



A study on consumer perception of LIC policy (With Special Reference to Coimbatore City)

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Abstract

The Business of Insurance is related to the protection of the economic values of the assets". Every human being has the tendency to save to protect him from risks or events of future. Insurance is one form of savings where in people try to assure themselves against risks or uncertainties of future. It is assurance against risks or events or losses. People can save their earnings either in the form gold, fixed assets like property or in banking and insurances. All the savings of people of a country account for gross domestic savings. In India, although savings rate is high but people prefer to invest either in gold or fixed assets so that they can make money out of it. Hence insurance sector is still untapped in India

Keywords: LIC, business, insurance, protection, economic

1. Introduction

Life has always been an uncertain thing. To be secure against unpleasant possibilities, always requires the utmost resourcefulness and foresight on the part of man. To pray or to pay for protection is the spirit of the humanity. Man has been accustomed to pray God for protection and security from time immemorial. In modern days Insurance Companies want him to pay for protection and security. The insurance man says "God helps those who help themselves"; probably he is correct. Too many people in this country are not in employment; and work for too many no longer guarantees income security. Several millions are part-time, self-employed and low-earning workers living under pitiable circumstances where there is no security cover against risk. Further the inherent changing employment risks, the prospect of continual change in the work place with its attendant threats of unemployment and low pay especially after the adoption of New Economic Policy and the imminent lifecycle risks - a new source of insecurity which includes the changing demands of family life, separation, divorce and elderly dependents are tormenting the society. Risk has become central to one's life. It is within this background life insurance policy has been introduced by the insurance companies covering risks at various levels. Life insurance coverage is against disablement or in the event of death of the insured, economic support for the dependents. It is a measure of social security to livelihood for the insured or this is to make the right to life meaningful, worth living and right to livelihood a means for sustenance. Therefore, it goes without saying that an appropriate life insurance policy within the paying capacity and means of the insured to pay premium is one of the social security measures envisaged under the Indian Constitution. Hence, right to social security, protection of the family, economic empowerment to the poor and disadvantaged are integral part of the right to life and dignity of the person guaranteed in the constitution. Man finds his security in income (money) which enables him to buy food, clothing, shelter

and other necessities of life. A person has to earn income not only for himself but also for his dependents, viz., wife and children. He has to provide legally for his family needs, and so he has to keep aside something regularly for a rainy day and for his old age. This fundamental need for security for self and dependents proved to be the mother of invention of the institution of life insurance.

Types of Insurance

1. Life Insurance
2. General Insurance
3. Fire Insurance.
4. Marine Insurance.
5. Social Insurance
6. Miscellaneous Insurance.
7. Health insurance
8. Liability Insurance etc.

Objectives of The Studies

1. To study the perception of customer towards products offered by LIC of India.
2. To find out the important criteria that people think about before investing in a life insurance policy
3. To find out the awareness of Life insurance Corporation among the people

Scope of The Study

The result of this analysed would help the company to have a better understanding about the consumer's perception towards life insurance products offered by LIC of India. The study helps the LIC of India to focus the consumer's preferences and expectations on the product which they offer.

Limitations of The Study

1. The following limitations can be pointed out from the analysed
2. The sample size chased for the questionnaire was only

- 110 and that may not represent the true picture of the consumer perception about the Life Insurance sector.
- The selection of people for the questionnaire will be done on the basis of convenient random sampling.

Statement of the Problem

The present study is an attempt to analyse the Performance Evaluation of the Life Insurance Corporation of India, Coimbatore. The fund’s performance analyse have been arrived at a conclusion based upon the different studies relating to the performance analyses of the Life Insurance Corporation of India, Coimbatore. In the Globalized economic scenario many private players have entered into the life insurance industry and posing a profound competition to the public sector LIC, India Ltd. The Investors are meticulous in weighing every particle of evidence to their investment decisions they want tax saving investment along with significant returns and less risk. In the middle of Competition they go to the extent of comparing their investment LIC sources and thoroughly analysed all the products offered by the Life insurance companies. The Investors awareness forces them to compare the financial performance and business performance of the Life Insurance companies on the basis of futuristic goals. They are magnetically attracting towards the life insurance companies with maximum returns and assurance. They always verified their LIC, Investments which will give better returns and serves the prudential motives and benefits.

