyze the factors influencing the investor in investing in Private insurance companies.

Need for the study: The last few years have been a watershed for assured return plans. As the insurance sector has developed, there's been a growing acceptance by most policyholders that the assured return era is a thing of the past. The private insurance companies are focusing on the Market Linked Plans. This study aims to study the investors' attitude towards various investment alternatives and to study the customers' perception on investing in private sector insurance companies. The study would also analyse the acceptance level of Market Linked Plans, which is being the current era. This has been done by preparing the questionnaire which contains questions put forth to the perspective investors which would help in analyzing the profile and investing habits of the investor, factor influencing the investor in investing in insurance and level of acceptance of private insurance companies.

Limitation of the Study: The area of study is limited to various places Madurai city; hence the results may not be true for other geographical areas. Validity & Reliability of the data are obtained depends on the responses from the customer.

Research Methodology: Research is an intensive study in a particular field to achieve at a better conclusion of a problem. Research Methodology is a systematic way of solving the problem. The methodologies followed for this study are as follows.

Nature and Sources of Data: Both primary and secondary data is used in this study in order to meet the requirements of the purpose. Under this study primary data was collected by using Questionnaire. The primary data was collected from individuals residing in Madurai city with the help of questionnaire. The secondary data are sourced from Life Insurance Companies, Magazines, Books, Pamphlets, Periodical Surveys and Websites etc. The data collection has been done through questionnaire by means of personal interview. A questionnaire is consisting of a number of questions printed in a definite order on a form.

Sample size: Since the population of Madurai city is large in number, researcher was unable to collect information from all individuals due to limitation of time, so part of the population is taken for analyzing and generating the findings, which is applicable for total market. The size of the sample is 260.

Sampling Method: Cluster Random Sampling Method is used, as data are collected according to the clusters divided. The city is mainly divided into four clusters, like North, South, East and West. A total of 65 samples were collected from each cluster due to the limitation of time by the researcher.

Tools Used: The collected data were analyzed with the help of Simple Percentage analysis, Chi-and Weighted Average Method.

Review of literature

Brigid Goody Sc. D, Renee Mentnech M.S and Gerald Riley M.S.P.H[1] in their article, over the last decade, various laws have been passed to increase the likelihood that lower income individuals and families would have access to health insurance coverage. Through the Health Insurance Premium Payment Program enacted in 1990, States could use their Medicaid funds to pay the employer-sponsored health insurance premiums of Medicaid eligible individuals and families.

Chang Hoon You, et al[2] in their research article, It was confirmed that diabetic patients insured by SPHI had more use of hospital services than those who were not insured. People insured by SPHI seem to be more likely to use hospital services because SPHI lightens the economic burden of care.

Avi Dor, Joseph Sudano and David W. Baker[3] In this paper we investigate whether the presence of private insurance leads to improved health status. Using the Health and Retirement study we focus on adults in late middle age who are nearing entry into Medicare.

Subba Lakshmi Tirukoti[4] The paper explores the reasons for purchasing private health insurance and to identify the determinants of private health insurance in East Godavari District of Andhra Pradesh. Economic development programs should help enhance income to reach a higher standard of living and in doing so boosts their economic access to health insurance policies and the relevant health services.

Minsung Sohn and Minsoo Jung[5]: The moral hazard behind insurance membership, depending on how NHI maintains policies to confer benefits, may give rise to differences in medical utilization. This phenomenon must be closely monitored to find a way to reform NHI when the rights of medical service consumers are solidified through PHI.

Influencer of the Investors: There are many influencer for the insurance policy. On our study there are 5 major influencers, such as Auditors, Family influence, word of mouth by friends, Advertisement in Electronic media and Articles through dailies, magazines and other written advertisement.

