

## ANALYSIS OF GST IN LIFE INSURANCE SECTOR

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### ABSTRACT

*Research paper is providing information regarding the topic that is concerned with the research. It is about research on Analysis of GST(Goods Service and Tax) in LIC (Life Insurance Corporaion) . Abstract is providing brief idea about the topic and Life insurance provides an infusion of cash for dealing with the negative financial consequences of the insured's death. Life insurance enjoys positive tax treatment unlike any other financial instrument. Death benefits are mostly to income-tax-free to the beneficiary. According to the implementation of demonetization & GST have a major impact in Life insurance products during the year. The study covers procuration of new business, collection of renewal premium, awareness among the customers, need of training for insurance people to follow new changes and growth of Life insurance. The demonetization and analysis of GST have a great significant and immediate impact on the state of the Indian economy. In this paper, an attempt has been made to find impact of demonetization and analysis of GST on insurance segment during the year. Samples of 90 respondents were randomly selected from Ernakulam District. The study was conducted mainly on four areas such as threat to job, current sales position, customer behaviour, future business scope.*

**KEYWORDS:** *Financial Instrument, Demonetization, GST, Insurance Segment.*

### Introduction

This paper deals with Impact of Positive Demonetization and Goods and Service Tax (GST) on analysis of Life insurance sector. It outlines the effects of demonetization and GST on the Life of insurance agents, awareness among the customers and procuration of new business in Insurance sector. For this purpose a sample of 90 was collected from the Life insurance employees of Cochin region based on random sampling method. Descriptive statistics and Anova test were used to analyze the data. The conclusion is that demonetization and analysis of GST have a positive impact in Life insurance sector. Goods and Services Tax, popularly known as GST, is a reform for our economy's indirect tax plan. On 8th August 2016, GST Bill (which was long pending) was passed in Lok Sabha. It was possible after a very long journey flooded with challenges; At last, the GST bill has entered the phase of more implementation, which will come into effect from July 1<sup>st</sup>2017. GST would make changes in the tax structure between the center and the every state. GST is a VAT, i.e. Value Added Tax that will lead to double taxation from the price of goods and services down the value chain during the year. It would surely not effective the incidence, structure, and calculation of the indirect taxes, which will lead to a comprehensive refurbishment of the current tax system in India.

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A policyholder pays service tax only on the risk factor of the premium element, whereas the investment component of the new insurance plans usually isn't included in the service tax. After the GST is implemented, insurance plans, including Life, motor, and health would become more costly, as taxes would be hiked term services. Life insurance provides an infusion of cash for dealing with the negative financial consequences of the insured's death. Life insurance enjoys positive tax treatment unlike any other financial instrument. Death benefits are generally income-tax-free to the beneficiary at all. However the implementation of demonetization and analysis of GST have a major and increase impact in Life insurance products. The study covers procurement of new business, collection of renewal premium, awareness among the customers, need of training for insurance people to adapt to the changes and growth of Life insurance. There are many articles available separately as Demonetization and analysis of GST on insurance products. Also most of the studies were conducted through secondary data and no primary data was collected from the customers, agents and officials.

#### **Significance**

- One Nation, One Tax, Goods and Service tax or GST has come into effect from 1st July, 2017. India's biggest tax ever since Independence, it impacts all and many industries.
- On June 30, GST in Parliament's central hall by PM Narendra Modi, here it's look at its positive points and advantage on the multi-billion dollar Indian Insurance Industry. Customers will now have to pay a small increase in their new Insurance policies will be taxed at 18% from the current 15%.
- The interest rates vary from different insurance products on GST and will impact policies of all private as well as public sector insurance companies including LIC of India.
- There will be 3% rise in the tax rate on term insurance new plans, health insurance plans, critical insurance plans, unit linked insurance new plans, motor insurance plans and personal insurance plans up from 15% to 18%.all most
- All Insurance companies in India have already started reaching out to existing policyholders via SMS, mails and other modes of communication. These changes will be affecting to both existing as well as new Insurance policies.
- The applicable tax rate on annuity plans would be a marginal 1.8% instead of the current 1.5%. For single premium policy or all endowment insurance plan, GST for first year premium amount has been increased from 3.75% to 4.5% approx.

#### **Data and Methods**

Data has been collected from 90 respondents by using primary source of data collection and secondary source of data collection.

- **Primary Source of Data Collection:** In primary method of data collection, data has been collected by taking personal interviews of insurance agents, officials and customers and collect the responses from questionnaire and by observing the behaviour of responses.
- **Secondary Source of Data Collection:** In secondary sources of data collection, data has been collected from journals, newspapers, magazines and websites.

Research methodology is a way to systematically solve the research problem. Research methodology used in this study is Descriptive in nature. For this study, the data and information has been collected with the help of questionnaires, journals and articles, etc.

#### **Objectives of the Study**

- To analyze the more effect of demonetization in Life insurance in terms of positive or negative.
- To understand about people's attitude towards buying insurance products.
- To analyze the more impact on job of insurance agents.
- To analyze the growth of Life insurance sector.

#### **Conclusion**

Insurance industry is positively affected after much implementation of demonetization & GST. Sale of single premium policy has increased as the customers wants to invest money in bulk. Thereby there is an positive in growth of business. Agents dealing with premium customers have a positive impact as their commission rates were increased compared to sales before demonetization & GST. Agents

dealing with middle and low income earning customers were slightly affected as there is an more increase in the premium amount some customers were not willing to purchase policies. So the commission of those agents decreased. In order to increase the Life insurance policy sale, new policies have introduced according to the today's market scenario. Rural areas are slightly affected because mostly customers are middle or low income earners. Most of the insurance agents are full time agents.

The insurance market will expand as income of the individual and business is expected to rise. As of now the implementation of demonetization & GST don't have negative impact in Life insurance industry. The sale of insurance policies is much higher compared to the sales before demonetization & GST. There is no negative impact in the business of insurance agents. Future of the insurance industry will be better as new policies were introduced to cope up with the current market situation.

### **Summary**

Insurance industry is slightly affected by the implementation of demonetization & GST. As there is an increase in the premium amount due to GST, some new customers are not willing to buy policy. Most of the customers are aware about the increase in premium amount. Agents were able to convince the customers to some extent. New policies are introduced to cope up with today's market scenario, so that the future of insurance industry will be better.

### **Suggestions**

- There is need to make the policies strong and make the policy effective.
- Also there is need to decrease the rate of policy from 18% to less.
- It is more effective for the businessman to work in the firm.
- It is always require for the firm to make effective and run successfully by the use of proper technique and the use of proper GST.

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