



AN ATTITUDINAL STUDY OF BUYING BEHAVIOUR OF ULIP INVESTORS IN INDIA

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ABSTRACT

ULIP is an abbreviation for Unit Linked Insurance Policy. A ULIP is a life insurance policy which provides a combination of risk cover and investment. The dynamics of the capital market have a direct bearing on the performance of the ULIPs. For selling an ULIP not only the in-depth knowledge of the product is required but also the scanning and keen observation of capital market is also required which is troublesome matter on both fronts i.e. on the front of an FPA and on the front of an investor in most of the time, because no doubt an FPA goes through the prerequisite training by IRDA for selling insurance, but there also he is only taught about the basic features of ULIPs and how they are different from traditional insurance plan but they were not given a very detailed knowledge of capital market where the units of an ULIP has to be allocated and how the dynamics of capital market has a direct impact on the different funds of that are offered in an ULIP, and in which market scenario which fund should be suggested to the investor keeping in view his needs and wants.

The counselling and the advice of these FPAs play a very vital role in helping the investor to get zeroed on a particular plan, because an FPA is supposed to possess all the required knowledge regarding a particular insurance plan which he is suggesting and selling and over all general awareness of insurance as he is been through all the prerequisite trainings that are required for becoming an FPA or insurance agent. But with the addition of new ULIPs every now and then in the insurance portfolio things are becoming more complex to understand both for the investors and insurance agents.

The present study has been undertaken to identify the association between the selling techniques and advices of FPAs and investment behaviour of the individual and also analyzing the acceptance of insurance by them. The study was conducted using the survey method (Personal interviews and Telephonic interviews). Data was collected through a close ended structured questionnaire from a sample of 150 respondents from Lucknow. Regression analysis and Cross Tabs was used to analyze the data and identify the effect of customers' perception about the quality of performance of various factors on customer satisfaction.

KEYWORDS : Life Insurance, ULIP, FPA, IRDA.

INTRODUCTION

With largest number of life insurance policies in force in the world, Insurance happens to be a mega opportunity in India. It's a business growing at the rate of 15-20 per cent annually and presently is of the order of Rs 450 billion. Together with banking services, it adds about 7 per cent to the country's GDP. Gross premium collection is nearly 2 per cent of GDP and funds available with LIC for investments are 8 per cent of GDP.

Yet, nearly 80 per cent of Indian population is without life insurance cover while health insurance and non-life insurance continues to be below international standards. And this part of the population is also subject to weak social security and pension systems with hardly any old age income security. This itself is an indicator that growth potential for the insurance sector is immense.

Insurance is a federal subject in India. There are two legislations that govern the sector- The Insurance Act- 1938 and the IRDA Act- 1999. The insurance sector in India has come a full circle from being an open competitive market to nationalization and back to a liberalized market again. Tracing the developments in the Indian insurance sector reveals the 360 degree turn witnessed over a period of almost two centuries.

There is no doubt that ULIPs has revolutionized the industry as they enable the buyer to make the most informed decision possible when planning for financial security, with time ULIPs have become very popular because of their dual role of offering risk cover and wealth build up; and their versatility to cater to individuals with varying risk levels.

LITERATURE REVIEW

According to Joseph et al (2003) - "It has been observed constantly that insurance agent should constantly monitor the level of satisfaction among his /her customers to keep themselves close to the customers for fulfilling their needs".

Ennew et al, (1993) - "Indicated that a comparison of mean scores on the importance of service attributes provides a very effective method of measuring the ability of services to meet the needs of the customers".

Chow-Chua and Lim, (2000)-focuses "that both the company and the agent's service quality as well recommendations of friends are factors that significantly affect the decisions of purchasing life insurance policies".

According to Tam and Wong, (2001) - "Customer satisfaction and salesperson's relation orientation significantly influences the future business opportunities and as the sales persons are able to enhance their relationships with the clients, clients are more satisfied and are more willing to trust, and thus secures the long-term demand for the services".