Table 1: List of Influencers for Investment Decision

S.No.	Influencers	No of Respondents	Percentage
1.	Auditor	22	8.46 %
2.	Family	100	38.46 %
3.	Friends	50	19.23 %
4.	Advertisement	32	12.31 %
5.	Article	31	11.92 %
6.	Others	25	9.62 %
	Total	260	100 %

Source: Primary Data

From table 1, it can be viewed that, 38.46 % of the Respondents are influenced by Family,19.23 % of the Respondents are influenced by Friends,12.31 % of the Respondents are influenced by Advertisement, 11.92 % of the Respondents are influenced by Article,8.46 % of the Respondents are influenced by Auditors and9.62 % of the Respondents are influenced by others.

Table 2: Objectivein Investment

S.No.	Objective	No of Respondents	Percentage
1.	Return	71	27.31 %
2.	Tax Benefits	52	20 %
3.	Security	83	31.92 %
4.	Children	54	20.77 %
	Total	260	100 %

Source: Primary Data

From table 2, it is clear that 32 % of the respondents choose Security as their Objective in Investment,27.31 % of the respondents choose to return as their Objective in investment,21 % of the respondents choose Children as their objective in Investment, 20 % of the respondents choose tax benefits as their objective in investment.

Table 3: Sector Preferred by the Respondents

S.No.	Sector	No of Respondents	Percentage
1.	Public	192	73.85 %
2.	Private	66	25.38 %
3.	Nil	2	0.77 %
	Total	260	100 %

Source: Primary Data

From table 3, it can be viewed that,74 % of the respondents prefer only Public-Sector Insurance Companies,25 % of the Respondents prefer only private sector insurance companies,1 % of the respondents does not prefer any sector.

Table 4: Factors Influencing to Gofor Private Life Insurance Company

S.No.	Factors	No of Respondents	Percdntage
1.	Service	58	22.31 %
2.	Return	69	26.54 %
3.	Security	40	15.38 %
4.	Premium Amount	20	7.7 %
5.	Flexibility	23	8.85 %
6.	Market Linked Plans	32	12.31 %
7.	Nil	18	7 %
	Total	260	100 %

Source: Primary Data

From table 4, it can be viewed that, 26.54 % of the Respondents has given Return as the Influencing Factor to go for Private Life Insurance companies,22.31 % of the Respondents has given Service as the Influencing Factor to go for Private Life Insurance companies,15.38 % of the Respondents has given Security as the Influencing Factor to go for Private Life Insurance companies,12.31 % of the Respondents has given Market Linked Plans as the Influencing Factor to go for Private Life Insurance companies, 8.85 % of the Respondents has given Flexibility as the Influencing Factor to go for Private Life Insurance companies, 7.7 % of the Respondents has given Premium Amount as the Influencing Factor to go for Private Life Insurance companies,

Table 5: Expectation overinvestment Using Weighted Average Method

Rank Weight (X)	1 5	2 4	3 3	4 2	5 1	Total	Weighted Average	Rank
Rate Of Return (y1)	69	74	62	36	19	260		
x.y1	345	296	186	72	19	918	3.53	2
Security (y2)	123	62	28	34	13	260		
x.y2	615	248	114	68	13	1058	4.07	1
Liquidity (y3)	9	29	54	63	105	260		
x.y3	45	116	162	126	105	554	2.13	5
Tax Benefit (y4)	37	65	53	54	51	260		
x.y4	185	260	159	108	51	763	2.93	3
Service (y5)	22	30	63	73	72	260		
x.y5	110	120	189	146	72	637	2.45	4

From table 5, it is inferred that,the respondents have ranked security as first in respect to expectation over investment. The respondents have ranked Rate of Return as recond in respect to expectation over investment and they have ranked Liquidity as Fifth in respect to expectation over investment.

