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MECHANISM OF TRADITIONAL PLANS AND TAX SAVINGS**Rajshekhhar Basavapattan**

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Abstract:Life insurance is a form of insurance that pays monetary proceeds upon the death of the insured covered in the policy. Essentially, a life insurance policy is a contract between the named insured and the insurance company wherein the insurance company agrees to pay an agreed upon sum of money to the insured's named beneficiary so long as the insured's premiums are current. With a large population and the untapped market area of this population insurance happens to be a very big opportunity in India. Today it stands as a business growing at the rate of 15-20% annually. Together with banking services, it adds about 7 percent to the country's GDP. In spite of all this growth statistics of the penetration of the insurance in the country is very poor. Nearly 80% of Indian populations are without life insurance cover and the health insurance. This is an indicator that growth potential for the insurance sector is immense in India. It was due to this immense growth that the regulations were introduced in the insurance sector and in continuation "Malhotra Committee" was constituted by the government in 1993 to examine the various aspects of the industry. The key element of the reform process was participation of overseas insurance companies with 26% capital. Creating a more competitive financial system suitable for the requirements of the economy was the main idea behind this reform. Since then the insurance industry has gone through many changes. The liberalization of the industry the insurance industry has never looked back and today stand as one of the most competitive and exploring industry in India.

Keyword:Life insurance , monetary proceeds , economy , insurance industry .

INTRODUCTION:

The entry of the private players and the increased use of the new distribution are in the limelight today. The use of new distribution techniques and the IT tools has increased the scope of the industry in the longer run. Insurance is the business of providing protection against financial aspects of risk, such as those to property, life health and legal liability. It is one method of a greater concept known as risk management –which is the need to manage uncertainty on account of exposure to loss, injury, disadvantage or destruction. Insurance is the method of spreading and transfer of risk. The fortunate many who are exposed to some or similar risk shares loss of the unfortunate. Insurance does not protect the assets but only compensates the economic or financial loss. In insurance the insured makes payment called "premiums" to an insurer, and in return is able to claim a payment from the insurer if the insured suffers a defined type of loss. This relationship is usually drawn up in a formal legal contract.

Insurance companies also earn investment profits, because they have the use of the premium money from the time they receive it until the time they need it to pay claims. This money is called the float. When the investments of float are successful they may earn large profits, even if the insurance company pays out in claims every penny received as premiums. In fact, most insurance companies pay out more money than they receive in premiums. The excess amount that they pay to policyholders is the cost of float. An

insurance company will profit if they invest the money at a greater return than their cost of float. An insurance contract or policy will set out in detail the exact circumstances under which a benefit payment will be made and the amount of the premiums.

MEANING

A promise of compensation for specific potential future losses in exchange for a periodic payment. Insurance is designed to protect the financial well-being of an individual, company or other entity in the case of unexpected loss.

Definition : Insurance can be defined as-"a contract by which insurer agrees to pay the insurer a compensation for specified damage loss or injury suffered in exchange for periodic payment called premium". .

IMPORTANCE OF INSURANCE

The process of insurance has been evolved to safeguard the interests of people from uncertainty by providing certainty of payment at a given contingency. The insurance principle comes to be more and more used and useful in modern affairs. The role and importance of insurance, here, has been discussed in three phases: 1) uses to individual 2) uses to a special group of individuals I i.e. business or industry and 3) uses to the society.

1. Insurance provides security and safety

The insurance provides safety and security against the loss on a particular event. In case of life insurance payment is made when death occurs or the term of insurance is expired. The loss to the family at a premature death and payment in old age are adequately provided by insurance

2. Insurance protects mortgaged property

At the death of the owner of the mortgaged property, the property is taken over by the lender of money and the family will be deprived of the uses of the property. On the other hand, the mortgagee wishes to get the property insured because at the damage or destruction of the property he will lose his right to get the loan repaid. The insurance will provide adequate amount to the dependents at the early death of the property-owner to pay off the unpaid loans. Similarly, the mortgagee gets adequate amount at the destruction of the property.

3. Insurance eliminates dependency

At the death of the husband or father, the destruction of family need no elaboration. Similarly, at destruction of property and goods, the family would suffer a lot. It brings reduced standards of living and the suffering may go to any extent of begging from the relatives, neighbors or friends. The economic independence of the family is reduced or, sometimes, lost totally.

4. Life insurance encourages saving

The elements of protection and investment are present only in case of life insurance. In property insurance, only protection element exists. In most of the life policies elements of saving predominates. These policies combine the programs of insurance and savings. The saving with insurance has certain extra advantages- i) systematic saving is possible because regular premiums are required to be compulsorily paid. The saving with a bank is voluntary and one can easily omit a month or two and then abandon the program entirely. ii) in insurance the deposited premium cannot be withdrawn easily before the expiry of the term of the policy. As contrast to this, the saving which can be withdrawn at any moment will finish within no time. iii) The insurance will pay the policy-money irrespective of the premium deposited while in case of bank-deposit, only the deposited amount along with the interest is paid.

5. Life insurance provides profitable investment

Individuals unwilling or unable to handle their own funds have been pleased to find an outlet for their investment in life insurance policies. Endowment policies, multipurpose policies, deferred annuities are certain better form of investment. The elements of investment i.e. regular saving, capital formation and return of the capital along with certain additional return are perfectly observed in life insurance. In India the insurance policies carry a special exemption from income-tax, wealth tax, gift tax and estate duty

6. Life insurance fulfills the needs of a person

The needs of a person are divided into a) family needs, b) old-age needs,

c) re-adjustment needs, d) special needs, e) the clean-up needs.

