

# A Study on Comparison between Mutual Funds and Unit Linked Insurance Plans with reference to South Gujarat Region in India

Dr. Mahammadrafique Meman

Associate Professor & Head of the Department, The Mandvi Education Society Institute of Business Management & Computer Studies

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## ARTICLE DETAILS

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## ABSTRACT

Ever expanding impact of economic liberalization, privatization and globalization; growing incomes, savings and investments by individuals to fulfil their future requirements through achieving higher returns; rising risk-return appetites. The evaluation of financial planning has been increased through decades. The saving objectives and source of information for investors advise the companies and individuals as to which is the most preferred investment avenue. A mutual fund is a type of professionally-managed type collective investment scheme that pools money from many investors. ULIP stands for Unit Linked Insurance Plan which combines the features of both insurance cover and investment opportunities under a single plan. Both ULIPs and mutual funds carry a certain element of risk in them that arise from investing. With this background this paper makes an earnest attempt to study the behaviour of the investors in the selection of these two investment vehicles in an Indian perspective by making a comparative study.

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## 1. Introduction

### Financial Market

What does the India Financial market comprise of? It talks about the primary market, FDIs, alternative investment options, banking and insurance and the pension sectors, asset management segment as well. With all these elements in the India Financial market, it happens to be one of the oldest across the globe and is definitely the fastest growing and best among all the financial markets of the emerging economies.

### Mutual Fund

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at relatively low cost.

### Unit Linked Insurance Plan (ULIP)

Unit linked insurance plan (ULIP) is life insurance solution that provides for the benefits of risk 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 underlying assets at the time.

### Comparison of Mutual Fund and ULIP

Unit Linked Insurance Plan (ULIP) and Mutual Fund (MF) both are investment options but most of the people are confused whether to choose ULIP or MF. Many people are purchasing ULIP as it covers insurance as well as investment. Another main reason is people buying ULIP because of its

agents. For mutual funds, there will be fewer advertisements, less agents and of course less pressure to take compared to ULIPs. ULIP is combination of insurance and investment but Mutual Fund is purely investment. ULIPs are quite expensive as they recover the various charges such as premium allocation charges, fund management charges, policy administration charges; morality charges etc., Allotment of your premium into investments happens once these charges are deducted from the premium. It is the same case with Mutual Fund but the costs are low.

## 2. Objectives of the study

- To study the investment behaviour and perception of investors towards investment in Mutual Fund and Unit Linked Insurance Plan.
- To know the concept of Mutual Fund and Unit Linked Insurance Plan.
- To study the investors' selection criteria for investment in Mutual Fund and Unit Linked Insurance Plan.

## 3. Research design

The descriptive research design has been used in this study. As name it reveals that, it is essentially a research to describe something. It may also be used for prediction purposes. Descriptive information often provides a sound basis for the solution of marketing problems, even though it does not 'explain' the nature of the behaviour that are measurable at time the predictive statement is made.

## 4. Data Collection Method

The primary data has been collected from the questionnaire. The secondary data has been collected from the various books, magazines, literature, and internet web-sites.

**5. Sampling Area**

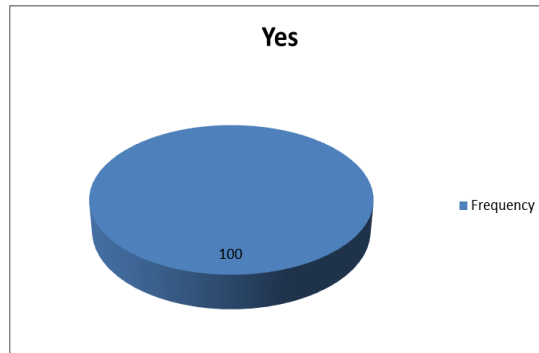
Hundred respondents have been selected for survey from south Gujarat region in India.

