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A Study on Investors Perception towards Investment

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ABSTRACT: This research explores various aspects of investor behavior and preferences in the context of life insurance investment, with a particular focus on the products offered by Life Insurance Corporation of India (LIC). The study aims to understand the factors influencing investors' decisions, their awareness of investment avenues in India, their perceptions of LIC products, and the criteria they consider before investing in life insurance policies. Additionally, the research investigates potential gender biases in life insurance investment and the general awareness of LIC among the population.

The research design employed is descriptive, focusing on collecting numerical data through self-reports obtained via questionnaires or interviews. The sampling unit includes students and professionals residing in Mumbai, India, who are involved in investment activities.

The findings suggest that investors prioritize certain attributes and parameters when purchasing life insurance policies, with service benefits such as prompt services, security, and additional benefits being the most influential factors. The study reveals a positive perception of LIC policies among investors, indicating a willingness to engage in further investment with the company. Moreover, the research highlights the significance of company image as a crucial criterion for consumers when selecting a life insurance provider.

In conclusion, insurance serves as a safeguard against unforeseen events, and the study underscores the importance of understanding investor behavior and preferences in designing effective marketing strategies in the life insurance industry.

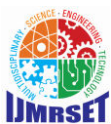
KEYWORDS: Investor behavior, Life insurance, Investment preferences, Factors influencing investment decisions and Awareness of investment avenues.

I. INTRODUCTION

An investor; an individual who commits money to investment products with the expectation of financial return. Generally, the primary concern of an investor is to minimize risk while maximizing return, as opposed to a speculator, who is willing to accept a higher level of risk in the hopes of collecting higher-than average profits. Investors' behaviour is the study of how individuals make decision to spend their available resources (time, money and efforts) on investment related items. It helps the marketers to understand what, why, where, when and how an investor behaves with respect to products and services. Knowing answer to this question let marketers to design their marketing strategies accordingly.

The word "investment" can be defined in many ways according to different theories and principles. It is a term that can be used in a number of contexts. However, the different meanings of "investment" are more alike than dissimilar. Generally, investment is the application of money for earning more money. Investment also means savings or savings made through delayed consumption. According to economics, investment is the utilization of resources in order to increase income or production output in the future.

An amount deposited into a bank or machinery that is purchased in anticipation of earning income in the long run are both examples of investments. Although there is a general broad definition to the term investment, it carries slightly different meanings to different industrial sectors. According to economists, investment refers to any physical or tangible asset, for example, a building or machinery and equipment.



On the other hand, finance professionals define an investment as money utilized for buying financial assets, for example stocks, bonds, bullion, real properties, and precious items.

According to finance, the practice of investment refers to the buying of a financial product or any valued item with an anticipation that positive returns will be received in the future. The most important feature of financial investments is that they carry high market liquidity. The method used for evaluating the value of a financial investment is known as valuation.

According to business theories, investment is that activity in which a manufacturer buys a physical asset, for example, stock or production equipment, in expectation that this will help the business to prosper in the long run.

CHARACTERISTICS OF INVESTMENT

The characteristics of investment can be understood in terms of as

- return,
- risk,
- safety,
- liquidity etc.

Return: All investments are characterized by the expectation of a return. In fact, investments are made with the primary objective of deriving a return. The return may be received in the form of yield plus capital appreciation. The difference between the sale price & the purchase price is capital appreciation. The dividend or interest received from the investment is the yield. Different types of investments promise different rates of return. The return from an investment depends upon the nature of investment, the maturity period & a host of other factors.

Risk: Risk is inherent in any investment. The risk may relate to loss of capital, delay in repayment of capital, non-payment of interest, or variability of returns. While some investments like government securities & bank deposits are almost risk less, others are more risky. The risk of an investment depends on the following factors.

- The longer the maturity period, the longer is the risk.
- The lower the credit worthiness of the borrower, the higher is the risk.

The risk varies with the nature of investment. Investments in ownership securities like equity shares carry higher risk compared to investments in debt instrument like debentures & bonds.

Safety: The safety of an investment implies the certainty of return of capital without loss of money or time. Safety is another feature which an investors desire for his investments. Every investor expects to get back his capital on maturity without loss & without delay.