PROBLEM STATEMENT:

“A study on Mechanism of traditional plans and tax savings of the HDFC Standard Life Insurance and to determine the opinion of the respondents about the same”

SCOPE OF THE STUDY:

The study will help the company to know the awareness of “HDFC Standard Life Insurance Plans” in Dharwad city.

The study will help to ascertain the opinion of the respondents about their feelings regarding traditional plans.

NEED FOR THE STUDY;

It will help to understand the various plans and policies of HDFC standard life and it create awareness to the people about tax benefit.

OBJECTIVES:

Understand the traditional plans.

To ascertain the opinion of the respondents about their

Feelings regarding traditional plans.

Useful for comparison in all policies.

Useful for analysis of tax benefits.

To study the awareness of tax benefit among HDFC life Clients

RESEARCH METHODOLOGY OF THE STUDY:

Research methodology is the way in which researchers specify how they are going to retrieve the all important data and information that companies will need to make vital decisions.

RESEARCH DESIGN:

Research design is the master plan specifying the methods and procedures for collecting and analyzing the needed information.

NON-PROBABILITY

EXPLORATORY & DESCRIPTIVE EXPERIMENTAL RESEARCH

The research is primarily both exploratory as well as descriptive in nature. The sources of information are both primary & secondary.

A well-structured questionnaire was prepared and personal interviews were conducted to collect the customer's perception and through this questionnaire.

Hypothesis:

H0: Respondents do not have the positive opinion towards the traditional plans and tax benefits of the HDFC life insurance.

H1: Respondents have the positive opinion towards the traditional plans and tax benefits of the HDFC life insurance.

Types of errors

While testing hypothesis, there are four possible

combinations between the value and the sample value. There 4 combinations are
Hypothesis is true and tests accept it.
Hypothesis is true and test rejects it (types 1 error)
Hypothesis is false and test accepts it (type 2 error)
Hypothesis is false and test rejects it.

ANALYSIS AND INTERPRETATION

Data collection through questionnaire and personnel interview resulted in availability of the desired information but these were useless until there were analyzed. Various steps required for this purpose were editing, coding and tabulating. Tabulating refers to bringing together similar data and compiling them in an accurate and meaningful manner. The data collected by questionnaire was analyzed, interpreted with the help of table, bar chart.

SAMPLING TECHNIQUE:

Initially, a rough draft was prepared keeping in mind the objective of the research. A pilot study was done in order to know the accuracy of the Questionnaire. The final Questionnaire was arrived only after certain important changes were done. Thus my sampling came out to be judgmental and convenient

SAMPLING UNIT:

The respondents who were asked to fill out questionnaires are the sampling units. These comprise of employees of Govt. Employees, Self Employed etc.

SAMPLE SIZE:

The sample size was restricted to only 100, which comprised of mainly peoples from Dharwad.

SAMPLING AREA: The area of the research was Dharwad Karnataka.

DATA TYPE: In this research the type of data collection is:

PRIMARY DATA:

Primary data collected through
Questionnaire.
Telephone interview.
Personal interview.
Survey method.

SECONDARY DATA:

Secondary data is that data which is obtained through
Company's catalogue.
Brochures.
Magazines.
Company websites, etc.

DATA SOURCE:

The sources of collection of secondary data are:
Questionnaire
Books
Websites
Magazine
Brochure

LIMITATIONS OF THE STUDY

The study carried out the following limitations

Time was a major limitation for not taking a detailed study. Because of the busy schedule respondents may not be answered properly. Some respondents were unwilling to reveal personal information which can affect the validity of all responses.

FINDINGS

In 100 respondents presently 40% of respondents age between 20 to 30 years. this indicates that they have ability to take financial investment decisions and risk.

In this survey it was found that 45% of the respondents monthly income is in between Rs.15000 to Rs.20000. such kind of respondents are wants to save money and they are ready to take risk.

In this survey it was found that 90% of respondents in Dharwad city are aware about the HDFC standard Life Insurance and 60% of respondents are aware about the Traditional plans.

It is found that most of the customers saving consist of Life insurance.

In this survey it was found that 70% of clients are aware about tax slabs and 50% of people want to invest their money in Life insurance.

About 58% of respondents say that they are satisfied with their traditional plans.

In this survey it was found that 52% of respondents are wanted to invest their money in HDFC Life Insurance Policy. These respondents are potential customer for the organization.

The respondents felt that the investing of HDFC LIFE insurance was good.

SUGGESTION

40% of respondents are unaware about the Traditional plans in Dharwad city This indicates that the advertisements which are using for creating awareness in Dharwad is not effective so it is suggests the company to use more effective add to create awareness.

If the company pay greater attention to the service part provided to their customer and thereby forming a long and trusted relationship.

The company should increase the staff in every branch to serve the customer very fast in time and increase number of service counters in the branches.

They should open some more branches in semi urban and rural area.

Companies should always try to deliver value added service to its customer to satisfy their needs and wants.

The company should identify the needs and try to fulfill them

CONCLUSION

From the finding and analysis it is clear that HDFC Standard Life insurance is highly preferred when compared to the other in the same segment. Since each customer is like an organization the company should try to improve in the area of dissatisfaction. From the survey it was also found that in Dharwad City more than 30% of respondents are unaware about HDFC Standard Life Insurance Traditional Plans and Tax slabs. So that more number of respondents has perception in that they are interested to invest their money in

HDFC Standard Life Insurance. In short many respondents are still not decided to in which company they have to invest their money. So the company has an opportunity to catch the such customers to tap the market. Finally I conclude that the HDFC Standard Life insurance is Extremely Good and is accepted by most of them and it gives good return to the consumers.

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