



A STUDY OF COMPARATIVE ANALYSIS OF MUTUAL FUND AND ULIP

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Abstract: *Mutual funds is that they give small investors access to professionally managed, diversified portfolios of equities, bonds and other securities, which would be quite difficult (if not impossible) to create with a small amount of capital. And Ulip are a category of goal based financial solutions that combined the safety of insurance protection with wealth creation opportunities. This study explore about the customers awareness level regarding mutual fund and ulip schemes. Objective of the study was to make comparative analysis of mutual fund and ulip. For this study data has been collected through primary and secondary data. The required primary data for the study was collected through common questionnaire for all categories of respondents. And secondary data has been collected through Published data available in various publications of central, state and local government, books, magazines, newspaper, technical and trade journals. At the end of the study it was concluded that people from different income groups & occupations, they all had different view point about insurance and Mutual Funds. It also found that people don't perceive Ulips & MF as a viable investment option, hence this mind set has to be changed.*

Key words: *Mutual fund, Unit-linked insurance plan.*

INTRODUCTION:

MUTUAL FUND A Mutual Fund pools the money of people with certain investment goals. The money invested in various securities depending on the objectives of the mutual fund scheme and the profits (or loss) are shared among investors' in proportion to their investment. Investments in securities are very common in industries and sectors. Diversification reduces the risk because all stocks may not move in the same direction in the same proportion at the same time. Mutual fund issues units to the investors' in accordance with quantum of money invested by them. Investors' of mutual funds are known as unit holders. The profits or losses are shared by the investors' in proportion to their investment. These funds are normally come out with a number of schemes with different investment objectives which are launched from time to time. A mutual fund is required to be registered with Securities and Exchange Board of India (SEBI) which regulates securities markets before it can collect funds from the public.

A Mutual fund is a trust that pools the savings of a number of investors' who share a common financial goal. The money collected from investors' is invested in capital market instrument such as shares, debentures and other securities and the income earned through these investments and the capital appreciations realized are shared by its unit's holder in proportion to the number of units owned by them.

Thus a Mutual Fund is the most suitable investment to the common man as it offers an opportunity, to invest in a diversified, professionally managed basket of securities at relatively low cost.

EVOLUTON OF MUTUAL FUND

PHASE 1 – (1964-87) Growth of Unit Trust of India

The first scheme launched by UTI was Unit Scheme 1964. It was the first open ended scheme in the country.

PHASE 2 – (1987-93): Entry of Public Sector Funds

State Bank of India established the first non- UTI mutual fund- SBI mutual fund in November 1987

PHASE 3 – (1993-96): Emergence of Private Funds

Private and foreign fund houses permitted to set up MFs in India. Kothari Pioneer was the first private sector fund.

PHASE 4 – (1996-99): Growth and SEBI Regulations

A set of regulations for all mutual funds operating in India was introduced with SEBI (MUTUAL FUND) regulations, 1996.

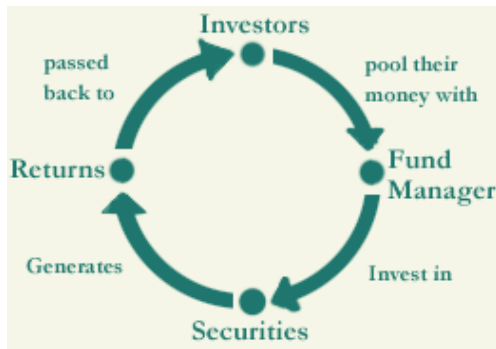
PHASE 5- (1999-2004): Emergence of Large and Uniform Industry

In February 2003, UTI Act was repealed, UTI was split into two and UTI no longer had a special legal status and it also adopted the same structure as any other fund in INDIA. UTI Mutual Fund is the present name of the erstwhile Unit Trust of India.

PHASE 6 – 2004 Onwards: Period of Consolidation & Growth

In this period the industry has witnessed a spate of mergers and takeovers. Also more and more new international and private setor players are entering the fray. This period also saw the growth of the industry.

