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Original Research Article

COMPARATIVE ANALYSIS OF UNIT LINKED INSURANCE PLANS AND MUTUAL FUNDS

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Abstract: - In the 21st century the purpose of insurance mode of risk transfer is to provide economic protection against the losses that may be incurred but to chance events such as death, disability, and economic losses. India is still a relatively under penetrated market when it comes to paying for financial advice. Most investors are not comfortable paying a fee when it comes to receiving financial advice and even more so in years where the market sees greater volatility and when there may be potential losses on investments. Mutual fund is the pool of the money, based on the trust who invests the savings of a number of investors who shares a common financial goal, like the capital appreciation and dividend earning. The money thus collect is then invested in capital market instruments such as shares, debenture, and foreign market. A unit-linked insurance plan is a multi-featured product that combines the benefit of insurance, risk sharing and investment. The investment in a unit linked insurance plan works like a mutual fund and does not come with guaranteed returns, unlike money back, whole-life or endowment policies. The objectives of the study were to examine the awareness level in the market for Unit Linked Insurance Plans (ULIPs) and Mutual Fund, to find the most popular investment avenues among sample of investors, also to find the importance of various investments based parameters among sample of investors, to identify the potential customers across locations, age-groups, profession and to get an idea of customer expectations in terms of rate of return. It was found out that, major of the target audience have been insured, also must people prefer Unit Linked Insurance Plans to mutual funds and it was also found that the respondent prefer moderate risk moderate return.

Keywords: Mutual funds, Unit linked, Insurance, Risk

Introduction: In this generation insurance subscribers always look out for insurance policies with unique features, which has assured returns by single public enterprise, in this view Unit-Linked Insurance plans are the best insurance products to subscribe. Low risk as attractive returns has faded out, moderate interest rate introduced by insurance products

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like endowment plans; has a much needed degree of rationality. An increased in equity markets and the development of new breed of market-linked insurance products like ULIPs. These features are unique and ensures attractive returns on investments. Antecedently, in traditional insurance products, the insurance elements come before the savings, whereas in the ULIPs contrary to the above statement is true. Most especially, ULIPs has a very large number of options for investors, this helps the investor to choose the insurance product which correspond to the risk profile; for example in this scenario a risk lover will surely shun traditional endowment plans, which only invests 85% of their funds in debt instruments, this is to the advantage of ULIPs which can virtually invest all its equities.

Mutual Funds operate as collective investment vehicles (CIV) that pools resources by issuing units to investors and collectively invests those resources in a diversified portfolio comprising of stocks, bonds or liquid assets as financial instruments which harmonizes the purpose stated in the proposal of the codified documents of pooling resources. The investors share the profit or losses in proportion to their investments in the fund. In 1964, Unit trust of incredible India was established as Mutual fund. This was followed by entry of MFs supported by public sector banks and insurance companies in 1987. The industry was opened for the private players in 1993 providing Indian investors with a broader choice. Starting with an asset base of Rs. 25 crore in 1964, the industry has grown exponentially.

Objectives:

(1) To examine the awareness level of Unit Linked Insurance Plans (ULIPs) and Mutual Fund market.

(2) To examine the most popular investment avenues among sample of investors.

(3) To identify the importance of various investments based parameters among sample of investors.

Literature Review: Security and Exchange Board of India monitors the Mutual Fund industry, it lays its principles and norms both Mutual Funds and Asset Managing Companies (AMCs). Similarly, there are legal structures which are common under Mutual Funds which allows open-ended and closed-ended schemes. Asset Management Companies monitors all Mutual fund systems. Financial and non-financial institutions have backed these AMCs, either collaborated efforts' or single- handedly with very renowned intercontinental firms. Most intercontinental firms like Alliance and Templeton are working effectively in India. Many intercontinental Mutual fund giants are preparing to launch out in the Indian future market.

ULIPs first-rate payments is the main constituent of traditional insurance products, the lump sum assured is the corner stone. In terms of structure and operations both mutual funds ULIPS works together, the same units and Net Asset Value (NAV) are converted and declared simultaneously. In this type of insurance the investors have the right to improve their insurance cover, adjusting their premium payments and even deciding for a unique asset allocation than the original one they decided for. This calls for enhanced flexibility in ULIPs. Insurance is risk transfer mechanism, when investors realized they cannot bear their risk then they transfer it to insurance companies. Investors transfer risk because of the fear of future. In ULIPs higher amount are paid to the insured in case of uncertainties, whereas in the traditional products the sum assured is paid plus the accrued bonuses. ULIPs represents the new face of insurance; because it has brought elasticity in the traditional insurance products. There are very attractive features in ULIPS than the traditional insurance products. ULIPs can contribute to one's insurance portfolio and financial planning.

