A STUDY ON AWARENESS OF UNIT LINKED INVESTMENT PLAN (ULIP) AMONG INVESTORS

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Abstract : This paper tries to study the awareness among investors about Unit Linked Investment Plan (ULIP) as an investment tool. Unit Linked Investment Plans (ULIPs) started in financial markets as investment and were compared with insurance. But as compared to insurance, in ULIP Asset Management Companies (AMCs) are transparent enough. In insurance investors do not have much knowledge about how their return or Net Asset Value (NAV) will be calculated. This study is conducted in Bengaluru, Karnataka to study the awareness about ULIP among customers that how much they are aware as well as how much they are interested. In addition, this study also includes which companies eminent or preferable among customers for their savings.

***Index Terms* – Financial Market, ULIP, Return.**

I. INTRODUCTION

Unit Linked Insurance Plan is derived from combination of both insurance and capital appreciation. ULIP is an investment avenue that provides insurance pay-out benefits. This is an investment vehicle which is primarily concentrated in India. ULIP demands investors to pay regular or one time premium and after the maturity time period investors will get interest as well as capital appreciated. The payment of interest gives it the feature of insurance plan and capital appreciation gives it feature of Mutual Fund. A portion of invested money will go to insurance and another portion will go to the equity. After the payment of premium amounts, benefits of ULIP can be utilized in number of ways like insurance, retirement, education and more. Various provisions are available for investor's ULIP benefits. It is paid into by the owner as premiums with the goal of the arrangement value to be paid out at a predefined time span for a reason. With an extra security ULIP, the recipient would get instalments following the proprietor's demise. Plans can incorporate fluctuating arrangements for activating instalments.

A Unit Linked Insurance Plans investment options are organised like a mutual fund. The vehicle computes a day by day Net Asset Value. The vehicle is market linked and acknowledges with increasing share value. At the point when an investor buys units in ULIP the person is acquiring units alongside a bigger number of financial specialists, much the same as a speculator would buy units in mutual fund. Distinctive ULIPs offers diverse qualified investments. Investors can purchase shares in solitary procedure or diversify their investment over numerous markets connected ULIP reserves.

ULIPs requires premium. Premiums change with the terms of each ULIP. An underlying single amount is normally required alongside yearly or monthly premium instalments. Premium instalments are relatively put towards determined inclusion and in the assigned investments.

Unit Linked Investment Plan (ULIP) investors can make changes to their fund's preferences through the span of their investment. The funds offer exchanging adaptability various investment alternatives are like accessible including stock funds, bond funds and diversified funds.

Unit Linked Investment Plans (ULIPs) consider the inclusion of a protection approach with premium instalments distributed to funds that are relied upon to increment to insurance at market rates after some time.

- From 1990 to 2000, Indian households preferred to invest in Financial assets to Physical assets.
- From 2000 to 2007, more savings were routed to Physical assets.
- Interestingly in 2007/08, more investments were made in Financial assets. This shows that retails/small investors participated in stock markets when their valuations were at peak. The markets eventually crashed in 2008.
- From 2008 to till 2015, we preferred physical savings to financial savings.
- The Gross Financial Savings during 2014-15, 2015-16 & 2016-17 were Rs 12,572 billion, Rs 15,207 billion and Rs 14,048 billion. As per the data for 2017-18, around Rs 18,800 billion were invested in Financial assets.
- The savings in Physical Assets were around Rs 14,164 billion, Rs 15,000 & 12,700 billion during 2013-14, 2014-15 and 2015-16 respectively. The data for 2016-17 was around Rs 13,900 billion were invested in physical assets.
- The above recent years data clearly indicates that there has been a slight uptick of savings in Physical Assets and steep increase of savings in Financial Assets *(2017 Vs 2018)*.