MUTUAL FUND OPERATION FLOW



CHART

ULIP

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. ULIP is life insurance solution that provides for the benefits of protection and flexibility in investment. The investment is denoted as units and is represented by the value that it has attained called as Net Asset Value (NAV). The policy value at any time varies according to the value of the underlying assets at the time. In a ULIP, the investment risk is generally borne by the investor. The three important things to learn about a ULIP is that entry costs are high and the brokerage, commission could be as high as 30 percent of the premium in the first year. The second thing is that management fee is low in a ULIP at around. The price of an insurance cover is higher in a ULIP than in a plain vanilla insurance policy. To that extent if a person has the time and inclination to research he would be better off buying separate insurance and mutual funds. The third point that one must keep in mind is that in India one gets tax benefits on investing in ULIPs. As ULIPs are an efficient tax saving instrument too. The tax benefits that one can avail in case he invests in ULIPs are described below:

- 1 Life insurance plans are eligible for deduction under Sec. 80C.
- 2 Pension plans are eligible for a deduction under Sec. 80CCC.
- 3 Health insurance plans and critical illness riders are eligible for deduction under Sec. 80D.
- 4 The maturity proceeds or withdrawals of life insurance policies are exempt under Sec 10(10D), subject to norms prescribed in that section

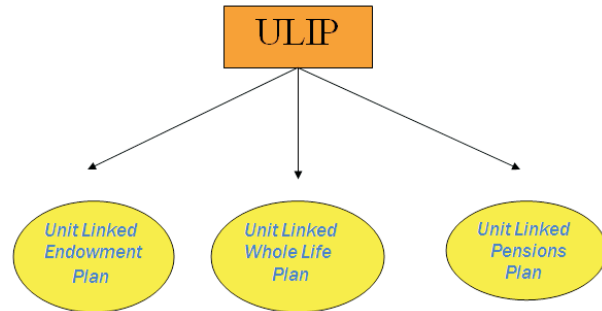
Unit linked insurance plans are undisputedly the most popular plans in the insurance industry today. These plans have carved a niche for themselves by combining the best of “mutual funds” and “insurance”.

Before selecting any market linked insurance plan the investor should consider the following aspects:

- **The charges** that are involved in the plan
- **The mode of computation of the charges**- whether it is at a fixed amount of deduction from the premium or the charge is debited by cancellation of units
- **The actual amount of premium that will be invested** in the 1st year (which differs from company to company)

- **Hidden charges (if any)**, such charges are over and above the normal charges like mortality charge, fund management charge etc.

CLASSIFICATION OF ULIP



ULIPs Vs Mutual Funds

	ULIP	MUTUAL FUND
Investment Amount	Determined by the investor and can modify it but there is always a minimum locking period for a same amount for three years and can withdrawal 100% only after fifth year.	Minimum investment amount is decided by the fund house and person have the option of withdrawal without any charges or with charges of round about 1% as per the funds conditions
Expenses	At the time of first year premium charges may be deducted at the rate of (20 to 60%) as per the scheme.	Entry load and exit load can be put upon the scheme and generally it is 2.25% as an entry load and round about 1% or no charge as a exit load as per the scheme's rules
Portfolio Disclosure	Not Mandatory	Quarterly disclosure is mandatory
Modified asset allocation	Generally permitted free or at nominal cost	Entry and exit load have to be born by investor
Tax Benefits	Sec. 80C benefits are available on all the ULIP plans	80C benefits are available only on tax saving funds e.g. ELSS funds

LITREATURE REVIEW

Korivi and BS (2009) examined that mutual funds offered customer-tailor products to suit investors' requirement. So insurance companies also offered ULIPs which is an insurance product with an investment fund wrapped around it. Singh and Jha (2009) conducted a study on awareness & acceptability of mutual funds and found that consumers basically prefer mutual fund due to return potential, liquidity and safety and they were not totally aware about the systematic investment plan. The investors' will also consider various factors before investing in mutual fund. Khurana (2009) made a comparative analysis of performance of ULIPs of private sector companies and found that there is no significant difference between the performances of pension funds-growth of selected insurance companies. Prasad, Babu, Chiranjeevi and Rao (2009) found that in spite of various investment opportunities, ULIPs have gained more reputation among the investors. Hence his study focused on assessing the significant relation between demographic features and ULIPs feature and level of investment in ULIP. Devasenathipathi, Saleendran and Shanmugashunaram (2008) found that due to changes in LPG policies, preferences of people are changing. Therefore a wide range of ULIPs products is being offered to customers

