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A STUDY ON THE ROLE OF ULIPs IN INVESTMENT PLANNING WITH SPECIAL REFERENCE TO ICICI PRUDENTIAL LIFE INSURANCE COMPANY LTD. HYDEREBAD

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ABSTRACT

This study focuses on the role of Unit Linked Insurance Plans (ULIPs) in investment planning with special reference to ICICI Prudential Life Insurance Company Ltd. ULIPs are financial products that combine insurance coverage with investment opportunities, allowing policyholders to invest in market-linked instruments while ensuring financial protection.

The study aims to understand investor awareness, preferences, and satisfaction towards ULIPs. It also analyzes the factors influencing investment decisions and evaluates the effectiveness of ULIPs as a financial planning tool. The findings reveal that ULIPs are gaining popularity due to their flexibility, tax benefits, and potential for higher returns, although awareness and understanding of the product still need improvement.

Key Words:

ULIPs, Investment Planning, Risk, Returns, Insurance, Financial Security

INTRODUCTION

Unit Linked Insurance Plans (ULIPs) are financial products that combine the features of insurance and investment. In these plans, the benefits are expressed in terms of units, and the value of these units depends on the performance of the underlying assets. The investment component is linked to market instruments such as equity shares, bonds, and government securities.

In today's financial environment, individuals are increasingly looking for investment options that not only generate returns but also provide financial protection. ULIPs fulfill this requirement by offering both life insurance coverage and investment opportunities within a single plan.

Insurance plays a vital role in financial planning as it provides security against uncertainties. With the introduction of economic reforms, globalization, and privatization, the insurance sector in India has witnessed significant growth. The entry of private players has increased competition, improved service quality, and introduced innovative products like ULIPs.

ICICI Prudential Life Insurance Company is one of the leading players in the insurance sector, offering a wide range of ULIP products designed to meet the varying needs of investors.

REVIEW OF LITERATURE

The concept of Unit Linked Insurance Plans (ULIPs) has gained significant attention in the field of investment planning due to its dual benefits of insurance and investment. Several researchers have contributed to understanding investor awareness, returns, risks, and performance of ULIPs.

1. Dr. O. P. Jain (2018)

Dr. O. P. Jain studied investor awareness and behavior towards ULIPs. The study revealed that only 40% of respondents regularly track market fluctuations, and about 36% are aware of the switching option available in ULIPs. This indicates that a large portion of investors lack adequate knowledge and rely heavily on insurers and fund managers.

2. Devi (2018)

Devi conducted an analysis based on cost and return comparison. The study concluded that investors generally prefer investment options that provide safe and consistent returns. It also highlighted that asset management companies are more transparent compared to ULIPs, as investors often lack clarity regarding NAV calculation and return mechanisms in ULIPs.

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3. Gupta (2012)

Gupta analyzed ULIP plans offered by ten life insurance companies. The study found that in Type I ULIP plans, the mortality-adjusted rate of return is slightly higher than the unadjusted rate. In Type II ULIP plans, this difference is more significant, indicating better performance in comparison to Type I plans.

4. Ritesh Dwivedi & Anand Batra (2014)

The researchers conducted a comparative study of ULIPs offered by various insurance companies. The findings revealed that HDFC Life performed consistently well, while ICICI Prudential held a strong market position with positive customer satisfaction. The study also highlighted the role of brand reputation and word-of-mouth promotion.

5. Singh (2015)

Singh examined the comparison between ULIPs and mutual funds. The study emphasized that ULIPs combine the benefits of insurance coverage and investment opportunities in a single product. This dual feature makes ULIPs a unique financial instrument suitable for long-term investment planning.

IMPORTANCE OF STUDY

The study on the role of ULIPs in investment planning is highly relevant in today's dynamic financial environment. As financial markets become more complex and investors become more aware, there is a growing need to clearly understand investment options that offer both security and returns. ULIPs stand out because they combine insurance protection with investment opportunities, making them an important financial tool.

This study helps in understanding how much investors actually know about ULIP products, especially in the Hyderabad region. It also provides insights into whether these plans match the financial goals and risk-taking ability of different types of investors.

Another important aspect of this study is that it identifies gaps in investor awareness, particularly regarding charges, NAV calculations, and fund performance. Many investors invest without fully understanding these factors, which can affect their returns.

