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A study on investment options and investor's attitude towards investment in private insurance companies

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ABSTRACT: -: An investment is a financial commitment made with the hope of a favourable return. If the investment is done correctly, the return will be proportional to the risk taken on by the investor. Investment objectives differ from one individual to the next and from one company to the next.While some people value security, others place a higher value on profits or returns alone. With goals defying any range, it's only natural that the goods necessary would differ. The insurance industry is concerned with the preservation of asset's economic worth. Every asset has a monetary worth. The asset would have been developed as a result of the owner's efforts, with the hope that part of his needs would be met, either via the revenue earned or by some other output. However, if the assets are lost prematurely, for example, by being destroyed or declared non-functional due to an accident or other unforeseen occurrence, the owner and others who benefit from it suffer.

We may infer from history that the insurance business serves both economic and social goals. It ensures social stability and personal well-being. It lowers the risk and boosts the economy's productivity. In addition, insurance firms act as financial intermediaries by collecting and investing huge sums of premiums. They provide investors with safety, allow for the accumulation of savings, and channel funds to the government and other sectors. However, current statistics indicate that the insurance business seems to be under fall because of the economic crisis. The term "risk" refers to the prospect of harm or loss. Insurance is purchased to protect against the possibility of something going wrong. Only the asset's owner and those who rely on it are covered by insurance. As a result, we feel the need to constantly learn about our customers' attitudes about insurance products and their investment levels. We're also curious if the investors' perspective is influenced by their socioeconomic position and other variables. The primary goal of this study is to determine how investors felt about investing in private insurance firms and investor's attitude about insurance and the relative relevance of several parameters when choosing an insurance plan.Through a systematic questionnaire, 100 people were asked to express their opinions.

Keywords: Investment, Financial Commitment, Insurance,

I. INTRODUCTION

People who are facing similar risks come together and contribute tiny amounts to a common fund. Each person's contribution is calculated based on assumptions and past experience. Insurance firms, or Insurers, do business by bringing together people who have common insurance interests (share the same risk), collecting a portion or contribution (called premium) from each of them, and paying out compensations (called claims) to those who suffer. Premiums are calculated based on a number of criteria, including age, the amount of coverage, and the period of covers, as well as certain administrative costs. The insurer is in the position of a trustee as it is managing the common fund for and on behalf of the community. It must guarantee that no one takes advantage of the agreement unfairly.

That is to say, the business's management must take care to avoid admission into a group of people whose risks are not the same, as well as settling claims for non-accidental losses. The process of risk underwriting begins with the decision to authorise admission. Underwriting and claim settlement must be handled with extreme caution.

"Insurance is a contract between two parties in which one party, the insurer, agrees to pay the other party, the insured, a fixed amount of money on the occurrence of a certain event in exchange for a predetermined sum of money called premiums."

To give this protection, insurance firms charge a premium. The premiums received from the insured public are used to pay for a loss, and the insurance firms function as trustees for the funds. In a life policy, for example, the family of the insurer person receives a fixed payout upon the insured's death by paying a premium to the insurer. Similarly, in the case that where an automobile is involved in an accident, the insurer is compensated to the amount of the damage incurred. It's a system in which a few people's losses are distributed among many others who are exposed to comparable risks. Different life insurance plans may differ in terms of payment frequency and amount, and the amount and method of final payment beneficiary.

Prior to liberalisation, insurance protection in India was provided by public sector insurance firms such as LIFE INSURANCE CORPORATION OF INDIA (LIC) and GENERAL INSURANCE CORPORATION OF INDIA's four subsidiaries (GIC)

Non-Life Insurance: - Non-life insurance, often known as property insurance in the past and general insurance in India, covers a wide range of risks. Losses in property (damages or destructions of homes, automobile business, ships aircrafts, etc).

Life Insurance: - Life insurance is a contract between a person and an insurance company in which the person pays a set amount on a regular basis in order for his or her family or other beneficiaries to receive a lump-sum payment in the event of the person's death, which is frequently used to defray funeral and related expenses and then replaces the loss of income or pension benefit caused by the person's death.

