

Unit Linked Insurance Plans–The Tasters' Perceptions On The Mixed Bag Of Fruits

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INTRODUCTION

Unit Linked insurance policy¹ is a unique, multiple benefit plan which combines the basic benefit of life insurance, tax benefits, accident insurance cover and growth prospects. It is a life insurance solution that provides for the benefits of protection and flexibility in investment. ULIPs have gained high acceptance due to attractive features they offer. These include:

FLEXIBILITY²

1. Flexibility to choose the Sum Assured.
2. Flexibility to choose the premium amount.
3. Option to change level of Premium /Sum Assured even after the plan has started.
4. Flexibility to change asset allocation by switching between funds.

TRANSPARENCY

1. Charges in the plan and net amount invested are known to the customer.
2. Convenience of tracking one's investment performance on a daily basis.

LIQUIDITY

1. Option to withdraw money after few years (comfort required in case of exigency).
2. Low minimum tenure.
3. Partial / Systematic withdrawal allowed.

FUND OPTIONS

1. A choice of funds (ranging from equity, debt, cash or a combination).
2. Option to choose your fund mix based on desired asset allocation.

CHARGES ASSOCIATED WITH ULIPs

1. Mortality charges are charged by the life insurance company to cover the risk of an eventuality to the individual.
2. All life insurance companies incur Administration expenses on a regular basis. Agent commissions, Sales and Marketing expenses and overhead costs incurred to run the business on a day-to-day basis are examples of such expenses. These may be incurred daily, monthly or annually. The same are recovered from the premium paid by the individuals.
3. Fund Management Charges are levied by the insurance company to cover the expenses incurred by them on managing ULIP monies.
4. ULIP fund- Switch charges are borne by the individuals when they decide to switch their money from one type of fund to another.
5. Top-up amount is the amount paid over and above the premium amount for the year and is allowed by most companies. A certain percentage is deducted from the top-up amount to recover the expenses incurred on managing the same.

ULIPs- DEFINITELY A CUT ABOVE

ULIPs are different from traditional plans in the sense that they invest the premium money in market-linked instruments, primarily in stocks, bonds, government securities (G-Secs) and money market instruments. ULIPs also differ significantly from traditional plans in that they offer several options to individuals based on the equity

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component varying from zero to a maximum of 100%. Therefore, individuals are free to structure their ULIP portfolio. They have the choice to invest their premium money in stocks, bonds, g-secs or a combination of the above to suit their requirements.

FUND OPTIONS FOR INVESTORS

Most life insurance companies offer individuals four options to choose from- Aggressive/Growth fund, balanced fund, Debt fund, and money market funds. They differ primarily in the nature of their investments as well as their risk profiles.

1. Aggressive /Growth Fund: Such type of funds invests a major portion of the premiums in the equity markets. They are, therefore, considered to be high on risk parameter.

2. Balanced Fund: A balanced fund invests in the premium money in a portfolio, which consists of both equities as well as debt instruments. The balance is struck by investing up to 60% of the portfolio in equities and the balance 40% in debt instruments like g-secs and bonds.

3. Capital Guarantee Products: This product assures to give back to the individual the premiums, which he has paid over the policy's tenure incase his fund value is less than the premiums paid.

4. Debt Funds: These types of funds invest the premium money in debt instruments like g-secs, bonds and AAA rated securities.

5. Money Market Fund/Liquid Fund: Such a fund invests the premium money it receives in short term liquid instruments like bank deposits and the money markets.

6. Hybrid Category: Some companies offer additional options which invest across various categories in different ratios.

UNIT LINKED FUNDS ARE THE PREFERRED INVESTMENT BY INSURANCE PLAYERS:³

The total premium underwritten by life insurers will be invested in funds like Life fund, Pension and General Gratuity fund, Group excluding Group pension Annuity fund, Unit linked fund. The total fund investment by life insurers show an increase of 86.96% from 2002-03 to 2005-06.

The public sector company's (LIC) fund investment pattern in terms of percentage growth in the year 2003-04 is in the descending order of Unit linked fund (3614.5%), Life fund(33.7%), pension and general gratuity fund (-69.6%) as compared with the fund investments pattern in 2005-06 which is in the descending order of Unit linked fund(314.2%),pension and general gratuity fund (215.4%), Life fund(7.75%), Group excluding group pension annuity fund(-37.2%).

The private sector companies fund investment pattern in terms of percentage growth in the year 2003-04 is in the descending order of Unit linked fund (468.05%), pension and general gratuity fund(114.2%), Life fund(47.4%), as compared with the fund investments pattern in 2005-06 which is in the descending order of Unit linked fund(203.2%),pension and general gratuity fund (97.2%), Life fund(61.57%), Group excluding group pension annuity fund(74%).