The findings of this study can also be useful for ICICI Prudential Life Insurance Company. It can help the company improve the way it communicates with customers and design better strategies to educate them about ULIPs.

Finally, this study can act as a useful reference for future researchers and students who want to explore more about insurance-based investment products and their role in financial planning.

SCOPE OF THE STUDY

The scope of this study is focused on understanding how Unit Linked Insurance Plans (ULIPs) help individuals in making better investment decisions. It aims to provide useful insights that can guide people in choosing suitable investment options based on their financial goals.

This study also helps in analyzing the expectations of investors regarding ULIPs and how these expectations may shape the future of such investment products. It gives an idea about how ULIPs are perceived in the current market and their potential growth.

Another important area covered in this study is the level of customer satisfaction with ULIP plans offered by ICICI Prudential Life Insurance. It helps the company understand how well their products are meeting customer needs.

In addition, the study identifies the common problems and challenges faced by individuals while investing in ULIPs, such as lack of awareness, complexity, and market-related risks.

The study is limited to Hyderabad city and is based on responses collected from 100 individuals. Therefore, the findings reflect the opinions and behavior of investors within this specific region.

OBJECTIVES OF THE STUDY

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The main objectives of this study are to comprehend the role of Unit Linked Insurance Plans (ULIPs) in investment planning and evaluate their effectiveness as a financial tool. Examining investor behavior, awareness, and satisfaction with ICICI Prudential Life Insurance Company's ULIP products is the aim of this study.

- To assess people's knowledge and comprehension of Unit Linked Insurance Plans (ULIPs). This aids in determining if investors comprehend the characteristics and advantages of ULIPs.
- To examine how investors see the risk of ULIP investments, particularly in light of market volatility and financial uncertainty.
- To research how risk and return relate to ULIP investment alternatives and how this affects investors' decision-making.
- To evaluate how well ICICI Prudential Life Insurance Company's ULIP policies perform overall and satisfy client expectations.
- To find out how satisfied customers are with different ULIP features such insurance coverage, flexibility, and returns.
- To determine the elements that influence investors' decision to invest in ULIPs rather than mutual funds or conventional insurance plans.
- To comprehend the obstacles and problems that investors have while making investments in ULIPs, such as ignorance, complicated structures, and related fees.
- To offer recommendations for raising customer awareness and boosting the efficacy of ULIP products based on the study's findings.

RESEARCH METHODOLOGY

The methodical approach to gathering, evaluating, and interpreting data for a study is referred to as research methodology. It offers a precise structure that facilitates the efficient and well-organized conduct of the research.

With particular reference to ICICI Prudential Life Insurance Company, the purpose of this study is to comprehend the function of Unit Linked Insurance Plans (ULIPs) in investment planning.

The study's exploratory and descriptive design aids in understanding investor behavior, awareness, and preferences with relation to ULIPs. Both primary and secondary data have been used to ensure a comprehensive investigation.

A. Sources of Data

1. Primary Information:

Information gathered directly from respondents for the first time is referred to as primary data. Primary data for this study was collected using a carefully crafted questionnaire. The questionnaire was personally distributed to the selected respondents in order to gather accurate and relevant information on their awareness, viewpoint, and investing activity regarding ULIPs.

2. Secondary Information:

Secondary data is information that has already been collected and made public by others. It reinforced and supported the study.

- **Internal Sources:** Company brochures, manuals, and annual reports from ICICI Prudential Life Insurance.
- **External Sources:** Trustworthy publications, books, and websites regarding ULIPs and financial planning.

B. Sampling Procedure and Sample Size

The sample size is the number of respondents selected for the study. **One hundred respondents** in all were chosen from Hyderabad.

Every member of the population has an equal chance of being chosen thanks to the adoption of a random sampling technique. By using this technique, bias is lessened and the results' dependability is increased.

- The sample size consists of one hundred responders.
- Random sampling is the method of sampling.
- Hyderabad City residents make up the sample unit.
- Personal Interview as an Example Plan

C. Instruments and Methods

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The primary research instrument used to collect the required data was the **questionnaire approach**. The questionnaire was carefully designed with logical and structured questions to obtain accurate and insightful responses.

Structured questions make data collection more dependable by lowering interviewer and respondent bias.