The insurance industry grew rapidly in the first two decades of the twentieth century. The life insurance act of 1938 was the first legislation to give strict government supervision over state business, covering both life and non-life insurance. In the legislative assembly, the Insurance Act of 1938 was introduced. However, life insurance in India was not nationalised until January 19, 1956.

Money has a significant part in one's life in the current day. They must invest their money in the future to overcome the problems. Every human being's most important activity is to invest their hard-earned money. Investment is the commitment of money saved from present consumption in the hopes of receiving future benefits.

As a result, it is a reward for patiently waiting for money. People's savings are invested in assets based on their risk and return requirements, money safety, liquidity, available investment channels, various financial institutions, and so on. Any individual who invests money in the hope of receiving a profit in the future is known as an investor. Investors use investments, such as annuities, to increase their money and/or provide an income during retirement. Stocks, bonds, commodities, mutual funds, exchange-traded funds (ETFs), options, futures, foreign currency, gold, silver, insurance, and real estate are just a few examples of investment vehicles. To find good investment possibilities, investors usually use technical and/or fundamental research, and they seek to reduce risk while maximising profits. To find good investment possibilities, investors usually use technical and/or fundamental research, and they seek to reduce risk while maximising profits. The choice, purchase, and consumption of products and services for the fulfilment of an investor's needs are referred to as investor perception.

Investors can be categorised into three groups- Risk Averters, Risk Moderates and Risk takers.

Risk averters: Investor who chooses the preservation of capital over the potential for a higher-than-average return as the title suggests, do not invest in risky assets. Government securities, life insurance plans, and unit trust certificates are preferred by these investors.

Risk moderates: Risk moderates (Risk Neutrals) are ready to pay for an investment if they receive an equivalent return. They put their money into ordinary stocks and life insurance plans.

Risk takers: The main goal of risk takers is to earn a better return on their investments. They believe in a high return in exchange for a higher risk. They choose ordinary bonds and convertible securities as investments.

II. REVIEW OF LITERATURE:

Geetha and Ramesh (2011) studied the issue that influence investment behaviour of the folks and to check the angle of the respondents towards totally different investment selections they have done an enquiry on "people's preferences in investment behaviour" and examined the people's alternative in investment avenues. The finding of the study is scrutiny to higher financial gain levels respondents and lower financial gain levels

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respondents. It implies that the lower financial gain level teams are most likely to require additional safety in investment instead of higher financial gain level.Sabat and Suman(2012) makes an attempt to investigate the investment pattern, saving objective and preferences of individual investor's for varied investment choices on the market in Asian nation. The result shows that, objective to saving is considerably influenced by demographic factors like age, occupation and therefore the financial gain level of investors. The study exhibits the saving habit of retail investors across the various financial gain levels. Savings could be a habit specially embodied into ladies. It was found that feminine investors tend to save lots of additional in an exceedingly disciplined means than the male investors.

III. STATEMENT OF THE PROBLEM

Nearly 80% of the Indian population lacks life insurance, while health and non-life insurance continue to fall short of international norms. Furthermore, this segment of the population is vulnerable to unstable social security and pension systems, with little in the way of retirement income stability. This is a sign that the insurance industry has a lot of room for development.

A well-developed and evolving insurance industry is essential for economic growth because it offers long-term financing for infrastructure development while also boosting risk-taking capacity. It is predicted that India will require one trillion dollars in investments over the next 10 years.

To some extent, the insurance industry can enable investments in infrastructure development to support the country's economic growth. Because knowledge is becoming increasingly important in the Indian insurance business, employability is expected to become a crucial element in retaining skilled management staff in the future. Insurance businesses must have a critical mass of management that promotes a knowledge-based culture in order to establish such an environment.

OBJECTIVE OF THE STUDY

- To know the investor's attitude towards investment in private insurance industries.
- To study the socio economic status of investors.
- To study the important parameters that investors think about before investing in insurance products.
- To provide valuable suggestions to help investors improve their investing patterns.

