

COMPARATIVE STUDY OF MUTUAL FUND RETURNS AND LIFE INSURANCE RETURNS

Submitted in partial fulfillment of the requirements for the award of

MASTER OF BUSINESS ADMINISTRATION

BY

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**DEPARTMENT OF BUSINESS ADMINISTRATION
SCHOOL OF MANAGEMENT STUDIES**

SATHYABAMA

**INSTITUTE OF SCIENCE AND TECHNOLOGY
(DEEMED TO BE UNIVERSITY)**

**Accredited with Grade “A++” by NAAC I 12B Status by UGC I Approved by AICTE
JEPPIAAR NAGAR, RAJIV GANDHI SALAI, CHENNAI - 600 119**

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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of THIRUPATHI K (42410273) who carried out the Project Training “COMPARATIVE STUDY OF MUTUAL FUND RETURNS AND LIFE INSURANCE RETURNS” under my supervision from September 2023 to December 2023.

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DECLARATION

I THIRUPATHI K (42410273) hereby declare that the Project Report entitled “**COMPARATIVE STUDY OF MUTUAL FUND RETURNS AND LIFEINSURANCE RETURNS**” done by me under the guidance of DR.YASMEEN BANO is submitted in partial fulfilment of the requirements for the award of Master of Business Administration degree.

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PLACE:

THIRUPATHI K

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Introduction

- **Mutual fund is the pool of the money, based on trust who invests the savings of a number of investors who shares a common financial goal, like the capital appreciation and dividend ear**
- ✓ **Portfolio management services**
- ✓ **Management of offshore funds**
- ✓ **Providing advice to offshore funds**
- ✓ **Management of pension or provident funds**
- ✓ **Management of venture capital funds**
- ✓ **Management of money market funds**
- ✓ **Management of real estate funds**

CHAPTER 1

Introduction to Mutual Fund:

A mutual fund is an investment vehicle formed when an asset management company (AMC) or fund house pools investments from several individuals and institutional investors with common investment objectives. A fund manager, who is a finance professional, manages the pooled investment. The fund manager purchases securities such as stocks and bonds that are in line with the investment mandate.

Mutual funds are an excellent investment option for individual investors to get exposure to an expert managed portfolio. Also, you can diversify your portfolio by investing in mutual funds as the asset allocation would cover several instruments. Investors would be allocated with fund units based on the amount they invest. Each investor would hence experience profits or losses that are directly proportional to the amount they invest. The main intention of the fund manager is to provide optimum returns to investors by investing in securities that are in sync with the fund's objectives. The performance of mutual funds is dependent on the underlying assets.

OBJECTIVE OF THE STUDY

Mutual funds seek to fulfill the following objectives for their unitholders:

- **Diversification:** It is usually advised not to put all your eggs in one basket. Doing so can disproportionately increase your risk. Mutual funds are inherently diversified. They diversify across securities, assets, and even geographies. Hence, they help lower the risk.
- **Capital protection:** Some mutual funds, such as money-market funds and liquid funds, aim to protect your capital. However, while they are relatively safer, they also have lower returns.
- **Capital growth:** Certain mutual funds, such as equity funds, focus on growth to protect your investment against inflation. These funds invest in stocks and have higher returns but also come with higher risks.
- **Saving tax:** A certain class of mutual funds, called equity-linked savings schemes (ELSS) or tax-saving funds, also provide income-tax deductions up to Rs 1.5 lakh in a financial year in the old income-tax regime.

CHAPTER 2

Review of Literature

Since 1992, a number of articles and brief essays have been published in financial dailies, periodicals, professional and research journals, explaining the basic concept of Mutual Funds and life insurance and behavior of investors on them.

They underline the importance of mutual funds and life insurances in the capital market environment. They touch upon varied aspects like regulation of mutual funds and life insurance investor expectations, investor safety, trend in growth and some other critical views on the performance and function of mutual funds/life insurance schemes. For cases in point, Ippolito (1992) says that fund/scheme selection by investors is based on past performance of the funds and money flows into winning funds more rapidly than they flow into losing funds.

Gupta (1994) made a household investor survey with the objective to provide the investor preferences on MFs and other financial assets.

The findings of the study were more appropriate, at that time, to the policy of mutual funds to design the financial products for the future.

Kulshreshta (1994) offers certain guidelines to the investors in selecting the m fund schemes.

Shankar (1996) points out that the Indian investors do view Mutual Funds as products and AMCs, to capture the market should follow the consumer product distribution model.

Jambodekar (1996) conducted a study to assess the awareness of MFs among to identify the information sources influencing the buying decision and the fa influencing the choice of a particular fund.

The study reveals among other things that Income Schemes and Open Ended are more preferred than Growth Schemes and Close Ended Schemes during t prevalent market conditions

CHAPTER 3

Research Methodology

- **This chapter introduces the research outline of the study. The chapter begins with an overview of the**
- **Mutual Fund industry in India, and benefits and disadvantages of the Mutual fund Scheme, their growth**
- **and different. Besides that, this chapter also include the problem statement, research objectives and**
- **The key terms and significance of the study will also be highlighted. Mutual Fund (MF) is a form of collective investment that allow investors with similar investment**
- **Objectives to pool their savings, which are then invested in a portfolio of securities or other assets**
- **Managed by investment professional**

Hypotheses

(1) For analyzing the pattern of investment on the basis of Age,

Education Profession the following hypotheses are taken into consideration:

H0: There is no significant difference in investments avenues among the i on the basis of their age, qualification and profession.

H1: There exists a significant difference in investments avenues among th investors on the basis of their age, qualification and profession.

H1a: There is a difference in the investment pattern amongst the investor different age groups.

H1b: There is a difference in the investment pattern amongst the investor basis of their level of education.

H1c: Moreover, there is a difference in investment pattern among the inv based on their professions.