SPSS software was used for data analysis to process and interpret the responses. The collected data was carefully analyzed to yield informative findings, suggestions, and study-related conclusions.

LIMITATIONS OF THE STUDY

Limitations of ULIPs in Investment Planning:

1. **Market-Linked Risk:**
   ULIPs are directly linked to equity and debt markets. Hence, returns are not guaranteed and depend on market performance, which may lead to losses during market fluctuations.
2. **Lock-in Period (Low Liquidity):**
   ULIPs have a compulsory lock-in period of 5 years, during which investors cannot withdraw or surrender their funds.
3. **High Charges and Costs:**
   ULIPs involve various charges such as premium allocation charges, fund management fees, mortality charges, and administrative expenses, which reduce the overall returns.
4. **Returns Not Guaranteed:**
   Unlike traditional insurance policies, ULIPs do not provide fixed returns, as the final value depends on the performance of the selected funds.
5. **Complex Product Structure:**
   ULIPs combine both insurance and investment components, making them difficult for some investors to understand clearly.
6. **Lower Insurance Coverage:**
   Compared to term insurance plans, ULIPs generally offer lower life coverage.
7. **Charges on Fund Switching:**
   Although limited switching is free, frequent switching between funds may attract additional charges.
8. **Impact of Taxation Changes:**
   Changes in tax regulations may affect the maturity benefits, reducing the overall returns from ULIPs.
9. **Not Suitable for Short-Term Investors:**
   ULIPs are designed for long-term investment. Short-term investors may not benefit due to market volatility and initial charges.
10. **Performance Compared to Alternatives:**
    In some cases, ULIPs may provide lower returns compared to mutual funds or ELSS schemes due to higher cost structure.

Research Limitations:

11. The study is limited to **Hyderabad city only**, which may not represent the views of investors in other regions.
12. The sample size is restricted to **100 respondents**, which may limit the generalization of the findings.
13. Due to **time and resource constraints**, the study could not cover a larger population.
14. The data collected is based on **respondents' opinions**, which may be subject to bias.

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DATA ANALYSIS AND INTERPRETATION

Data analysis and interpretation is the process of organizing, examining, and understanding the data collected from respondents. In this study, primary data was collected through questionnaires to analyze how individuals perceive ULIPs as an investment option at ICICI Prudential Life Insurance.

The responses obtained from the survey were carefully classified and arranged in a structured format. The data was analyzed based on various factors such as age, income level, awareness of ULIPs, investment preferences, risk perception, and satisfaction levels.

Awareness of ULIP:

The analysis indicates that the level of awareness about ULIPs varies among respondents. While a majority of individuals have a basic understanding of ULIPs, a considerable number of respondents still lack complete knowledge about their features, benefits, and functioning.

Investment Preference:

The study reveals that ULIPs are generally considered a moderate investment option. Many respondents prefer ULIPs because they offer the combined advantage of insurance protection along with investment opportunities, making them suitable for long-term financial planning.

1) Gender-Based Respondents:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	94	94.0	94.0	94.0
	Female	6	6.0	6.0	100.0
	Total	100	100.0	100.0	