IV. METHODOLOGY

The target population for this study is investors. The sample is chosen at random from a number of respondents. The sample is uniformly chosen from various groups with the utmost care. The sample size among the investors was restricted to 100. A sample consists of proper cross-section representing the parameters of the research. Data was also gathered from secondary sources such as websites, brochures, and other published items. For the obtained primary data, simple percentage analysis with depiction of pie-charts is done. In order to fulfil the objectives set, a sample study was undertaken by using a well framed questionnaire that was duly filled by the respondents. The data collected have been analyzed and interpreted by simple percentage analysis.

Simple percentage analysis is used to make simple and rapid comparisons of frequency percentages and is suggested as an alternative to scoring and scaling methods in analyzing many attitudes. The purpose of percentage analysis is to determine the relative frequency of survey responses and other data.

V. DATA ANALYSIS AND INTERPRETATION

As per the figure 1the percentage of male investors is more than female investors. There are few possible reasons for the same. According to few studies, 39% of women have sacrificed income or career advancement to care for their children or parents. Therefore, they do not have any primary source of income which they can put forward for investment purposes.The gender pay gap is one of the reasons which states that less income by female employees for the same work with respect to male employees means fewer funds for investing.From a study, it is found that Women are less confident than men in their investing skills. Due to lack of investment knowledge compared to men, women feel uncomfortable making investment decisions.It is noticed that Women like to invest more conservatively than men, whereas men tend to invest more impulsively. But on a positive note, Female investors earn better returns than men up to 1%, according to some studies.

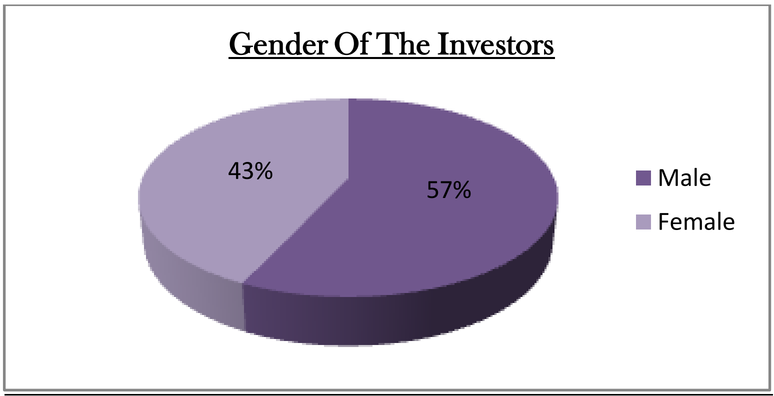

Figure 1. Percentage of respondents Gender Wise

In figure 2 we can see that the people aged below 35 invest the least when compared to older people. At this period people generally tend not to focus more on financial investments much. They are mostly at the beginning of their career lives and they either prefer to spend the money to enjoy or they do not have that huge income to invest into.

Most respondents in the 35-50 age group invest more than the other age groups because they tend to be more focused on their careers and careful with money as their responsibilities increase with age. This is especially true for those planning to have a family.People in Elder age group do not prefer to invest so less in their lives as they want to live a peaceful and independent life after their retirements that's why the investments should start beforehand.

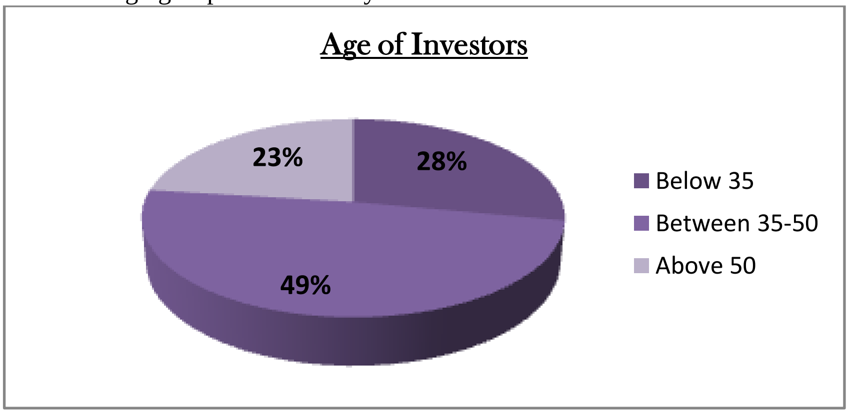

Figure 2 Percentage of Investors Age wise

In figure 3 we can depict that investor in rural and suburban areas invest way lesser than investors in urban locations. Few reasons for such cases can be:

- In rural sector investment is bit less due to lack modern techniques of investment patterns and less access to the respective investment channels or opportunities.
- In comparison to rural and sub-urban areas, investment in urban location constantly gets the opportunity for more massive improvements in the market, luxury developments and regenerations.
- In rural areas lack of convenience is there, there are fewer employment opportunities which means you will need to invest in all these, but they'll have a slower return rate in comparison to urban areas.
- By investing in an area with high demand like urban sectors, expectation to receive maximum profits also increases.

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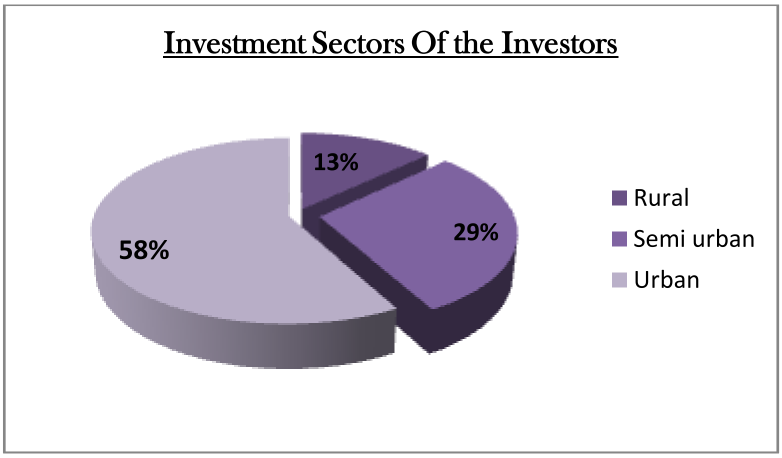

Figure 3 Percentage of Investment sectors of the investors

In figure 4 according to the survey conducted by the Global Financial Literacy Excellence Centre (GFLEC), only 24% of the Indian adult population were found to be financially literate. To become a professional investor as 30% of the respondents in the survey are, you'll likely need at least a bachelor's or master's degree in finance, economics, or a related field. As we can see in the survey itself, people pursuing their postgraduates or those who have completed their masters tend to start investing more because they have correct investment knowledge and good income source for their savings.

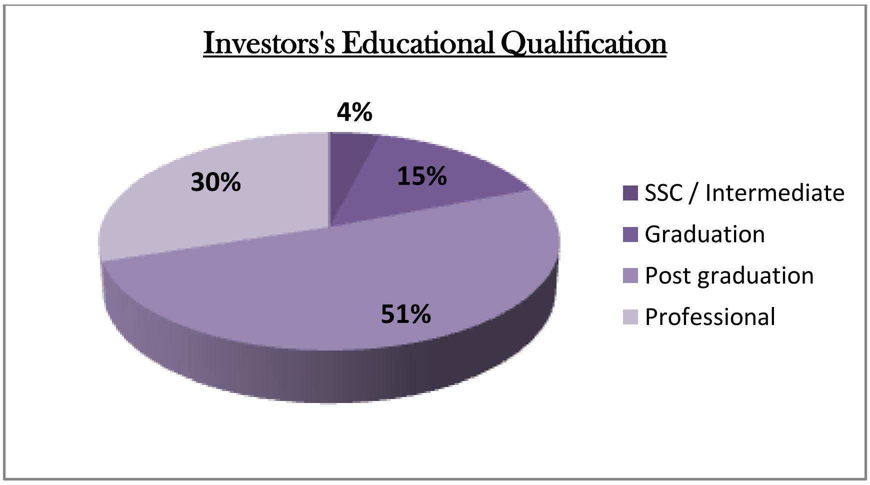

Figure 4 Percentage of Investor's Educational Qualification

In figure 5, majority of respondents are either working in professional investment sectors or are self-employed. It is often seen that with good financial and investment knowledge people investing through different investment channels are more because they are more confident about where to invest and for how long.