**6. Statistical Tool**

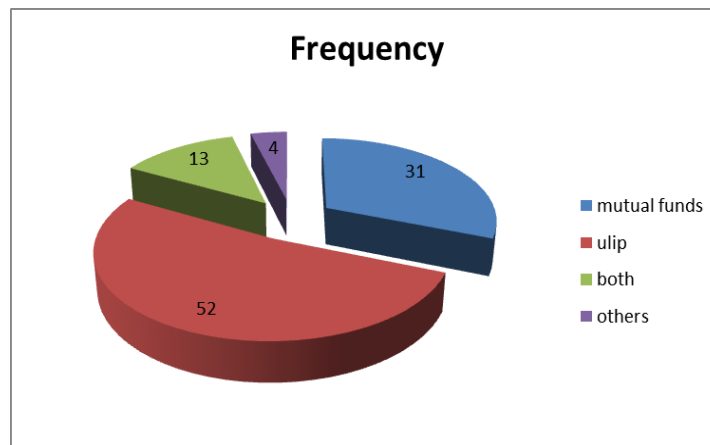
Statistical Package for Social Science (SPSS) software and Microsoft Excel software are used for making analysis and interpretation.

**7. Data analysis and interpretation**

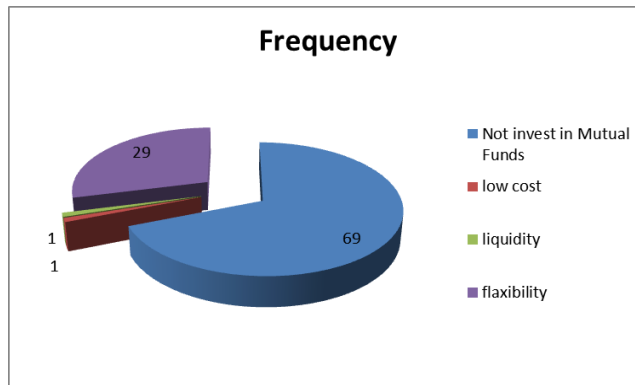
1. Do you invest in any Investment Avenue?				
	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	100	100.0	100.0	100.0



2. In which investment tool have you invested?				
	Frequency	Percent	Valid Percent	Cumulative Percent
Mutual funds	31	31.0	31.0	31.0
Ulip	52	52.0	52.0	83.0
Both	13	13.0	13.0	96.0
Others	4	4.0	4.0	100.0
Total	100	100.0	100.0	

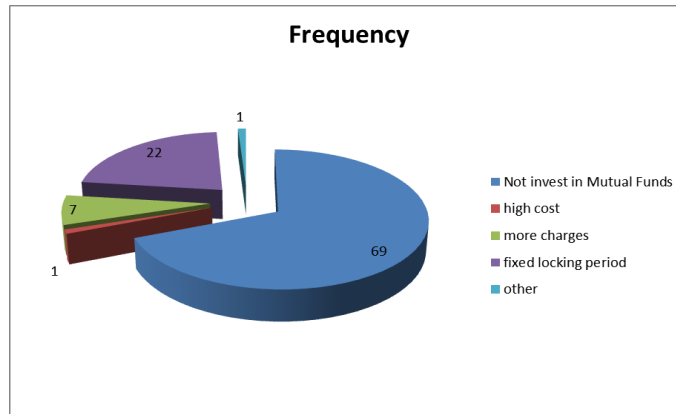


3. Why you invest in mutual fund?				
	Frequency	Percent	Valid Percent	Cumulative Percent
Not invest in Mutual Funds	69	69.0	69.0	69.0
low cost	1	1.0	1.0	70.0
liquidity	1	1.0	1.0	71.0
flexibility	29	29.0	29.0	100.0
Total	100	100.0	100.0	



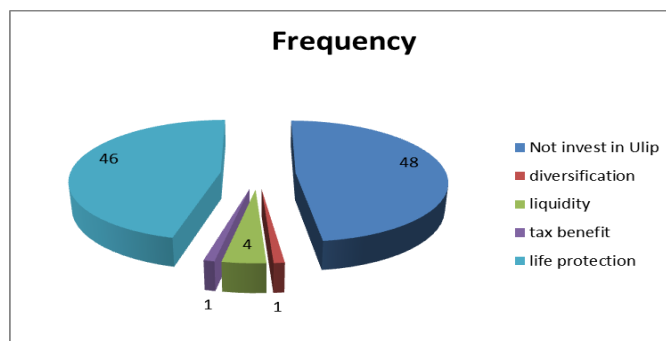
**4. Why you not invest in ULIP?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Not invest in Mutual Funds	69	69.0	69.0	69.0
high cost	1	1.0	1.0	70.0
more charges	7	7.0	7.0	77.0
fixed locking period	22	22.0	22.0	99.0
other	1	1.0	1.0	100.0
Total	100	100.0	100.0	