Table no.4.1

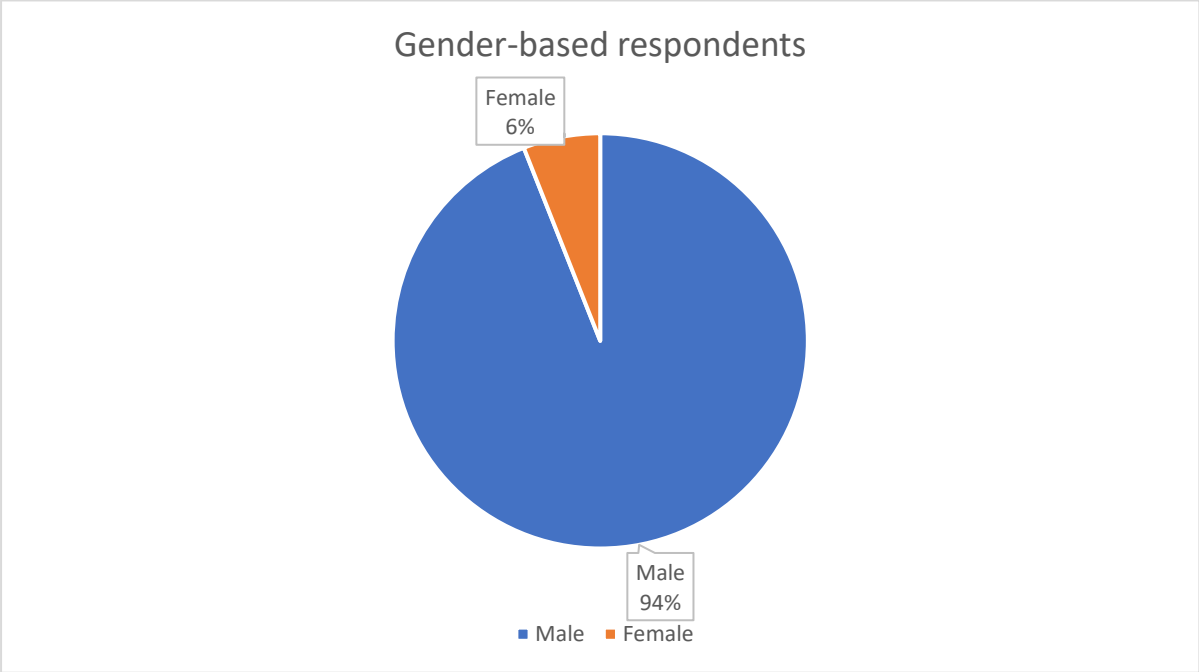
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Graph no.4.1

Interpretation: According to our project survey, out of 100 respondents, 94% are male and 6% are female. Therefore, males are more than females in Hyderabad city.

2) Occupation:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Businessman	10	10.0	10.0	10.0
	Professionals	14	14.0	14.0	24.0
	Student	25	25.0	25.0	49.0
	Others	51	51.0	51.0	100.0
	Total	100	100.0	100.0	

Table no.4.2

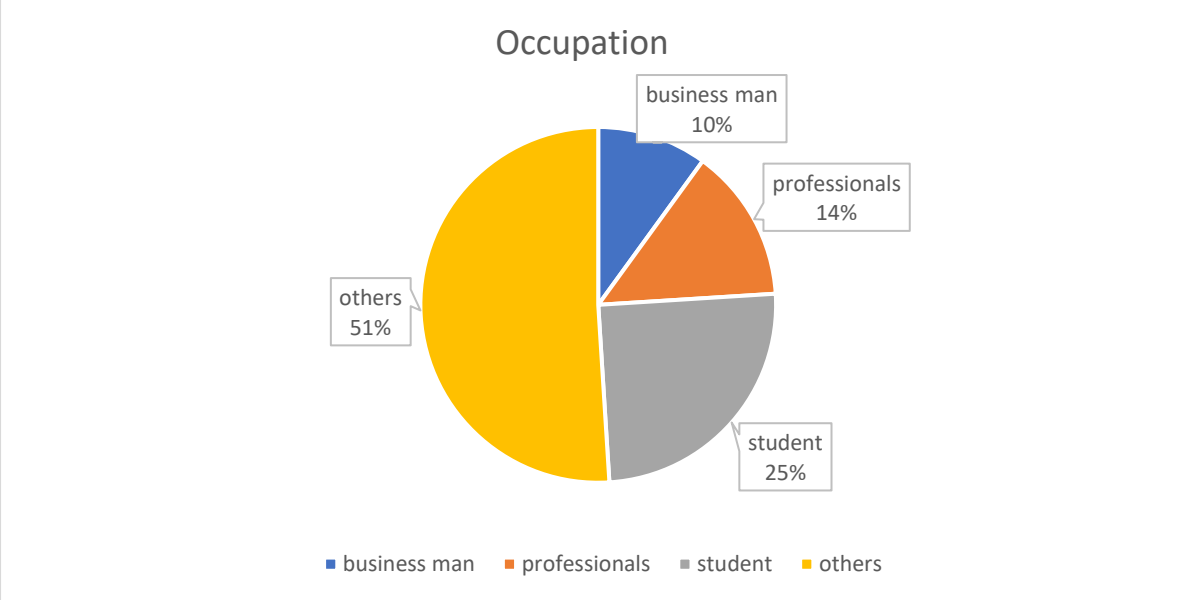
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Graph no.4.2

Interpretation: According to our project survey, businessmen are 10%, professionals 14%, students 25%, and others are 51%. This indicates that others are more compared to businessmen, professionals and students.

