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A STUDY ON COST BENEFIT ANALYSIS

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ABSTRACT:
Cost–benefit analysis (CBA) is an essential tool that is used to weigh benefits against costs. In practice, however, the use of CBA is sometimes inadequate, resulting in the adoption of regulatory measures that impose higher costs than necessary or the rejection of others that should be accepted. The evaluation process contains significant elements of subjectivity and value judgment. In CBA outcomes are valued in monetary terms, where money values are attached to the health states resulting from the interventions being compared. To be considered a CBA, formal assessment of willingness to pay for the outcomes should be undertaken using recognized elicitation methods.

REVIEW OF LITERATURE:

Cost-Benefit Analysis (CBA) estimates and totals up the equivalent money value of the benefits and costs to the community of projects to establish whether they are worthwhile. These projects may be dams and highways or can be training programs and health care systems.
The idea of this economic accounting originated with Jules Dupuit, a French engineer whose 1848 article is still worth reading. The British economist, Alfred Marshall, formulated some of the formal concepts that are at the foundation of CBA. But the practical development of CBA came as a result of the impetus provided by the Federal Navigation Act of 1936.
Cost–benefit analysis (CBA), sometimes called benefit–cost analysis (BCA), is a systematic approach to estimating the strengths and weaknesses of alternatives that satisfy transactions, activities or functional requirements for a business. It is a technique that is used to determine options that provide the best approach for the adoption and practice in terms of benefits in labor, time and cost savings etc.
The CBA is also defined as a systematic process for calculating and comparing benefits and costs of a project, decision or government policy

Broadly, CBA has two purposes:
1. To determine if it is a sound investment/decision (rustication/feasibility),
2. To provide a basis for projects comparison. It involves comparing the total expected cost of each option against the total expected benefits, to see whether the benefits outweigh the costs, and by how much.

How to conduct a cost - benefit analysis:
Step 1: Define the Scope or Perspective of the Analysis
Step 2: Conduct Cost Analysis
Step 3: Estimate Program Effects
Step 4: Estimate the Monetary Value of Outcomes
Step 5: Account for the Effects of Time
Step 6: Aggregate and Apply a Decision Rule
Step 7: Describe Distributional Consequences
Step 8: Conduct Sensitivity Analysis
Step 9: Discuss the Qualitative Residual

OBJECTIVES OF THE STUDY

The main aim of the present study is to accomplishing the following objectives.
1. To identify the Max New York Life‘s investment allocation for UNIT LINKED INVESTMENT PLAN.
2. To know about how much per cent of returns promised by Max New York Life and also analyze what they are giving as returns to the investors.

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3. To find out the disparities between the actual and promised rate of returns.
4. To analyses the range of customers invested in UNIT LINKED INVESTMENT PLAN.
5. To analyses the risk and return pattern of Max New York Life.

RESEARCH METHODOLOGY

RESEARCH DESIGN:

Based on the objectives of the study, descriptive research has been adopted. Descriptive research is one, which largely used to draw interferences about the possible relationships between variables.

Primary Data:

Data collected from the company guide.

Secondary Data: Companies existing investment portfolios, quarterly review report, available statistics, journals and magazines and Internet etc.

Methodology:

Here the methodology is based on Unit Linked Investment plans using Growth Fund Investment Portfolio Techniques. First part contains the profile of investors including their gender, occupation, range of annual income etc. Second part contains questions related to their investment behaviour, choice of company, factors considered while investment etc.

LIMITATIONS OF THE STUDY

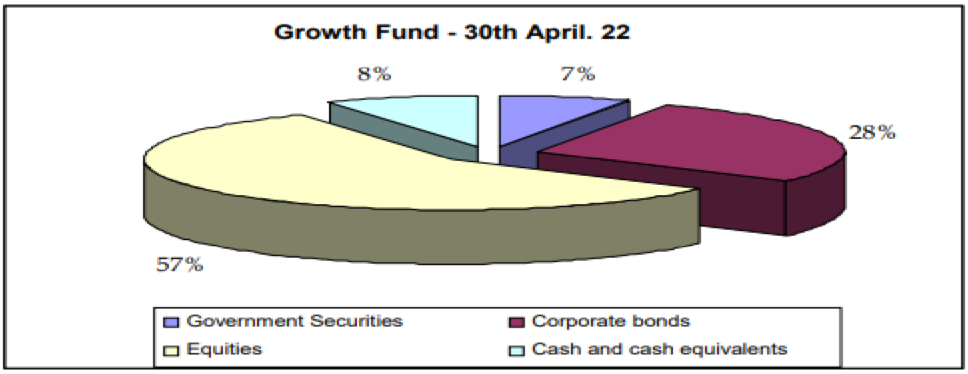
Any study cannot be 100% accurate at the times. This is because of the inherent limitations that could be present in such a study. One of the limitations is since it‵s a Private insurance company the financial data are not supposed to be disclosed.