On comparing the fund investments pattern by LIC between 2002-03 and 2005-06, in terms of percentage to total fund in the descending order, Life fund(88.18%), pension and General gratuity fund(11.8%), Unit linked fund (0.002%) has changed to Unit Linked Fund(61.8%), Life fund(33.1%), Pension and General Gratuity fund(4.7%), Group excluding Group pension Annuity fund(0.3%).

The overall analysis of the fund wise pattern reveals the fact that both the public and private sector insurers emphasize on the fund investments in the Unit Linked funds in 2005-06 with a view to take an advantage of the booming capital markets.

COMPANY WISE INVESTMENTS IN UNIT LINKED FUNDS BY PRIVATE INSURERS

An analytical peep into the table gives the information about the company wise pattern of investments in Unit Linked funds by private insurers. The total investments of private life insurers in Unit Linked funds has showed a percentage growth of 468.05%, 222.5%, 203.2% in the years 2003-04, 2004-05, 2005-06 respectively.

The percentage growth rate between 2003-04 and 2005-06 lies in the range between (328.3%, 590.9%) and (86.3%, 5869.7%) respectively. In the year 2003-04, BSLI (590.9%) stood first in the percentage growth rate from the previous year and the last position is occupied by ICICI Pru (328.3%) whereas by 2005-06, SBI Life (5869.7%) takes the lead and BSLI (86.3%) in the last position.

An observation into the table reveals the facts about the contribution of private insurers to the investments in total Unit Linked funds. By comparing the percentage to total Unit linked funds by each private insurer between 2002-

03 and 2005-06, it is clear that the range lies between (0%, 69.9%) in 2002-03 and (0%-40.9%) in 2005-06. During the year 2002-03, only 3 private insurers made an investment in Unit-linked fund and others were with zero contribution. The scenario changed by the year 2005-06 with only one insurer with zero contribution and others lying in the range between (0%, 40.9%). Among these 13 private insurers, ICICI Pru (40.9%) made a large proportion of investments in the Unit-Linked funds and Sahara Life (0.10%) made a lower contribution.

FOCUS OF THE PAPER

One of the most vital concerns for the developing economies is the proper channelization of domestic financial resources. The Indian financial system is floated with a wide variety of financial instruments with unique and diversified features. In spite of various investment vehicles, ULIPs have gained more reputation in the investors' market since their introduction. This is evident from the growing number of product offerings from the players' bouquet and increased investment of customers and insurance players in equity linked products. Hence, the present study is focused on assessing the significant relation between the demographic features and ULIP features and level of investment in ULIPs.

OBJECTIVES OF THE STUDY

The main objective of the study is to assess the significant relation between demographic characteristics, ULIP features and level of investment in ULIPs.

The other objectives of the study are:

1. To understand the awareness levels of investors towards ULIP products and its features.
2. To bring out the perceptions of investors on ULIPs with respect to other investment instruments.

HYPOTHESES

1. Variables affecting the choice of ULIP products are uncorrelated.
2. There is no significant relationship between demographic characteristics and number of ULIPs held by the investor.
3. ULIP Features and demographic characteristics are independent in selecting a ULIP Product.

DATABASE AND METHODOLOGY

The sources of data for understanding the present study basically include primary data and secondary data. The secondary data sources include the journals, reports, websites, magazines, newspapers, etc.

The primary data was collected by an opinion survey by canvassing a structured questionnaire among 480 investors in West Godavari District during May to September, 2008. However, only 462 investors could respond to the questionnaire, out of which 450 were selected as they were complete in all respects. Due care is taken to cover the rural and urban areas to avoid bias in sampling.

TOOLS AND TECHNIQUES

For the purpose of analysis and to facilitate interpretation statistical tools like percentages, averages are used. For testing the hypothesis, Factor Analysis on computer package Statistica 5.5 version, and chi-square test are used.

DATA ANALYSIS AND INTERPRETATION

This segment deals with the analysis of the data collected and testing the hypotheses with the selected statistical tools.