3) Which of these are important while choosing life insurance?

	Company	Frequency	Percent	Valid %	Cumulative %
Valid	Investment	8	8.0	8.0	8.0
	Security	15	15.0	15.0	23.0
	Savings	11	11.0	11.0	34.0
	Tax benefits	8	8.0	8.0	42.0
	Returns	27	27.0	27.0	69.0
	Financial future need	31	31.0	31.0	100.0
	Total	100	100.0	100.0	

Table no.4.3

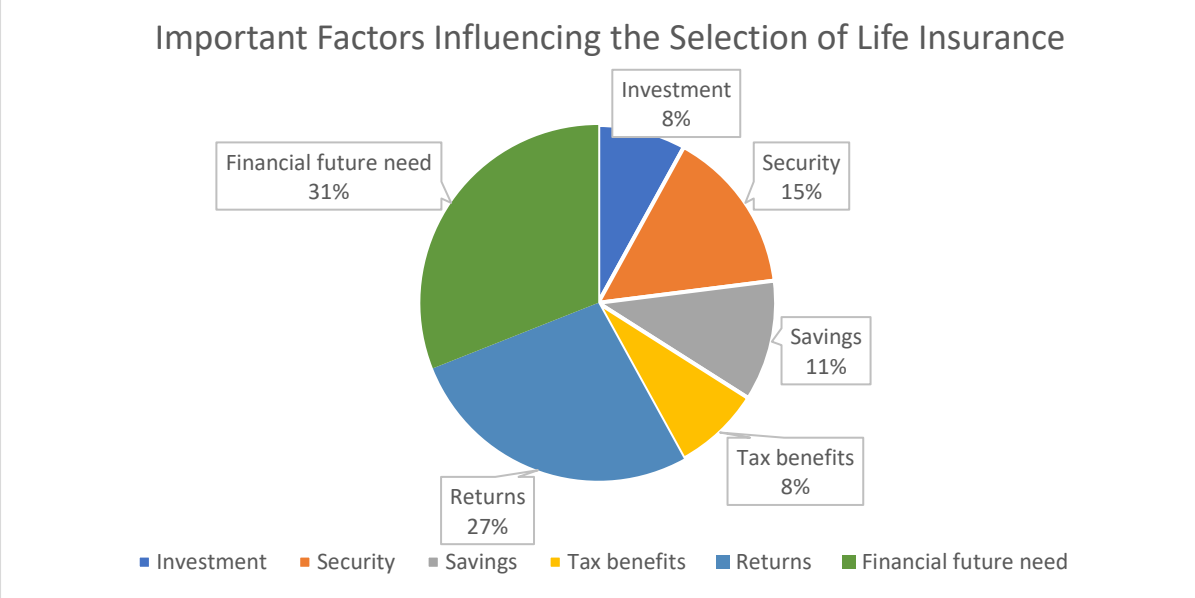
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Graph no.4.3

Interpretation: According to our project survey, out of 100 respondents, 39% invest in LIC, 51% invest in ICICI Prudential Life Insurance, 2% invest in Reliance Insurance, 7% invest in Bajaj Allianz, and 1% invest in other companies.

4) Company Investment Data:

	Company	Frequency	Percent	Valid %	Cumulative %
Valid	LIC	39	39.0	39.0	39.0
	ICICI Prudential	51	51.0	51.0	90.0
	Reliance Insurance	2	2.0	2.0	92.0
	Bajaj Allianz	7	7.0	7.0	99.0
	Total	100	100.0	100.0	