Liquidity: An investment, which is easily saleable, or marketable without loss of money & without loss of time is said to possess liquidity. Some investments like company deposits, bank deposits, P.O. deposits, NSC, NSS etc. are not marketable. Some investment instrument like preference shares & debentures are marketable, but there are no buyers in many cases & hence their liquidity is negligible. Equity shares of companies listed on stock exchanges are easily marketable through the stock exchanges. An investor generally prefers liquidity for his investment, safety of his funds, a good return with minimum risk or minimization of risk & maximization of return.

INVESTMENT OPTIONS FOR INVESTORS

Investment Avenues is in which an investor can place his surplus funds with the objectives of having certain gains in the future. This organization may be well organized like a bank, financial institution, mutual funds and company or in an unorganized manner like chit fund organization, Nidhis (a type of non-banking finance company) or curry (a type of non-banking finance company in southern India). Different investment avenues have different features; few offer a fixed return and certain others offer Life Insurance based returns and yet certain others offer a mix of these two. Few of these have an element of safety and yet others do not have any kind of safety. In certain cases these are in negotiable form and in other cases these are non-negotiable. Investment avenues of a country are subject to different rules and regulations of either the government or some apex body like Reserve Bank of India, NABARD, SEBI or Companies Act. Following are the features of investment avenues.

- A place where one can invest his surplus
- Fixed or floating return



- Security vs. non-security form
- Investment accepting organization might have an obligation or not
- Negotiable vs. Non-negotiable
- Risk is the inherent part of every avenue
- May be in an organized form or unorganized form
- Regulation
- Market oriented vs. others

II. LITERATURE REVIEW

Abhijeet Chandra (2015). In this literature, the author has analysed the impact of competence of individual investors on their trading behaviour in the Life Insurance. Individual investors take trading decisions based on their self-perceived competence that is influenced by several factors. The study examined the factors that determine the competence level of individual investors. Age, education, and income were found to be the most influencing factors of the individual investors' competence in the Life Insurance activities and trading behaviour. The results of the study reveal that a person invests as per his/her own judgments once he/she perceives himself/herself more knowledgeable about investing. It finds that investors having high, high to moderate income and professional qualification are supposed to be more confident about their competence when it comes to trading in Life Insurances. Thus, it can be said that competence effect rules the trading behaviour of individual investors.

Kaushal Bhatt (2015) Utilization of resources in order to increase income or production output in future is known as investment. Data analyses states that Graduates are more intended to save money and they are aware about various investment avenues. Business man tend to invest more as compared to salaried man. Respondent want more safety and securities to their money.

Ravi Vyas (2015) This study finds the form of investments preferred by investors. Mutual fund investment is a secured investment with good returns on investments. Data analyses shows that maximum respondent invest in Gold followed by bank deposits and Insurance schemes. Mutual fund investments are very limited. For Safety, Liquidity, Reliability, Tax benefits and high returns Mutual fund has average score among investors.

Priyanka Jain (2015) The study analyses the various investment avenues available for the investors. It state Equity shares has low return but high capital appreciation, risk liquidity, Marketability, tax benefit, Debentures has high return but low risk liquidity and marketability. Bank deposits have moderate returns but low capital appreciation and risk liquidity.

Nayak (2015) seeks to examine the nature of investor's grievances and also to evaluate the role of grievance redressal agencies. Using convenient random sampling technique he collects primary data on the investor's demographic profile, knowledge about various grievances, awareness about the functions of various grievances redressal agencies, loading of complain and their satisfaction level in Valsad district of Gujarat State. By using chi square analysis, he shows that there is significant difference between the various demographic variables and investor's knowledge of grievances, awareness of functions of redressal agencies, loading of complain and their satisfaction level.

Varadharajan and Vikkraman (2014) focus on identifying the investors' perceptions towards investment decision in equity market. Using ANOVA on a sample size of 50 investors in Coimbatore they study their attitude towards selection of stock, company, risk, equity portfolio, financial affairs and their expected return. They find that there exists an independency between the demographics, majority of the factors and the returns obtained.

Kadariya (2014) analyzes the market reactions to tangible information and intangible information in Nepalese Life Insurance to examine the investors' opinions in Nepalese Life Insurance issues. After analysis of a sample of 185 stock investors he finds that the capital structure and average pricing method is one factor that influence the investment decisions, the next is political and media coverage, the third factor is belief on luck and the financial education, and finally the fourth component for Life Insurance movement is trend analysis. Thus, he concludes that both the tangible and intangible information are essential to succeed in Nepalese capital market.



Chaudhary (2014) examines the meaning and importance of behavioural finance and its application in investment decisions. He has also discussed some trading approaches for investors in stocks and bonds to assist them in manifesting and controlling their psychological roadblocks.

