A Study of The Life Insurance Perspective in Varanasi Division

Shahid Husain

Research Scholar
Faculty of Commerce
Banaras Hindu University
Email- shahid_vns@rediffmail.com

Dr. Manzoor Ahmad

Reader & Research Supervisor
Faculty of Commerce
Banaras Hindu University

Abstract:

Most of the Asian countries with the exception of Japan, South Korea and Taiwan have a low insurance penetration as compared to developed countries. India is an agricultural country. The earnings of many of our people are not enough for their livelihood. So they are unable to make investments in savings. They give priority to their food, medical attention and education. They think of savings for the future. The main aim of the most of the investors is to gain tax relief. So many people lack knowledge of the necessity of insurance.

The Life Insurance Industry has come a long way since independence, and Indian consumers till recently had been dealing with only one life insurance player-the Life Insurance Corporation (LIC) in the public sector.

After the liberalization of the insurance sector, more than a dozen companies have entered the business. This study attempts to assess the awareness of insurance in Varanasi Division and the level of investment.

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Introduction:

Insurance ensures protection of the economic values of assets in human or material form. Life insurance insures life through long term contracts.

There are different sets of uncertainties in assessing liability and the speculative risks associated with human and market behaviour. The possibility of adverse results from such occurrences makes it imperative for any insurance provider to study the risk profile of the various types of insurance

Risk can be broadly based on those concerning human life and those related to material assets. In today's world of nuclear families, insurance providers are slowly replacing the joint family system that provided in earlier terms financial stability. It is possible to ensure against premature death, dependent old age sickness, disability and unemployment.

In today's customer-centric economy, profit or loss can be linked to various market operations also. Such risks can be quite dynamic, as they correspond to fluctuations in the economy, and changes in economic preferences, technology, etc. There are also static risks, not related to market operations, like floods and earthquakes, or risks associated with human behaviour such as dishonesty, professional negligence etc.

As insurance is to protect the economic value of assets, the policyholders has to ensure that all relevant information is made available for underwriting the risks. As insurance is to indemnify the insured against losses, there can be temptation to initially overstate the value of assets and later to engineer losses to make a profit. Though insurance is a contract, there are enough provisions to prevent and punish wrongdoers from making a fast buck.

The contract of Insurance is distinct as it is subject to two conditions;

- The principle of utmost good faith.

- The principle of insurable interest.

The LIC, in fact is the number one Government-owned insurance company that had not only made substantial profits, but also earned the trust of the people.

The present study is an attempt to learn the perspective of life insurance in Varanasi Division.

Objectives of the Study :

1. To study the insurance perspective of the people of Varanasi on the LIC.

2. To study the socio-economic profile of the policy holders who take insurance policies and their level of investment with the LIC.

3. To offer suggestions and recommendation to improve the life insurance business.

Scope of the Study:

The study has been undertaken mainly to highlight the perspective on insurance in Varanasi Division. The kinds of policyholders like businessmen; agriculturists; government employees, private employees, pensioners and self employed people have been included in the study. The study includes the life insurance policyholders and their level of investment. Only individual life policyholders have been taken and others are excluded from the study. The investment habit of the people of Varanasi Division in the LIC has been tested with the help of number of policies taken and other factors like insured amount while the period of insurance have been excluded.

Sampling Design:

The life policyholders of the Life Insurance Corporation of India, Varanasi Division have been included in the study. A sample of 100 life policyholders representing various types such as Government employees, Private employees, Agriculturist, Pensioners, Businessmen and self-employed people of Varanasi area have been selected by using a convenient sampling technique.

Table-1

Sample of Individual Life Policyholders of Varanasi Division

Sl.No.	Category of Individuals	Life Policyholders	Percentage
1.	Government Employees	11	11
2.	Private Employees	25	25
3.	Agriculturists	15	15
4.	Pensioners	04	04
5.	Businessmen	27	27
6.	Self Employed	18	18
	Total:	**100**	**100**

Source - Primary Data

Methodology and Tool for Data Collection and Analysis :

The data from the life policyholders registered with Varanasi Divisional Office of LIC of India were collected with the help of a questionnaire. The questionnaire was prepared in both the languages English and Hindi. The policyholders who understood English were given the questionnaire in English. Moreover those who were unable to fill up the questionnaire in any of the languages were helped by the researchers. Statistical tools like Mean, Percentage and Chi-Square Test were used for analysis.

Field Work and Collection of Data:

The present study is an empirical research based on the survey method. It involves the collection of primary data from the policyholders with Varanasi Division of the LIC of India. Some of the secondary data were collected from the pamphlets, diaries of LIC, articles from journals and newspapers.

Hypotheses:

On the basis of the objectives the following hypotheses have been tested with the help of the Chi-Square test.

1. There is no significant relationship between the age of the life policyholders and their investment level with taking the LIC policy.

2. There is no significant relationship between the educational qualification of the life policyholders and their investment level with taking the LIC policy.

3. There is no significant relationship between the marital status of the life policyholders and their investment level with taking the LIC policy.

