

A Study of Attitude and Perception of Millennium City Investors for ULIPs

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ABSTRACT

Now a days, finance and insurance companies are offering various types of financial products in the market to cater to the increasing competition. But for an ordinary investor, the investing decisions are not easy. Rather present scenario has made it very complicated. The investors' possess little knowledge about products due to which they can be cheated by agents. This study throws a light on ULIPs and their perception among investors. This work enables the investors to narrow down their investment objectives. The aim of research is to judge the investment behavior and attitude of investors and their investment preferences in relation to ULIPs. The paper also analyses the relationship of demographic variables on investor's attitude. The perception of investors will help to measure the thinking process about ULIP's as an investment avenue.

1. Introduction

In the commercial arena, the selection of an optimum strategy is crucial and toughest. While selecting any one option the organization has to go through all the available options. The option which has matched with the organization's objectives becomes the choice. Insurance companies are also facing the same problem in India. These companies are reworking on their strategies and continuously trying to be in competition with product innovations.

Gone are the days when LIC was the only insurance company. But now the time has changed, insurance investors have many options from the pool of private players; PSU's and foreign collaborated Indian companies like ICICI PRUDENTIAL, Bajaj Allianz etc.

LIC is the market leader and has acquired more than 65% of market share. But with the passage of time its share is declining. The emerging players have come up with a basket full of unlimited schemes. Insurance plans are available for a 30 day old to a 70 year old person. These types of plans have created a buzz for the importance and need of insurance in today's unpredictable life.

Indian population and growing per capita income are the main driving factors among others. These factors indicate that

there is a huge business opportunity available for insurance companies in India. According to annual report of Insurance regulatory and development authority of India 2013-14, 80% of population is without life insurance policies. The percentage of health insurance and non life insurance policies are also below international standards. The insurance plans are mainly used to save tax. Indians first preference of investment is properties, gold and bank deposits. A very small percentage is invested in shares. These all factors indicate that insurance sector is having a very high growth potential. Government dominates the market with price controls, limits on ownership and other constraints.

In the present times, the most preferred insurance plans are Unit Linked Insurance Plans. ULIP is a life insurance policy which gives dual benefit, risk cover with investment. Flexibility transparency, liquidity and fund option have made the ULIP's an attractive and high acceptance product. Generally risk averse Investors choose traditional plans and informed investors prefer ULIP's. Investors can choose ULIP with equity –debt combination. A risk taking investor will go for high equity content while a risk taker will select a high debt plan. ULIP's are a combination of protection and saving. They serve the specific needs of investors.

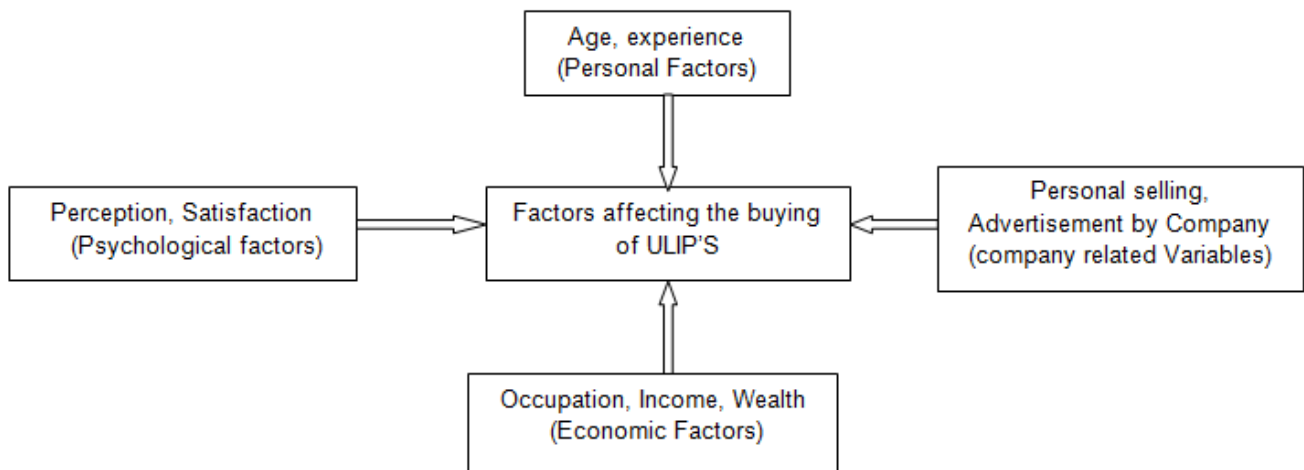
2. Types of funds under ULIP's

Description.	Investment in	Risk
Equity Funds	In company stocks	Medium to high
Fixed interest and Bond funds	Corporate bonds, government securities, fixed income instruments.	Medium
Cash funds	Money market instruments.	Low
Mix Funds	combined	Medium

3. Factors affecting the buying of ULIP's

The degree of acceptability of ULIP's varies from person to person. There are many factors which become driving force for

purchasing ULIP's. These can be classified into personal, social, economic, psychological and company related variables.