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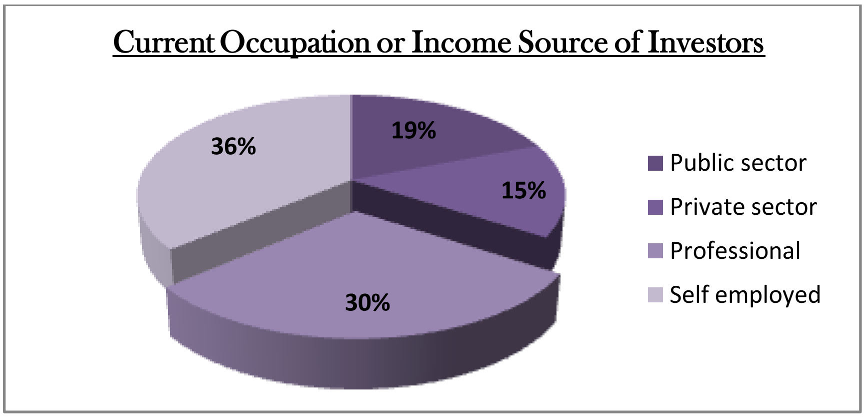

Figure 5 Percentage of Investor's various Occupations or Income Source

In figure 6 we can see that about 48% of respondents belong to 3 to lakh per annum income range which means that people who earn more than 3 lakhs per annum have a secure income for themselves and their families and they prefer to invest so that it enables them to be independent and not rely on the money of others in any event of financial hardship.

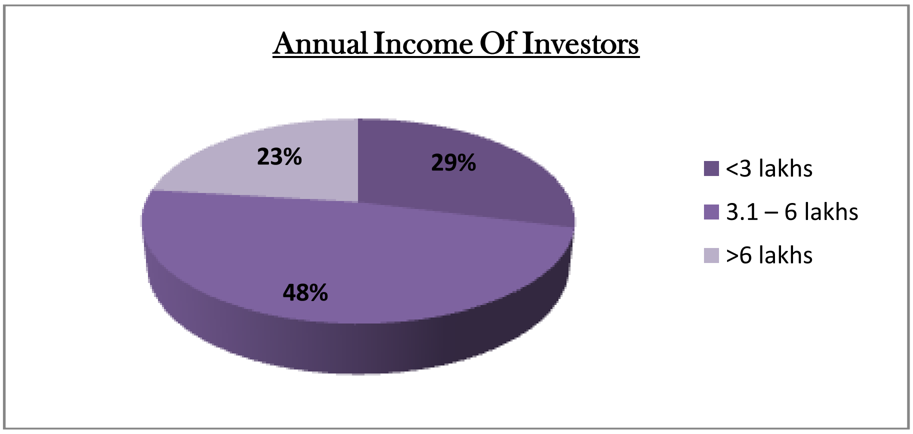

Figure 6 Percentage of Annual Income of Investors

In figure 7 we can say that married people or people starting their own families invest more than people who are single as married people or people with new families have more responsibilities and are more focused on their careers. They try to secure their future generations life with few investment plans.