(2) For gender-wise analysis, the interest lies in taking the gender wise pr to the different investment pattern by using large sample Z-test, the hypothesis under consideration is: H2: Males invest more as compared to females

(3) For objective-wise analysis, the basic interest is to test the independence attributes (objective and investment pattern) by using 2 tests, the hypothesis interest is H3: The investment pattern is independent of the objective of investment.

(4) For company-wise analysis of life insurances, the significance of agreement amongst the respondents ranking can be tested by Kendall's concordance to hypothesis under consideration is: H4: There is a disagreement in ranking.

(5) For company-wise analysis of the mutual funds, the significance of correlation coefficient in between the ranks is required to be tested by using the hypothesis H5: Two variables are not associated. ($r = 0$)

QUESTIONNAIRE

1. Is LIC a good option?

In conclusion, for policyholders who don't mind paying a heavy premium in exchange for a high claim settlement ratio, LIC policies can be a good option in government-backed insurance policies will give them a sense of security

2. Is LIC a government company?

Being a government-owned corporation, LIC operates under the ownership of the Government of India. The President of India acts as the corporation's n and the Government of India appoints the Chairman and Managing Director of

3. Is LIC maturity tax free?

To sum up, the LIC maturity amount is fully tax-exempt under Section 10(10) if the premium exceeds 10% (20% in case of policies issued after April 1, 2003) of assured.

4. Is LIC better than FD?

Fixed Deposit Vs Life Insurance - Which is Best for you? Fixed deposit is a better option to invest as it is purely designed for your investment and the needs. If your intention is to save and invest for the future, it is advisable to have fixed deposits.

5. How can I check all of my LIC policy details?

Step 1: Go to the official website of LIC and click on “customer portal” under online services.

Step 2: On the log-in page select the “registered user” option.

Step 3: Log in with your credentials such as username and password.

Step 4: Log-in to your account and select “view enrolled policies”.

6. Is LIC 100% safe?

Since LIC is a government organization, the investments of the people LIC are absolutely safe.

7. Can I do SIP for 1 year?

1 year SIPs can be a good investment choice if you wish to earn returns (potential) quickly. By investing in such funds for a year, you can get an annualized return in the range of 3% to 5% depending on the portfolio scheme. What is the maximum and minimum amount that I can inv SIPs

8. What are the 4 types of mutual funds?

Most mutual funds fall into one of four main categories – money market funds, bond funds, stock funds, and target date funds. Each tries different features, risks, and rewards. Money market funds have relation

9. What are the 3 main groups of mutual funds?

There are several types of mutual funds available for investment, though most mutual funds fall into one of four main categories: funds, money market funds, bond funds, and target-date funds.

10. What is NAV in mutual funds?

Mutual fund net asset value (NAV) represents a fund's per share market value. It is the price at which investors buy (bid price) fund shares from the fund company and sell them (redemption price) to a fund company.

11. Is SIP tax free?

SIP falls under the EEE (Exempt, Exempt, Exempt) category for Linked Saving Schemes (ELSS). The amount invested, the amount received at maturity, and the amount of the withdrawal are all tax-free. One may invest up to Rs. 1,50,000 annually using SIP in an ELSS fund.

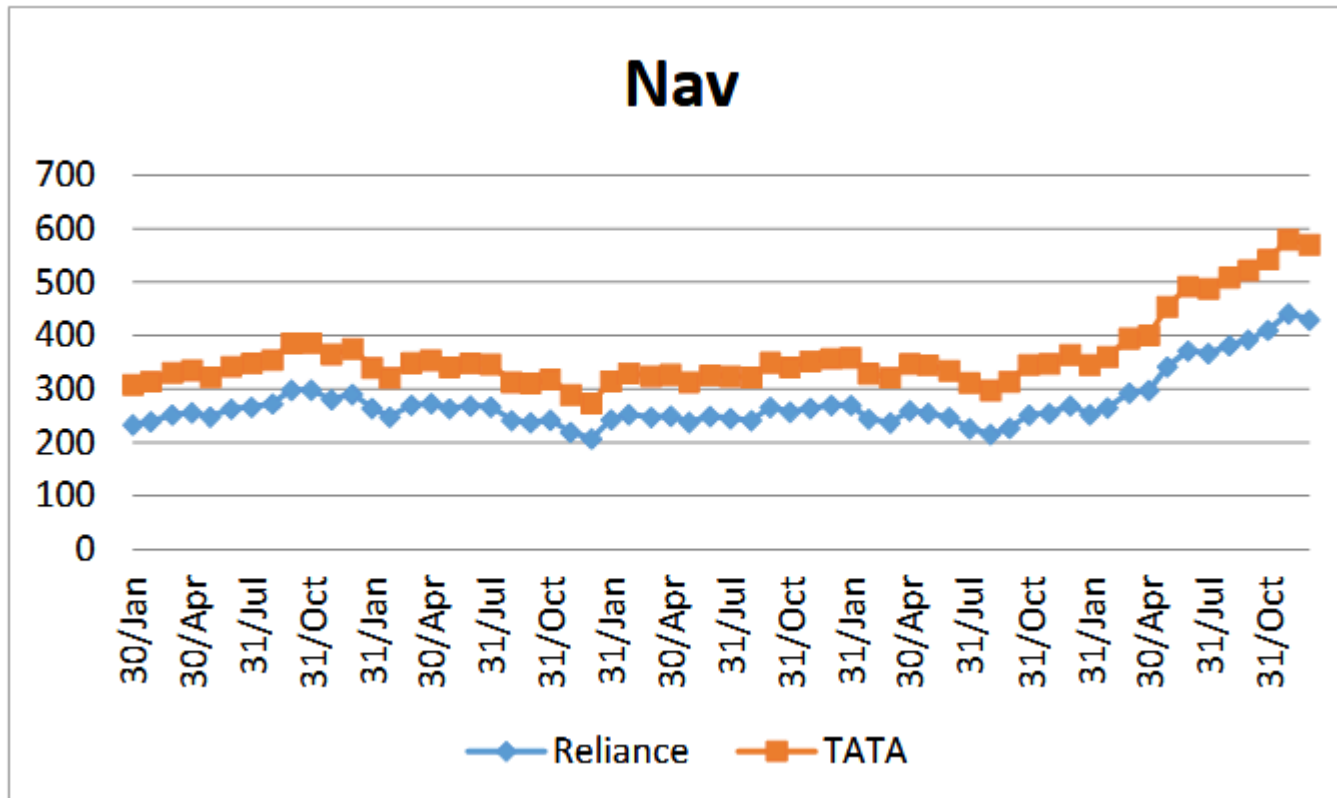
12. What is the SIP return rate?