Gaurav Chhabra, Ankesh Mundra (2014) The study state various invest options available with the investors. In earlier time because of non-availability of banking system investors use to keep hard cash, gold and silver ornament , precious stones etc as savings. Now investment are made through bank, insurance policies, mutual funds, pension funds, collective investment schemes, investment clubs.

T. N. Murty, P. V. S. H Sastry (2014) Investors choice with the objective of return optimization is investment in the Life Insurance instruments or securities. Life Insurance securities are affected by various internal and external factors. Study examines the perception of small investment investors towards returns on investment.

A. N. Paunikar (2014) Equity Linked Saving Schemes are similar to equity diversification schemes with tax saving benefit under section 80C. The study aims at understanding scheme- wise benefits under Equity Linked Saving Schemes for tax saving. Data analysis shows that Equity Linked Saving Schemes has better returns on investments.

Avinsah N (2014) The study analyses the investment behaviour by examining various invest avenues. Data analyses reveals that Most of the respondents have selected bank deposit as their first option for investment followed by real estate. Below 30 years respondents invest more in real estate whereas above 60 years preferred LIC policies. Full time salaried people are more aware about different investment avenues.

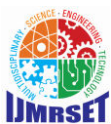
Nidhi Walia and Ravi Kiran (2014) studied that to satisfy the needs of investors“ mutual funds are designing more lucrative and innovative tools considering the appetite for risk taking of individual investors. A successful investor is one who strives to achieve not less than rate of return consistent with risk assumed. They also argued as per observation by survey responses of the individual investor’s fact is clear that overall among other investment avenues capital market instruments are at the priority of investors but level of preference varies with different category/ level of income, and an association exists between income status of investors and their preference for capital market instrument with return as objective.

Ashok Kumar (2014), suggested that majority of investors preferred to invest in Fixed deposit with banks followed by gold, units of UTI, fixed deposit of non-government companies, mutual funds, equity shares and debenture for safety and liquidity.

DATA ANALYSIS INTERPRETATION:

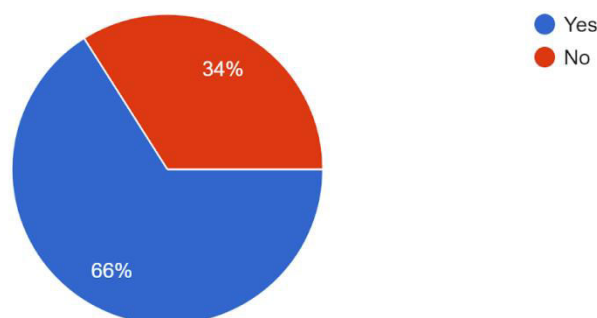
Table 6: To know about whether respondents invest in Life Insurance

Investment Decision	No. of respondents
Yes	66
No	34



Do you invest in stock market?

100 responses



Analysis & Interpretation:

According to Table 6, 66 per cent of the individuals invest in Life Insurance while the other 34 per cent do not invest in Life Insurance.

OBJECTIVE OF THE STUDY

1. To understand the investors preference towards investment.
2. To identify the factors influencing investor while investing in Life Insurance.
3. To know level of awareness of the various investment avenues available in India
4. To study the perception of customer towards products offered by LIC of India.
5. To find out the important criteria that people think about before investing in a life insurance policy.
6. To find out whether gender bias involved in investing life insurance or not.
7. To find out the awareness of Life insurance Corporation among the people

III. RESEARCH METHODOLOGY

RESEARCH DESIGN:

Research design is the conceptual structure within which research is conducted. It constitutes the blueprint for collection, measurement and analysis of data was descriptive research. Descriptive research involves collecting numerical through self-reports collected, through questionnaires or interviews (person or phone), or through observation. For present study, the research was descriptive and conclusion oriented.

SAMPLING DESIGN:

Universe - The Universe is most commonly defined as everything that physically exists: the entirety of space and time, all forms of matter, energy and momentum, and the physical laws and constants that govern them. All those persons who make investment.

- Theoretical Universe: It included investors make investment in all over world.
- Accessible Universe: It included investors make investment in Indian Life Insurance.

Sampling unit - The target population must be defined that has to be sampled. The sampling unit of research included students and professionals residing in Mumbai city

Sample size – This refers to number of respondents to be selected from the universe to constitute a sample. The sample size of 100 Investors was taken.