Table 6: Ranking of Private Life Insurance Companies Using Weighted Average Method

Rank Weight (X)	1 11	2 10	3 9	4 8	5 7	6 6	7 5	8 4	9 3	10 2	11 1	Total	WA	Rank
HDFC	30	84	44	22	15	10	7	6	12	5	8	243		
X.Y1	330	840	396	176	105	60	35	24	36	10	8	2020	8.3	1
MAX	4	7	11	29	32	26	16	27	37	36	18	243		
X.Y2	44	70	99	232	224	156	80	108	111	72	18	1214	5	9
ICICI	71	29	34	17	20	12	9	11	9	18	13	243		
X.Y3	781	290	306	136	140	72	45	44	27	36	13	1890	7.8	2
KOTAK	15	14	14	20	31	32	27	22	37	17	14	243		
X.Y4	165	140	126	160	217	192	135	88	111	34	14	1382	5.7	7
BIRLA	19	18	21	27	27	26	31	27	18	13	16	243		
X.Y5	209	180	189	216	189	156	155	108	54	26	16	1498	6.2	4
TATA AIG	10	29	17	25	17	34	31	28	25	16	11	243		
X.Y6	110	290	153	200	119	204	155	112	75	32	11	1461	6	5
SBI	47	28	25	17	27	14	22	16	11	20	16	243		
X.Y7	517	280	225	136	189	84	110	64	33	40	16	1694	7	3
ING VYS	21	15	23	13	19	28	30	36	18	18	22	243		
X.Y8	231	150	207	104	133	168	150	144	54	36	22	1399	5.8	6
BAJAJ	7	7	19	34	22	25	27	20	40	25	17	243		
X.Y9	77	70	171	272	154	150	135	80	120	50	17	1296	5.3	8
AVIVA	8	6	28	14	22	12	17	25	26	40	45	243		
X.Y10	88	60	252	112	154	72	85	100	78	80	45	1126	4.6	10
METLIFE	10	6	8	25	12	24	24	24	13	32	65	243		
X.Y11	110	60	72	200	84	144	120	96	39	64	65	1054	4.3	11

From table 6, the respondents have ranked HDFC Standard Life Insurance Company as first in private life insurance companies, ICICI Prudential Life Insurance Company assecond, SBI Life Insurance Company as third in Private Life Insurance companies. Likewise, the respondents were not much aware of the two new recently entered insurance companies, AMP Sanmar Life Insurance Company Ltd and Sahara India Insurance Company Limited, so default these companies were ranked last.

Findings: From the study the following findings have been made:

1. Most of the respondents are salaried people.
2. Most of the respondents choose Security as first and rate of return as their second it expectation over investment.
3. Most of the respondents are influenced by family and friends to make the investment decision,
4. Majority of the respondents' objective on investment is Security and Return.
5. 78 % of the respondents accept insurance as agood investment Option.
6. 74 % of the respondents prefer only public sector.
7. Majority of the respondents do not have a plan to go for private life insurance in future.
8. Majority of the respondents are influenced by benefit factor to take life insurance policy.
9. The respondents have ranked HDFC and ICICI private life insurance as the mostly preferred companies.
10. Majority of the respondents i.e., 62% preferbonus-based plans.

Suggestions: Since Security and Return is the main expectation of investors, it is suggested that this aspect be reinforced while wooing prospective investors. The annual income of most of the respondents are below 1 lakh and this segment goes for investment in insurance. It is suggested that while marketing this segment be considered. The awareness of LIC is most and other private insurance companies remains untapped. It is suggested that an attempt be made to bring out the advantages of other companies and schemes. Only few Respondents have plan to go for private life insurance, so the schemes and advantages of private insurance companies must be promoted greatly. While dealing with prospective investors, according to their occupation the objective on investment varies, so this factor should be considered the most. The awareness of market linked schemes to the people is low. The respondents who prefer return as their investment option will prefer Market linked pans when its advantages known, so steps should be taken in this area to create good awareness.

Conclusion

It has been found that the salaried person is more interested in having insurance as an investment avenue for various reasons. LIC and money back are the well-known company and scheme. The private insurance companies are accepted to certain extent only and it has to be tapped to greater extent. It has also been found that insurance advisor is the one, who are the main source of information on schemes and advantages of private insurance companies, to the investor.

Ethical Clearance: Completed.

Source of Funding: Self

Conflict of Interest: Nil

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