

A STUDY ON INSURANCE AND INVESTMENT PATTERN OF MIDDLE - INCOME GROUP AT KOLLAM DIST.

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The developing countries like India face the enormous task of finding sufficient capital in their development efforts. Most of these countries find it difficult to get out of the –vicious circle of poverty of low income, low insurance coverage, low investment, low employment, etc. with high capital output ratio. The life of an individual is exposed to a variety of risks of which many cannot be insured even though different types of products are offered by general and life insurance companies to cover these risks. There is lack of knowledge about these products among the rural poor and most of the individuals especially women are not aware about the fact and benefits of insuring their lives. Since the beginning of planning, the emphasis was on insurance and investment capital formation as the primary instrument of economic growth and increase in national income. In order to have production as per target, capital formation was considered the crucial determination and capital formation had to be supported by appropriate volume of savings.

INTRODUCTION

In economics, investment is the collection of newly produced physical entities such as factories, machinery, houses and goods inventories. In finance, the purchase or possession of an asset or item having monetary value with the hope that it will generate income or appreciate in the future and be sold at the higher income, is called as making an investment.

Precautionary and speculative motive induce people to save money. When people save, banks will lend this amount to businessmen for investment. Thus there is a very close relationship between insurance and investment. While on understand the importance of insurance and investment in one's life it is very essential to understand the interconnection between them. Insurance refers to that protection of family. It is the part of income which is not consumed. On the other hand, by the term investment means an addition to the stock of physical capital.

Insurance and investment are two crucial economic variables by which it is easy to measure a person's physical quality of life and standard of living. Everyone can agree that saving money as early as possible will help one and his family to achieve more stable life than someone who has no savings. Long term habit of saving money is a way of protection someone from natural adversity that comes in his life.

The importance of insurance may be analyzed on the basis of the reasons by which people are induced to save are:

- To meet unexpected in life
- Insurance act as an inducement for investment.
- Makes a felling of rationality
- Children's education
- Achieve a feeling of self reliance.
- Security of family.

Insurance and investment are mutually interconnected economic variables. When we examine the importance of savings, it is very essential to understand what the role of investment in one's life is. Keynes's psychological law of consumption shows that income is not equal to expenditure and it makes a gap between income and consumption. It can be filled in by an additional investment only. If the additional investment does not take place, income and employment will inevitably fall.

NEED FOR THE STUDY

The present researcher feels that insurance and investment pattern has always been an area of investment. The economic cycles of boom, recession, depression and recovery not only effect the level of GDP but also the income of the households and hence the insurance ratio and investment behavior. Keeping pace with the changing time and under the liberalized financial sector regime, the financial institutions are also decorated with innovative instruments to meet the growing demand of modern investors. But this innovative and diversified financial system could not lost the appeal of traditional means of investment. Through this study, an analysis will be made in to insurance and investment behavior of middle income group at Kollam Dist. of Kerala. This study will focus its attention to get answer to the important questions on the preference of the investment instruments and investment pattern of the middle income group, to know the various objectives of investment of the middle income class households and to know whether there has been any increase in their savings and the reasons for the same. **Investment is one of the major issues of the middle income group as their insurance of today are to meet the expenses of tomorrow.** Further this study will examine the risk tolerance capacity and investment horizon along with factors governing investment decisions.

OBJECTIVE OF THE STUDY

- 1. To study the income , and insurance and investment of middle income group at Kollam Dist.**
- 2. To study the investment decision of middle income group (in terms of age group, education, income level, etc.)**
- 3. To offer suitable suggestions to improve the investment of the middle income group.**

SCOPE OF THE STUDY

The scope of the study is restricted to the market survey to be conducted among middle income group pertaining to the preference of various investment options while doing their financial planning.

Investment avenue can broadly be categorized under the following heads;

Corporate securities, equity shares, preference shares, debenture/bonds, deposits in bank and non-banking companies. Post office deposits and certificate, life insurance policies, micro insurance policies, provident fund scheme, Govt. and semi-Government securities, mutual fund and schemes, real estate, gold/silver.

RESERCH METODOLOGY**TYPE OF RESERCH:**

This is a descriptive research, where survey method is adopted to collect primary data from the responds.