according to their preferences. Dash, Lalremtluangi, Atwal and Thapar (2007) the researchers tried to find out rate of return given by different insurance policies and the effect of mortality and he found that different returns are given by different insurance policies and the mortality does not affect return. Ramamurthy and Reddy (2005) conducted a study to analyze recent trends in the mutual fund industry and draw a conclusion that the main benefits for small investors' due to efficient management, diversification of investment, easy administration, nice return potential, liquidity, transparency, flexibility, affordability, wide range of choices and a proper regulation governed by SEBI. The study also analyzed about recent trends in mutual fund industry like various exit and entry policies of mutual fund companies, various schemes related to real estate, commodity, buying and selling of mutual funds through online. Anand and Murugaiah (2004) had studied various strategic issues related to the marketing of financial services. They found that recently this type of industry requires new strategies to survive and for operation. For surviving they have to adopt new marketing strategies and tactics that enable them to capture maximum opportunities with the lowest risks in order to enable them to survive and meet the competition from various market players globally. Rao (2003) done the performance evaluation of mutual funds in a bear market and his results suggest that most of mutual funds have given excess returns over expected return.

RESEARCH METHODOLOGY

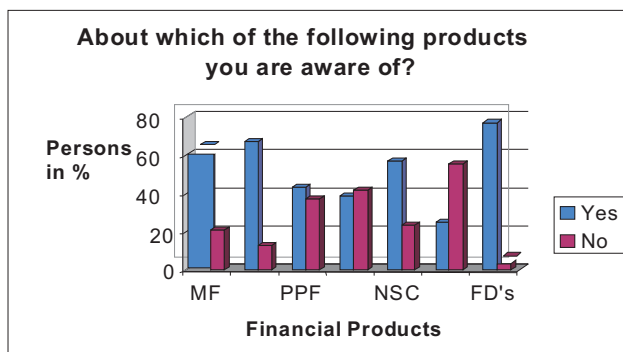
The present study has been conducted on the basis of primary data and is descriptive in its nature. The required primary data for the study was collected through common questionnaire for all categories of respondents. And secondary data has been collected through Published data available in various publications of central, state and local government, books, magazines, newspaper, technical and trade journals.

• SAMPLE DESIGN & SIZE

The sample selected was investors of mutual fund and ulip. The details of sampling design are given below:

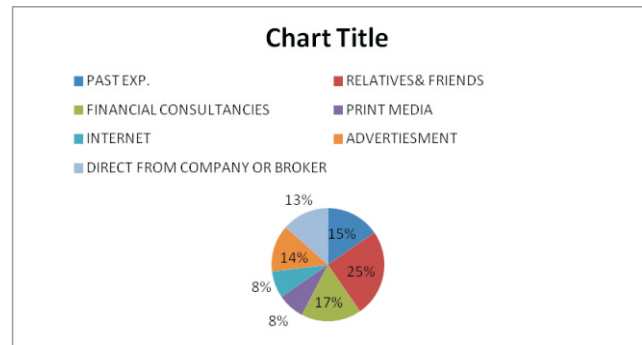
- ❖ Sampling method- Convenience sampling
- ❖ Sample size- 50 Respondents
- ❖ Sample area- NCR region

Question :1



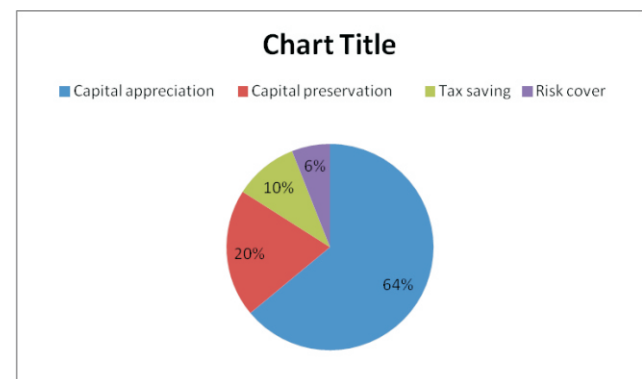
60 % people are aware of mutual fund schemes .It is also found that about 80 % investors are aware about fixed deposit schemes.

