

## Insurance Preference among different Investment Options

Yasmeeen Kaur & Ruchi Jain

### Abstract

In the modern era, there are many investment options available to an investor. These investment options help an investor in optimum utilization of funds in productive ventures generating income for future uses. Life insurance is among those options. It provides risk coverage as well as return on investment along with tax benefits. However, this paper focuses on the preference of investors towards insurance among other investment options and the factors affecting their preferences.

**Keywords:** Investment, optimum utilization, Risk coverage, Insurance

### Introduction

The human life is of paramount importance. However, life insurance assurance plays a vital role by providing security or cover towards uncertainties or loss of life. Life insurance policies act as both investment portfolios well as security or protection towards the uncertainties or loss of life. Life insurance benefits the insured in many ways such as in the form of coverage of contingencies of life, tax benefits, definite income, loan facility, promotion of savings, etc. against his life insurance policy (depending on the terms of the policies).

On the other hand, Investment is the employment of resources or funds into different avenues with the purpose of gaining capital appreciation or earning additional income. Investment avenues available in the market include stocks, bonds, mutual funds, etc. These investment avenues encompass/consists of major risk.

### Review of Literature

- Kothari H. (2014) studied that investors concerned with separate age groups have diverse behaviour while making investment. However, their choice of investment would highly rely upon their age because they have different needs and different investment goals. Thus, the investment avenues of different age group vary. A young investor generally prefers capital gains while an old investor prefers regular monthly returns.
- Ehiogu Chizoba P. (2017) recommended that insurance awareness, proper fund management, efficient and effective insurance fund allocation (investment) should be encouraged. It finds out that the insurers consider investment as a reasonable means of earning. True investors are interested

in good rate of returns earned on an investment rather than consistent basis for a relatively long period of time.

- Kumari N. (2015) suggests that premium and claim is significantly influenced the investment of insurance sector. Many times investors find trouble in getting their insurance claims. It has also emerged as an important factor in declining insurance as an investment avenue.
- Sood D, KaurN (2015) observed that LIC and bank deposits are the most preferred investment options among others. This study also found that high returns, tax benefits and safety are the factors that mostly influence investment decisions of an investor. Most of the people are saving their money for their children's education, marriage and to fulfil the goals of their life.
- Yadav. B., Tiwari A., (2012) examined that the human life is the most important asset and life insurance is the most important type of insurance which provides financial protection to a person and his family at the time of uncertain risks or damages. Life insurance provides both protection and safety to insurers and also encourages savings among them.

**Objectives:**

- O1: To find out various options of Investment.
- O2: To examine rationale behind an investment.
- O3: To find out the reasons to purchase Life Insurance policy.
- O4: To explore the benefits of Life Insurance.

**Research Methodology:**

In this paper descriptive research has been done according to the objective of the study, for the analysis of frequency, percentage and pie chart have been used. The Hypothesis Testing has been used by applying one way ANOVA on the basis of Age.

**Hypothesis:**

Ho: There is no significant difference between consumer perception towards insurance as an investment opportunity on the basis of age group.

H1: There is a significant difference between consumer perception towards insurance as an investment opportunity on the basis of age group.

**Data Analysis & Interpretation:**

Objective (O1): To find out various options of Investment.

**Table 1: Investment Options**

		Frequency	Percent
Valid	real estate	24	24.0
	mutual funds	26	26.0
	govt. securities	9	9.0
	share market	19	19.0
	bank deposits	21	21.0
	money lending	1	1.0
	<b>Total</b>	<b>100</b>	<b>100.0</b>



**Figure 1**

**Interpretation :** As we can see in the Table 1 and Figure 1 that investment preference of investors in real estate is 24%, mutual funds – 26%, government securities – 9%, share market – 19%, bank deposits – 21% and money lending – 1%. Thus, most preferred investment option other than insurance is mutual funds while least preferred is money lending.

Objective (O2): To examine rationale behind an investment.

**Table 2: Rationale behind investment**

		Frequency				
		Individual risk coverage	Tax benefits	Growth and return on investment	Child welfare	Risk Coverage of family
Valid	most preferred	32	15	30	4	17
	Preferred	20	47	20	12	5
	moderately preferred	27	22	43	14	4
	least preferred	11	10	3	43	28
	not preferred	10	6	4	27	46
	<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

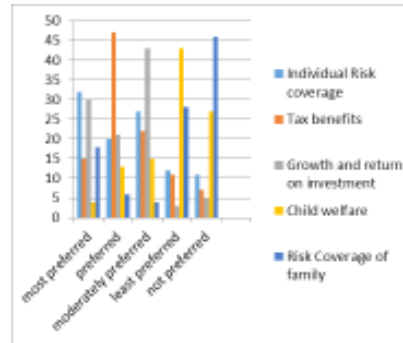


Figure 2

**Interpretation :** As given in the Table 2 and Chart 2, the dependence of factors on an investor’s investment decision: individual risk coverage – 52%, tax benefits – 62%, growth and return on investment – 50%, child welfare – 16%, risk coverage of the family – 22%. However, a wise investor’s decision to invest is highly influenced by tax benefits he/she gets with the policy while it is least influenced by child welfare.