TABLE -1: DEMOGRAPHIC PROFILE OF INVESTORS:

S. No	Demographic Characteristic	Number of Respondents	Percentage
I	Age		
	Less than 25	37	8.22
	Between 26 and 35	104	23.11
	Between 36 and 45	213	47.33
	Less than 45	96	21.33
II	Gender		
	Male	353	78.4
	Female	97	21.5
III	Occupation		
	Government Employees	97	21.5
	Private Employees	207	46.0
	Agriculturists	18	4.0
	Businessmen	85	18.8
	Pensioners and Others	43	9.55

IV	Education		
	Post Graduation and Above	157	34.88
	Graduation	201	44.66
	Matric or Under Graduation	53	11.77
	Below Matric	39	6.22
V	Income Level		
	Less than Rs 1,50,000	105	23.3
	Between Rs 1,50,000 and Rs 3,00,000	198	44.0
	Between Rs 3,00,000 and Rs 4,50,000	83	18.4
	More Than Rs 4,50,000	64	14.22
VI	Locality		
	Urban	135	30
	Semi Urban	225	50
	Rural	90	20

Source: Field Survey

DEMOGRAPHIC PROFILE OF INVESTORS

The demographic characteristics can be observed from the Table -1. The data in this study were collected from 450 investors in ULIPs during May to September, 2008. Among the respondents, 47.33 percent respondents were between 36 and 45 years of age followed by the respondents between 26 and 35(23.11 percent), less than 45(21.33) and less than 25 (8.22). Majority of the respondents are Male (78.4) followed by Female (21.5). Private employees (46 percent) are the majority of the respondents followed by Government employees (21.5), Businessmen (18.8) and the rest. Graduates (44.66) are the major respondents followed by the respondents with Post Graduate degree and above (34.88) as the Educational Qualification. 44.0 per cent of the respondents are in the income levels between Rs 1, 50,000 and Rs 3, 00,000 followed by respondents with the income levels less than Rs 1, 50,000. Semi Urban people are the major respondents with 50.0 percent followed by Urban (30.0) per cent and rural (20.0percent).

TABLE- 2: PURPOSE OF INSURANCE

PURPOSE	No. of Respondents			Total	AWS	Rank
	I	II	III			
Insurance for future risk	256	112	82	450	2.38	I
Tax Saving Instrument	96	106	248	450	1.66	III
Investment Opportunity	98	282	120	450	1.95	II
	450	450	450			

Source: Field Survey

PURPOSE OF INSURANCE

From the Table-2, the perceptions of investors regarding the purpose of insurance are analyzed. For the purpose of analysis, the respondents are asked to allot ranks for the purpose of insurance and then Rank I is assigned with marks 3, rank II is assigned with 2 marks and so on and then the weighted average scores are calculated. Rankings are assigned for the highest AWS.

It is also observed that Insurance for future risk (2.38) is given more weightage by the investors and is ranked first, followed by Investment opportunity (1.95) and tax saving instrument (1.66). It gives an impression that the investors opt for insurance as coverage for the risk (both life and non-life) because of increased risk and uncertainties, catastrophes, threat of terrorism in the environment. It also demonstrates that with the growing awareness of insurance products with market linked returns, the investors prefer insurance as an investment opportunity.

TABLE -3: POLICY AWARENESS OF INSURERS

TYPE OF INSURANCE POLICY	I	II	III	IV	V	Total	AWS	RANK
Money Back Policy	143	138	88	64	17	450	3.72	I
Whole Life Policy	57	74	74	149	96	450	2.66	III
Unit Linked Policy	111	151	72	69	47	450	3.46	II
Term Policy	83	49	78	44	196	450	2.508	V
Endowment Policy	56	38	138	124	94	450	2.64	IV
	450	450	450	450	450	450		

Source: Field Survey

POLICY AWARENESS OF INSURERS

From the Table-3, the rankings of the awareness of the insurance policies among the investors were analyzed. The respondents were asked to rank the type of policy with which they were well aware on a scale of 1 to 5. For calculating the total score, weights have been assigned in the descending order of rank (such as for first rank- 5 marks are allotted, second rank- 4 marks, third rank- 3 marks, and so on). The weighted mean values were calculated and assigned the rank 1- the highest mean, rank 2 for the next highest mean and so on. The above table makes it clear that the investors were well aware of Money Back Policies (3.72) and were given the first rank for the highest mean followed by Unit Linked Policy (3.46), Whole Life Policy (2.66), Endowment Policy (2.64) and Term Policy (2.508). It can be justified that the traditional policies were marketed since a long period and they were immediately recalled by an investor whenever a life risk was being covered. It is also evident that ULIPs have been rated as second since the ULIPs have their existence in the market since the post liberalization in 1999-2000 and were well marketed by private insurers in these years (more than the traditional policies).