Crosby, Evans & Cowles (1990) while emphasising the role of an agent writes that - "In the 21st century, customers' expectations towards life insurance products have changed with time. They no longer buy life insurance products blindly but will make comparison between various policies offered. Today, they expect life insurance agents to analyze their personal and family needs before designing the most suitable policies for them. Therefore, insurance sales agents must fully understand the customers' needs and requirement as well as build a trusting relationship between themselves and their client to promote long-term mutually beneficial relationship".

Nik Kamariah (1995) indicates- "Furthermore, in marketing life insurance, insurance agents are often considered to be marketing complex services. This is because insurance agents are involved in long-term commitment and a continual stream of interaction between buyer and seller".

OBJECTIVES

- To find out the level of influence of FPAs on the investment decisions made by the investors with respect to ULIPs.
- To find out the degree of understanding of ULIPs by the investors.
- To assess the investor's attitude for ULIPs according to their demographic factors.
- To find out the investment behavior of investors on the basis of risk-return profile and risk coverage.
- Find out the frequency of investment and the kind of returns they expect according to their demographic factors.

- To study the existing investment pattern among different age groups, different income categories and different occupations

RESEARCH METHODOLOGY

This is a Descriptive Research.

Sample is the definite part of whole universe/population which will be taken to conduct a research.

IV. Sample size: 150.

V. Sample Unit: ULIP investors.

VI. Sample Profile: Insurance investors.

VII. Sample Technique: The sample technique which was used in this research was systematic sampling under probability sampling.

VI. Data Collection

This study is based on authentic Primary and the secondary data sources available from the various agencies and insurance companies.

Scale and scoring of items

Nominal Scale - It has been used to select responses for certain demographic factors.

Likert Scale- A five point Likert scale has been used with the responses ranging from strongly agreed to strongly disagreed and respondents were asked to respond according to their opinion.

MEASUREMENT TECHNIQUES

The following measurement techniques have been used in the study:

Chi- square test

RESEARCH FINDINGS AND ANALYSIS

Here we have analyzed how the investment options, frequency of investment, return expected by people are affected by various parameters like age, gender, marital status, qualification, occupation.

The sample was taken cautiously so as to include respondents from all age groups. The respondents are segmented into following classes according to their age- (a) less than 25 years (b) 25-35 years (c) 35-45 years (d) 45-55 years (e) 55 years & above. The table reveals that while the highest percentage (34.7 %) of the respondents belong to the lowest age group of less than 25 years; 25.3% and 21.3% fall in the category of 35- 45 years and 25-35 years respectively. Those between the age group of 45-55 years constitute only 12.7% and the lowest percentage of respondents (6%) belong to the age of 55 & above.

According to gender, the sample consists of 69.3% males and 30.7% females. Thus, the sample is dominated by male respondents.

On the basis of marital status, the sample consists of 52% respondents who are married, while 48% are single.

On the basis of qualification, the table reveals that while the highest percentage (42 %) of the respondents are graduate; 22.7% fall under the category of undergraduate and 20.7 % fall under post graduate. The lowest percentage (14.7%) of the sample collected includes respondents having professional qualification.

Occupation is also one of the variables influencing the preference for investment and the frequency of investment. Occupation has been classified into six categories-(a) Student (b) Business man (c) Service man (d) Professional (e) Retired (f) Housewife

The table above which presents the distribution of sample investors amongst different occupations shows that the highest proportion (27.3%) of the respondents are students followed by business man (24.7%).The sample includes the lowest percentage of retired people (6%).

On the basis of income, the respondents have been classified into the following categories: (a) Not Earning (b) less than 1,50,000 (c) 1,50,000- 3,00,000 (d) 3,00,000- 5,00,000 (e) 5,00,000 & above. The highest percentages of respondents (36.7%) include those who are not earning themselves. The second highest group includes the respondents in the highest income group which is 20%. The sample includes very less percentage of those having income less than Rs.1,50,000.