SIP is a feature of mutual funds, which allows investors to invest in. SIP interest rates for various mutual funds may vary. On an average, equities, a return of 12-18% can be expected whereas from mid-cap return of 14-17% is expected.

CHAPTER 4

DATA

ANALYSIS



Dependent variable is TATA mutual fund, 1 independent variable Reliance mutual fund , 60 cases.

- **Variable Coefficient St. Err Intercept 1.9411908 4.6018784 .4218257 0.675**
- **VAR1 .3163712 0.0165189 19.152099 <.001**

• **R-Squared = 0.8635 Adjusted R-Square = 0.8611**

• **Cohen's f-square = 6.3242, a large effect size.**

• **Analysis of Variance to Test Regression Relation**

• **Source Sum of SSD Mean Sq. F p-value**

• **Regression 15769.147 1 15769.147 366.8029 <.001**

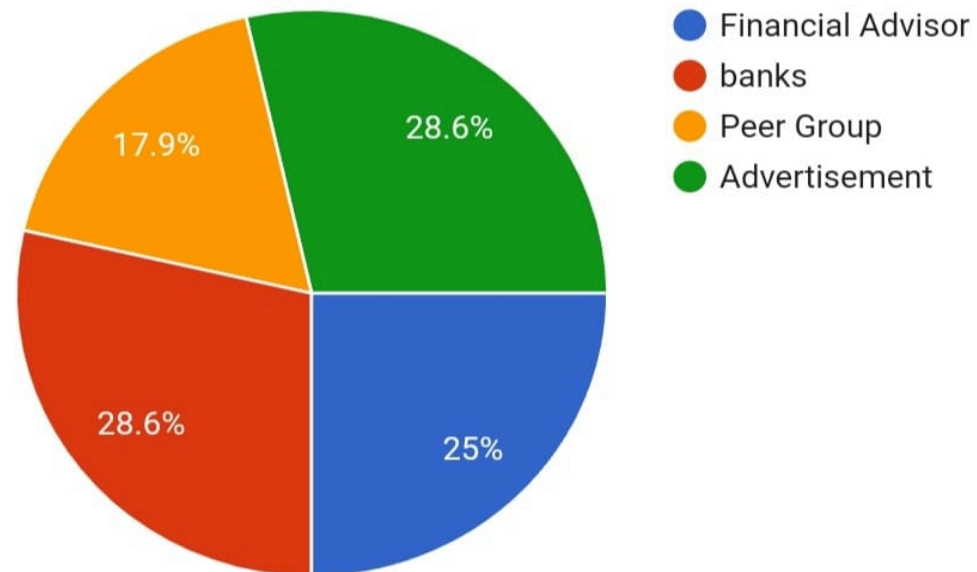
• **Error 2493.4658 58 42.99079**

• **Total 18262.612 59 or t-value p(2 tail)**

How do come to know about Mutual fund



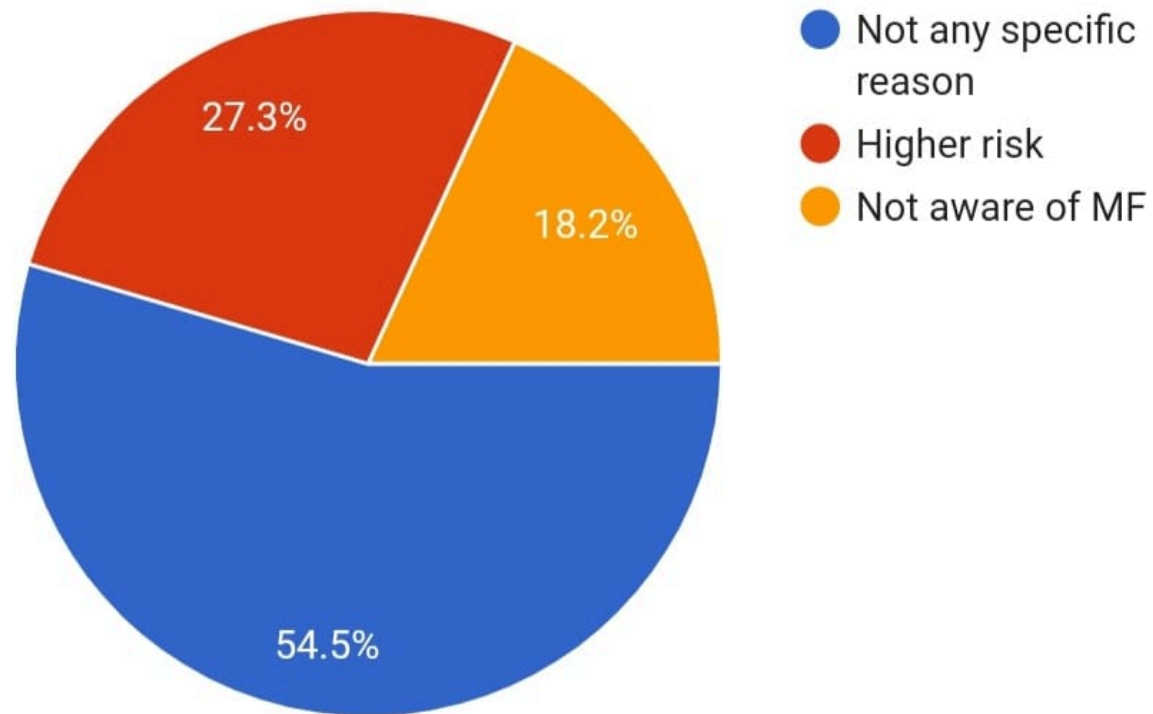
56 responses



If not Invested in Mutual Fund Than why?