Sampling Technique – Convenience Sampling was used to select the sample. Convenient sampling is a non-probability sampling technique that attempts to obtain a sample of convenient elements . In this project, Questionnaire Method was used for the collecting the data. With the help of this method of collecting data, a sample survey was conducted.

DATA COLLECTION AND ANALYSIS:



Data Collection - Information has been collected from both Primary and Secondary Data.

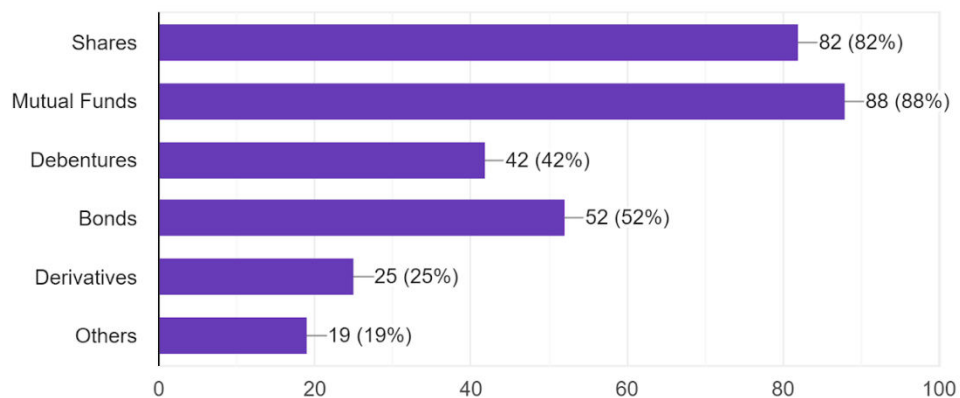
- Secondary sources- Secondary data are those which have already been collected by someone else and which already had been passed through the statistical process. The secondary data was collected through web sites, books and magazines.
- Primary sources- Primary data are those which are fresh and are collected for the first time, and thus happen to be original in character. The primary data was collected through direct personal interviews (open ended and close ended questionnaires)

Table 7: Type of investment options respondents are aware of.

Types of investment instruments	No. of respondents
Shares	82
Mutual Funds	88
Debentures	42
Bonds	52
Derivatives	25
Others	19

What investment alternatives are you aware of?

100 responses



Analysis & Interpretation:

This question had a checkbox answer where respondents were allowed to select as many investment alternatives they were aware of. According to the Table 7, 88 per cent and 82 per cent of the respondents are aware of mutual funds and shares as an investment alternative while 42 and 52 percent individuals are aware of debentures and bonds respectively while derivatives constituted to 25 per cent of the responses. The option others which included investments in Fixed deposits, Public provident funds, National pension scheme, Gold constituted to 19 per cent.

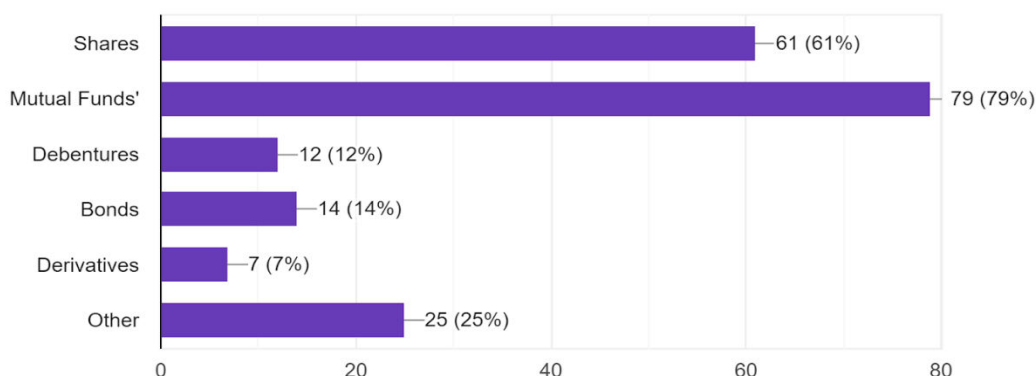


Table 8: To know the type of investment option the respondents are investing.

Investment alternatives	No. of respondents
Shares	61
Mutual Funds	79
Debentures	12
Bonds	14
Derivatives	7
Others	25

What type of investment options are you investing in?