4. Objectives

- To explore and analyze the impact of various demographic variable on investors attitude towards ULIP's.
- To study and rank the factors responsible for the selection of ULIP's as an investment option.

5. Literature Review

ULIP's has emerged as one of the best option for investment nowadays. Many researchers have done studies on Investor buying behavior for ULIP.

K. Lashmana Rao (2011) studied the perception of Investor towards mutual fund schemes, he made a conclusion that lack of knowledge among investors is main obstruction for ULIP investment. SEBI, AMFI, and IRDA should take appropriate steps for the same.

Santhi, N. S.; Gurunathan, K. Balanaga (2011) have explained that ULIP is hypothetical to be a better opportunity for the individual investor. This study analyzes the investors' attitude towards their investment on Tax saving mutual funds. The study concludes that the involvement of investors in Tax saving mutual funds is relatively less than other safer investment areas like Insurance, Postal Deposit Schemes and Fixed Deposits.

Awan, Hayat M.; Arshad, Shanza(2012) This paper studies the factors which influence the investor behavior. For the same the factor analysis is used to find outvariables. This study concludes that Investment in mutual funds is somewhat not very much risky as investment in stock market. Mutual fund schemes are designed for smaller investors. Major findings are that investor age group and cities have different impact on fund selection schemes but income, education level and occupation has no effect. Attributes like past performance of fund, reputation of company, withdrawal facility, Company services towards investor have greater impact on decision making. Investors are overconfident in term that they have selected best scheme.

Pandey, Atul; Singh, Malini(2013) examines the Investor's awareness and preferences towards the ULIP Schemes and

Mutual Funds. The study also assesses the impact of various demographic factors like age, gender, education and income on the investment pattern of the investors. The data was collected from 200 respondent selected on the basis of judgment sampling and Chi Square has been applied to test the significant difference in the buying preferences of different category of investors. The paper revealed the age and occupation are the major factors that affect the awareness level of the investors about the Mutual Funds and ULIP schemes. It was observed that the major determinants of preference level are gender, occupation and income level of the investors. It was noticed that investors investing their money in the Mutual Funds because of the higher returns but reluctant to invest in this because high degree of risk is associated with mutual funds. But in case of ULIPs, investors prefer to invest with an objective of tax rebates and good returns with less risk.

Lenard, Mary Jane; Akhter, Syed H.; Alam, Pervaiz (2003) presents a study that investigated investors' attitudes toward mutual funds. Investor give due considerations in switching funds. This study also presents an interdisciplinary approach used in research on investor behavior.

Cleveland, Bill (2008) reflects on the concept of using diversification and attitude as an investor which are important to achieve goals and successful investor. The author said investors should be proactive in setting investment strategy towards building a better chance of diversified portfolio and risk tolerance. He further cites the result of the study by Dalbar on Quantitative Analysis of Investor Behavior which measured the effects of investor decisions to buy, sell and switch into mutual funds.

6. Hypothesis

- H₀₁ The age of the respondents and their attitude towards ULIPs are independent of each other.
- H₀₂ The gender of the respondents and their attitude towards ULIPs are independent of each other.
- H₀₃ The income of the respondents and their attitude towards ULIPs are independent of each other.
- H₀₄ The education of the respondents and their attitude towards ULIPs are independent of each other.
- H₀₅ The occupation of the respondents and their attitude towards ULIPs are independent of each other.

7. Research Methodology

Data has been collected from investors of Millennium city Gurgaon. Reliability of data has been checked with SPSS and having a value 0.86 which proves its reliability. Questionnaire was distributed to 100 investors. The questionnaire statements are rate on scale 1 to 5 (1=highly disagree and 5= highly agree).Main Parameters of the study were:

- o Universe: ULIP Investors from Gurgaon.
- o Target Population: ULIP Investors from New Gurgaon.

- o Sampling Techniques: Non probability sampling.
- o Sample Size: 100 investors.
- o Sampling area: ULIP Investors from various localities in New Gurgaon, particularly from sector 56.

8. Data Analysis and Interpretation:

Hypothesis testing -1

H₀₁:The age of the respondents and their attitude towards ULIPs are independent of each other.

Test Applied: Chi-Square Test

Age	Attitude Level			Total
	Positive	Neutral	Negative	
Below 30	15	26	6	47
30-50	11	16	7	34
Above 50	3	5	11	19
Total	29	47	24	100

Source: Primary data collected by the researcher
 Calculated Value: 15.53 Table Value: 9.49

Interpretation:

As the Chi-square calculated value 15.53 exceeds the critical value of 9.49, so null hypothesis is rejected and hence, we can say that our alternative hypothesis is accepted .So we

conclude that there is a significant association between the age of respondents and their attitude towards ULIPs.

Hypothesis testing -2

H₀₂:The income of the respondents and their attitude towards ULIPs are independent of each other.