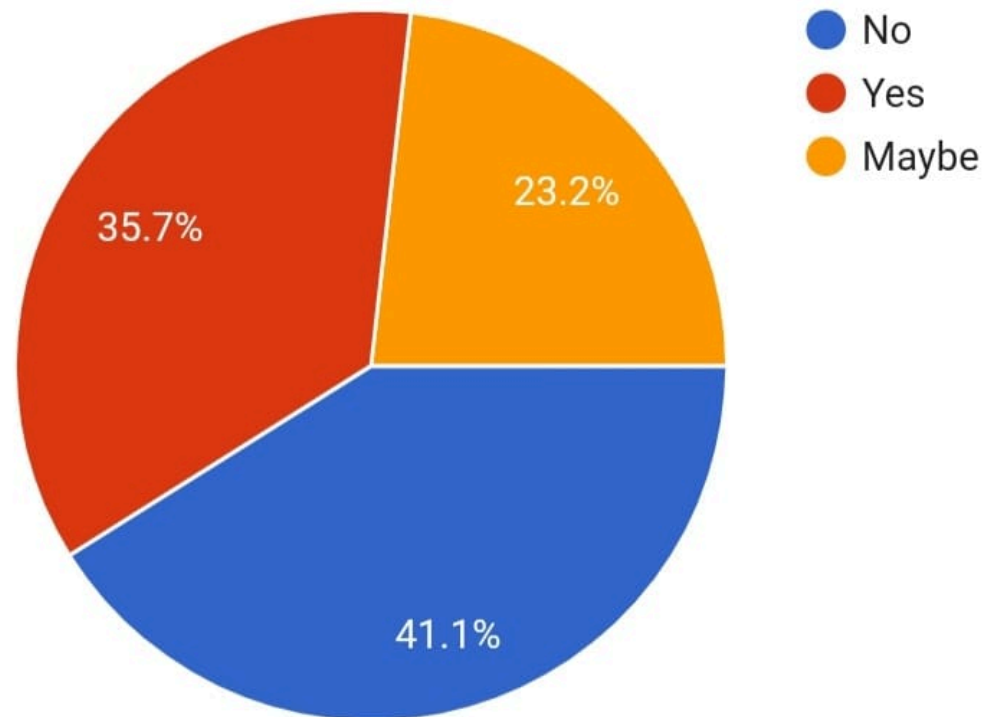
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Have you ever Invested Money in Mutual Fund



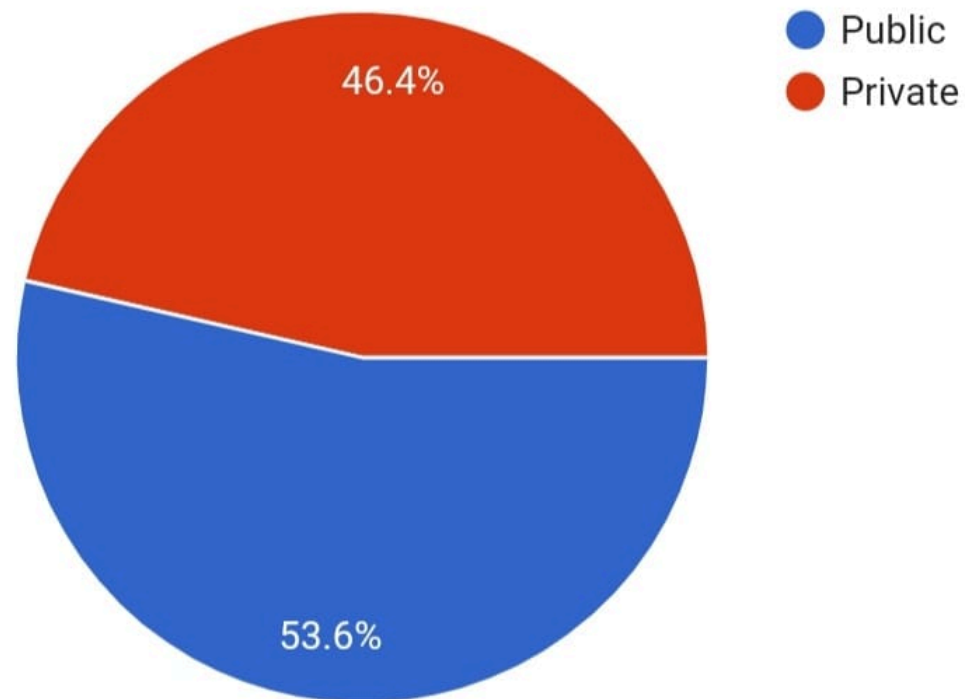
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In Which kind of Mutual Fund you would like to Invest