Method of data Collection

The data collected for this study is

- Primary data
- Secondary data

Primary Data

The primary data are those which are collected as fresh for the first time and they happen to be original in character. To analyse the study the research has adopted structured questionnaire, which contained choice to the possible.

Secondary Data

Secondary data means data are already available i.e. they refer data which have been already collected and analysed by someone either published data or unpublished data. Secondary data for this study are collected through newspaper, journals, magazine like apparel online and websites.

Sampling

The sample of 110 has been chosen randomly from different parts and different age range.

Sample Size

The sample size has been selected 110 randomly. The study is adopting to convenience sampling techniques. The sample has been undertaking with organic farm products

Tools

Data analysing tools are simple percentages and chi-square test

Simple percentage

Percentage means out of hundred. It is often referred by symbol “%”. It is used if there are not a hundred items. The

number is then scaled so it can be compared to hundred.

$$\text{Simple Percentage} = \frac{\text{No of respondents}}{\text{Total no of respondents}} \times 100$$

Chi-square

A chi – square(X²) statistic which is used to test the measures of expectations compare to actual observes (or) model result. The data used in calculate chi- square must be random, raw, mutually exclusive, draw from independent variable and also large enough sample.

$$x^2 = \sum \frac{(O_i - E_i)^2}{E_i}$$

Review of Literature

Meena, in her thesis titled “Utilisation of Life Insurance Corporation by Policyholders of Madurai City, 1986 ^[1] An Empirical Study” has studied the utilization of the LIC by policyholders and analysed the various factors which influence the level of utilization. She concluded that unless the corporation made its schemes attractive and effective, with good returning capacity and high bonus to the policyholders, it was bound to fail in its operations. She has also suggested that every expenditure be curtailed so that the corporation can pay better returns.

1) Meena, K., “Utilisation of Life Insurance Corporation by Policyholders of Madurai City: An Empirical Study”, Unpublished Ph.D. Thesis, Madurai Kamaraj University, Madurai, 1986.

Mohamed Talha, An Appraisal of Investment Policies of LIC, Unpublished Thesis, June 1991²⁾ LIC, growth of life insurance business in India and suggestions for increasing it. Ram Moham Roy. R.M., Life Insurance in India, Its History, Law, Practice and Problems, Allied Publishers, Bombay ^[3] 1994. has highlighted the significance of life insurance service. This study deals with some of the problems faced by policyholders and throws light on the several scientific measures to expand the life insurance business.

Prasad.B and AshimLalChakraborty, The Performance of Nationalized Banks and Life Insurance Corporation of India, Southern Economist, January 1, 1994 ^[4] have analyzed the performance of LIC and have pointed out that the LIC has been quality of gradual lowering of the percentage of its income to the policyholders. During the first year, after nationalization in 1987, it distributed 31.5 per cent of its total income to policyholders by way of different benefits. This percentage was 26.9 in 1976-77, 24 per cent in 1982-83 and 24.8 per cent in 1989-90. They feel that it is difficult to justify this tendency.

Thomas T.M., Social Security Schemes in LIC – A Relief to Rural People, Southern Economist, September 15, 1999 ^[5], has analyzed the various social security schemes of Life Insurance Corporation. It created a social security fund in 1988-89 with the object to extend insurance benefits to economically weaker sections of the society in the organized sector. The main schemes introduced by the LIC are, group insurance, group insurance scheme for Integrated Rural Development Programme loanee and rural group insurance schemes. The various schemes launched by LIC with the assistance of Central Government were meant to be a great relief to the poor people in the rural areas. But in reality, these schemes were not properly implemented by the

authorities.

1. Mohamed Talha, An Appraisal of Investment Policies of LIC, Unpublished Thesis, June 1991. LIC, growth of life insurance business in India and suggestions for increasing it.
2. Ram Moham Roy. R.M., Life Insurance in India, Its History, Law, Practice and Problems, Allied Publishers, Bombay, 1994.
3. Prasad.B and AshimLalChakraborty, The Performance of Nationalized Banks and Life Insurance Corporation of India, Southern Economist, January 1, 1994.
4. Thomas T.M., Social Security Schemes in LIC – A Relief to Rural People, Southern Economist, September 15, 1999.