Table 1 Financial Assets (Savings) of the Households (2012-2018)

Financial Assets of the Indian Households (2012-18) (in Rs. Billion & at approx current prices)					
Year	Bank Deposits	Non-Banking Deposits	Life Insurance Funds	Provident & Pension Funds	Shares & Debentures
2012-13	5,751	279	1,799	1,565	170
2013-14	6,393	228	2,044	1,778	189
2014-15	6,027	289	2,992	1,908	203
2015-16	6,220	182	2,660	2,917	448
2016-17	9,418	250	3,491	3,020	362
2017-18	4,753	208	3,272	3,496	1,509

- Life Insurance Fund includes Central or State Government employees’ insurance funds and postal insurance funds.
- Shares and Debentures includes investment in shares and debentures of credit/non-credit societies, public sector bonds and mutual funds (other than Specified Undertaking of the UTI).

II. REVIEW OF LITERATURE

(Singh, 2015) The shrewd saying, 'Contrast apples and apples, and not with oranges' remains constant for investments as well; be that as it may, here and there financial specialists will in general contrast diverse venture items due with evident likenesses. One such correlation is among ULIPs and mutual fund plans. We should discover the likenesses and contrasts between the two. ULIP represents Unit Linked Insurance Plan. Its greatest advantage is that it consolidates the highlights of both protections spread and speculation openings under a solitary arrangement. At the point when the premium is paid, some portion of the sum goes towards giving the arrangement holder protection spread, and the other part is put resources into stocks and bonds with the goal that the strategy holder will get riches appreciation. As an arrangement holder, you have the opportunity to pick which resource class the venture ought to be made in. Approach holders who are hazard disinclined can have their cash put resources into securities, while the individuals who wouldn't fret yielding danger for higher returns can select to have the cash to be put resources into values.

(Dr.O.P Jain, 2018) ULIPs since its origin have involved discussion, which has cleared a path for numerous sorts of research through which terrific outcomes have turned out. 40% respondent keep themselves refreshed about market vacillations and just 36 % respondent knew about the exchanging alternative which affirms that substantial populace of regular financial specialists are not having satisfactory learning of market changes and they totally trust on life back up plan's generosity and reserve chiefs abilities, analyst neglect to acknowledge the invalid theory, and presume that basic speculator don't know about the relationship of SENSEX and NAV lists of Unit connected protection plans.

(Christian Jansen, 2008)examines a novel methodology for monetary counsels to upgrade consumer loyalty by sectioning clients dependent on their money related modernity. After survey of 761 clients of two German retail bank upon their fulfilment with their most recent buy of a financial product. Clients needed to express their impression of the advisory administration that prompted the buy. Moreover, their individual dimension of money related complexity was assessed. Results demonstrate that money related modernity fluctuates extensively among respondents and that the dimension of monetary complexity basically influences endorsement of a particular advisory methodology. It is found that consumer loyalty would increment altogether if banks offered a custom-made advisory way to deal with the distinctive client gatherings. Counsels who consider speculators' monetary modernity can build client acknowledgment of their proposals and consequently better help their advisees in improving basic leadership.

(Devi, 2018)is analysing a cost and return basis analysis concluded that from the perspective of investors, they always look for good and almost risk-free return on their hard-earned money. As per (Devi, 2018), asset management companies are transparent enough as compared to ULIP. In ULIP investors do not have much knowledge about how their NAV will be calculated and how investors will get their return.

As analysis done by (Gupta, 2012) of ULIP plans of ten Life Insurance companies showed that for Type 1 ULIP plans the mortality adjusted rate of return is slightly higher than unadjusted rate of return. For Type 2 ULIP plans it is found that, this distinction is higher when contrasted with Type 1 plans. The distinction between the MAROR and UAROR increments as the section age of the policyholder increments.The contrast between the MAROR and UAROR increments as the section age of the policyholder increments.