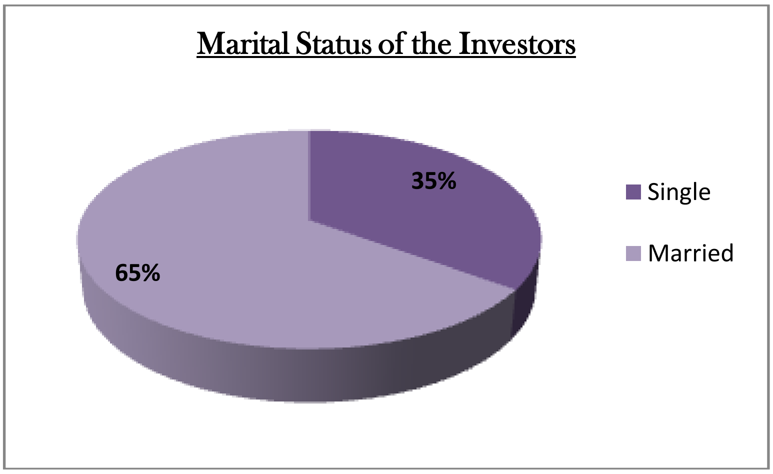

Figure 7 Percentage of Marital Status of Investors

FACTORS INFLUENCING INVESTMENT PATTERN

There are various factors that influence the investor's investment pattern. These factors comprise of Service, Return, Security, Premium Amount, Flexibility and Market Limited Plans.

As per the survey,among the major factors influencing the investor's investment pattern, Service of the company has the higher influence followed by Returns provided by the company and Security of the money invested.

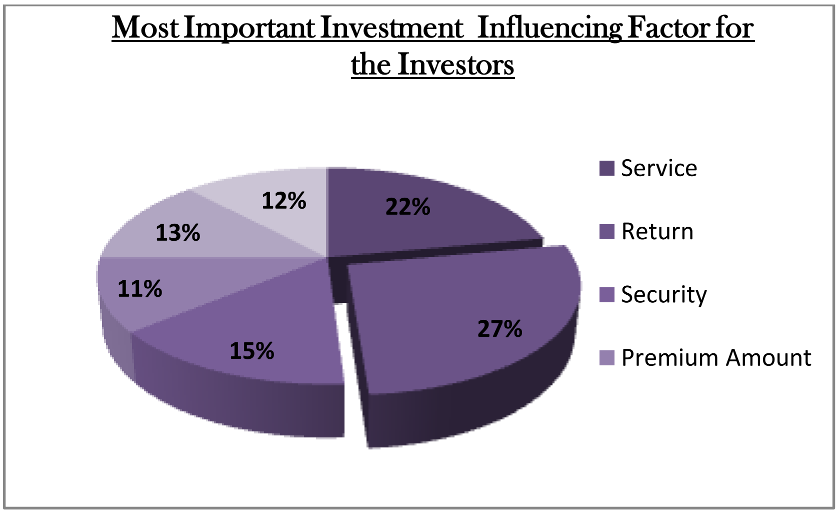

Figure 8: Factors influencing investment Patterns

PRIMARY INFLUENCERS FOR INVESTMENT DECISIONS:

Among the primary influencers which are – Auditor, Family, Friends, Advertisement, Article and other influences, Family and friends have a higher influence. Majority of the respondent whose investment decision has been influenced are either by family or by friends. People find it easier to contact their immediate family members or close friends for investment related discussions or advices. Rest of the respondents are either dependent social media or advertisements or articles and newspapers for investment related decision making.

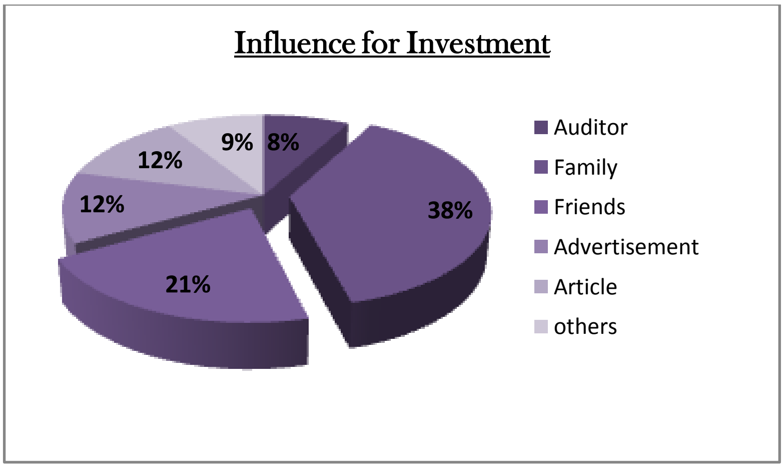

Figure 9: Influencers for Investment

OBJECTIVE IN INVESTMENT

There are various objectives for the investment which includes – Return, Tax Benefit, Security, Children and Liquidity. Insurance tries to minimize losses incurred by future risks and uncertainties. It increases the certainty of payments to people in exchange for the occurrence of unpredictable events. Individuals are covered by

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insurance in the event of a loss. Through appropriate planning and management, it minimises the risk.