Selvam. M, LIC Housing Financing: An Evolution, Southern Economist, September 2, 1999^[6]. Housing is one of the basic necessities of human being. In India, there is an acute shortage of dwelling units. Therefore, both Central and State Governments are putting their maximum efforts to promote the cause of housing. The LIC housing Finance Ltd. (HFL) is one of the approved financial institution which play a dominant role in housing finance.

6) Selvam.M, LIC Housing Financing: An Evolution, Southern Economist, September 2, 1999. LIC and Public Sector undertakings. The individual housing loan schemes/facilities offered by LICHFL are: Griha Prakash, Grihatara, Grihalakshmi, Grihajyothi, Grihasudhar loan for purchase of plot/ site, green channel facility for professionals, loans for individuals with subsidy etc.

Analysis and finding

Table 1: Simple Percentage Demographic profile of the respondents

Demographics		No of the respondents	Percentage (%)
Age (in year)	10years -20years	48	40
	21years-30years	38	31.6
	31years-40years	22	18.4
	Above-40years	12	10
Marital status	Married	52	47
	Unmarried	58	53
Educational qualification	Undergraduate	24	21.8
	Schooling	34	30.9
	Post-graduation	48	43.6
	Doctorate	4	3.7
Occupational status	Student	36	32.7
	Service	40	36.3
	Self-Employee	14	12.7
	Other	20	18.1
Annual income	Below 1Lach	44	40
	1 Lakh-5Lakh	42	38.3
	5 Lach-10Lach	14	12.7
	Above 10Lach	10	9
What percentage of monthly salary do you save	Up to 10%	30	27.2
	11-20%	48	43.6
	21-30%	18	16.3
	Above 30%	14	12.9

Source: primary data

Table 1 clearly status that demographic profile of the sample. Majority respondents fall in the age group of 21-30 years most of them belong to female. Majority of the educational qualification is degree majority of them post graduate. Majority of them monthly salary belongs to 11-20 majority of income is 1 Lach-5Lach.

Table 2: Simple Percentage What kind of investment do you

s.no	Particular	No of respondents	Percentage %
1	Short term	24	21.8
2	Long term	62	56.3
3	Both a&b	24	21.8
	Total	110	100

long term majority of respondents 62, 56.3%
below of respondents short term 24,21.8%

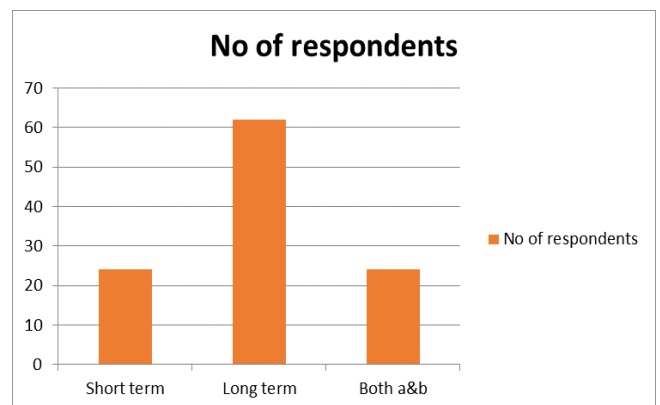


Fig 1

Chi-square test

Null Hypothesis 1

There is no significant relationship between

Chi-square = 41.41

Table value = 25.0

Significant level = 5%

Result: the χ^2 value less than table value we reject the hypothesis. Therefore there is a significant relationship between.

Table 3: Simple Percentage What scheme of insurance policy have you taken?

S. No	Particular	No of respondents	Percentage %
1	Whole life	32	29
2	Endowment plus	20	18.3
3	Money back	34	30.9
4	Pension fund	18	16.3
5	ULIP	4	3.6
6	Others	2	1.9
	Total	110	100

Money back majority of respondents 34, 30.9%
below of respondents Others 2, 1.9%

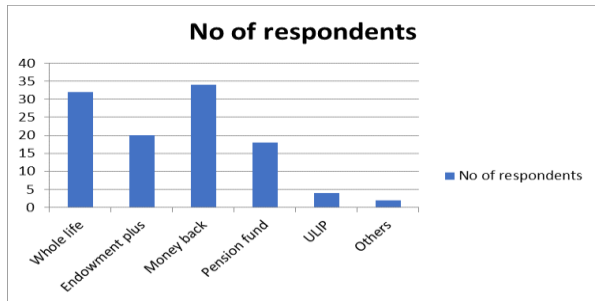


Fig 2

Null Hypothesis 2

There is no significant relationship between

Chi-square = 31.2

Table value = 35.2

Significant level = 5%

Result: thus the χ^2 value is less than table value we accept the hypothesis therefore there is no significant relationship between