The sensitivity investigation for Type 1 plans demonstrated that protection content increments imperceptibly as the multiplier increments for specific age. Likewise for specific multiplier the protection content increments hardly as the passage age increments. The affectability examination for Type 2 ULIP plans demonstrated that contrast between mortality balanced return and unadjusted return is essentially higher as the multiplier increments for specific age when contrasted with Type 1 plans. In Type 2 designs, the expansion in protection content is higher when the passage age increments for a specific multiplier. Be that as it may, after the new ULIP rules the protection content in Type 1 ULIP plans is hardly higher. It tends to be said that Type 1 ULIP plans are still especially like speculation item. Type 2 ULIP plans have somewhat more protection content when contrasted with Type 1 designs yet the protection content has not expanded essentially after new rules.

It is efficient for trades by insider investors to held at exactly prices differently than the investors who are not informed if the data or information is costly to gather. This statement is analysed by (Ippolito, 1989)by taking 20 years of data of mutual funds industry. While analysing risk adjusted returns, net fees, expenses, portfolio turnover etc. so many factors taken into consideration.

Risk management is currently present in numerous monetary segments. Be that as it may, none of existing investigations consider chance administration as a potential determinant of firm execution. In his research (Nouira, 2009) examine the job of risk management and money related intermediation in making an incentive for monetary organizations by dissecting U.S. property-obligation safety net providers. The fundamental objective is to test how chance administration and financial intermediation exercises make an incentive for safety net providers by upgrading monetary effectiveness through cost decreases. (Nouira, 2009)consider these two exercises as middle of the road yields and gauge their shadow costs. Insurer cost proficiency is estimated utilizing an econometric cost work. The econometric outcomes demonstrate that the two exercises fundamentally increment the effectiveness of the property-obligation insurance industry.

The hypothesis of data estimating infers that the advantages from getting expensive data ought to be counterbalanced by the expenses. On account of mutual funds, this hypothesis proposes that trades by fund managers should occur at costs that remunerate their customers for the clients' expenses of getting to be educated. Research initiated by (Conrad S. Ciccotello, 1996) controls for risk, fund size, and age to evaluate the relationship of a fund's data expenses to its execution. The discoveries demonstrate that stock funds charging the most astounding costs for the most part win returns insignificantly not quite the same as assets charging the least costs. This provides backing to the hypothesis of data estimating. The discoveries are likewise characteristic of a proficient market, given that data is expensive.

The mutual fund is a trust that pools the reserve funds of various investors who share a typical budgetary objective. This pool of money is put resources into understanding with an expressed objective. Mutual funds give an instrument to put resources into the financial exchange without knowing the complexities of the securities exchange. Mutual funds give the best alternative to the financial specialists who have no learning of the securities exchange. Mutual Fund is the most appropriate venture for the normal man as it offers a chance to put resources into a diversified, professionally managed basket of securities at a generally low cost. The targets of the investigation are to break down the view of individual financial specialists towards the execution of common assets. The analysis conducted by (Mr. C. Praveen Kumar Reddy, 2016) goes for discovering the impression of the small and households' investors towards interest in shared assets in twin urban areas of HyderabadandSecunderabad. The essential information is collected by overseeing an organized survey to 200 randomly chosen speculators dependent on straightforward arbitrary testing technique. Straightforward factual instruments like Cross Tables and Chi square test are utilized for breaking down the information.

Despite mindfulness about insurance in India, country India still needs as far as accessibility of different financial products particularly the risk products like insurance. Rural insurance insights still show an altogether low entrance and poor thickness even after the privatization of protection part in 1999. Rural India offers a tremendous extension for safety net providers where the insurance of human life and income generating resources involves concern. Regulators have additionally endeavoured to force provincial protection commitments for the insurance agencies. In his (Ahmed, 2013) paper examines the current situation of rural life insurance in India and endeavours to investigate the issues and difficulties which prompted poor entrance of provincial life coverage markets. A field overview in Aligarh and Agra Region of the provincial clients has been directed to analyse their discernment and mentality towards purchasing life insurance products.