TABLE -4: RECALL RATING OF INSURANCE PLAYERS

INSURER	No. of Respondents							Total	AWS	RANK
	I	II	III	IV	V	VI	VII			
LIC	101	80	77	62	55	45	30	450	4.67	I
ICICI Life	88	99	68	63	52	43	37	450	4.62	II
HDFC Life	76	80	64	92	46	45	47	450	4.38	IV
SBI Life	34	37	49	58	68	109	95	450	3.23	VI
Bajaj Allianz Life	72	64	96	79	67	38	34	450	4.43	III
Reliance Life	45	67	56	61	100	91	30	450	3.89	V
Max New York Life	34	23	40	35	62	79	177	450	2.74	VII
Total	450	450	450	450	450	450	450			

Source: Field Survey

RECALL RATING OF INSURANCE PLAYERS

For the purpose of analysis of top of mind recall of companies offering ULIPs, seven insurers namely LIC, ICICI Life, HDFC Life, SBI Life, Bajaj Allianz Life, Reliance Life, Max New York Life were considered as these seven life insurers have nearly 87.54% market share in the business.

Table - 4 exhibits the awareness levels of top seven companies offering Unit Linked Policies. Since liberalization of the Life Insurance sector, the innovations in combined, differentiated and customized product development of private life insurers brought a radical change in the sector. Almost every life insurer offered ULIPs in their bundle of product portfolio. From the above table, it is observed that LIC retained its position as a brand name for the life insurance policy, be it a linked policy or non-linked policy with the highest mean value of 4.67 and was ranked first among the life insurers followed by ICICI Life (4.62), Bajaj Allianz (4.43), HDFC Life (4.38), SBI Life (3.23) and Max New York Life (2.74).

TABLE- 5: FEATURES OF ATTRACTION

S. No	FEATURES OF ULIPs	I	II	III	IV	V	TOTAL Score	AWS	RANK
1	Fund Options	236	157	35	22	0	1957	4.34	I
2	Liquidity	45	90	144	150	21	1338	2.97	IV
3	Transparency	72	68	181	91	38	1395	3.1	III
4	Flexibility	97	135	90	105	23	1528	3.39	II
5	Option for Riders	0	0	0	82	368	540	1.2	V
	Total	450	450	450	450	450			

Source: Field Survey

Table-5 reveals the rankings of the attractive features of ULIPs for the investment. The tumbling stock markets caused a need for the investors to prefer a low risk fund with moderate and guaranteed returns. ULIPs offer such flexibility to shift from High risk- High returns funds to Low risk moderate returns. Fund Options feature in ULIPs is the most attractive feature for the investor with highest mean value of 4.34 followed by Flexibility (3.39), Transparency (3.1), Liquidity (2.97) and option for riders (1.2).

TABLE- 6: MEANS OF KNOWING ABOUT ULIPs

S. No	WAYS AND MEANS	I	II	III	IV	V	TOTAL SCORE	AWS	Rank
1	Newspaper	54	57	72	171	96	1152	2.56	IV

2	Friends	99	175	118	33	25	1640	3.64	II
3	Agents	193	104	87	43	23	1751	3.89	I
4	Internet	50	35	67	89	209	978	2.17	V
5	Electronic Media	54	79	106	114	97	1229	2.731	III
	Total	450	450	450	450	450			

Source: Field Survey

The buying decisions of customers are influenced (to a great extent) by the suggestions or references given by their friends and near ones than the information obtained by means of advertising or any other medium. Word of Mouth is a very effective means of publicity that influences the purchasing decision of the people. It is evident from the Table-6 that agents of the insurers (3.89) are ranked first to provide knowledge about ULIPs followed by friends (3.64), Electronic Media (2.731), Newspapers (2.56) and Internet (2.17).

TABLE -7: NUMBER OF ULIPs HELD BY THE INVESTORS

S. NO	NUMBER OF ULIPs HOLD	NO. OF RESPONDENTS	PERCENTAGE
1	1	96	21.3
2	2	289	64.2
3	3	41	9.11
4	More than 3	24	5.33
	Total	450	100.0

Source: Field Survey

The survey results as presented in Table -7 shows that 64.2 % of the investors hold two ULIPs, 21.3 % of investors hold only one ULIP, 9.11 % of the investors hold 3 ULIPs. Only 5.33 % of the investors hold more than 3 ULIPs.

TABLE 8: CUSTOMERS' ACCEPTANCE OF CHARGES DEBITED

S. No	TYPE OF EXPENSE	I	II	III	IV	V	VI	TOTAL SCORE	AWS	RANK
1	Mortality Charges	69	51	115	61	101	53	1567	3.48	IV
2	Administration Charges	119	164	68	10	65	24	1990	4.42	II
3	Fund Management Charges	140	121	67	64	46	12	2009	4.46	I
4	Switching Charges	98	62	138	79	38	35	1798	3.99	III
5	Top-Up Charges	9	23	43	167	89	119	1139	2.53	V
6	Cancellation/Surrender Charges	15	29	19	69	111	207	947	2.10	VI
	Total	450	450	450	450	450	450			

Source: Field Survey

CUSTOMERS' ACCEPTANCE OF CHARGES DEBITED

One important factor to be considered while investing in the ULIPs is the amount of expenses deducted from the amount of premium. Hence, it is worthwhile to ascertain the perception of investors on expenses he is interested to pay. For the purpose of analysis, the investors are asked to assign the ranking for the expenses he/she would like to pay. From the most accepted expense, rank 1 is assigned and weightage of 6 marks is allotted and the same is continued for the next most accepted expense and so on. Table 8 reveals that among all the expenses, the investors would prefer to pay for fund management charges, (4.46) with highest AWS was ranked first followed by Administration charges (4.42), switching charges (3.99), and Mortality charges (3.48). The investors are unwilling to pay for the top up charges (2.53) and cancellation charges (2.10).