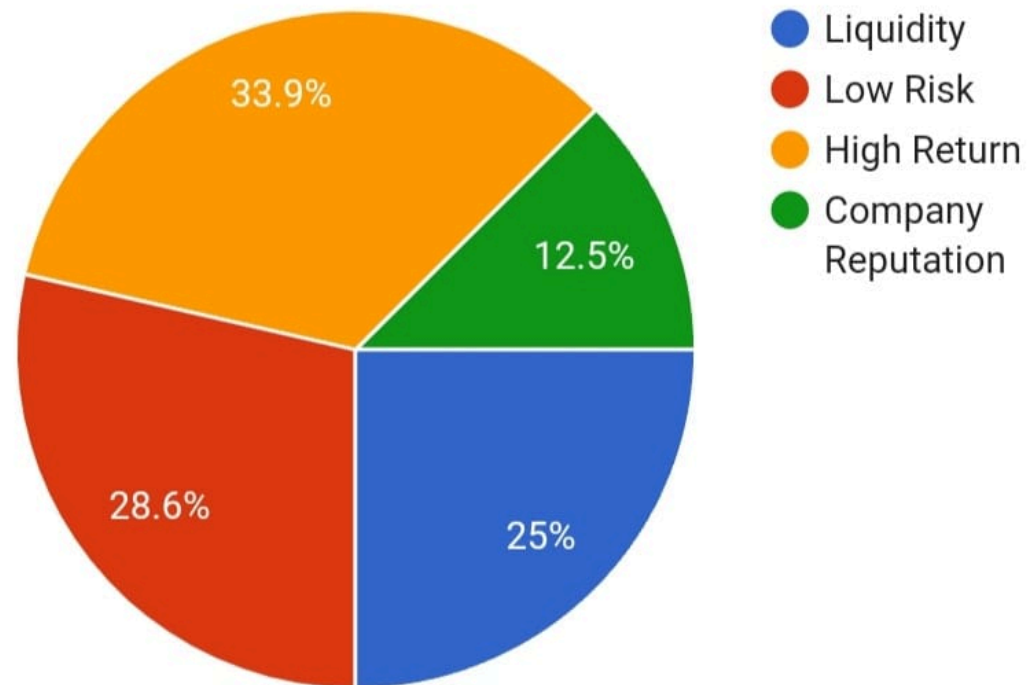
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While Investing your Money, which factor you prefer most?

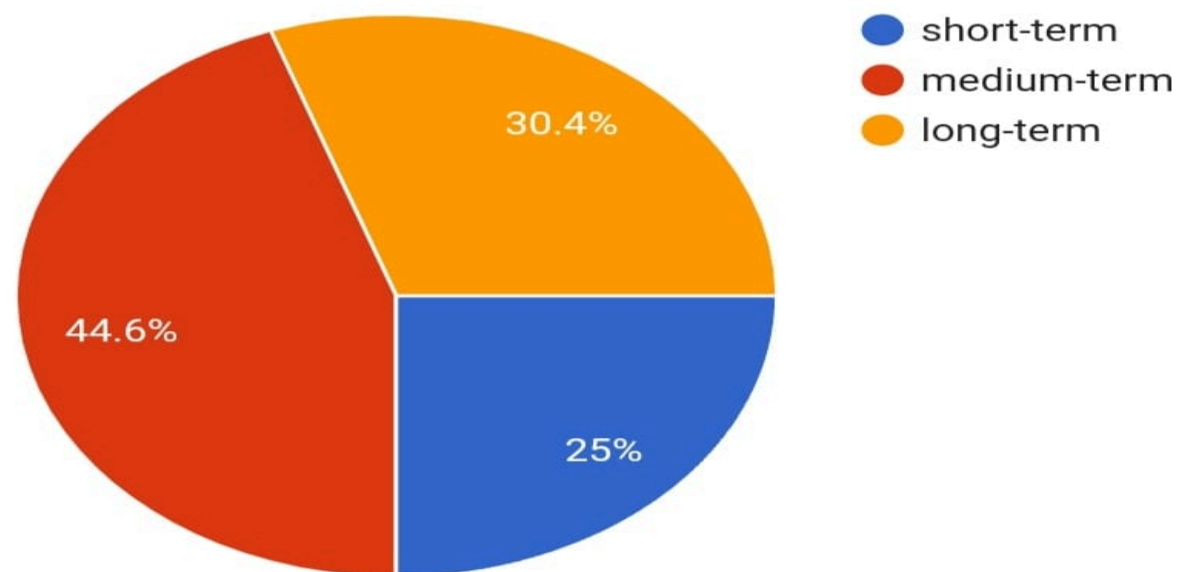


56 responses



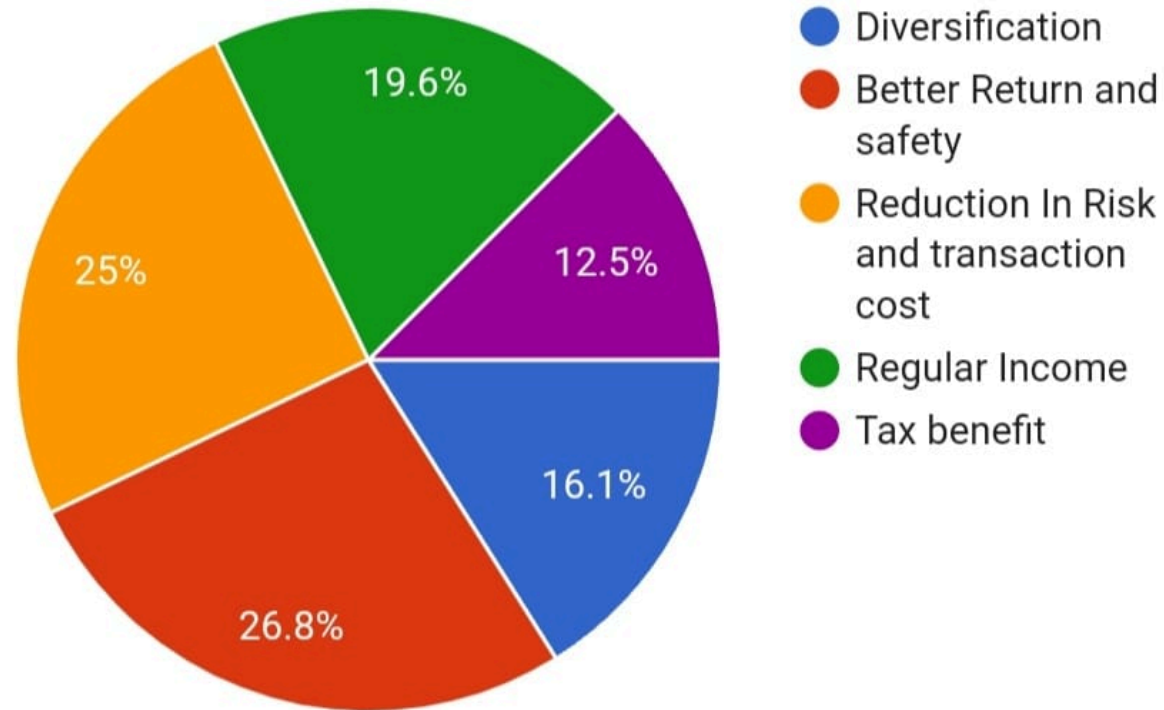
What's your intended investment duration?

