AWARENESS AMONG CUSTOMERS ON THE BENEFIT OF LIFE INSURANCE AS A TAX PLANNING TOOL

A.Natarajan
Research Scholar, MS University, Tiruneveli, India.

INTRODUCTION
The insurance sector in India has come a long way from being a private sector industry, then to nationalization and back to a liberalized market again. Tracing the developments in the Indian insurance sector reveals the 360 degree turn witnessed over a period of almost 50 years. In the 1940, there were more than 220 insurance companies in India. Government of India decided to merge all the insurance companies and thus 245 Indian and foreign insurers and provident societies were taken over by the central government and nationalized in the year 1956. The merger and nationalization of all existing life insurance industry resulted in giving birth to the life insurance corporation of India (LIC), which was formed with a capital contribution of Rs 5 Crore from the government of India.

Government of India decided to privatize the life insurance business and hence, insurance regulatory and development authority was formed in July 2000. IRDA licensed private players into the life insurance industry, customers have been treated to surfeit of choice in insurance products, penetration of life insurance is beginning to cut across socio-economic classes and attract people who never purchase insurance before. With the heightened awareness and customer education comes willingness to view life insurance as an integral part of the financial portfolio. It's now catching on as an important element of the overall financial basket. one that is purchased to fulfil specific rational and emotional needs.

Life Insurance Industry: Line Up

S.No	Private Players in Insurance	Market Value
1.	LIC	66.7
2.	Insurance Industry	11.9
3.	Birla Sunlife	2.7
4.	HDFC standard	3.8
5.	Max Newyork life	2.1
6.	SBI life	2.6
7.	TATA AIG	3.2
8.	Allianz Bajaj	3.6
9.	Om Kotak	2
10.	ING Vysya	1.6
11.	Aviva life	1.3
12.	Met Life	0.6
13.	Amp Sanmar	0.5

STATEMENT OF THE PROBLEM
In today's competitive world the survival depends On how we perform in the market in spite of manufacturing or services. This study is to find out whether life insurance plays a major role in tax savings. So taxation is the main source in selling insurance product. The current scenario an individual can save up to Rs 1 lac under section 80 C for saving tax. The insurance sector is the main source for saving tax. It also will help the manager to know about the various sources in selling insurance products, which are group of people select insurance for saving tax and to infer the timing of tax planning among the customers.

OBJECTIVES OF THE STUDY
1. To study the awareness among customers on the benefit of life insurance as a tax planning tool.
2. To identify whether insurance is opted as a tool for saving tax.
3. To infer the timing of tax planning among the customer
4. To find out the preference level of people among the various sources of tax planning.

SCOPE OF THE STUDY
The study has been carried out to find whether taxation is the selling tool for insurance. This may help the industry to decide upon their distribution channel. It also gives information about which age group of people want which product. This may serve as a fundamental for the industry while selling the product.

METHODOLOGY
It is a descriptive study. Non random sampling technique has been adopted because when there are very large population. Primary data have been collected through structured questionnaire. The sample size is confine to 300. The sampling unit for this study is the individual tax players. Tools used for analysis are percentage, ranking, chi-square and two way methods

CHI-SQUARE TEST

Details of insurance products

Products of insurance	No of respondents insured
Saving tax	55
Life covers	77
Investment	105
Child education	52
Retirement benefits	11
Total	300

Goodness of fit test

Observed	Expected	O-E	$(O-E)^2/E$	% of chi-square
55	60.000	-5.000	0.417	0.52
77	60.000	17.000	4.817	6.02
105	60.000	45.000	33.750	42.15
52	60.000	-8.000	1.067	01.33
11	60.000	-49.000	40.017	49.98

1. Hypothesis

Null Hypothesis (H0) : There is no significant difference between the set of observed frequency and set of expected frequency

Alternate Hypothesis (H1) : There is a significant difference between the set of observed frequency and set of expected frequency

2. Statistical test : Chi-square test of contingency
3. Level of significance :0.05
4. Degrees of freedom : 4
5. Calculated value x2 : 80.07
6. Critical – value : 9.49

Interpretation
Since the calculated value is greater than the tabulated value, the null hypothesis is rejected. Therefore there is a significant difference between the set of observed frequency and set of expected frequency (Ranking of various products of life insurance).

What According to you is Life Insurance?