4. There is no significant relationship between the marital status of the life policy holders and their investment level with taking the LIC policy.

5. There is no significant relationship between the number of dependents on the life policyholders and their investment level with taking the LIC policy.

6. There is no significant relationship between the income of the life policyholders and their investment level with taking the LIC policy.

Classification of Personal Factors:

1. On the basis of the age of the life policyholders they have been grouped into two classes viz. below or equal to 40 years and above 40 years of age.

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2. On the basis of educational qualification life policyholders have been divided in two categories i.e. policyholders who have completed school education only and those who are graduate.

3. The life policyholders have been grouped as male and female.

4. The policyholders on the basis of their marital status have been classified as married and unmarried.

5. Family Size is grouped as families having 4 or less than 4 family members and families having more than 4 family members.

6. The policyholders belong either to joint family or nuclear family as far as the type of family is concerned.

7. The policyholders whose annual income is Rs. 120000 or less form one group and those policyholders whose annual income is above Rs.120000 form another.

Framework of Analysis:

The relationship between the socio-economic factor and the level of investment made by the policyholders is analysed with the help of the Chi-Square test.

Investment Level of Policyholders in LIC:

The investment level of policyholders has been tested with the number of policies taken. So the investment level of the sample policyholders has been elicited with the help of a five point scale- viz., one policy, two policies, three policies, four policies and five policies. It has been measured with weighted scores. For every policy 100 points have been allotted. Every sample policyholder could score a maximum of 500 (5 X 100) or minimum of 100 (1 X100).

The scores of sample policyholders may vary from 100 to 500. On the basis of the total scores, the mean and standard deviation have been computed. The policyholders whose scores fall between the average-standard deviation belong to the low level in taking LIC policy. Those policy holders whose scores fall between mean ± standard deviation come under the medium level. Those policyholders whose scores are between mean+ standard deviation fall under the high level category in taking the LIC policies.

No of Policies held by policyholders:

Table-2

No of Policies held by Sample Respondents

Sl.No.	No. of Policies	No. of Respondents	Percentage
1.	01	54	54
2.	02	20	20
3.	03	12	12
4.	04	08	08
5.	05	06	06
	Total:	**100**	**100**

Source: Primary Data

Table-3

Investment Level of Policyholders in the Study

Sl.No.	Category	No.of Policyholder	Percentage(%)
1.	Low	54	54
2.	Medium	32	32
3.	High	14	14
	Total:	**100**	**100**

The gender, marital status, educational qualification, income of the policyholders, type of the family, size of the family and age of the policyholders are identified by the researcher as influencing the level of taking insurance policy with the Life Insurance Corporation of India. In order to see whether there is any correlation between the socio-economic factors and to taking insurance policies the chi-square test has been applied.

Table-4

Chi-Square Analysis- Personal Factors of Life policyholders and their Investment Level with taking life Insurance Policies in LIC -

Sl.No.	Personal Factors	Chi-Square Value	Table Value	S/NS
1.	Gender	6.032	5.99	S
2.	Marital Status	7.183	5.99	S
3.	Educational Qualification	0.451	5.99	NS
4.	Income Level	3.969	5.99	NS
5.	Family Type	3.375	5.99	NS
6.	Family Size	0.013	5.99	NS
7.	Age	6.814	5.99	S

S- Significant
NS- Not Significant
Source- Primary Data

Summary of Findings:

Profile of Respondents and their Level of Investment.

❖ This study shows that 78 % of the sample respondents are male and 22% are female.

- ❖ This study shows that out of 100 respondents, 82 % are married and 18 % are unmarried.

- ❖ This study also shows that 64 % have completed school education only and 36 % are graduates.

- ❖ This study also shows that 68 % of the respondents earn upto Rs. 120000 per annum.

- ❖ This study shows that 74% of the respondents belong to nuclear family and 26% belong to joint family.

- ❖ The study shows that 63% of the respondents have more than 5 dependents.

- ❖ The study also shows that 57% of the sample respondents are below 40 years of age and 37% are above 40 years.

- ❖ And finally this study shows that 54% of he sample respondents come under the category of low investment level, 32% had a medium level of investment and 14% had a high level of investment in the LIC.

Factor-Wise Analysis:

There is a significant relationship between gender, marital status and age of the respondents and their level of investment with taking the LIC policies.

There is no significant relationship between educational qualification, income level, family type and family size of the respondents and their level of investment with taking the LIC policies.

Suggestions :

1. The LIC should advertise their products through various mass media.

2. The LIC should popularize their schemes among the general public.

3. The product terms and conditions should be completely transparent to the people.

4. The disposal of claims should be made easy for policyholders.

5. Launch a micro-insurance products for low income group of policyholders.

Conclusion :

In India, insurance has not been on the main agenda of either individuals or corporate. Hence, reforms encompass not merely regulatory intervention but also promotional effort to develop the market. The steady growth of the industry, as also the consolidation of private players progressively bears a silent testimony to the proactive regulatory regime in place in India.

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