Objectives

1. To study different factors investors, choose while investing their money in ULIP and other investment avenues.
2. To study with which company investors are more interested than others.
3. To study how they got to know information about the ULIP Plans.
4. To study how much investors are satisfied with their investment.
5. To analyse what are their future investment plan.

Hypothesis

1. Ho: Investors do not consider any benefits while investing their money.

Ha: Investors consider number of factors while investing their money.

2. Ho: ULIP providing companies facing perfect competition.

Ha: ULIP providing companies do not face perfect competition.

3. Ho: Investors do not give weightage to benefits provided by ULIP.

Ha: Investors give weightage to benefits provided by ULIP.

III. RESEARCH METHODOLOGY

This research paper deals with the primary data collection. Data is collected in North Bangalore. Data is collected through formal questionnaire from 100 respondents by random sampling. Collected data is divided into two parts. First part contains the profile of investors including their gender, occupation, range of annual income etc. Second part contains questions related to their investment behaviour, choice of company, factors considered while investment etc. The hypothesis created are tested by using chi-square test a fit of goodness and interpreted using p-value at 5% level of significance.

The formula to calculate Chi-square value is

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

χ^2 = the test statistic $\sum$ = the sum of

O = Observed frequencies E = Expected frequencies

Degree of Freedom = n-1

Where n is number of categories.
After calculation of critical values of Chi-square p-values are calculated and depending on the p-values hypothesis are rejected or accepted.

IV. SUMMARY OF FINDINGS

From the table 1 we can clearly analyse that 65% respondents are male and remaining 35% are females.Majority of the respondents i.e. is 40% are in age of 25 to 35 years and 35% are in age category of 18 to 25 years. Almost 98% respondents are in the category of either business or working professionals. 65% of respondents are earning Rs.2,00,000 to Rs.3,00,000 per annum and 20% of respondents are earning Rs.1,00,000 to Rs.2,00,000 per annum.

Now coming to the second part of the questionnaire. As per the objectives, first of all need to checkwhat are the different factors investors consider while investing their money in ULIP or any other investment avenue. Even first hypothesis also checking about the investment factors while investing their money. From Table 2 we can see that critical value of chi-square is 54.68 and for the corresponding degree of freedom 5 p-value is $1.518*10^{-10}$ which is very much less than our selected significance level i.e. 0.05 or 5%. So we have rejected our first null hypothesis, which means that investors consider number of factors while investing like return, security, savings, tax benefits, future financial needs etc.

Another hypothesis of different companies or brands facing perfect competition i.e. selling similar product or customers are not making any difference before buying any financial product. But from the analysis we can easily find that customers differentiate between the brands and the companies that are providing financial products LIC & ICICI are getting major share in the Table 3. So here also null hypothesis will be rejected. Since p-value is $1.38*10^{-9}$which is very much less than our selected significance level i.e. 0.05 or 5%.

In addition, Table 3 provides insights that TV advertisement and newspaper are the sources which provides knowledge to the customers about ULIP plans.

Now coming to hypothesis # which says investors buy ULIP without giving any weightage to its benefits but no 45% of investors give weightage to risk free return while buying ULIP and moreover p-value of this chi-square test is again very low i.e. 0.0005 so again third null hypothesis will be rejected also.

V. CONCLUSION

In the end we would like to make conclusion that market of ULIPs is very thin or we can say that still we are in growing stage but before investing investors look so many factors to invest their hard-earned money. Those factors can be mode of advertisement, reliability of the company to buy any financial product, fixed return, maturity, premium amount, investors annual income etc. All the investors are agreeing that ULIPs are risky as compared to other plans and 70 percent of investors consider ULIPs as insurance plan. 47 percent of investors are satisfied with their investment plan. 43 percent of investors are still willing to invest in insurance. Only 6 percent are planning to invest their savings in ULIP.