Occupation	Saving tax	Life covers	Investment	Child education	Retirement benefits	Total
Business	21	24	31	9	5	90
Charted accountant	10	6	17	8	1	42
Doctor	5	6	6	6	1	24
Engineer	6	12	13	8	-	39
Lawyer	5	14	18	10	4	51
Professor	8	15	20	11	-	54
Total	55	77	105	52	11	300

1. Null hypothesis (H0)   : There is no significance association between occupation and perception of insurance

   Alternate Hypothesis (H1)   : There is a significance association between occupation and perception of insurance
2. Statistical test   : Chi-square test of independence
3. Level of significance   : 0.05
4. Degrees of freedom   : 15
5. Calculated value x2   :11.49
6. Critical value   : 25.0

Interpretation
Since the calculated value is smaller than the tabulated value, the null hypothesis is accepted. Therefore there is no significance association between occupation and perception of insurance.

Occupation – role of an agent

Occupation	Insurance agent	Tax saving	Both	Others	Total
Business	36	-	54	-	90
Charted accountant	21	-	21	-	42
Doctor	10	-	14	-	24
Engineer	16	-	23	-	39
Lawyer	23	-	27	1	51
Professor	23	-	31	-	54
Total	129	-	170	1	300

1. Null hypothesis (H0)   : The occupation and the perception about the role of the agent are independent
   Alternate Hypothesis (H1)   : The occupation and the perception about the role of the agent are not independent
2. Statistical test   : Chi-square test of independence
3. Level of significance   : 0.05
4. Degrees of freedom   : 5
5. Calculated value x2   :1.34
6. Critical value   : 11.1

Interpretation

Since the calculated value is smaller than the tabulated value, the null hypothesis is accepted. Therefore the occupation and perception about the role of the agent are independent.

Products of insurance – role of an agent

Products of insurance	Insurance agent	Tax saving	Both	Others	Total
Saving tax	16	-	39	-	55
Life cover	44	-	33	-	77
Investment	49	-	56	-	105
Childs education	18	-	34	-	52
Retirement	2	-	9	-	11
Total	129	-	171	-	300

1. Null hypothesis (H0)　　　: the preference level of various tax saving sources of the respondent and various tax savings are independent

　Alternate Hypothesis (H1)　: the preference level of various tax saving sources of the respondent and various tax savings are not independent

2. Statistical test　　　　: Chi-square test of independence
3. Level of significance　　: 0.05
4. Degrees of freedom　　: 4
5. Calculated value x2　　: 17.77
6. Critical value　　　　: 9.49

Interpretation

Since the calculated value is greater than the tabulated value, the null hypothesis is rejected. Therefore the preference level of various tax saving sources of the respondent and various savings are not independent.

Preference level – sources of tax saving

Rank	Insurance	National savings certificate	Mutual fund	Public provident fund	Housing loan
1	238	4	26	6	30
2	38	50	100	52	56
3	6	64	84	68	78
4	12	116	30	74	72
5	6	66	60	100	64
Total	300	300	300	300	300

1. Null hypothesis (H0)　　　: the preference level of various tax saving sources of the respondent and various tax savings are independent

　Alternate Hypothesis (H1)　: the preference level of various tax saving sources of the respondent and various tax savings are not independent

2. Statistical test　　　　: Chi-square test of independence
3. Level of significance　　: 0.05
4. Degrees of freedom　　: 8
5. Calculated value x2　　: 829.16
6. Critical value　　　　: 15.5

Interpretation
Since the calculated value is greater than the tabulated value, the null hypothesis is rejected. Therefore the preference level of various tax saving sources of the respondent and various tax savings are not independent

If insurance is your choice of protecting yourself from paying heavy tax, how would you rate your investment plans

Rank	1	2	3	4	5
Total	30	12	134	58	66

1. Null hypothesis (H0)   : the rating of insurance as a tax saving from paying heavy tax is equally distributed.
   Alternate Hypothesis (H1)   : the rating of insurance as a tax saving from paying heavy tax is not equally distributed.
2. Statistical test   : Chi-square test of independence
3. Level of significance   : 0.05
4. Degrees of freedom   : 4
5. Calculated value x2   : 263.48
6. Critical value   : 9.49

Interpretation
Since the calculated value is greater than the tabulated value, the null hypothesis is rejected. Therefore the ratings of insurance as a tax saving from paying heavy tax are not equally distributed

TWO WAY TABLE ANALYSIS

Role of insurance – consultancy for tax planning

Products of insurance	Advisor	Charted Accountant	Friends	Myself
Saving tax	10	37	8	-
Life cover	17	46	14	-
investment	1	95	8	1
Childs education	-	44	8	-
Retirement	-	9	2	-
Total	28	231	40	1
Percentage (%)	9.3	77	13.3	0.3

Interpretation
It is inferred from the table that among the people who have chosen insurance for saving tax 37 consulted charted accountant and 10 consulted advisors and 8 consulted friends.