TABLE 9: RATING OF INVESTMENT PORTFOLIOS

S. No	PORTFOLIO	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	AWS	RANK
1	Mutual Funds	93	79	54	42	39	37	14	43	18	17	14	7.72	II
2	Traditional Life and Health Policies	52	68	73	56	58	41	38	24	19	11	10	7.52	III
3	ULIPs	78	87	68	61	57	41	34	11	7	6	0	8.26	I
4	Infrastructure Bonds	15	23	27	38	47	51	55	59	62	47	26	5.32	IX
5	PPF	23	31	37	49	53	59	64	47	32	31	24	6.00	VI
6	Gold, Silver	47	50	41	35	29	28	28	69	54	46	23	6.066	V
7	Chit Funds	18	27	34	44	47	58	61	34	43	72	12	5.62	VII
8	Shares	73	61	60	52	47	43	39	26	24	14	11	7.48	IV
9	Pension Plans	22	12	35	41	45	63	84	22	18	54	54	5.38	VIII

10	Fixed Deposits	17	6	11	18	15	16	33	41	77	59	157	3.39	X
11	Post Office Savings	12	6	10	14	13	13	0	74	96	93	119	3.22	XI
	Total	450	450	450	450	450	450	450	450	450	450	450		

Source: Field Survey

RATING OF INVESTMENT PORTFOLIOS

The rating of investors for ULIPs with respect to other investment portfolios is obtained from the table. For the purpose of analysis of investor perceptions, the investors are asked to give the ranking for the portfolios. The best rank is assigned with 11 marks, next best with 10 marks and so on. The total score of the respondents for each portfolio is obtained and weighted average score is calculated. From the above table- 9, it is observed that the investors prefer to hold ULIPs. It is evident from the table that ULIPs (8.26) have the highest AWS. ULIPs have a unique combination of insurance coverage and market linked returns. It also offers a variety of fund options for various risk profile investors. Mutual funds (7.72) are given the second preference by the investors in their investment portfolio which offers market linked returns with more product varieties followed by traditional and health insurance policies (7.52) and shares (7.48). Gold, Silver and Ornaments (6.066) are rated as the fifth preference for the investment as it offers high liquidity and capital appreciation in the long term followed by Public Provident Funds (6.00), Chit Funds (95.62), Pension Plans (5.38), Infrastructure bonds (5.320), fixed bonds (3.39) and post office savings (3.226).

VARIABLES AFFECTING THE CHOICE AND LEVEL OF INVESTMENT IN ULIPs

HYPOTHESIS I:

Null Hypothesis: Variables affecting the choice of ULIP product are uncorrelated.

Factor analysis was applied to identify the underlying variables or factors that explain the pattern of correlations within a set of observed variables. It is also often used in data reduction and grouping the original input variables into factors which underlie the input variables. Each factor will account for one or more input variables. The total number of factors in the study can be reduced by dropping the insignificant factors based on certain criterion.

For the purpose of the analysis, the variables that influence the purchasing decision of ULIPs are: reliability of the insurer, customer orientation of the product, professional management, past performance of the product, motivation by agents, liquidity, transparency, flexibility, fund options, tax savings, option for riders, capital appreciation, insurance coverage, service quality of the insurer, market returns, post retirement and employment opportunity.

30 investors were asked to rate the variables on a 5-point rating scale ranging from “Highly Agree” to “Highly Disagree”.

The criterion for extracting the factors was Eigen value of over 1. As the number of variables was less than 50, Eigen values were used as the criterion. Varimax normalized rotation was applied for the 17 variables that produce 8 factors and explained 80.645 of total variance (TABLE-10). Variables which are positive are correlated (TABLE -11) under eight factors. Hence Null hypothesis is rejected and the alternate hypothesis is accepted i.e. Variables affecting the choice of ULIP products are correlated.