100 responses



Analysis & Interpretation:

This question had a checkbox answer where respondents were allowed to select as many investment alternatives they invest in. According to Table 8, 79 per cent invest in mutual funds while 61 per cent invest in shares while 12 per cent invest in debentures, 14 per cent invest in bonds and only 7 per cent invest in derivatives. Also 25 per cent invest in Fixed deposits, Public provident funds, National pension scheme, Gold. Thus, it can be stated that maximum people invest in Mutual Funds whereas shares are having 2nd importance.

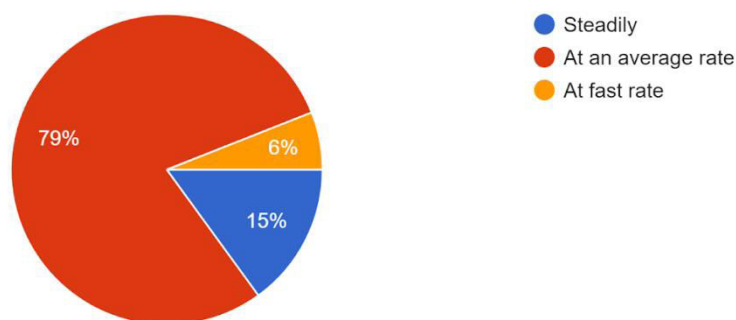
Table 9: To know the rates at which the investment grow.

Investment Growth Rate	No. of respondents
Steadily	15
At an average rate	79
At fast rate	6



What are the rates at which the investments grow?

100 responses



Analysis & Interpretation:

According to Table 9, 79 per cent of respondents have return at an average rate while 15 per cent and 6 per cent individual conclude that their investment grow at steady and fast rate respectively.

Table 10: To know about the frequency of the investment.

Frequency of Investment	No. of respondents
Daily	2
Weekly	2
Monthly	69
Yearly	27

Analysis & Interpretation:

From the above Table 10 & chart it was found that 69 respondents invest monthly, 29 invest yearly and there were 2 respondents who invest daily and 2 respondents who invest weekly. Thus, it can be stated that majority of the investors invest monthly.

RECOMMENDATIONS

Following were the recommendations of the study:

1. The various investment tools which were mostly preferred by the investors were shares, mutual funds etc. So there should be various other means to create awareness regarding the potential of other instruments and the tools which can be more beneficial to the investors.
2. The investors consider various factors while making investment like risk, return, liquidity etc. There should be rational thinking so that the investor is able to know that at what point of time they need capital appreciation instead of reducing the risk and when they need return instead of liquidity.



3. The preferred time span of investment by the investors depends upon the need of the investor that whether they want to have early and high returns or want to have stable returns, most probably the long time span is suitable because the returns are high and safety is also there.
4. The satisfaction levels of various investors are different due to different investment alternatives they opt for. If they will be aware of each type of alternatives and the worth of the alternatives then investing as per that their satisfaction level will also be high.
5. Investors should have the complete knowledge of Life Insurance.

IV. CONCLUSION

On the basis of the above analysis we can conclude that individual investors see the above mentioned attributes and parameters in a priority list for buying any life insurance policy and the most influential factor is service benefits which include prompt services, security and safety and extra added benefits. The investors are having positive perception towards LIC policies and even they are willing to take another policy for investment.

Insurance is a tool by which fatalities of a small number are compensated out of funds collected from plenteous. Insurance is a safeguard against uncertain events that may occur in the future. Company image is the highly important criteria that consumers consider before taking up a life insurance. This is mainly because people expect safety and secure for their money which they invest, followed by the factor Premium which we pay to the insurer and then Bonus and Interest paid by the company, services etc. LIC dominates the Indian insurance industry. In today's competitive world, customer satisfaction has become an important aspect to retain the customers, not only to grow but also to serve. Increased competition, wide range of product offerings and multiple distribution channels cause companies to value satisfied and highly profitable customers. Customer service is the critical success factor in a company and providing top notch customer service differentiates great customer service from indifferent customer service. The entry of private sector insurance companies into the Indian insurance sector triggered off a series of changes in the industry. Even with the stiff competition in the market place, it is evident from the study that products offered by the LIC are creative, innovative and of the liking of the customers, moreover they are satisfied by the true knowledge provided by the company or agents and they are easily accessible, Flexible payment schemes with no hidden cost, there is no undue delay in claims settlement, customers are highly satisfied by the grievance redressal mechanism, and in the near future if they will go for the policy they will stick to LIC of India, which shows the great faith and positive perception of the customers towards LIC of India.

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