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RESEARCH PAPER

# Perception and attitude of investors towards life insurance with special reference to Madurai district

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## ABSTRACT

Quantum of investment made in different section is the most important determinant of the growth of an economy. Both private and the public sector investment needs are largely satisfied on the flow of funds from the general public. India being a developing country requires capital formation through savings and investment. This can be achieved when individual savings and investments have been properly planned, promoted and channeled. The educated and the uneducated also realize the importance of savings. Due to developments in the mass media and telecommunication people are aware of different investment alternatives. An investor determines the portfolio considering safety, liquidity, profitability and saving capacity. Age, gender, education, salary, marital status, family type, family members, household earners, family income and nature of employment also influence the saving pattern. The present study has been made to analyse the behavioural aspects of investors towards the preference for life insurance.

***Key words* :** Investment, Investment pattern, Life insurance

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A thriving insurance sector can boost the growth of any economy, the reason being that for an individual it encourages the habit of saving, where as on a macro level it generates funds for infrastructure building, as the cash inflow of insurance companies is constant while the payout is deferred (Avadhani, 2002). Due to this characteristic, the insurance companies are the biggest investors in long gestation infrastructure development projects and hence of great importance to a developing economy like India. In 1999 the Malhotra Committee appointed by the Government of India reported that only 22 per cent of Indian population was insured. Per capita insurance premium in India was only US $ 6 as compared to US $1338 in South Korea, US $ 2250 in USA and US $1589 in UK. The insurance premium accounted for a mere 2 per cent of GDP as compared to the world average of 7.8 per cent. Thus, after years of deliberation, the Indian government finally opened the Insurance sector for the private and also the foreign players with a maximum of 26 per cent of joint equity. The year 2000 saw a plethora of companies trying to enter the sector. Of the two segments of Life and Non-Life, Life insurance is considered more lucrative owing to the high rate of returns.

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### Scope for market expansion in insurance sector:

India has a huge middle class population of about 300 million people who can afford to invests in health, life, disability and pension products. However, it is seen that only 20 per cent of the population actually invest in schemes catering to the said products. Further, the amount invested covers only 25 per cent of their actual needs and capacities. In this respect thus, Indian market can be labeled as a practically untapped market, which in its core holds immense potential and scope for growth. According to Stuart Purdy, MD and CEO, Dabur CGU Life Insurance Co, "Urban India is