

# A STUDY ON PERCEPTION OF INVESTORS TOWARDS LIFE INSURANCE AS AN INVESTMENT OPTION

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**Abstract:** This study explores investor perceptions of life insurance as an investment option, focusing on key factors influencing their decisions. Conducted with 78 respondents in Bengaluru, the research highlights life insurance's appeal for its dual role in providing financial protection and long-term wealth creation. The findings reveal that safety and capital growth are the top priorities for investors, with LIC, Kotak Mahindra, and ICICI Prudential being the most recognized insurers. While long-term investments are favored, there is a need for better customer education and service quality to enhance life insurance adoption. The study concludes that life insurance is a valuable investment tool, offering recommendations for insurers to improve customer satisfaction and market penetration.

## INTRODUCTION

Purchasing life insurance is a crucial financial decision that combines the advantages of financial security and long-term wealth building. Life insurance is a valuable investment tool in addition to serving as a safety net for people and their families in the event of an untimely death. People can build cash value in their life insurance policies over time and possibly achieve financial growth and security by including investment components in them. Numerous benefits make life insurance an appealing investment choice for investors. By requiring consistent premium payments, it first offers a methodical approach to saving that ensures a steady contribution to accumulating wealth. Life insurance policies frequently provide tax benefits as well, such as tax-deferred growth on the cash value. Beneficiaries receive a component of tax-free death benefits.

A person's investment portfolio can be diversified by purchasing life insurance. Life insurance policies offer a degree of stability and protection from market volatility while traditional investment avenues like stocks, bonds, and real estate carry market risks. Risk-averse investors who look for a safe long-term investment option may find this stability particularly alluring. Additionally, life insurance investments frequently have many advantages. Some policies give you the option to take part in policyholder dividends or bonuses, which can boost your investment returns even more. These benefits, which are exclusive to life insurance, can generate extra income or be reinvested for future compound growth. It is crucial to understand that purchasing life insurance entails a number of considerations and risks, though. The overall returns may be impacted by elements like policy fees,

surrender fees, and the insurance company's performance. Making wise investment decisions requires a detailed examination of the conditions, expenses, and potential returns of life insurance policies. Examining the advantages, risks, and potential returns of life insurance as an investment strategy is the goal of this study. People can gain a thorough understanding of how life insurance can complement their investment strategy by looking at the various types of life insurance policies, evaluating their investment potential, and contrasting them with conventional investment channels.

Kotak Mahindra Life Insurance offers a diverse array of insurance products to meet the varying needs of individuals and families. Key products include:

**Term Plans:** These provide high coverage at low premiums for a specific period, offering financial stability in case of the policyholder's untimely death.

- **Unit Linked Insurance Plans (ULIPs):** These combine life insurance with investment in market-linked funds, allowing policyholders to benefit from market growth while being insured.
- **Savings and Investment Plans:** Designed for long-term wealth building, these plans offer life insurance coverage alongside investment options.
- **Retirement Plans:** These plans help individuals save for their post-retirement years, ensuring financial security through consistent income or lump sum payments.
- **Child Plans:** These plans combine savings and insurance to secure a child's future, covering significant life events and educational milestones.
- **Health and Protection Plans:** These plans provide financial protection against medical expenses due to hospitalizations, diseases, or accidents.
- **Group Insurance Plans:** Tailored for organizations, these plans offer benefits such as term insurance and accidental death cover for employees.

## Service Profile

Kotak Life Insurance is committed to delivering top-notch services, including:

- **Policy Issuance:** A smooth process facilitated both online and through company representatives.
- **Premium Payment:** Multiple convenient options, including online platforms and auto-debit facilities.
- **Policy Servicing:** Comprehensive support for policy updates and access to policy details via online portals.
- **Claims Settlement:** Efficient processing with dedicated teams ensuring timely payouts.
- **Customer Support:** Accessible through multiple channels to address queries and provide assistance.
- **Value-added Services:** Tools and calculators, financial planning support, and educational resources for informed decision-making.