TABLE 10: EIGEN VALUES (EXTRACTION: PRINCIPAL COMPONENTS)

S. No	Eigen Value	% total Variance	Cumulative Eigen Value	Cumul. %
1	2.565446	15.09086	2.565446	15.09086
2	2.374124	13.96544	4.93957	29.05629
3	1.981563	11.65625	6.921133	40.71255
4	1.680387	9.884627	8.601519	50.59717
5	1.585486	9.326391	10.18701	59.92356
6	1.302218	7.660107	11.48922	67.58367
7	1.204217	7.083628	12.69344	74.6673
8	1.016317	5.978334	13.70976	80.64563

TABLE- 11: FACTOR LOADINGS (VARIMAX NORMALIZED)

Variables	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Factor 8
Reliability of the insurer	-0.18058	0.8341	0.0756	-0.0032	-0.2173	0.0083	-0.0131	0.17994
Customer orientation of the product	-0.3751	0.066	-0.6711	-0.0926	0.064	0.2333	-0.0751	-0.3478
Professional management of the insurer	-0.04436	-0.678	-0.1833	0.10973	-0.2845	0.1676	-0.3949	0.29911

Past performance of the product	-0.86234	-0.0393	0.1668	0.04199	-0.0653	0.0663	0.14198	-0.0893
Motivation from agents	0.08958	-0.1487	0.0858	0.25205	0.7565	-0.0523	-0.1399	0.1232
Liquidity	0.35147	-0.0755	-0.6526	-0.1751	0.2435	-0.1426	-0.125	0.25141
Transparency	0.00798	-0.1975	0.0433	-0.1316	-0.1037	0.0471	0.09386	0.79903
Flexibility	-0.16902	-0.0764	-0.0474	0.01334	-0.103	0.027	0.89841	0.06875
Fund Options	0.36067	-0.3396	-0.143	0.17106	-0.0406	-0.2082	0.10273	-0.6098
Tax Savings	-0.11966	-0.7896	0.1155	-0.1456	0.0636	-0.1631	0.21308	0.19928
Option for Riders	0.07055	-0.0622	-0.7991	0.16415	-0.2242	-0.1865	0.17458	-0.1038
Capital Appreciation	0.26614	0.1286	-0.0005	0.8273	0.0908	0.2105	0.23078	-0.0379
Insurance coverage	0.21619	0.4456	0.062	0.1586	0.0397	-0.6495	-0.3253	0.04747
Service Quality	-0.80612	0.0576	-0.1538	-0.1456	0.199	-0.103	0.08076	0.30852
Market returns	0.13596	0.0222	0.003	-0.8461	0.0227	0.135	0.18649	0.18514
Post retirement income	-0.24495	0.0129	-0.0719	-0.2389	0.7967	0.0763	0.04203	-0.3526
Employment Opportunity	0.08169	0.2023	0.1522	0.10388	0.0144	0.8542	-0.0959	0.14813

INTERPRETATION OF FACTORS

Factor 1: Fund Options.

Factor 2: Reliability of the insurer, Insurance coverage.

Factor 3: Past performance of the product.

Factor 4: Capital Appreciation.

Factor 5: Motivation from Agents, Post retirement income.

Factor 6: Customer orientation of the product, Employment opportunities.

Factor 7: Flexibility, Tax savings, Option for riders, Market returns.

Factor 8: Liquidity, Transparency, Service quality, Professional management of the insurer.

HYPOTHESIS II:

Null Hypothesis: There is no significant relationship between demographic characteristics and number of ULIPs held by an investor.

To test the hypothesis, Chi-Square test was used to identify the significant relationship between demographic characteristics and number of ULIPs of hold. While the chi-square measures may indicate that there is a relationship between the two variables, they do not indicate the strength or direction of the relationship. The average scores for different demographic characteristics with respect to number of ULIPs held have been observed for interpreting the associations found through the application of Chi-square test.

TABLE 12: DEMOGRAPHIC CHARACTERISTICS Vs NUMBER OF ULIPs

S. No	Demographic characteristics	Chi- square	Table values 0.05%	Significant/not significant
1	Age	135.48	16.919	Significant
2	Gender	44.26	7.815	Significant
3	Educational level	240.406	16.919	Significant
4	Income level	436.958	16.919	Significant
5	Location	145.375	12.592	Significant
6	Occupation level	131.66	21.026	Significant

Source: Compiled from Field Survey

TABLE-13: AVERAGE SCORES FOR DEMOGRAPHIC CHARACTERISTICS AND NUMBER OF ULIPs HELD

Demographic Characteristics						Mean
Age	20-25	26-35	36-45	>45		
	1.08	1.83	2.676	1.927		1.878
Gender	Male	Female				
	2.365	1.556				1.9605
Educational Qualification	Post Grad.	Grad	Matric and Under Grad.	Below Matric		
	3.127	1.845	1.566	1.051		1.897
Occupational Level	Govt. Employees	Private	Agriculturist	Businessmen	Pensioners	
	2.432	2.502	1.88	1.95	1.093	2.3714