Tax planning period

Occupation	April , may June	July August September	October November December	January February March
Business	35	8	13	34
Charted accountant	12	4	4	22
Doctor	17	-	1	6
Engineer	13	4	7	15
Lawyer	15	8	6	22
Professor	22	5	5	22

Total	114	29	36	121
Percentage	38	9.66	12	40.33

Interpretation

From the above table we can infer that 40.33% of the population plan tax only in the month of January February March and 38% of the population plan tax only in the month of April May June and 12% of the population plan only in the month of July August September and only 9.67% of the population plan tax only in the month of October November December.

Planning of tax

Occupation	Well in advance	Jan Feb March
Business	55	35
Charted accountant	19	23
Doctor	19	5
Engineer	24	15
Lawyer	29	22
Professor	31	23
Total	177	123
Percentage	59%	41%

Interpretation

From the above table we can infer that 59% of the population plan tax well in advance and 41% of the population plan tax at Jan Feb March.

Insurance policy – choice of duration

Rank	Long term	Short term	Medium term
1	41	168	29
2	8	29	1
3	4	2	-
4	12	-	-
5	-	-	6
Total	65	199	36
Percentage	21.6%	66.33%	12%

Interpretation

From the above table we can infer that most of the clients want to invest in the short term duration. Nowadays insurance has become investment than savings.

FINDINGS

1. 7.33% treat tax as personal burden and they are the potential customers for the insurance sector and the remaining 92.67% treat tax as government regulation.
2. Awareness among the tax exemption for the maturity has been agreed by most of the population
3. Among the population 72.67% choose insurance for tax planning.
4. Among the various sources of selling insurance tax planning is one of the main tools.
5. Everyone who preferred insurance for saving tax has chosen insurance only for big return and tax savings at the time maturity.
6. Everyone in the population agrees that there is a big returns and tax savings at the time of maturity.
7. 231 respondents consulted charted accountant 28 respondents consulted advisors for tax planning and 40 respondents consulted friends .
8. Among the respondents who have chosen insurance for saving tax 37 consult charted accountant and 10 consult advisors and 8 consult friends.

9. 40.33% respondents plan tax only in the month of January February March and 38% of them plan tax only in month of April May June and 12% of them plan tax only in the month of July,August,September and only 9.67% of them plan tax only in the month of October November December.
10. 59% of respondents plan tax in advance and 41% of them plan tax at Jan -Feb March.
11. Most of the clients want to invest in the short term duration. Nowadays insurance has become investment than savings.
12. Taxation plays the major role in selling insurance because insurance is changing to be an investment more than savings.
13. Most of the people wants to save themselves from paying heavy tax so it becomes the major element.
14. The schemes in insurance industry is appreciated by most of the tax payers.

SUGGESTIONS
1. The industry is targeting the taxation to sell the insurance policies but the insurance policy is sold for many other purpose and taxation plays a major role in selling the policies. Hence the industry could take appropriate measures to this segments.
2. There is general feeling of insecurity among the people regarding the job of an agent with a private life insurance industry. Hence the industry must take measures to instil a sense of security among the people about the job because most of the people suggest the advisor for saving tax.
3. Awareness is needed to create the importance of life insurance not only for high class people but also for others.
4. A large number of private employees choose insurance for saving tax, the industry could benefit by coming up with appropriate measures to influence those people.
5. Most of the people plan for tax at the month of January February March and in this period the industry could benefit by coming up with appropriate measures to influence those people.

CONCLUSION
Life insurance is sold with many aspects in mind and one of the major promoting aspects is taxation. In this regard, the study conducted has proven that taxation plays a vital role in the promotion of various life insurance plans. The tax payers plan their tax only at the last quarter (Jan-Feb-Mar) of the financial year thus the industry is required to start its advertising campaigns and product promotion well ahead. The demographic profile of the clients is also taken into consideration during product sales thus targeting more on the private industry employees and higher cadre employees. People who consider taxation to be personal burden are prospective clients to insurance industry. They are the customers who have to be focused. This study would give ideas to the industry on the area of concentration of insurance selling with regard to taxation.

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