Table 4: Simple Percentage

s.no	Particular	No of respondents	Percentage %
1	Highly important	34	30.9
2	Important	42	38.1
3	Neutral	22	20
4	Least Important	8	7.2
5	Not Important	4	3.8
	Total	110	100

Highly important majority of respondents 34, 30.9%
below of respondents Not Important 4, 3.8%

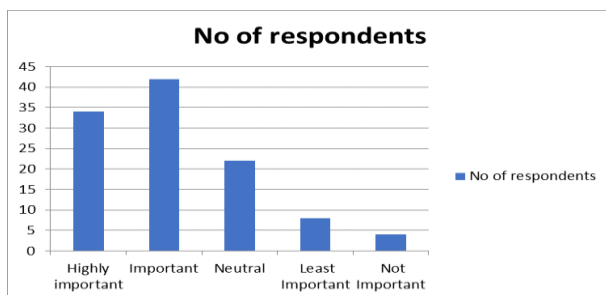


Fig 3

Null Hypothesis 3

There is no significant relationship between

Chi-square = 19.15

Table value = 30.1

Significant level = 5%

Result: thus the χ^2 value is less than table value we accept the hypothesis therefore there is no significant relationship between

Suggestions

Based on the findings of the study, and observation of the researcher, the following suggestions are offered to improve servicing and rate of utilization. Innovative Schemes: All the policies are unilateral contracts. The policy pattern is predetermined and the investor is made to choose from among the predetermined unilateral policies. The investor has no option. He is not in a position to insure his life in a way he desires. The contract should be made taking into consideration not the corporation alone but also the investors.

LIC should try to introduce short-term policies similar to deposit schemes of banks, UTI, NSC, and NSS with a minimum maturity period of 5 years. Policies are to be made highly profitable similar to that of banks or UTI to attract those investors who are not dependent on LIC as a source of security for their dependants being already provided with sufficient monetary security. Hence, new profitable schemes are required.

A reasonably good return on savings through life insurance shall not only be an incentive for existing policyholders to keep up their policies in force but also attract policyholders for new sales. So, the simplified loan formalities and redemption system will improve the utilization of LIC. Appropriate approach is essential as in the case of Peerless. Delay in the issue of policies especially in respect of proposals completed in the peak month of March should be avoided. Premium under the policies should be received without making policyholders wait for long. Policyholders expect premium notice twice in a year for the yearly mode of payment. Premium notices may be sent showing the amount of premium paid till date to facilitate the policyholders to avail of policy loan. Policy Loan: The policyholders are usually able to obtain personalized service and the grant of loans is fairly expeditious.

Conclusion

A good insurance company is one that is strong financially, provides fair and prompt claims settlement and provides good service before and after a loss. A good insurance agent is knowledgeable about insurance as well as other areas of personal finance. He is a good communicator, and puts the policyholder's interests first. A good insurance policy should not all the insurance needs, without providing unnecessary coverage. The proper amount of insurance is closely related to a consumer's needs. Quick, efficient, pleasant service to everyone should be the goal, towards which the LIC has to zoom to considerably increase the patronage of the people. The LIC is making strenuous efforts at mobilizing savings in the form of insurance. Although inflation, tax benefits and group insurance schemes have contributed to the growth in LIC's business, there is no denying that the imaginative policies adopted by LIC are indeed yielding the desired results. Let LIC continued with zest and zeal its drive to spread life

insurance all over the country. If the pragmatic suggestions above are implemented with vigor and vitality, as they are based on an intimate study of the working of the LIC with scientific objectivity, there is no reason why the LIC should not go from strength to strength and cross many more landmarks looming in the distance.

Reference

1. Meena K. "Utilisation of Life Insurance Corporation by Policyholders of Madurai City: An Empirical Study", Unpublished Ph.D. Thesis, Madurai Kamaraj University, Madurai, 1986.
2. Mohamed Talha, An Appraisal of Investment Policies of LIC, Unpublished Thesis, June 1991. LIC, growth of life insurance business in India and suggestions for increasing it.
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