### Areas of Operation

Kotak Life Insurance operates across India through a robust network of branches, digital platforms, bancassurance partnerships, and a wide agency network, ensuring accessibility and convenience for customers.

### Competitor Information & SWOT Analysis

Kotak Mahindra Life Insurance competes with major players like LIC, ICICI Prudential, and Bajaj Allianz. Strengths include a strong brand image, innovative products, and a widespread distribution network. However, it faces challenges like limited international presence and intense competition. Opportunities lie in the growing insurance market and digital transformation.

### Types of Life Insurance Policies

Kotak Life Insurance offers various policy types including term life insurance, whole life insurance, universal life insurance, and variable life insurance, catering to different customer needs for coverage and investment.

### Advantages and Disadvantages

Advantages of life insurance include providing financial security to beneficiaries, paying off debts, and offering liquidity in estate planning.

However, high premium costs and the risk of losing

coverage if premiums aren't paid on time are potential drawbacks.

### Literature review

The literature review highlights various studies on investor behavior and perceptions towards life insurance and other investment options. Kalaichelvan (2018) found that investors prefer secure assets like life insurance, bank deposits, and small savings, with a growing interest in small and medium-sized enterprises. Tati and Baltazar (2018) explored factors influencing the purchase of life insurance, including demographics and income levels, revealing a strong link between these variables and insurance preferences. Chaudhary and Kaur (2016) compared public and private life insurance plans, finding that while Unit Linked Insurance Plans (ULIPs) are less popular, there is a need for increased investment in these products for dual benefits. Velmurugan, Selvan, and Nazar (2015) studied investor behavior in Vellore, Tamil Nadu, noting a preference for diversified portfolios to balance short- and long-term returns, with significant differences observed across demographic groups. Mahajan (2013) detailed the consumer decision-making process for life insurance, emphasizing the role of marketing strategies in enhancing awareness and fostering a positive perception of life insurance, though more targeted efforts are required to further develop the market.

### 3.1 Statement of Problem

This study aims to assess how various demographic factors influence customers' decisions to invest in life insurance. Additionally, it seeks to understand how life insurance can be positioned as a wise investment option and how public awareness of its benefits can be enhanced.

### 3.2 Need for the Study

Increase investor awareness of life insurance as a financial tool. Highlight life insurance as a valuable addition to a diversified investment portfolio. Emphasize

the dual benefits of wealth creation and protection offered by life insurance. Address the role of life insurance in providing financial security against unexpected events like death or disability.

### 3.3 Objectives of the Study

Determine the level of consumer knowledge about life insurance products and the extent of their adoption. Analyze the key factors that consumers prioritize when purchasing life insurance policies.

### 3.4 Scope of the Study

This study focuses on evaluating the benefits of life insurance as an investment option, with particular attention to tax implications, retirement planning, and financial factors such as premium payments and cash value growth. Geographically, the study is limited to Bangalore City, aiming to understand the factors influencing life insurance purchases in this region.

### 3.5 Research Methodology

**Research Design:** Descriptive research is used to describe variables without establishing causal relationships. **Data Sources:** Primary data was collected directly from investors, while secondary data was sourced from websites, magazines, and journals. **Sample Design:** The study surveyed 78 life insurance policyholders.

### 3.6 Hypothesis

H0: No significant relationship exists between factors influencing life insurance investment and investor perception.

H1: A significant relationship exists between factors influencing life insurance investment and investor perception.

H0: Educational qualification does not significantly affect the perception of life insurance as an investment option.

H1: Educational qualification significantly affects the perception of life insurance as an investment option.