56 responses



What Future of the Mutual Funds allure you most

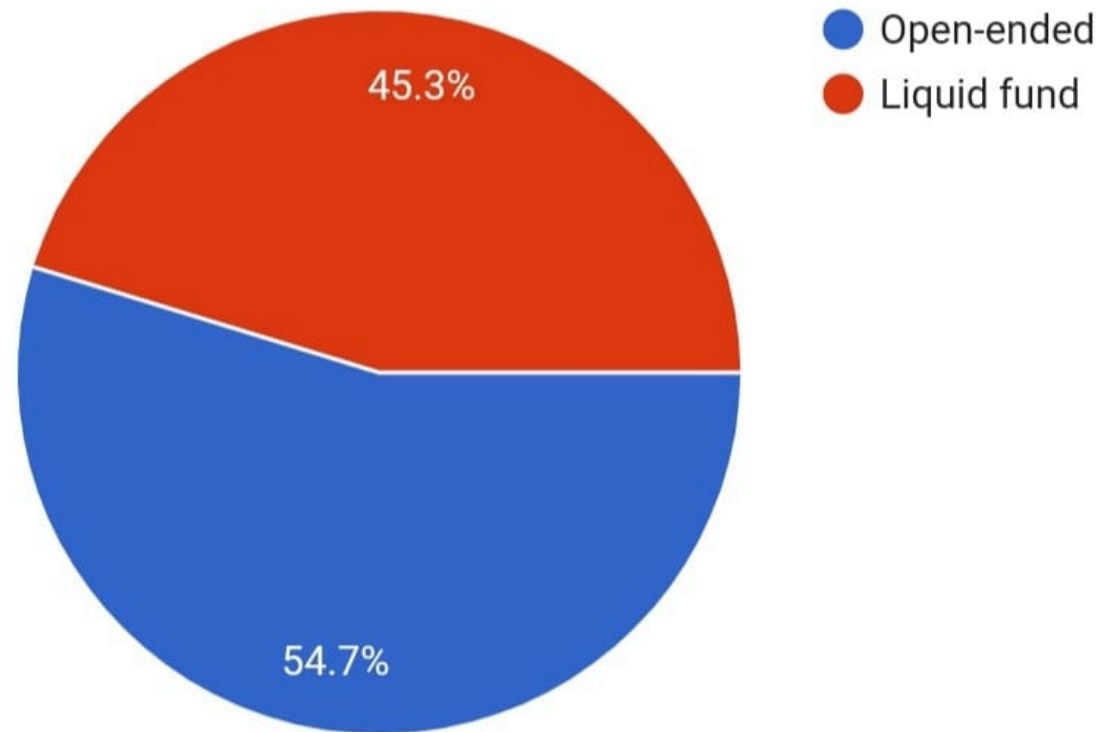
56 responses



Which Mutual Fund scheme have you used?

