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A Study on Unit Linked Insurance Plans (ULIPs)

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Abstract:

Unit Linked Insurance Plans (ULIPs) are hybrid financial products that combine life insurance coverage with market-linked investment opportunities. These plans allow policyholders to allocate their premiums into different funds such as equity, debt, or balanced funds, depending on their risk appetite. ULIPs have gained popularity in India due to their dual benefits of protection and wealth creation. However, issues such as high charges, lack of awareness, and misspelling have raised concerns among investors. This study aims to analyze customer perception, satisfaction, and awareness regarding ULIPs. The research adopts a descriptive approach using both primary and secondary data sources. Primary data was collected through a structured questionnaire from 50 respondents. Secondary data includes journals, websites, and reports. The findings indicate that while ULIPs are preferred for long-term investment, many investors lack complete knowledge about associated risks and charges. The study concludes that improving financial literacy and transparency can enhance customer trust and adoption of ULIPs.

Keywords: ULIP, Investment, Insurance, Risk.

Introduction:

Unit Linked Insurance Plans (ULIPs) are financial instruments that offer both insurance protection and investment benefits. A portion of the premium is used to provide life cover, while the remaining amount is invested in market-linked funds.

ULIPs emerged as a major innovation in the Indian insurance sector after liberalization, attracting investors seeking long-term wealth creation along with financial security.

Problem Statement:

Despite their benefits, ULIPs face criticism due to:

- High charges and fees
- Lack of investor awareness
- Mis-selling practices
- Complexity in understanding returns

Literature Review:

1. Samajpati (2020) studied ULIP performance using risk-return measures and found that certain ULIP schemes outperformed market benchmarks.
2. Jyothsna (2024) analyzed the evolution of ULIPs in India and highlighted their growth after insurance sector liberalization and regulatory reforms.
3. Madhavi & Ramakrishna (2024) conducted a comparative study and emphasized cost efficiency, market positioning, and performance indicators in ULIPs.
4. Gupta (2012) examined whether ULIPs are insurance or investment products and found

regulatory changes increased their insurance component.

5. Kirtani (2023) studied customer awareness and preferences, concluding that investor decisions depend on risk appetite and financial goals.

Objectives of the Study:

1. To analyze customer awareness regarding ULIPs.
2. To evaluate customer satisfaction towards ULIPs.
3. To identify factors influencing investment decisions in ULIPs.

Research Questions:

1. What is the level of awareness about ULIPs among customers?
2. Are customers satisfied with ULIP performance?
3. What factors influence customers to invest in ULIPs?

Research Methodology:

1. Descriptive Research Design:

The study adopts a descriptive research design, which focuses on describing the characteristics, opinions, and behavior of respondents regarding Unit Linked Insurance Plans (ULIPs). This design helps in understanding customer awareness, satisfaction levels, and investment preferences without manipulating any variables. It is suitable for analyzing real-world situations based on collected data.

2. Sample Size:

The sample size of the study consists of 50 respondents. This number is considered adequate for a small-scale academic research project and helps in obtaining meaningful insights about customer perception and behavior towards ULIPs.

3. Sample Area:

The study is conducted in Hyderabad, focusing on urban investors. Hyderabad is a major metropolitan city with a growing number of financially aware individuals, making it an appropriate location to study investment behavior and awareness of ULIPs.

4. Data Collection:

Primary Data:

Primary data is collected through a structured questionnaire survey. The questionnaire includes questions related to awareness, satisfaction, investment preferences, and factors influencing decisions regarding ULIPs.

Secondary Data:

Secondary data is collected from various sources such as:

- Research journals
- Official websites
- Insurance company reports
- Books and academic publications

This data helps in building theoretical background and supporting the analysis

5. Sampling Technique:

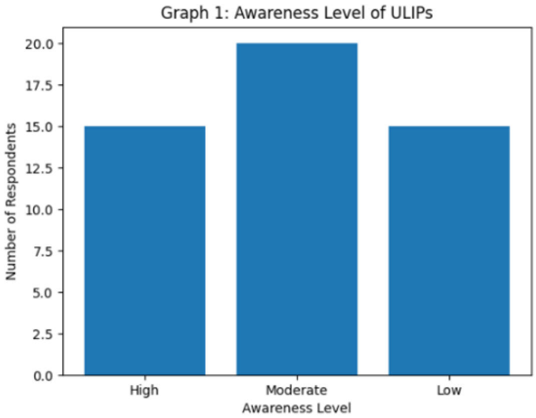
The study uses convenience sampling, where respondents are selected based on their easy availability and willingness to participate. This method is simple, time-saving, and cost-effective, especially for student research projects. However, it may have limitations in terms of generalizing the results to the entire population.

Data Analysis:

Table 1: Awareness Level of ULIPs

Awareness Level	No. of Respondents
High	**15**
Moderate	**20**
Low	**15**
Total	**50**

Graph 1: (Bar Chart Representation)



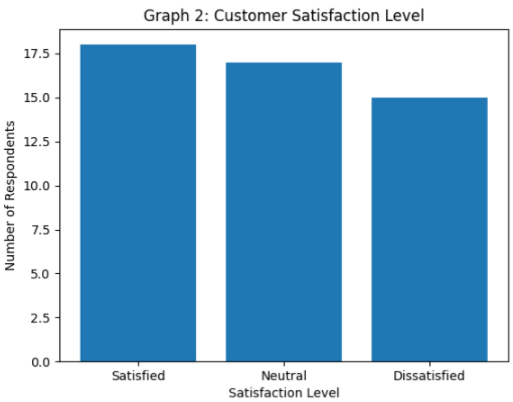
Interpretation:

The majority of respondents (40%) have moderate awareness of ULIPs, while equal proportions (30%) have high and low awareness. This indicates a need for better financial education.

Table 2: Customer Satisfaction Level

Satisfaction Level	No. of Respondents
Satisfied	18
Neutral	17
Dissatisfied	15
Total	50

Graph 2: Pie Chart showing Purpose of Using social media.



Interpretation:

Customer satisfaction is moderate, with a significant number of neutral and dissatisfied customers, suggesting scope for improvement in service and transparency.

Findings:

1. Moderate awareness of ULIPs among investors
2. ULIPs preferred for long-term investment
3. Mixed satisfaction levels among customers
4. Charges and complexity are major concerns
5. Investment decisions influenced by risk and returns

Suggestions:

1. Increase awareness through financial literacy programs
2. Improve transparency in charges and returns
3. Simplify ULIP product structure
4. Provide better customer guidance
5. Strengthen regulatory monitoring to prevent mis-selling

Conclusion:

ULIPs are innovative financial products offering dual benefits of insurance and investment. While they provide long-term financial growth opportunities, challenges such as lack of awareness, high charges, and mis-selling affect their acceptance. The study concludes that ULIPs can be effective investment tools if investors are well-informed and policies are transparent. Enhancing customer education and trust is essential for the sustainable growth of ULIPs in India.

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