For the unexperienced, understanding of the operations of ULIPs can be little bit tricky. Higher expenses, inflexible defined insurance and investment elements has influence of markets on the ULIPs which makes it a bit difficult scheme. ULIPs ensures maximum cooperation of the insured, whereas the traditional insurance subscribers are passive controlled the premium payments. In all the ULIPs operations and activities are complex as compared to the traditional system.

Strategic Charges and Expenses: Tax deduction and life cover benefits are added to ULIPs which works like mutual fund. Financial instruments like government securities, shares, bonds, debentures, the money market and equities are general options to invest the premiums. The main difference between traditional life savings-based insurance like endowment and ULIPs is the investment obligations. In ULIPs 100% of the premium can be invested into varying portfolios, the percentage is much lower mostly up to 15% in conventional insurance plans case. ULIPs has attractive multi-optional like 'aggressive' ULIPs premium can be invest up to 100% in equities, 'balance' ULIPs can invest 40-60% in equities and 'debt' ULIPs can only invest debt and money market instruments.

Methodology: This shows how the study was conducted using the very corrective methods. To ensure that all aspects of this descriptive research are analyzed critically before drawing relevant conclusions, both quantitative and qualitative approaches were employed. The sample size of 50 respondents was used. The sampling technique used for the study was census sampling. Since the sample size was small everybody stands a chance of been selected. This method was adopted because of its conveniences, close at hand and easy access approach.

Data Analysis

Items	**N0 of respondents (n=50)**	**Percentage (100%)**
Gender Male Female	 32 18	 64 36
Age 20-30 31-40 41-50 Above 50	 16 20 9 5	 32 40 18 10
Monthly income 10-20k 21-40k 41-60k Above 61k	5 16 8 21	10 32 16 42
Are you insured Yes No	 37 13	 74 26
Awareness of MF and ULIP Yes No	30 20	70 30
Do you make any investment? Yes No	38 12	76 24
The most important parameter High returns Safety Liquidity Tax free proceeds Flexibility Transparency	 12 9 4 10 8 7	 24 18 8 20 16 14

Interpretation: From the above table it can be seen that 32 respondents' represents 64% are male and 18 respondents' represents 36% are female. It can be also be observed that 16 respondents representing 32% are within the age bracket of 20-30. It can be explained from the table that, 20 respondents representing 40% are within the age bracket of 31-40. It can be seen that 9 respondents representing 18% are within the age bracket of 41-50.It also can be seen that 5 respondents representing 10% are within the age bracket of above-50. From the table it can be seen that 5 respondents representing 10 % are within the income bracket of 10-20k. From the table It can be seen that 16 respondents representing 32 % are within the income bracket of 21-40k. From the table It can be seen that 8 respondents representing 16 % are within the income bracket of 41-60k. From the table It can be seen that 21 respondents representing 42 % are within the income bracket of above-60k. From the table it can also be seen that 37 respondents representing 74% are insured, whist 13 respondents representing 26% are not insured.. From the table it can also be seen that 30 respondents representing 70% are aware of MF &ULIP, whist 20 respondents representing 30% are not aware of MF & ULIP.. From the table it can also be seen that 38 respondents representing 76% have investment portfolio, whist 12 respondents representing 24% do not have investment portfolio.. From the table it can also be seen that 12 respondents representing 24% agree that high returns is most important parameter, whist 10 respondents representing 20% agree that tax free proceeds is also most important parameter.

Finding and Conclusion: It was found that the more males then female then also find out that 31-40 age group of peoples who invest. The monthly income of respondents was between 21-40k. It was also found that majority of respondents insure and the majority of respondents aware of M.F and ULIPS. Majority of respondents have investment portfolio. It was found out that the most important parameters are high returns and tax free proceeds. Aggressive marketing and mass awareness programmes need to be conducted to realize the actual potential of this product. ULIPs form an attractive investment avenue and have a lot of potential for growth.

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