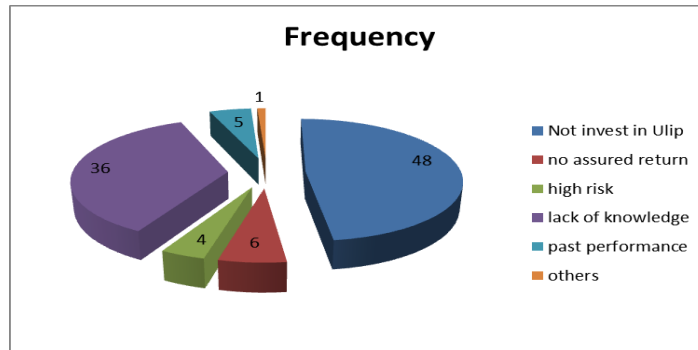


**5. Why you invest in ULIP?**

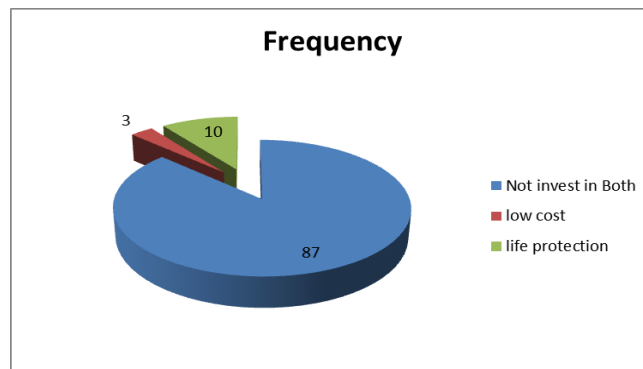
	Frequency	Percent	Valid Percent	Cumulative Percent
Not invest in Ulip	48	48.0	48.0	48.0
Diversification	1	1.0	1.0	49.0
Liquidity	4	4.0	4.0	53.0
tax benefit	1	1.0	1.0	54.0
life protection	46	46.0	46.0	100.0
Total	100	100.0	100.0	



6. Why you not invest in mutual fund?				
	Frequency	Percent	Valid Percent	Cumulative Percent
Not invest in Ulip	48	48.0	48.0	48.0
no assured return	6	6.0	6.0	54.0
high risk	4	4.0	4.0	58.0
lack of knowledge	36	36.0	36.0	94.0
past performance	5	5.0	5.0	99.0
Others	1	1.0	1.0	100.0
Total	100	100.0	100.0	



7. Why you invest in both?				
	Frequency	Percent	Valid Percent	Cumulative Percent
Not invest in Both	87	87.0	87.0	87.0
low cost	3	3.0	3.0	90.0
life protection	10	10.0	10.0	100.0
Total	100	100.0	100.0	

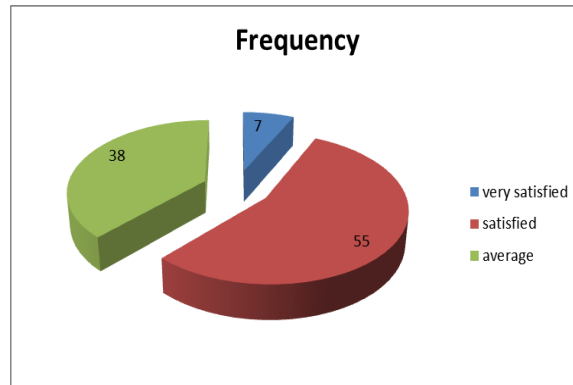


	N	Mean	Std. Deviation	Std. Error Mean
8. According to you rate the following features of investment safety	100	1.22	.440	.044
return	100	1.02	.141	.014
liquidity	100	2.10	.689	.069
tax benefit	100	2.44	.795	.080
insurance	100	2.52	1.039	.104
service	100	1.98	.964	.096
flexibility	100	2.96	.920	.092