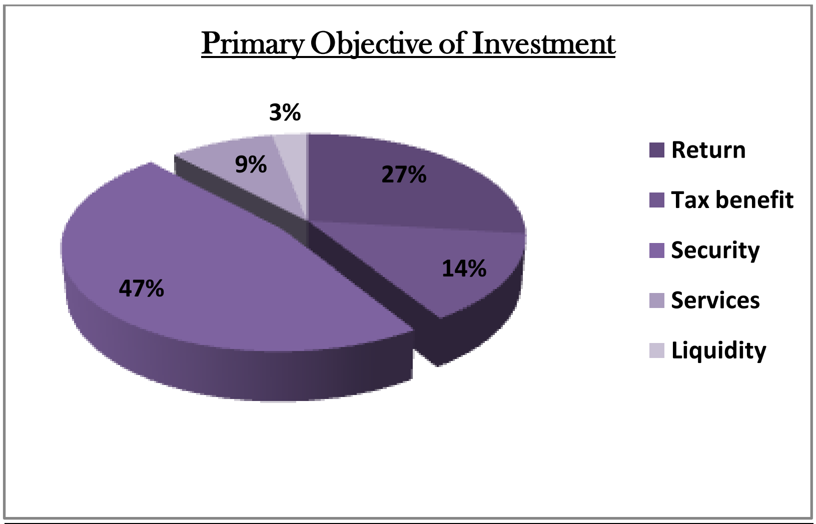

Figure 10: Primary Objective of investment

Most of the respondents plan their investment keeping services provided by the insurance company they are investing in as their primary objective of investment. Next most highlighted goal of the respondents in this survey is rate of return of the investment.For some respondents security of the money invested, tax benefits due to the investment made and liquidity are primary objectives.

VI. SUGGESTIONS

- Investor should bear in mind about the company's profile and returns related to insurance.
- The financial advisor must be right enough to serve the investor's purpose.
- Most of the people who tend to invest belong to middle income category thus new products and policies got to be launched frequently that suits their income.
- Company should adopt strategies to explore that private insurance companies are also safer and secure than public insurance companies. Private company has to highlight about IRDA, which will support Private insurances.
- Advertisements should to be artistic and educating enough to attract the investors.
- Whenever company launches a replacement product it shouldcommunicate with the present policy holder to form awarenessand it additionally provides sense of belongingness towards customers.
- The majority of the respondents are working and a source of income; this is thecore market segment which should be concentrated on.
- Since services, security and return are the primary expectation of investors, it is recommended that this aspect be reinforced while looking forward to potential investors.
- While trading with potential investors, keeping in mind their occupation the purpose of investment varies, so this element should also be considered.

VII. LIMITATIONS OF THE STUDY

Every study is bound to have limitations irrespective of the efficiency is it carried out with. Most of the information covered by this research is gathered from online mode and related studies. Therefore, the information collected is susceptible to error of the response to some or alternative.

VIII. CONCLUSION

The previous few years have marked a turning point for guaranteed return plans. As the insurance industry has grown, there has been an increase in the number of people who want to work in it. Most policyholders acknowledge that the guaranteed return era is over. This is a thing of the past.The focus of private insurance firms is on market-Linked plans. These are a type of retirement plan that is linked to the stock market. Loss protection measures should be taken by the owners.

People's perception towards private insurance companies are fluctuating as measures are constantly taken to make this sector safe for the investors and provide them with all the services they are in need of and helping them fulfilling their investment objectives within given period of time.

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