### 3.7 Limitations of the Study

**Data Accuracy:** Potential inaccuracies due to respondent bias or partial cooperation.

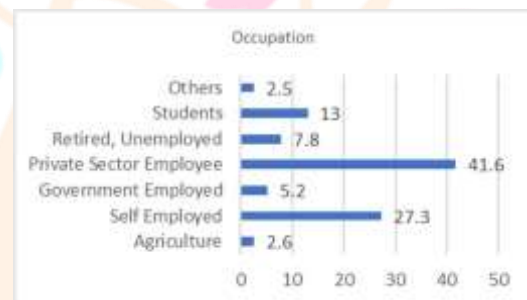
**Sample Size:** The sample size of 78 may not fully represent the diverse spectrum of life insurance investors.

**Generalizability:** Findings are specific to Bangalore City and may not be generalizable to a broader demographic.

**Time Constraints:** Limited time for data collection and analysis may affect the depth and accuracy of the study.

## Data Analysis & Interpretation

### 1. Occupation



**Analysis:** Private sector employees (41.6%) and self-employed individuals (27.3%) dominate the respondent pool.

**Interpretation:** Occupational diversity should be considered in understanding life insurance purchasing behaviors.

### 2. Annual Income Level



**Analysis:** A diverse income distribution with the largest segment (25.3%) earning between ₹2,00,000 - ₹5,00,000 annually.

**Interpretation:** Income level diversity reflects varying financial perspectives that could influence life insurance decisions.

### 3. Investment Preference



**Analysis:** 40.3% prefer long-term investments, 27.3% prefer short-term, and 32.4% favor both.

**Interpretation:** A significant portion of respondents value a balanced investment strategy, combining long- and short-term goals.

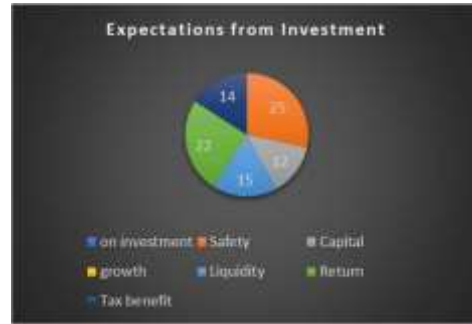
### 4. Investment Alternatives



**Analysis:** Bank deposits (23%) and gold/silver (26%) are the most preferred investments, while insurance (14%) is moderately favored.

**Interpretation:** Safer investment options are preferred, though there is a moderate interest in life insurance.

### 5. Expectations from Investment



**Analysis:** Capital growth and return are prioritized by respondents, followed by safety and liquidity.

**Interpretation:** Investors seek growth and security in their investments, with a secondary focus on liquidity and tax benefits.

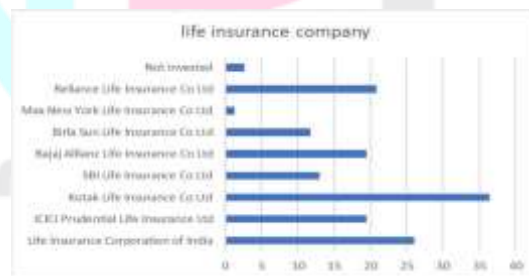
### 6. Awareness of Life Insurance Companies



**Analysis:** LIC is the most recognized company (53.8%), followed by Kotak Life Insurance (46.2%) and ICICI Prudential (43.6%).

