

A Comparative Analysis on LIC Policies and Other Investment Avenues Using Sip as an Investor with Special Reference to Life Insurance Corporation JP Nagar, Bangalore

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ABSTRACT

This study presents a comparative analysis of Life Insurance Corporation (LIC) policies and other investment avenues through Systematic Investment Plans (SIPs), focusing on their effectiveness from an investor's perspective. With special reference to LIC's operations in JP Nagar, Bangalore, the research evaluates key parameters such as risk, returns, liquidity, tax benefits, and long-term financial security. The analysis highlights the role of LIC policies as a traditional and secure investment choice, compared to SIPs that offer higher growth potential but with greater market risk. By assessing investor preferences, financial goals, and risk appetites, the study aims to provide insights into optimizing investment portfolios. To analyse the research used a primary data like questionnaire and secondary data are taken from company and research papers and **Chi-Square Test** as a statistical tool for analysing categorical data, such as investor preferences. This research helps stakeholders understand the comparative advantages and limitations of LIC policies and SIPs to make informed decisions that align with their financial objectives.

KEYWORDS: LIC policies, SIP, Investment analysis, Risk, Returns, Liquidity, Financial security,

1.INTRODUCTION:

Investment decisions play a critical role in shaping an individual's financial security and future stability. Among the various investment options available, Life Insurance Corporation (LIC) policies and Systematic Investment Plans (SIPs) have emerged as prominent choices for investors. LIC policies are renowned for their traditional approach, offering guaranteed returns, tax benefits, and life coverage, making them a preferred choice for risk-averse individuals. On the other hand, SIPs, a mode of investment in mutual funds, provide higher returns by leveraging market performance, albeit with associated risks. This study focuses on the comparative analysis of these investment avenues with a special

reference to LIC's operations in JP Nagar, Bangalore. By examining factors such as risk, returns, liquidity, tax efficiency, and alignment with long-term financial goals, the research seeks to provide valuable insights for investors. This analysis aims to guide individuals in optimizing their investment portfolios while balancing security and growth potential.

2. RESEARCH METHODOLOGY

The research methodology for this study involves a systematic approach to compare LIC policies with Systematic Investment Plans (SIPs) as investment avenues. The study adopts both primary and secondary data collection methods. Primary data is gathered through surveys and interviews conducted with investors, financial advisors, and LIC agents in JP Nagar, Bangalore, to understand investor preferences, perceptions, and decision-making criteria. Secondary data is sourced from financial reports, LIC policy documents, SIP performance metrics, and published research articles. Analytical tools are employed to evaluate key parameters such as risk, returns, liquidity, tax benefits, and long-term financial impact. Descriptive and comparative analyses are used to identify trends, patterns, and differences between the two investment options.

2.2 OBJECTIVES OF THE STUDY

- To study on the history of banking and financial sector.
- To Analyse and compare the returns offered by LIC policies and SIPs over a specific period.
- To Analyse the risk profiles and tax advantages of LIC policies versus other investment alternatives.
- To suggest and recommend the necessary changes towards policies and patterns.

2.3 REVIEW OF LITERATURE

1. Umambheswari and Ashok Kumar (2024). Highlight that awareness of investment options arises from external sources that influence and shape investor decisions. They emphasize the role of television, radio, print media, expert consultations, and social networks, such as relatives and friends, in guiding and modifying investment choices.

2. Mishra, K.C. and Simita Mishra (2023). In their article on “Insurance Industry: Recipe for a Learning Organization” say that like any other industry, insurance industry in India suffers from one challenge repeatable a hundred times, that is the constraints of infrastructure.

3. J. Paul sunder (2022). The study analyses the behavior of an investor. This study brings out the relationship between risk of investment and protection of investment. Nearly 59 respondents stick to the protection of investment rather risk for good returns. Respondents have protecting investment as a main priority.

4. Srivastava, D.C. and Srivastava, S. (2021). In their book on “Indian Insurance Industry– Transition and Prospects” discuss analytically the financial significance of insurance industry, its contribution to Indian economy and also the transitory prospects and challenges of insurance industry due to liberalization and the opening up of the sector to private players.

5. Ashly Lynn joseph, M Prakash (2020). Buying of financial product or any valued item with anticipation of positive returns will receive in the future is called as investment. Study analyses the different investment options such as bonds, cash, real estate etc.

3. DATA METHODOLOGY

The data interpretation and analysis focus on comparing the performance and investor perception of LIC policies and Systematic Investment Plans (SIPs) in JP Nagar, Bangalore. The study reveals that LIC policies are favoured by risk-averse investors seeking guaranteed returns, tax benefits, and life coverage, making them a secure option for long-

term financial planning. In contrast, SIPs appeal to investors with a higher risk appetite due to their potential for higher returns through market-linked investments and flexibility in withdrawals.

TABLE 3.1 ESSENTIAL CRITERIA FOR SELECTING THE OPTIMAL INVESTMENT AVENUE

Particular	Responses	Percentage
Returns	24	23.1%
Risk	19	18.3%
Liquidity	24	23.1%
Tax Benefits	24	23.1%
Insurance Coverage	6	5.8%
Others	7	6.7%

TABLE 3.1

INTERPRETATION

The data highlights the key factors influencing respondents' financial decisions, with returns, liquidity, and tax benefits each garnering significant attention, each accounting for 23.1% of responses. Risk is also a notable consideration at 18.3%, indicating that respondents are mindful of potential uncertainties in their financial strategies.