PRIMARY DATA:

To collect the primary data from the respondents, questionnaire is used.

Sample size:

Since the population is large, the survey is to be carried among 200 respondents. It is thought that would be adequate to represent the characteristics of the entire population.

Sampling Procedure:

Simple random sampling method is used to select the respondents from the available data base. The study is restricted to Kollam Dist. only.

HYPOTHESES

H_{0a}) There is no significant relationship between the life style of the respondents and investment items.

H_{0b}) There is no significant relationship between the factors influencing decision making to invest and satisfaction towards current pattern of insurance and investment

H_{0c}) There is no significant relationship between the amount of savings per month and satisfaction towards current pattern of insurance and investment.

H_{0d}) There is no significant relationship between the life style of the respondents and investment items

Techniques of data analysis:

The collected data has been analyzed with the help of the following statistical tools:

percentage calculation, Chi-Square Test, ANOVA and simple and multiple correlation. SPSS software is used for statistical calculations.

MULTIPLE CORRELATIONS

Multiple correlations between the income level of the respondents (per month), amount of savings per month and amount of expenditure per month.

RESULT OF RESPECTIVE ANALYSIS

- 81% of the members are coming under the category of 0-2 earning members in the family, and 19% of them are in the classification of 3-4 earning members.
- 85% of the respondents are in the nuclear family status, and 15% are in the joint family status.
- 42% of the respondents are in the income group of 10,000-20,000 per month 5% are in the income group of below Rs. 10,000 per month.
- 55% of the respondents are in the expenditure group of below Rs.10,000 per month and 1% is in the expenditure group of above 25,000 per month.
- 42.8% respondents made their investments monthly and 21% made their investments half-yearly.
- 40% of the respondents specified that their savings is only for their children's education, nobody is in the category of speculation and only one percentage is capital appreciation.
- 67% of the respondents are satisfied with their current pattern of saving and investments and 2.4% are highly dissatisfied with the current pattern of insurance and investment.
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FINDINGS FROM STATISICAL ANALYSIS

Chi-Square test

Relationship Between	D.f	Calculated value	Table Value	Result
1. Life of the respondents and investment	19	25.458	29.9	Rejected
2. Factors influencing decision to invest and satisfaction with current pattern of savings and investment	17	31.06	27.4	Accepted
3. Amount of savings per month and satisfaction with current pattern of insurance and investment	13	21.398	19	Accepted

Correlation analysis (Simple)

Relationship Between	Calculated R Value	Result
1. Income level of the respondents (per month) and amount of saving per month	0.273	Positive correlation

ANOVA (one –way)

Relationship Between	Calculated Value	Degree of Freedom	Table Value at 5% level	Result
Gender and Purpose of insurance	1.276	8,116	2.02	Rejected

Multiple Correlations

While analyzing the relationship between income level, expenditure level and savings level of the respondents, it is found that the correlation is significant at the 0.01 level (2 tailed) and correlation is significant at the 0.05 level (2 tailed).

SUGGESTIONS

- ❖ Since the middle class investors do have few market knowledge about stock market, equity, bond and debenture, the Govt. and policy markets can prepare some programs and policies for inculcating a sense of awareness among the investors of the class and encouraging them to invest in share market.
- ❖ Real estate is the most desirable investment avenue for the income class, but they are not able to invest their money in it due to the need for high amount. So the Govt. may provide for easy housing finance with low interest rate as home loans.
- ❖ Investment in the form provident fund, insurance and ban deposits have been found more popular among employees. Respondents are advised to follow the rule of “Don’t put all eggs in one basket”

CONCLUSION

The study concludes that investment done in various investment avenues with the expectation of capital appreciation and short and long term earnings. The basic idea behind investment of middle income group in this study is to utilize the surplus money in favorable plans so that the money will be returned back as well as it will give high returns also. When a common man thinks about investment he will never go for any risk plan. In the present scenario the share and gold market is highly uncertain and unpredictable: so, the investor has to analysis the market cautiously and then make investment decision.

REFERNCE

Records kept at share broking office in Kollam Dist.

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