**Interpretation:** Brand recognition is critical, with LIC leading in market visibility.

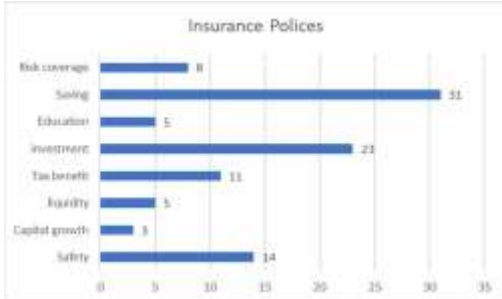
### 7. Investment in Life Insurance



**Analysis:** Kotak Life Insurance (36.4%) has the highest investment rate, followed by LIC (26%).

**Interpretation:** Kotak Life Insurance's high investment rate indicates strong market penetration and consumer trust.

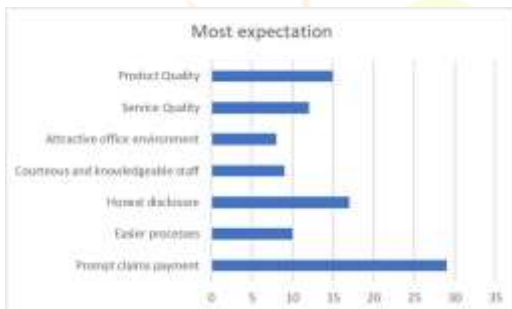
### 8. Reasons for Buying Insurance



**Analysis:** Saving (31%) and investment (23%) are the primary reasons for purchasing insurance.

**Interpretation:** Financial security and investment potential are key motivators for buying insurance policies.

### 9. Expectations from Insurers



**Analysis:** Prompt claims payment (29%) and honest disclosure (17%) are the top expectations.

**Interpretation:** Efficiency and transparency are highly valued by policyholders. Perception of Policies

### 10. Perception of Policies



**Analysis:** Satisfaction is generally high with the processes, but certain areas like payment methods require improvement.

**Interpretation:** Continuous improvement in service processes could enhance overall customer satisfaction.

### 11. Satisfaction with Policies

**Analysis:** 79% of respondents are satisfied with their purchased policies.

**Interpretation:** High satisfaction indicates that current offerings meet consumer needs, though there is room for addressing the concerns of the 21% who are dissatisfied.

### 12. Recommendations to Others



**Analysis:** 68% of respondents would recommend their insurer to others.

**Interpretation:** Positive word-of-mouth is strong, but addressing the concerns of the 32% who would not recommend their insurer could enhance brand loyalty.

### Statistical Tests

#### Chi-Square Test

**Interpretation:** The Chi-Square Test results indicate a significant relationship between investor perception and life insurance investment behavior.

#### ANOVA Test

**Interpretation:** The ANOVA Test shows a statistically significant difference between the means of education and investment alternatives, indicating that educational background significantly influences investment preferences.

This analysis provides a comprehensive view of respondents' preferences and perceptions regarding life insurance, with significant insights into factors

like education, income, and occupation that influence investment decisions.

## Summary of Findings

- Demographic factors such as age, gender, income, education, and occupation significantly influence investment decisions in life insurance. Family income, number of dependents, and vehicle ownership are primary variables impacting investor perceptions.
- Respondents aged 20-30, making up 50% of the sample, showed the highest interest in purchasing life insurance, with 32% actively seeking policies.
- Among the 78 respondents, 50% favored specific life insurance providers, with LIC holding the highest investment rate at 36%, followed by Kotak Life Insurance at 26%.
- Investors prioritize potential returns and safety, considering liquidity and tax benefits.
- Financial institutions can tailor investment solutions based on these preferences.
- While 38% of customers have a neutral opinion on service accessibility, improvements are needed in this area.
- Saving (31%) is the primary reason for purchasing life insurance, followed by investment (23%), highlighting a focus on financial security and future planning.

## Conclusion

The study concludes that Kotak Life Insurance is viewed as a desirable and practical investment option by many investors. The company's strong reputation is built on its commitment to excellent customer service, diverse investment options, and transparent communication. These factors contribute to Kotak Life Insurance's appeal, particularly its potential for long-term wealth creation and balanced risk-reward offerings.

Investors are drawn to Kotak Life Insurance for its ability to align with their financial goals, offering plans that cater to different risk appetites. The company's emphasis on open communication fosters trust and confidence among investors, enhancing its credibility in the market.

By consistently exceeding customer expectations and maintaining a customer-centric approach, Kotak Life Insurance can further strengthen its position as a reliable and trusted life insurance

provider. Prioritizing client satisfaction will not only improve the company's standing in the industry but also deepen relationships with investors, ensuring its continued success as a leading player in the life insurance market.

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