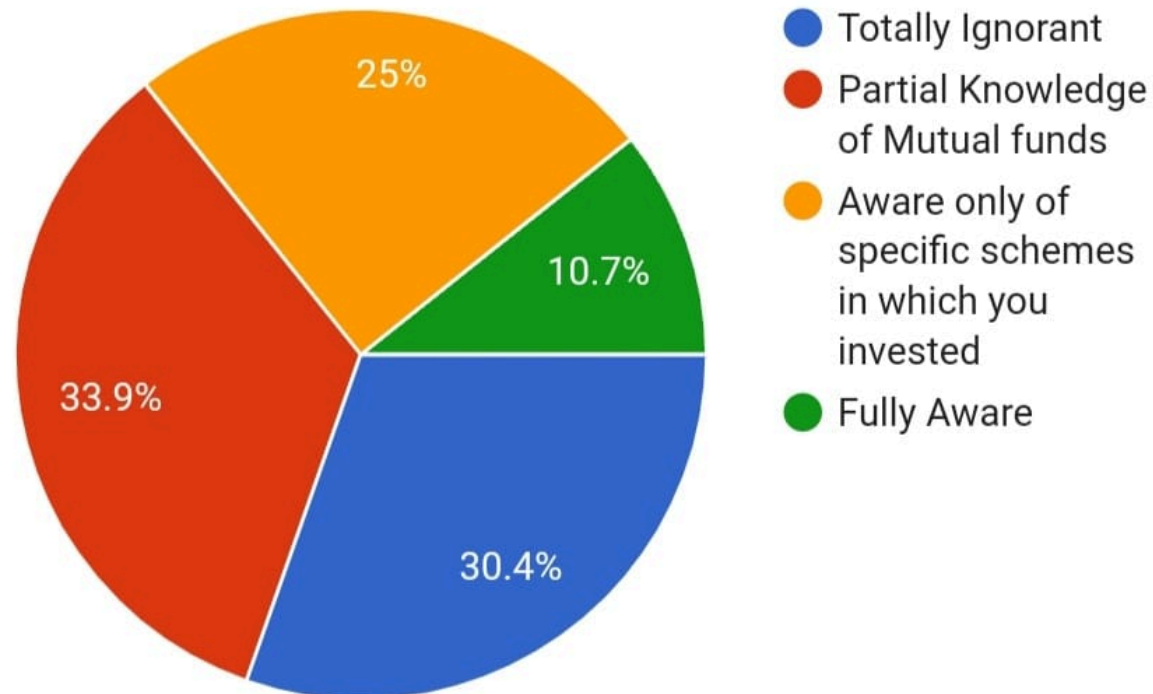


53 responses



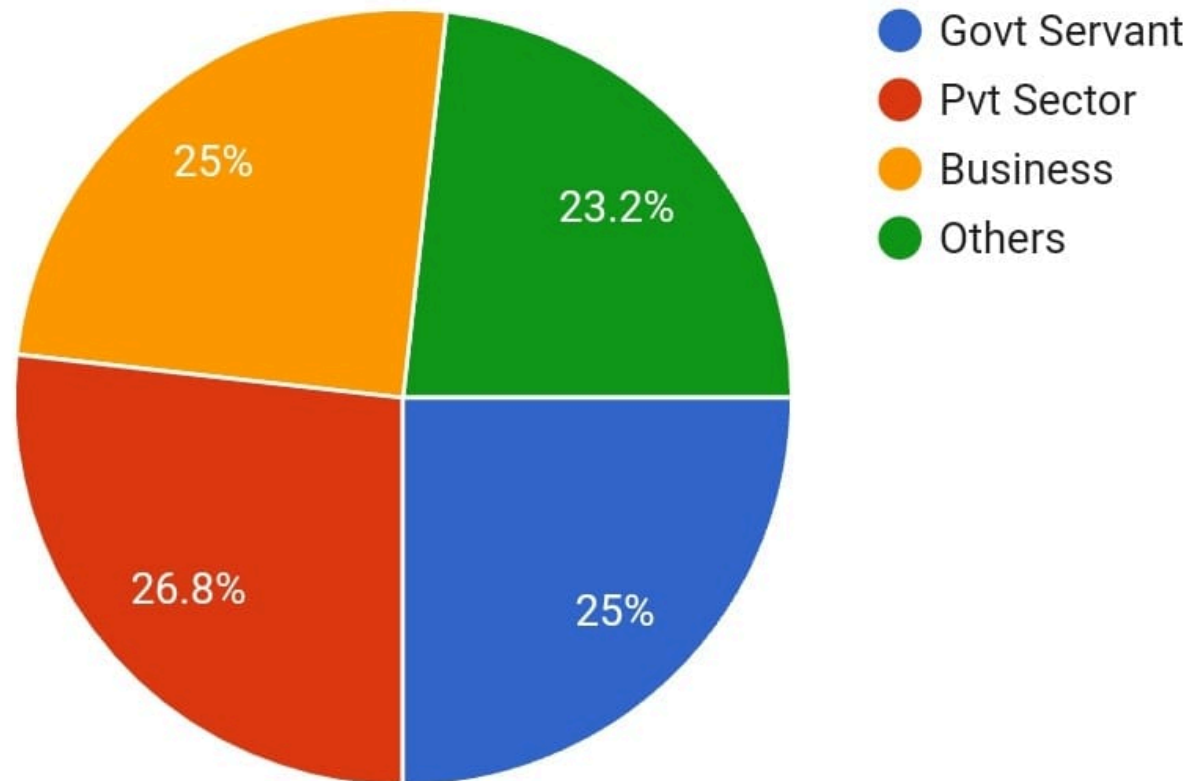
Where do find yourself as Mutual Fund Investor

56 responses



Occupation

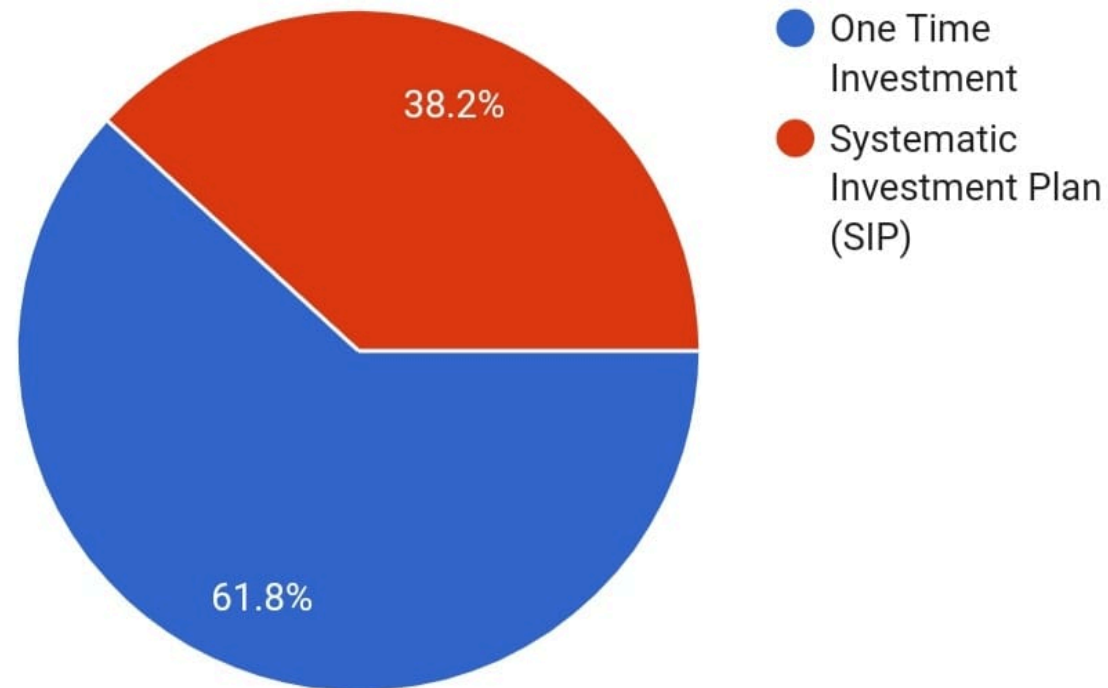
56 responses



When you invest in Mutual Funds which mode of investment will you prefer?



