An Empirical Study On Factors Affecting Investment In Life Insurance With Reference To Surat City

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Abstract

Even after regulatory changes the need for protection, health care, long term savings & retirement remains the major concerns while considering investment in life insurance. Therefore, the situation is not at all bad for the life insurance sector in India. Thus to study different demographic factors affecting the investment decision in life insurance becomes necessary time to time. Age, Occupation, Education, Marital status etc. are some of the variables which are analysed to find their association while making investment decision in life insurance.

Keywords: Demographic variables, Life Insurance, Investment Descision.

Introduction

In recent years, the macro-economic environment continues to be challenging and this has a resultant impact on customer sentiment. This has been further stimulated by a trust deficit between the Life Insurance industry and its consumers. Ultimately this has led to a shift in the strategy of buying behaviour of customer investing in life insurance products. Even after regulatory changes the need for protection, health care, long term savings & retirement remains the major concerns while considering investment in life insurance. Therefore, the situation is not at all bad for the life insurance sector in India. Thus to study different demographic factors affecting the investment decision in life insurance becomes necessary time to time.

Review of Literature

The review of literature has been done to identify and understand the implications of different issues related to customer buying behaviour & trends in life insurance sector. Review has helped to adopt, verify & improvise the concept of research framework.

Using utility theory, **Fortune (1973)** built a model to examine the determinants of the optimal amount of life insurance. Fortune attempted to link life insurance demand analysis to the wealth of households. He recognized that life insurance may be a substitute for financial assets such as lower risk assets in the household portfolio.

Anderson and Nevin (1975), found a negative association between education and amount of life insurance purchased. They explained that highly educated people may believe that inflation often decreases the cash value of life insurance from saving point of view and hence their needs for life insurance may decrease.

Subir Sen (2008), in his article "An Analysis of Life Insurance Demand Determinants for Selected Asian Economies and India" has tried to understand economic and other socio-political variables, which may play a significant role in explaining the life insurance consumption pattern in Greater China Region and six ASEAN countries for the 11- year period 1994-2004 and also tried to re-assess whether or not the variables best explaining life insurance consumption pattern for twelve selected Asian economies including India.

Objective of Study

To study factors involved in investment decision of customers of life insurance products after recent regulatory changes.

Hypothesis of the study

Testable Hypothesis are framed based on above Objective of study. Such hypothesis are as below;

1. H_0 = There is no Association between Age and Investment in life insurance.
2. H_0 = There is no Association between Education and Investment in life insurance.
3. H_0 = There is no Association between Occupation and Investment in life insurance.
4. H_0 = There is no Association between Marital Status and Investment in life insurance.

Research Methodology

To carry out the study both descriptive as well as analytical research design approach have been used. Convenient random sampling is used and 100 respondents from each of seven different zones of Surat city was collected. Demographic factors like Age, Education, and Marital Status etc. of respondent was tabulated using MS-Excel.

Sources of Data:

Data required for study was collected through a well-structured Questionnaire.

Period of Study:

Period of study is limited to past 10 years taking 2012 as the central year in which major regulatory changes took place and respondents who invested in life insurance within this period are considered.

Tools Used: To find Demographic factors affecting investment decision in life insurance primary data are compiled in tabular form using excel and for analyzing it to reach some conclusions various Tools like Average, Percentage along with Correlation and Chi-square.

Analysis & Interpretation of Data

Here investment in life insurance made by the respondents have been consider based on their demographic profiles such as Age, Gender, Education, Marital Status, Occupation, on their investment decision in life insurance. Different demographic factors of the respondents are responsible for the decision made by them to invest in life insurance products. All this factors are independent variables while yearly premium expenditure made by the respondents is the dependent variable.

Table 1: Demographic Profile of Respondents

Socio-Economic Factors	Categories	No. of Respondents	Percentage (%)
Gender	Male	400	57.1
	Female	300	42.9
	Transgender	0	0.0
Age	20-35 years	340	48.6
	35-50 years	276	39.4
	50-60 years	84	12.0
	60 years & above	0	0.0
Marital status	Married	514	73.4
	Unmarried	88	12.6
	Widow	98	14.0
Education Background	School (up to 12th std.)	65	9.3
	Graduate	350	50.0
	Post Graduate & above	207	29.6
	Professional Degree	78	11.1
Occupation	Salaried (Govt. / Non Govt.)	446	63.7
	Business	69	9.9
	Professional	141	20.1
	Others	44	6.3
Family Size	Less than 4	428	61.1
	4 – 6	215	30.7
	Above 6	57	8.1
Earning Members	1	340	48.6
	2	318	45.4
	3 & above	42	6.0
Monthly Income	Up to 25,000	233	33.3
	25,000-50,000	219	31.3
	50,000 & above	248	35.4

Source**: Primary Data

Interpretation:

Detailed distribution sample of the respondents including various socio-economic factors is presented in above table after compiling primary data. Respondents Age, Gender, Marital Status, Education level, Occupation, Family size along with Earning Members and their Monthly income is presented in above table.

General interpretation from the above table can be made as Married Males or Females within Age group of 20 to 50 years whose Educational level is quite reasonable indicating their awareness regarding life insurance products and mostly Salaried with few Professionals having less than 6 family members where 1 or 2 members are earning irrespective of their monthly income prefer to invest in life insurance products.

It is however necessary to study in-depth relationships between different independent variables and their influence on the yearly premium expenditure made by them in life insurance products. For this Testable Hypothesis are framed and tested.