Test Applied: Chi-Square Test

Income	Attitude Level			Total
	Positive	Neutral	Negative	
Below 10,000	3	12	8	23
10,000-25,000	15	32	11	58
Above 25,000	11	3	5	19
Total	29	47	24	100

Source: Primary data collected by the researcher
 Calculated Value: 14.31 Critical Value: 9.49

Interpretation:

As the Chi-square calculated value 14.31 exceeds the critical value of 9.49, so null hypothesis is rejected and hence, we can say that our alternative hypothesis is accepted .So we

conclude that there is a significant association between the income of respondents and their attitude towards ULIPs.

Hypothesis testing -3

H₀₃:The gender of the respondents and their attitude towards ULIPs are independent of each other.

Test Applied: Chi-Square Test

Age	Attitude Level			Total
	Positive	Neutral	Negative	
Male	24	26	18	69
Female	5	21	6	31
Total	29	47	24	100

Source: Primary data collected by the researcher
 Calculated Value: 6.89 Critical Value: 5.99

Interpretation:

As the Chi-square calculated value 6.89 exceeds the critical value of 5.99, so null hypothesis is rejected and hence, we can say that our alternative hypothesis is accepted .So we

conclude that there is a significant association between the gender of respondents and their attitude towards ULIPs.

Hypothesis testing -4

H₀₄:The education of the respondents and their attitude towards ULIPs are independent of each other.

Test Applied: Chi-Square Test

Education	Attitude Level			Total
	Positive	Neutral	Negative	
Up to 10 th	2	3	1	6
Up to 12 th	7	13	8	28
Graduate	11	20	8	39
Post Graduate	9	11	7	27

Total	29	47	24	100
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Source: Primary data collected by the researcher
 Calculated Value: 1.339 Critical Value: 12.59

Interpretation:

As the Chi-square calculated value 1.339 is less than the critical value of 12.59, so null hypothesis is accepted and hence we conclude that there is no significant association

between the education of respondents and their attitude towards ULIPs.

Hypothesis testing -5

H₀₅: The occupation of the respondents and their attitude towards ULIPs are independent of each other.

Test Applied: Chi-Square Test

Occupation	Attitude Level			Total
	Positive	Neutral	Negative	
Salaried Employees	13	15	9	37
Businessmen	5	8	7	20
Professionals	7	9	4	20
Others	4	15	4	23
Total	29	47	24	100

Source: Primary data collected by the researcher
 Calculated Value: 4.649 Critical Value: 12.59

Interpretation:

As the Chi-square calculated value 4.649 is less than the critical value of 12.59, so null hypothesis is accepted and hence we conclude that there is no significant association between the occupation of respondents and their attitude towards ULIPs.

Ranking of Factors responsible for investment in ULIPs

The study also find out the reasons for investment in ULIPs. The five common reasons return potential, transparency, liquidity, flexibility and affordability were ranked by the respondents as follows:

Options	Percentage of respondents	Rank
Return potential	29%	1
Transparency	14%	5
Liquidity	22%	2
Flexibility	20%	3
Affordability	15%	4

9. Findings

- This study shows that out of 100 respondents surveyed, 29% respondents have a positive attitude towards ULIPs, 47% have neutral and 24% have negative attitude towards it.
- The age of respondents and their attitude towards ULIPs are significantly associated, i.e. the age of respondents significantly influences their attitude towards ULIPs. Moreover, 31.91% (15 out of 47) of respondents of 'below 30 age group', 32.35% (11 out of 34) of '30-50' age group and 15.78% (3 out of 19) of above 50 age group have a positive attitude towards ULIPs.
- The income of respondents and their attitude towards ULIPs are significantly associated, i.e. the respondents income significantly influences their attitude towards ULIPs. Moreover, 13.04% (3 out of 23) of respondents of 'below 10,000 income group', 25.86% (15 out of 58) of 10,000-25,000 income group and 57.89% (11 out of 19) of above 25,000 income group have a positive attitude towards ULIPs.
- The gender of respondents and their attitude towards ULIPs are significantly associated i.e. the respondents gender significantly influences their attitude towards ULIPs. Moreover, 34.78% (24 out of 69) male

respondents and 16.13% (5 out of 31) female respondents have a positive attitude towards ULIPs.

- The education of respondents and their attitudes towards ULIPs are independent of each other i.e. respondents education does not influence their attitude towards ULIPs significantly.
- The occupation of respondents and their attitudes towards ULIPs are independent of each other i.e. respondents occupation does not influence their attitude towards ULIPs significantly.
- As far as the factors responsible for investment in ULIPs are concerned, 'return potential has got first rank among others.'

10. Conclusion

This study reveals that majority of investors have still not formed any attitude towards ULIPs investments. The main reason behind this has been observed to be lack of awareness of investors about the concept and working of ULIPs. As far as demographic variables are concerned age, gender, income has been found influential. Surprisingly two demographic factors like education and occupation have not been found influencing the attitude of investors towards ULIPs. As far as the benefit delivered by ULIPs are concerned 'return potential and liquidity have been perceived to be the most attractive by investors, followed by flexibility, affordability and transparency.

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