Due to resource and time constraints, only percentage of different cost components has been considered and it is difficult to express in numerical values because it varies based on the age of the individual.

DATA ANALYSIS & INTERPRETATION:

GROWTH FUND INVESTMENT PORTFOLIO AS ON 30TH APRIL 2022

Asset allocation	Percentage
Government securities	7%
Corporate bonds	28%
Equities	57%
Cash and cash equivalents	8%



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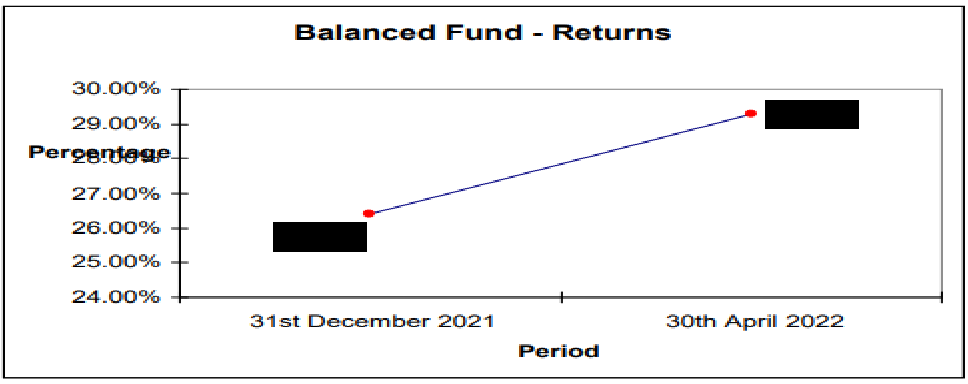
INTERPRETATION:
From the period 31st December 2021 to 30th April 2022, the growth fund percentage of returns has increased from 47.1% to 49.9%. So there was an increase of 2.8% returns in Growth fund. This is because of the change in government securities allocation from 14% to 7% change in corporate bonds allocation from 16% to 28% and change in cash and cash equivalents allocation from 14 to 8%.

BALANCED FUND RETURNS:

Period	Returns
31st December 2021	26.4%
30th April 2022	29.3%



INTERPRETATION: From the Period 31st Dec. 21 to 30th April. 2022 the growth fund returns return has increased from 47.10 % to 49.9 % at a 2.8 % Growth in returns.

FINDINGS

- Major factors effecting to Max unit is loss.
- This unit is good at Cost of Production as compare to it other unit
- This unit has more expenditure and fewer Sales.
- It is observed that these units except cost of production, all the other majors‘ area are not satisfactory.
- There is an increase in net profit in 2021-2022.
- The Management has control over the service management
- A current liability of the company position is increased and then there is a positive growth.

SUGGESTIONS:

1. Staying invested for longer than five years can further enhance the chance for growth; balanced funds are more evenly invested in equities and income securities.
2. Balanced and equity-income funds are suitable conservative investors who want high current t yield with some growth. If you seek to generate long-term capital appreciation and current income, an investment in the balanced fund would be ideal.
3. It gives customs an exposure to the stock market without the entire risk of the stock market. If customers prefer a balance of growth and steady returns, they can choose our balanced fund Unit Linked Investment Plan.

CONCLUSION

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Life insurance is performing well and it acceptable for the investors for satisfying the return needs of the investors. More over the additional comparative benefits like service of investment professionals, ability to diversify price volatility risk, and ability to match with risk taking ability etc. are the some of high-lighted points of life insurance. And there is a roof for improvement in the forms of increasing the number of investors by undergoing changes in Unit Linked Investment Plan schemes. Max New York life shows only illustrative returns of 6% and 10% under the guidelines of IRDA but it pays the actual returns of 49.9% in growth fund and 29.3% in balanced fund respectively. And the returns will vary from period to period based on market fluctuations. As it is a market linked product, the stable returns cannot be expected by the customers.

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