Table no.4.4

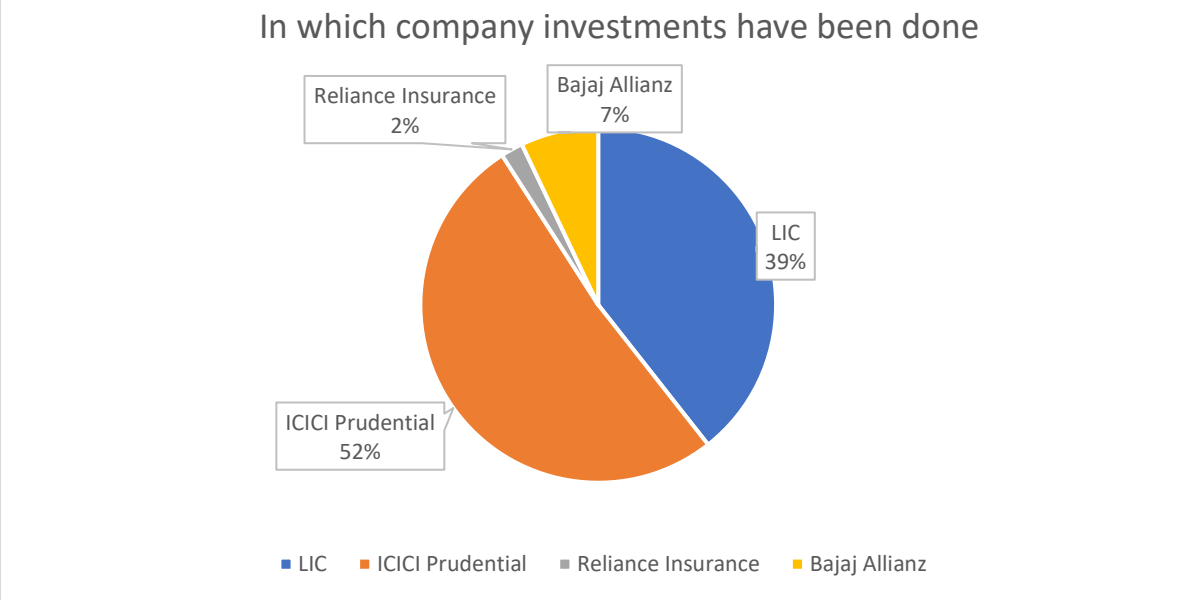
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SUMMARY OF FINDINGS

- The awareness level of ULIPs among respondents is moderate, with many having only basic knowledge about the product.
- ULIPs are considered a moderate investment option by most respondents due to their market-linked nature.
- A majority of investors prefer ULIPs because they provide the combined benefit of insurance and investment.
- The perception of risk associated with ULIPs is moderate, as returns depend on market performance.
- Many respondents are not fully aware of charges such as fund management fees, mortality charges, and administrative expenses.
- Customer satisfaction towards ULIPs is average, with some concerns regarding transparency and complexity.
- Factors such as safety, returns, and company reputation influence the investment decisions of respondents.
- There is a lack of complete understanding regarding NAV calculation and fund switching options among investors.
- ULIPs are mainly preferred by individuals with a long-term investment perspective.
- The study shows a higher participation of male respondents compared to female respondents.

SUGGESTIONS

- The company should focus on increasing awareness about ULIPs among investors by clearly explaining their features, benefits, and risks.
- It should improve transparency by providing clear information about charges such as fund management fees, mortality charges, and other expenses.
- The company may simplify ULIP products to make them easier for customers to understand and invest confidently.
- It should strengthen communication with customers regarding NAV, fund performance, and switching options.

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- Financial advisors should provide proper guidance to investors based on their risk-taking ability and financial goals.
- The company should work on improving customer service to increase satisfaction and build long-term relationships.
- It should promote ULIPs as long-term investment options to help investors achieve better returns.
- Efforts can be made to reduce charges wherever possible to make ULIPs more attractive compared to other investment options.
- The company should use digital platforms and technology to educate customers and provide easy access to information.
- Regular updates about fund performance should be provided to help investors make informed decisions.

CONCLUSION

The study concludes that ULIPs are essential to investment planning since they offer both insurance and investment benefits. According to the investigation, investors are slightly aware of ULIPs, but their features, costs, and methods of operation are still poorly understood. Generally speaking, ULIPs are regarded as moderately risky investment options suitable for those with long-term investing objectives.

The findings also indicate that investors select ULIPs due to these two benefits, while there are still problems with fees, complexity, and transparency. The need for better awareness and communication initiatives is indicated by the moderate degree of customer satisfaction. All things considered, ULIPs can be seen as a useful financial tool for long-term investment planning if investors are appropriately informed and guided.

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