TABLE 3.2 TYPES OF SIPs CONSIDERED FOR INVESTMENT

Particular	Responses	Percentage
3 Mutual Funds (SIPs)	18	17.3%
Fixed Deposits	23	22.1%
Stocks/Equity	27	26%
Real Estate	11	10.6%
Gold	15	14.4%
Crypto Currency	2	1.9%
Others	8	7.7%

TABLE 3.2

INTERPRETATION

The interpretation of the survey results highlights a diverse range of investment preferences among those who have invested in Systematic Investment Plans (SIPs). Stocks/Equity emerged as the most favored option, chosen by 26% of respondents, indicating a strong inclination towards growth-oriented investments. Fixed Deposits followed closely at 22.1%, reflecting a desire for stability and security. Additionally, Mutual Funds (SIPs) were selected by 17.3%, showcasing their appeal as a managed investment vehicle.

TABLE3.3 TYPES OF LIC POLICIES CONSIDERED FOR INVESTMENT

Particular	Responses	Percentage
Endowment Plans	18	17.3%
Whole Life Plans	27	26%
Money Back Plans	24	23.1%
Term Insurance	18	17.3%
ULIPS	5	4.8%
Others	12	11.5%

TABLE 3.3

Testing using Chi-square:

Hypotheses Formulation

- **Null Hypothesis (H_0):**

There is no significant relationship between investor preferences for LIC policies and SIPs and the influencing factors such as risk, returns, liquidity, and tax benefits.

- **Alternative Hypothesis (H_1):**

There is a significant relationship between investor preferences for LIC policies and SIPs and the influencing factors such as risk, returns, liquidity, and tax benefits.

Chi-Square Test Formula

The Chi-Square (χ^2/χ^2) statistic is calculated using the formula:

$$\chi^2 = \sum \frac{(O - E)^2}{E} \chi^2$$

Where:

- O: Observed frequency
- E: Expected frequency

CALCULATION OF THE CHI SQUARE TEST

Particulars	Yes	No	Rows Total
Endowment Plans	15	3	18
Whole Life Plans	20	7	27
Money Back Plans	19	5	24
Term Insurance	15	3	18
ULIPS	5	0	5
Others	12	0	12
Columns Total	86	18	104

Analysis:

In this analysis, the degree of freedom (D) is calculated as $(C-1)(R-1) = 5(2-1) = 5$, and the level of significance is set at 5% with a tabulated value of 5.2. Since the calculated value (27.89) exceeds the tabulated value, we reject the null hypothesis. This indicates that there is a statistically significant difference between the observed and expected frequencies, suggesting that the variables under study are not independent and have a significant relationship.

Statistical Calculation:

O	E	(O-E)	(O-E) ²	(O-E) ² /E
15	14.4	0.6	0.36	0.025
20	19.23	0.77	0.59	0.03
19	18.26	0.74	0.55	0.03
15	14.42	0.58	0.34	0.02
5	4.8	0.2	0.4	0.08
12	11.53	0.47	0.22	0.02
3	2.8	2.98	8.88	3.17
7	6.7	0.3	0.9	0.13
5	4.8	0.2	0.4	0.08
3	0.3	2.7	7.29	24.3
0	0	0	0	0
0	0	0	0	0

Degree of Freedom

$$D = (C-1)(r-1) = (6-1)(2-1)$$

$$= (5)(1) = 5$$

Level of significance at 5% is 5.2

Calculated Value > Tabulated Value

Since calculated value (27.89) is greater than tabulated value (5.2)

Hence the alternative hypothesis (H1) is accepted.

Interpretation:

The chi-square test results indicate that the relationship between investor preferences (Yes/No) and the type of investment plan (Endowment Plans, Whole Life Plans, Money Back Plans, Term Insurance, ULIPs, and Others) is not statistically significant. With a chi-square value of 5.18 and a p-value of 0.395 (greater than the 0.05 threshold), we fail to reject the null hypothesis.

4. FINDINGS AND SUGGESTIONS:**Findings**

- The essential criteria for selecting the optimal investment avenue are returns, liquidity, and tax benefits, each accounting for 23.1%, while insurance coverage is the least prioritized.
- Stocks/Equity and Fixed Deposits are the most preferred investment avenues, while Crypto Currency is the least favoured among respondents.
- The chi-square analysis shows significant variation as the observed values deviate substantially from the expected values, particularly in categories with extreme differences.

SUGGESTION:

- Investors should prioritize a balanced approach by considering returns, liquidity, and tax benefits while aligning investments with their risk tolerance and financial goals.
- Encourage diversification by educating investors about the benefits and risks of underrepresented options like Crypto Currency and Real Estate.
- Focus on re-evaluating categories with extreme deviations to understand underlying factors influencing these discrepancies.

5.CONCLUSION:

The comparative analysis of LIC policies and other investment avenues through SIPs reveals that both options have distinct advantages and limitations based on investor preferences and financial objectives. LIC policies, with their guaranteed returns and tax benefits, remain a secure choice for risk-averse individuals seeking long-term financial security. On the other hand, SIPs offer higher growth potential through market-linked investments, making them attractive to investors willing to accept a higher level of risk for potentially better returns.

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