VI. APPENDIX

Profile of Investors			
Demographic Variables	**Categories**	**No. of Respondents**	**Percent**
Gender	Male	65	65%
	Female	35	35%
	Total	100	
Age	BELOW 18	2	2%
	18-25	35	35%
	25-35	40	40%
	35 & ABOVE	23	23%
	Total	100	
Occupation	BUSINESSMAN	33	33%
	STUDENT	2	2%
	PROFESSIONALS	45	45%
	OTHER	20	20%
	Total	100	
Annual Income	Below & 1,00,000	8	8%
	1,00,000 – 2,00,000	20	20%
	2,00,000 – 3,00,000	65	65%
	4,00,000 – 5,00,000 & above	7	7%
	Total	100	

Table 2 : Profile of investors

Attitude towards Investment

TABLE 1									
Variables	Categories	No. of Respondents	Percent	Expected	Residual=(Observed - Expected)	(observed - expected) 2	(obs-expe)/expec	df	p-value
Factors to choose investment	INVESTMENT	10	10%	16.67	-6.67	44.44	2.67	5	1.52E-10
	SECURITY	15	15%	16.67	-1.67	2.78	0.17		
	SAVINGS	5	5%	16.67	-11.67	136.11	8.17		
	TAX BENEFITS	8	8%	16.67	-8.67	75.11	4.51		
	RETURNS	42	42%	16.67	25.33	641.78	38.51		
	FINANCIAL FUTURE NEED	20	20%	16.67	3.33	11.11	0.67		
	Total	100	100%				54.68		
TABLE 2									
Preference for company	LIC	30	30%	16.67	13.33	177.78	10.67	5	1.39E-09
	ICICI	35	35%	16.67	18.33	336.11	20.17		
	SBI INSURANCE	5	5%	16.67	-11.67	136.11	8.17		
	BAJAJ ALLIANZAS	10	10%	16.67	-6.67	44.44	2.67		
	BIRLA SUN LIFE INSURANCE	15	15%	16.67	-1.67	2.78	0.17		
	OTHERS	5	5%	16.67	-11.67	136.11	8.17		
	Total	100	100%				50		
TABLE 3									
Knowledge of Insurance Plan	TV advertisement	42	42%	20	22	484	24.2	4	4.59E-09
	COMPANY ADVISOR	8	8%	20	-12	144	7.2		
	NEWS PAPER/ MAGAZINES	29	29%	20	9	81	4.05		
	RERERENCE	12	12%	20	-8	64	3.2		
	OTHER	9	9%	20	-11	121	6.05		
	Total	100	100%				44.7		
TABLE 4									
Factors while choosing ULIP	Flexibility	21	21%	25	-4	16	0.64	3	5.18E-05
	Security	14	14%	25	-11	121	4.84		
	Return	45	45%	25	20	400	16		
	Full withdrawal	20	20%	25	-5	25	1		
	Total	100	100%				22.48		
TABLE 5									
Risk involved in ULIP	LOW	9	9%	25	-16	256	10.24	3	3.71E-08
	AVERAGE	49	49%	25	24	576	23.04		
	HIGH	27	27%	25	2	4	0.16		
	NONE	15	15%	25	-10	100	4		
	Total	100	100%				37.44		
TABLE 6									
Satisfaction from your investment plan	HIGHLY SATISFIED	11	11%	25	-14	196	7.84	3	1.09E-06
	SATISFIED	47	47%	25	22	484	19.36		
	MODERATE	26	26%	25	1	1	0.04		

	NO RESPONSE	16	16%	25	-9	81	3.24		
	Total	100	100%				30.48		
TABLE 7									
	INSURANCE	43	43%	20	23	529	26.45		
	MUTUAL FUND	20	20%	20	0	0	0		
Future Investmen t Plan	ULIP	6	6%	20	-14	196	9.8	4	2.33E-08
	SHARE MARKET	10	10%	20	-10	100	5		
	BANK DEPOSITS	21	21%	20	1	1	0.05		
	Total	100	100%				41.3		

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