Income Level	Rs<1,50,000	Rs 1,50,000- Rs <3,00,000	Rs 3,00,000- Rs <4,50,000	>Rs 4,50,000		
	1.028	2.212	2.602	3.5		2.33
Location	Urban	Semi- Urban	Rural			
	2.82	2.20	1.88			

Source: Compiled from Field Survey

It can be observed from the Table -12 that there is a significant relationship between demographic characteristics and the number of ULIPs hold. Table-13 gives the strength and direction of the relationship between the variables. It is found that with an increase in the age from 20-25 to 36-45; the no. of ULIPs held will be increased. It is evident from the increasing mean score values of Age from 20-25 to 36-45. An increase in the educational qualification shows a positive relationship with the Educational Qualification and number of ULIPs held. It is obvious from the Table 2 which shows an increasing mean score value of educational qualification with respect to number of ULIPs held. Number of ULIPs held by the investors with respect to the Occupational level also has a positive direction which is evident from the increasing mean scores from Pensioners (1.093) to Private employees (2.502). Investors with high income level may invest more in various investment portfolios. It is observed from the table that investors with Rs < 1, 50,000 income hold less number of ULIPs and more than Rs 4, 50,000 hold more ULIPs. Investors in the urban area (2.820) are well aware of the ULIPs and they may hold more ULIPs as compared to Semi Urban (2.20) and Rural (1.88).

HYPOTHESIS III

Null Hypothesis: ULIP Features and demographic characteristics are independent in selecting a ULIP Product.

To test the hypothesis, Chi-Square test was used to identify the association of the ULIP Features and demographic characteristics in selecting a ULIP Product. To measure the strength and relationship between the variables, average scores have been observed for the interpretation of the associations found through the application of the Chi- Square test.

TABLE-14: CHI- SQUARE VALUES OF THE ASSOCIATIONS BETWEEN ULIP FEATURES AND DEMOGRAPHIC CHARACTERISTICS

ULIP Features	Demographic Characteristics					
	Age	Gender	Educational Level	Income Level	Location	Occupational Level
Fund Options	75.0419	43.332	121.746	215.372	47.792	138.8
Liquidity	248.91	24.393	23.887	207.30	175.68	219.53
Transparency	99.64	35.593	50.806	220.041	156.077	165.288
Flexibility	90.389	24.059	422.95	247.544	150.88	138.49
Option for Riders	57.1375	271.14	79.31	240.51	28.89	50.55

TABLE - 15: AVERAGE SCORES FOR ULIP FEATURES ASSOCIATED WITH DEMOGRAPHIC CHARACTERISTICS

ULIP Features	Age				Gender		Educational Level				Income Level				Location			Occupational Level				
	A ₁	A ₂	A ₃	A ₄	G ₁	G ₂	E ₁	E ₂	E ₃	E ₄	I ₁	I ₂	I ₃	I ₄	L ₁	L ₂	L ₃	O ₁	O ₂	O ₃	O ₄	O ₅
Fund Options	4.13	4.20	4.44	4.38	4.42	4.08	4.32	4.51	4.62	3.25	4.48	4.33	4.35	4.17	4.57	4.28	4.20	3.97	4.71	3.72	4.21	3.97
Liquidity	3.19	2.51	2.68	4.03	3.03	2.73	2.90	3.04	2.88	2.87	3.41	2.86	3.14	2.35	2.92	3.07	2.78	2.17	2.84	3.16	3.95	3.37
Transparency	2.73	2.71	3.23	3.36	3.10	3.09	3.06	3.25	3.17	2.36	2.29	3.04	3.84	3.66	4.05	2.65	2.80	2.74	3.24	2.89	3.32	2.88
Flexibility	4.45	4.03	3.10	2.93	3.47	3.10	4.06	3.49	2.45	1.46	2.18	3.66	4.30	3.38	3.85	3.51	2.42	2.78	3.86	2.83	3.56	2.41
Option for Riders	1.02	1.02	1.32	1.10	1.03	1.75	1.40	1.08	1.02	1.03	1.01	1.05	1.77	1.13	1.08	1.28	1.09	1.02	1.23	1.55	1.27	1.02

Note: Measured on a 5 point Likert Scale. Mean value = 3. A₁ = 20-25 years, A₂ = 26-35 years, A₃ = 36-45 years, A₄ = More than 45 Years

G₁ = Male; G₂ = Female

E₁ = Post Graduation and Above ; E₂ = Graduation ; E₃ = Matric and Under Graduation ; E₄ = Below Matric.