Table 1 AGE WISE DISTRIBUTION

Age (in years)	Frequency	Percent	Cumulative Percent
less than 25 years	52	34.7	34.7
25-35 years	32	21.3	56.0
35-45 years	38	25.3	81.3
45-55 years	19	12.7	94.0
55 & above	9	6.0	100.0
Total	150	100.0	

Table 2 GENDER WISE DISTRIBUTION

Gender	Frequency	Percent	Cumulative Percent
male	104	69.3	69.3
female	46	30.7	100.0
Total	150	100.0	

Table 3 MARITAL STATUS WISE DISTRIBUTION

Marital Status	Frequency	Percent	Cumulative Percent
Married	78	52.0	52.0
Single	72	48.0	100.0
Total	150	100.0	

Table 4 QUALIFICATION WISE DISTRIBUTION

Qualification	Frequency	Percent	Cumulative Percent
undergraduate	34	22.7	22.7
Graduate	63	42.0	64.7
post graduate	31	20.7	85.3
professional course	22	14.7	100.0
Total	150	100.0	

Table 5 OCCUPATION WISE DISTRIBUTION

Occupation	Frequency	Percent	Cumulative Percent
Student	41	27.3	27.3
business man	37	24.7	52.0
service man	27	18.0	70.0
Professional	17	11.3	81.3
Retired	9	6.0	87.3
Housewife	19	12.7	100.0
Total	150	100.0	

Table 6 INCOME WISE DISTRIBUTION

Annual Income (Rs.)	Frequency	Percent	Cumulative Percent
not earning	55	36.7	36.7
less than 150000	12	8.0	44.7
150000 -300000	26	17.3	62.0
300000- 500000	27	18.0	80.0
500000 & above	30	20.0	100.0
Total	150	100.0	

INFLUENCE ON INVESTMENT DECISIONS

Analyzing how the attributes of a FPA influence the investment decisions of an ULIP investor we found the following results by Chi-square test-

H₀ (Null hypothesis) – There is no relation between the particular attribute of FPA and investment decisions taken by ULIP investor.

H₁ (Alternate Hypothesis) - There is a relation between the particular attribute of FPA and investment decisions taken by ULIP investor.

The results are taken at 95% confidence level, which means the p value becomes comparable with α (0.05). If the p value is more than α, we accept the null hypothesis (i.e. there is no relation) and in case the p value is less than α, we reject the null hypothesis and accept the alternate hypothesis (i.e. there is a relation between the two).

The p value in case of all the attributes of FPA such as presentation style of FPA (.002), knowledge of FPA (.001), qualification of FPA (.03), proper financial counseling by FPA (.011), ethical practices by FPA (.000) and market awareness of FPA (.000) is less than α (.05) which means that null hypothesis is rejected. Thus, there is a very strong relation between these variables and investment decisions.

Chi-Square Tests

TABLE 7 PRESENTATION STYLE OF FPAs VS INVESTMENT DECISIONS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.684	4	.002

TABLE 8 KNOWLEDGE OF FPAs VS INVESTMENT DECISIONS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	44.868	16	.001

Table 9 QUALIFICATION OF FPAs VS INVESTMENT DECISIONS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.135	4	.003

Table 10 PROPER FINANCIAL COUNSELING BY FPAs VS INVESTMENT DECISIONS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	25.604	12	.011

Table 11 ETHICAL PRACTICES BY FPAs VS INVESTMENT DECISIONS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	92.694	20	.000

Table 12 MARKET AWARENESS OF FPAs VS INVESTMENT DECISIONS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	56.841	16	.000

PREFERENCE FOR INVESTING MONEY

Analyzing how the demographic factors influence the investment decisions we found the following results by Chi-square test-

H₀ (Null hypothesis) – There is no relation between the particular demographic variable and the investment decisions chosen by the ULIP investors .