Question : 2:-If you want to make a new investment from where you will seek information?



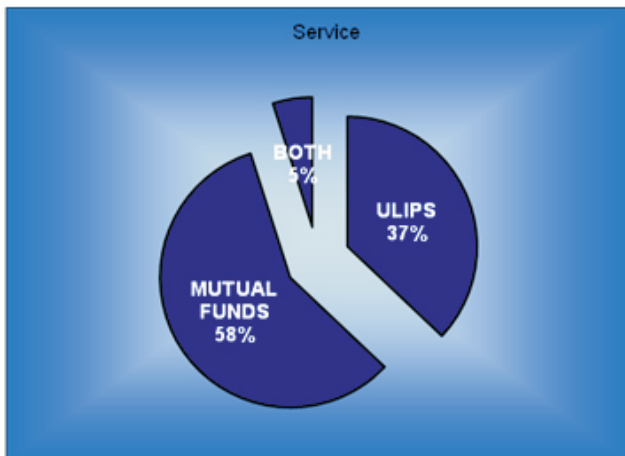
Answer: - This question is very important for investor as well as company point of view. Firstly investor never thinks that if he or she has to make new investment from where they will seek information and by giving us answer they got the idea that which are the ways of collecting the information. For companies point of view it will help in determining that weather the company is taking right step in promotion of the product.

Question: 3 Main objective of your investment.



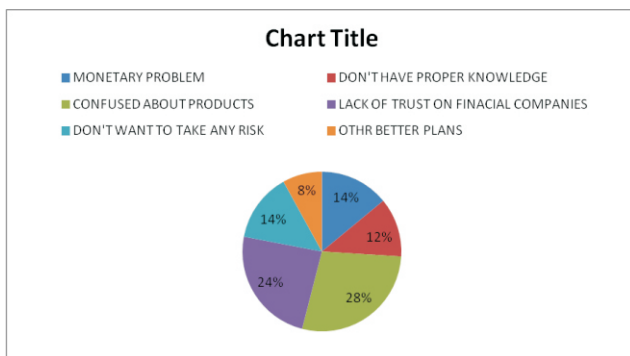
This table show that 64% person want capital appreciation and 10% tax saving while 20% persons respond to capital preservation, and 6% in risk cover. Finally it was analyzed that person want to have capital appreciation as well as tax saving and the risk taking power also decreased.

Question:4 In future you like to invest in?



From the charts we can concluded that mostly income group are interesting in investing money in mutual funds rather than in ULIPs. Some persons are interesting in ULIPs because at that time according to their income they have to give tax and for tax benefit they invest in ULIPs.

Question: 5 If you are not making Investment what is the main reason behind that?



For the future point of 14 % investors have monetary problem 28 % are confused about the product , 14% don't want to take any risk while 12% don't have proper knowledge ,24% don't trust financial companies and 8% think about the other plans .

CONCLUSION

The project was very useful and helpful in analyzing and understanding the Indian financial market, especially ULIPs & Mutual Funds. On closely studying the various ULIP based plans and MF schemes, it can be inferred that all the products are well designed and the market is highly competitive. At the end of the study it was concluded that people from different income groups & occupations, they all had different view point about insurance and Mutual Funds. It also found that people don't perceive Ulips & MF as a viable investment option, hence this mind set has to be changed. For this company has to take some vital steps to understand the buying behavior of the consumer so that it will be beneficial for the consumer as well as for the

companies. On the basis of comparative analysis of Mutual funds & ULIPs It has been concluded that: "If an individual have adequate life insurance cover already, then MF is better for them and if they don't have adequate life insurance coverage, then Ulip is the best.

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