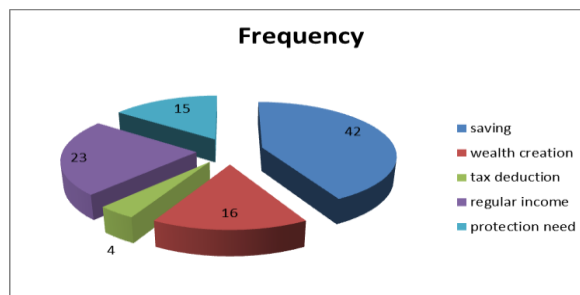
**One-Sample Test**

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
8. According to you rate the following features of investment safety	-40.461	99	.000	-1.780	-1.87	-1.69
return	-140.720	99	.000	-1.980	-2.01	-1.95
liquidity	-13.062	99	.000	-.900	-1.04	-.76
tax benefit	-7.040	99	.000	-.560	-.72	-.40
insurance	-4.618	99	.000	-.480	-.69	-.27
service	-10.583	99	.000	-1.020	-1.21	-.83
flexibility	-.435	99	.665	-.040	-.22	.14

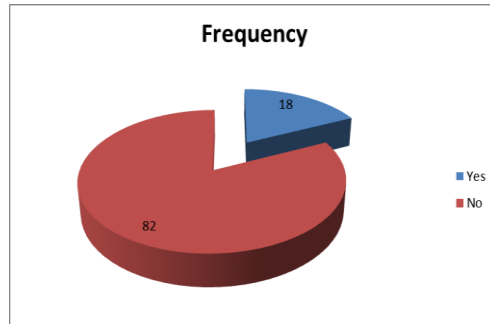
	Frequency	Percent	Valid Percent	Cumulative Percent
very satisfied	7	7.0	7.0	7.0
Satisfied	55	55.0	55.0	62.0
Average	38	38.0	38.0	100.0
Total	100	100.0	100.0	



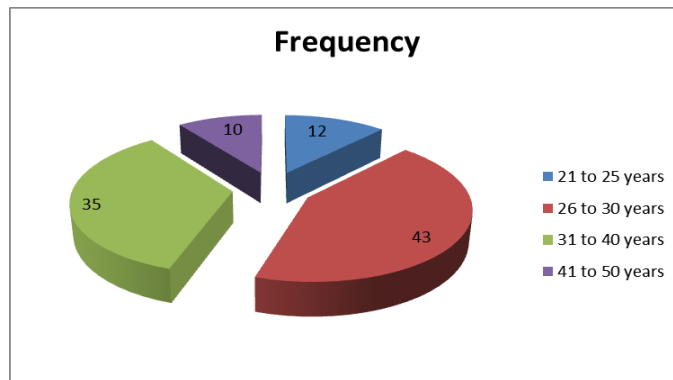
	Frequency	Percent	Valid Percent	Cumulative Percent
Saving	42	42.0	42.0	42.0
wealth creation	16	16.0	16.0	58.0
tax deduction	4	4.0	4.0	62.0
regular income	23	23.0	23.0	85.0
protection need	15	15.0	15.0	100.0
Total	100	100.0	100.0	



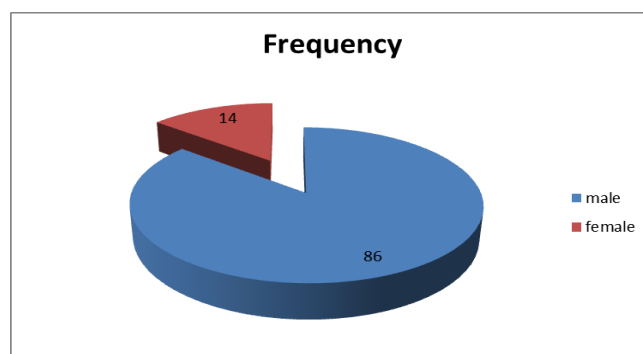
11. Are you aware about Sankalp Capital in Bardoli?				
	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	18	18.0	18.0	18.0
No	82	82.0	82.0	100.0
Total	100	100.0	100.0	