H₁ (Alternate Hypothesis) - There is relation between the particular demographic variable and the investment decisions chosen by the ULIP investors .

The p value in case of all the demographic factors such as gender (.001), age (.000), qualification (.012), occupation (.000), annual income (.000) is less than α (.05) which means that null hypothesis is rejected. Thus, there is a very strong relation between these variables and investment preference. Only in case of marital status where the p value (.388) is greater than α (.05) which means it does not affect the investment preference.

Chi-Square Tests

TABLE 7 GENDER VS INVESTMENT DECISIONS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.684	4	.001

TABLE 8 AGE VS INVESTMENT DECISIONS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	44.868	16	.000

Table 9 MARITAL STATUS VS INVESTMENT DECISIONS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.135	4	.388

Table 10 QUALIFICATION VS INVESTMENT DECISIONS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	25.604	12	.012

Table 11 OCCUPATION VS INVESTMENT DECISIONS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	92.694	20	.000

Table 12 ANNUAL INCOME VS INVESTMENT DECISIONS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	56.841	16	.000

FREQUENCY OF INVESTMENT

H₀ (Null hypothesis) – There is no relation between the particular demographic variable and the frequency of investment.

H₁ (Alternate Hypothesis) - There is relation between the particular demographic variable and the frequency of investment.

The chi square shows that there is no influence of gender, age and marital status on frequency of investments as the null hypothesis has been accepted due to greater value of p (gender- .211, age- .123 and marital status-.224) than α (.050). However, the p value in case of qualification (.010), occupation (.000) and income status (.012) is less than α (.050) which means that null hypothesis is rejected and there is a relationship between these variables and frequency of investment.

Table 13 GENDER VS FREQUENCY

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.517	3	.211

Table 14 AGE VS FREQUENCY

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.771	12	.123

Table 15 MARITAL STATUS VS FREQUENCY

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.376	3	.224

Table 16 QUALIFICATION VS FREQUENCY

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.805	9	.010

Table 17 OCCUPATION VS FREQUENCY

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	66.455	15	.000

Table 18 INCOME VS FREQUENCY

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	25.768	12	.012

EXPECTATION OF RETURN

H_0 (Null hypothesis) – There is no relation between the particular demographic variable and returns expected by the respondents.

H_1 (Alternate Hypothesis) - There is relation between the particular demographic variable and returns expected by the respondents.

The chi square test shows that the p value (.045) is less than α (.05) in case of gender, thus the null hypothesis is rejected and there is relationship between gender and returns expected. However in case of other demographic factors, chi square test shows that the p value (age- .372, marital status- .513, qualification- .315, occupation- .135, income- .130) is more than α (.05), thus the null hypothesis is accepted that there is no relationship between age and returns expected.

Table 19 GENDER VS RETURNS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.027	1	.045

Table 20 AGE VS RETURNS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.258	4	.372

Table 21 MARITAL STATUS VS RETURNS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.427	1	.513

Table 22 QUALIFICATION VS RETURNS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.547	3	.315

Table 23 OCCUPATION VS RETURNS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.414	5	.135

Table 24 INCOME VS RETURNS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.106	4	.130

CONCLUSION

After the analysis, the major findings are-

- Attribute of FPA's play a very crucial and undeniable influence on the investment decisions taken by ULIP investors.
- Demographic factors highly influence the preference of investment decisions
- The frequency of investment is also influenced only by qualification, occupation and income level of the people. Majority of people go for annual investments.
- Returns expected are not dependent on any of the demographic factors and the preference for long term gains are higher.

SUGGESTIONS:

FPA's like always forms the solid edifice for selling the ULIPs provided that the FPA's should be completely equipped to meet out the queries of the investors with updated knowledge of the markets.

There is less awareness about insurance needs and the plans offered by various companies among the people so efforts should be made to increase the awareness among the general masses. Also plans should be designed in such a way that it could cater to various needs of the people.

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