Objective (O3): To find out the reasons to purchase Life Insurance policy.

Table 3: Reasons to Purchase LIC Policy

		Frequency				
		Oldest and Govt.	Flexible Premium Rate	Tax Saving	Higher Return	Risk Coverage
Valid	most preferred	7	25	25	2	40
	Preferred	8	26	36	9	21
	moderately preferred	25	14	32	18	10
	least preferred	17	29	7	35	13
	not preferred	43	6	0	36	16
	Total	100	100	100	100	100

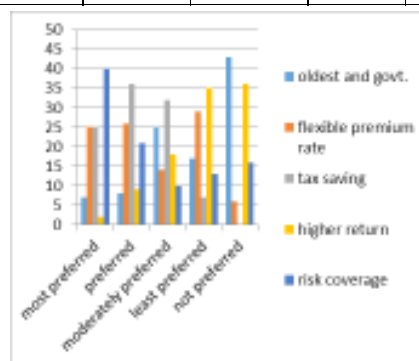


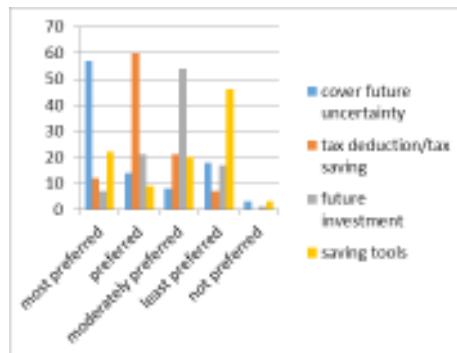
Figure 3

**Interpretation :** As it is observed from the Table 3 and Chart 3 that the factors: oldest and government - 15%, flexible premium rate - 51%, tax saving - 51%, higher returns - 11% and risk coverage - 61% are reasons for investment made by investors in LIC. Therefore, it can be said that the investors highly prefer to invest in LIC due to its risk coverage feature while they least prefer it due to its higher returns factor.

Objective (O4): To explore the benefits of Life Insurance.

**Table 4: Benefits of Insurance**

		Frequency			
		Cover Future Uncertainty	Tax Deduction/ Tax Saving	Future Investment	Saving Tools
Valid	Most Preferred	57	12	7	22
	Preferred	14	60	21	9
	Moderately Preferred	8	21	54	20
	Least Preferred	18	7	17	46
	Not Preferred	3	0	1	3
Total		100	100	100	100



**Figure 4**

**Interpretation :** As reviewed from the above Table 4 and Chart 4, the advantages of investment in accordance with the investors are: cover future uncertainty - 71%, tax deduction/tax saving - 72%, future investment - 28% and saving tools - 31%. Hence, investors think that tax deduction/tax saving is highly preferred in terms of benefits although future investment is least preferred in terms of benefits derived from insurance.

**Hypothesis Testing:**

One way ANOVA: On the basis of age

H0: There is no significant difference between Investors preference towards insurance as an investment opportunity on the basis of age group.

H1: There is a significant difference between Investors preference towards insurance as an investment opportunity on the basis of age group.

Test of Homogeneity of Variances			
Consumer preference			
Levene Statistic	df1	df2	Sig.
1.937	3	98	.129

**Interpretation:** the test value for Levene's statistic is .129 which is more than .05, which implies that there is equality in variance hence ANOVA test can be applied.

ANOVA					
Consumer preference					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.803	3	.601	2.185	.095
Within Groups	26.960	98	.275		
Total	28.763	101			

**Interpretation:** The significance value of ANOVA is .095 which is more than .05, Hence null hypothesis accepted, which implies that there is no significant difference between consumer perception towards insurance as an investment opportunity on the basis of age group.

### Findings

It is found that most of the investors prefer to make investment in mutual funds other than insurance while they least prefer to investment their funds in money lending.

Consequently, a wise investor chooses his/her investment option highly based on the tax benefits available with it whereas his/her investment decision is least influenced based on child welfare only.

It is seen that most of the investors give preference to invest in LIC highly because of its risk coverage factor while they least prefer it due to its higher returns.

However, it is examined that most of the investors find tax deductions as highly benefited factors to invest in LIC policies at the same time they find it least benefited in terms of future investment. It has been found from the inferential statistics that the investor's preference regarding insurance is same in the different age groups

### Conclusion

In the nutshell, it is observed that there are many avenues of investment in the market such as real estate, mutual funds, government securities, share market, bank deposits, post office, insurance, money lending, etc. However, investors prefer to investment in such options which provide them certain return on investment and are professionally managed to avoid higher risks.

Therefore, insurance is an investment option an investor chooses to invest in and factors like tax deductions, risk coverage, return on investment, retirement benefits etc. affect an investor's decision to invest funds in it.

### **Suggestions**

It is suggested to make efforts to create more awareness among investors towards insurance as investment option in rural areas. In the present era, qualitative customer service along with advice on the quality of different products as well as after sale services plays a significant role.

Thus, the insurance companies should focus more quality of service while selling the policy as well as after sale rather than selling bigger policies only.

Moreover, a proper distribution channel is required to be set up to provide consultative services to urban areas as well as rural areas to develop a strong and valuable relationship with their clients.

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