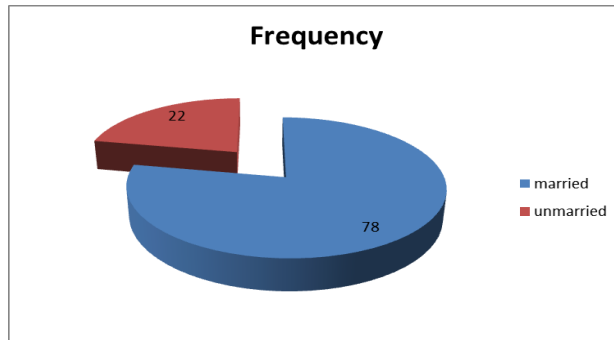
Please select your age group:				
	Frequency	Percent	Valid Percent	Cumulative Percent
21 to 25 years	12	12.0	12.0	12.0
26 to 30 years	43	43.0	43.0	55.0
31 to 40 years	35	35.0	35.0	90.0
41 to 50 years	10	10.0	10.0	100.0
Total	100	100.0	100.0	



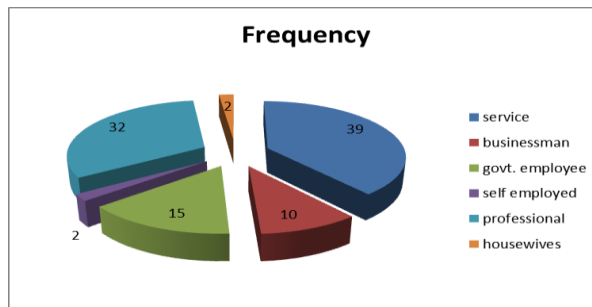
Select your gender:				
	Frequency	Percent	Valid Percent	Cumulative Percent
male	86	86.0	86.0	86.0
female	14	14.0	14.0	100.0
Total	100	100.0	100.0	



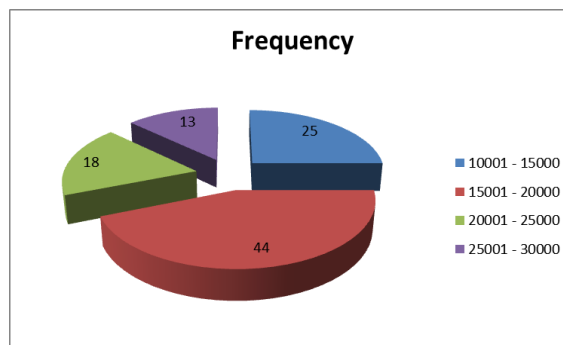
<b>Marital status:</b>				
	Frequency	Percent	Valid Percent	Cumulative Percent
married	78	78.0	78.0	78.0
unmarried	22	22.0	22.0	100.0
Total	100	100.0	100.0	



<b>Please select your present occupation</b>				
	Frequency	Percent	Valid Percent	Cumulative Percent
service	39	39.0	39.0	39.0
businessman	10	10.0	10.0	49.0
govt. employee	15	15.0	15.0	64.0
self employed	2	2.0	2.0	66.0
professional	32	32.0	32.0	98.0
housewives	2	2.0	2.0	100.0
Total	100	100.0	100.0	



<b>Income: (per month)</b>				
	Frequency	Percent	Valid Percent	Cumulative Percent
10001 - 15000	25	25.0	25.0	25.0
15001 - 20000	44	44.0	44.0	69.0
20001 - 25000	18	18.0	18.0	87.0
25001 - 30000	13	13.0	13.0	100.0
Total	100	100.0	100.0	



## 8. Results & Discussion

- ❖ Out of hundred investors fifty two investors used to invest in Unit Linked Insurance Plan.
- ❖ The investors who do not invest in Unit Linked Insurance Plan the reason for the same is fixed locking period.
- ❖ The main reason for investment in Unit Linked insurance Plan for majority of investors is life protection.
- ❖ Majority of the investors who invest in mutual fund prefer flexibility as a reason for investment in mutual fund.
- ❖ The reason for investment in mutual fund and in unit linked insurance plan is life protection and low cost.
- ❖ The majority of investors are investing in any investment avenue for tax saving purpose.

## 9. Conclusion

Everyone wants to invest money, which entitled of low risk high return and easy redemption .so before investing in mutual fund, one should be fully aware of each and every thing. .At the same time ULIP as an investment avenue is good for people who have interest in staying in longer period of time. Investing in a combination product like ULIP is the simplest and most elegant way to enjoy the triple benefits of life cover, high returns, and tax savings with minimal risk of losses or other complications. In an ideal situation, separate investments in life insurance and mutual funds would help the individual enjoy good returns, assured protection, and attractive tax savings. Unfortunately, striking the right balance between multiple investment products can be a very difficult task.

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