Testing of Null Hypothesis

Few Null Hypothesis framed needs to be tested for finding the association or influence of some independent variables on the yearly premium expenditure of the sample respondents of the Surat city under study.

H_0 = *There is no Association between Age and Investment in life insurance.*

Correlation:

Correlations

			Age_Group	YPE_Rangewise
Spearman's rho	Age_Group	Correlation Coefficient	1.000	.353[**]
		Sig. (2-tailed)	.	.000
		N	700	700
	YPE_Rangewise	Correlation Coefficient	.353[**]	1.000
		Sig. (2-tailed)	.000	.
		N	700	700

[**]. Correlation is significant at the 0.01 level (2-tailed).

Chi-Square:

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	495.991[a]	54	.000
Likelihood Ratio	469.977	54	.000
Linear-by-Linear Association	73.188	1	.000
N of Valid Cases	700		

Interpretation:

Here the null hypothesis is rejected as the p-value is less than 0.5, indicating that there is association between the Age Group of the respondent and his yearly premium expenditure.

Also the Correlation is significant and positive at 0.353 indicating that along with the age the respondent invent more as the yearly premium expenditure in life insurance products owing to their increase in income along with the responsibility.

While those who are young have less income and may be responsibility as they may be unmarried and thus their investment towards life insurance products is less.

H0 = *There is no Association between Education and Investment in life insurance.*

Correlation:

Correlations

			YPE_Rangewise	Education Background
Spearman's rho	YPE_Rangewise	Correlation Coefficient	1.000	.320**
		Sig. (2-tailed)	.	.000
		N	700	700
	Education Background	Correlation Coefficient	.320**	1.000
		Sig. (2-tailed)	.000	.
		N	700	700

**. Correlation is significant at the 0.01 level (2-tailed).

Chi-Square:

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	112.711a	18	.000
Likelihood Ratio	130.520	18	.000
Linear-by-Linear Association	58.273	1	.000
N of Valid Cases	700		

Interpretation: Here the null hypothesis is rejected as the p-value is less than 0.5, indicating that there is association between the Education Background of the respondent and his yearly premium expenditure. Also the Correlation is significant and positive at 0.320 indicating that as the Education Background of respondent is stronger they invest more in life insurance products while if they are less educated they have less awareness regarding life insurance products and thus their investment towards life insurance is less.

H0 = *There is no Association between Occupation and Investment in life insurance.*

Correlation:

Correlations

			YPE_Rangewise	Occupation
Spearman's rho	YPE_Rangewise	Correlation Coefficient	1.000	.122**
		Sig. (2-tailed)	.	.001
		N	700	700
	Occupation	Correlation Coefficient	.122**	1.000
		Sig. (2-tailed)	.001	.
		N	700	700

**. Correlation is significant at the 0.01 level (2-tailed).

Chi-Square:

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	108.735a	18	.000
Likelihood Ratio	110.270	18	.000
Linear-by-Linear Association	12.220	1	.000
N of Valid Cases	700		

Interpretation: Here the null hypothesis is rejected as the p-value is less than 0.5, indicating that there is association between the Occupation of the respondent and his yearly premium expenditure. Also the Correlation is significant and weak positive at 0.122 indicating that change in the Occupation of respondent makes a very little difference to the investment they invest make in life insurance products. However is it also true that their investment in life insurance do not fall owing to their occupation where.

H_0 = *There is no Association between Marital Status and Investment in life insurance.*

Correlation:

Correlations

			YPE_Rangewise	Marital Status
Spearman's rho	YPE_Rangewise	Correlation Coefficient	1.000	-.296**
		Sig. (2-tailed)	.	.000
		N	700	700
	Marital Status	Correlation Coefficient	-.296**	1.000
		Sig. (2-tailed)	.000	.
		N	700	700

**. Correlation is significant at the 0.01 level (2-tailed).

Chi-Square:

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	150.771a	12	.000
Likelihood Ratio	147.810	12	.000
Linear-by-Linear Association	37.522	1	.000
N of Valid Cases	700		

Interpretation: Here the null hypothesis is rejected as the p-value is less than 0.5, indicating that there is association between the Marital Status of the respondent and his yearly premium expenditure. Also the Correlation is significant but negative (-0.296) indicating that Married invest more in life insurance products than unmarried and widow.

Findings & Conclusions

- Majority of the respondents have taken decision to invest in life insurance products before they reach 35 years of age. This behavior indicated that respondents are well aware about their financial obligations and the need for the insurance in the later part of their life.

- The Age Group of the respondent affects his yearly premium expenditure.

- Also the Correlation is significant and positive at 0.353 indicating that along with the age the respondent invest more as the yearly premium expenditure in life insurance products owing to their increase in income along with the responsibility.

- While those who are young have less income and may be responsibility as they may be unmarried and thus their investment towards life insurance products is less.

- Also the Correlation between Education and Yearly Premium Expenditure is significant and positive at 0.320 indicating that as the Education Background of respondent is stronger they invest more in life insurance products. The reason behind this can be evident from the fact that there is a loss of human capital when a person dies and it is believed that the human life value of a person more educated is always higher.

- Less Educated have less awareness regarding life insurance products along with the less income due to lower human capital and thus their investment towards life insurance is less.

- The Correlation is significant and weak positive at 0.122 indicating that change in the Occupation of respondent makes a very little difference to the investment they invest make in life insurance products.

- As the Correlation is significant but negative (-0.296) indicating that Married invest more in life insurance products than unmarried and widow.

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