I₁ = Income level < Rs 1, 50,000 ; I₂ = Rs 1,50,000 - < Rs 3,00,000 ; I₃ = Rs 3,00,000 - < Rs 4,50,000 ; I₄ = More than

Rs 4,50,000.

L₁ = Urban; L₂ = Semi- Urban; L₃ = Rural.

O₁ = Government Employees; O₂ = Private; O₃ = Agriculturist; O₄ = Business Men; O₅ = Pensioners.

Table -14 reveals that ULIP features and demographic characteristics are dependent on each other in selecting a ULIP Product. Table -15 reveals the strength and dependency of ULIP features and Demographic characteristics.

AGE GROUP AND ULIP FEATURES

It is observed from the table that among the investors with different age groups, 36-45 year age group investors prefer the fund options followed by their elders (4.38), 26-35(4.20) and 20-25(4.13). Investors whose age is more than 45 years prefer more liquidity followed by the age group of 20-25 years. Investors in the age group of more than 45 years desire to have more transparency in their investments. Young investors in the age group of 20-25 years (4.45) choose more flexibility in their investments whereas investors with age more than 45 (2.93) years do not consider flexibility in their investments. 36-45(1.323) age group investors are positive with the option for riders.

GENDER AND ULIP FEATURES

Male investors show positive attitude towards the features of the ULIPs when compared to female investors. While Male investors prefer more fund options (4.42), liquidity (3.03), transparency (3.101), and flexibility (3.47), female investors prefer option for riders (1.752) for their investments.

EDUCATIONAL QUALIFICATION AND ULIP FEATURES

The table reveals that Matric and Under Graduates show positive relation towards Fund Options (4.622). Graduates prefer Liquidity (3.04) and Transparency (3.253) in their investments and demonstrate a positive direction. Post Graduates and above have a positive attitude towards flexibility (4.06) and Option for riders (1.401) features in ULIPs.

INCOME LEVEL AND ULIP FEATURES

It is observed from the table that investors with income level less than Rs 1, 50,000 choose the Fund Options (4.3485) and Liquidity (3.419) as the preferred ULIP features for their investment. Transparency (3.843), Flexibility (4.301) and Option for riders (1.77) are the attractive features for the investors with income level between Rs 3, 00,000 and Rs. 4, 50,000.

OCCUPATION LEVEL AND ULIP FEATURES

An observation in the table sheds light on the fact that Businessmen have a positive attitude than the other investors towards the fund options (4.211), Liquidity (3.65) and transparency (3.311). While private employees have a more positive attitude with flexibility (3.86), and agriculturists have a positive attitude towards the Option for riders (1.55).

LOCATION AND ULIP FEATURES

It is observed from the table that urban investors are more positive with Fund Options (4.570), transparency (4.05) and flexibility (3.85) in their investments. Semi- Urban investors have a positive attitude towards more liquidity (3.07) and Option for riders (1.28) from their investments. From the Chi Square table it can be concluded that rural investors have dependency on ULIP features while selecting a ULIP and the strength of the dependency is low.

FINDINGS

1. 56.8 % of the investors prefer insurance as an investment for mitigating the future risk.
2. 31.7% of the investors are aware of money back policies followed by Unit Linked policies (24.7%).
3. 52.45% of the investors prefer fund options as the most attractive feature of ULIPs followed by flexibility.
4. Agents are the most preferred channels of distribution of insurance policy.
5. 31.1% of the investors accepted that fund management charges could be debited from the policy premiums.
6. 20.67% of the investors rated mutual funds as the best investment avenue followed by ULIPs. (17.3%)
7. Variables affecting the investors for the choice of ULIP products are correlated. Fund management charges, reliability of the insurer, insurance coverage are the most affecting variables on the selection of ULIP product by investors.
8. Demographic characteristics have a significant impact over the level of investment in ULIPs i.e. number of ULIPs. Investors between 36-45 age group, under male category, with post-graduation as an educational

qualification and private employees with income level between Rs 3,00, 000 to Rs. 4,50,000 and urban residents have a high level of investment.

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2. Investors with short term outlook for investment should prefer SBI as their investment intention because there is more responsiveness between the earning capacity and the share price in case of SBI despite the fact that its profit margin ratios are not better than that of other companies.
3. The investors who are risk averse may invest their capital in Bank of Baroda as it has the highest portion of self-owned funds in its capital structure.
4. BOI has registered lowest earning capacity, highest debt proportion and least yield over its assets, therefore, immediate investment in the same should be evaded.
5. The study also revealed that PNB is efficient in generating yield over assets which indicates that its overall efficiency is good. The investors with an objective of earning moderate returns might invest in PNB.

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