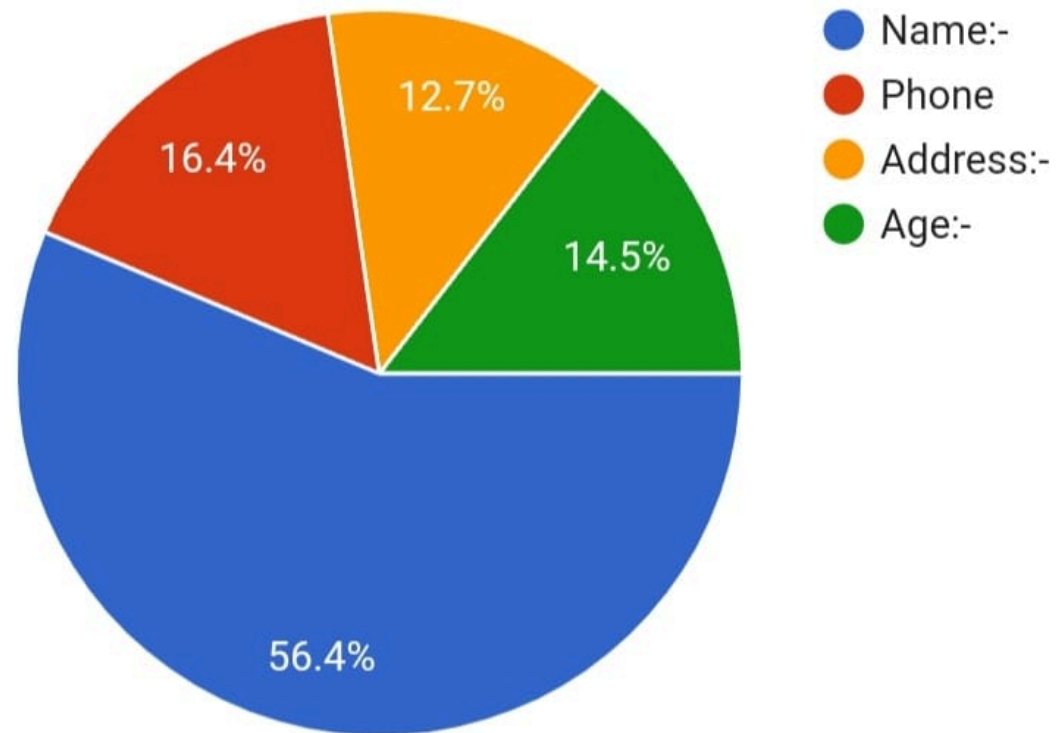
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Personal Details



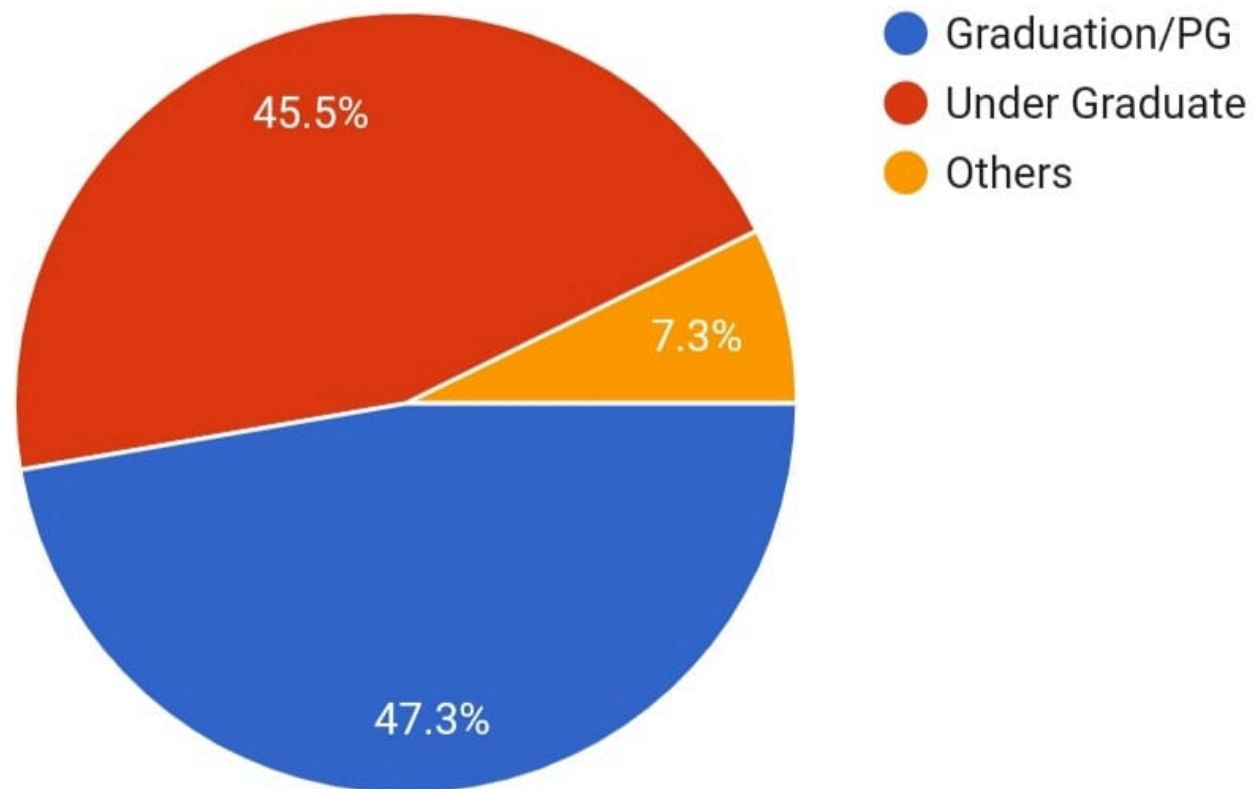
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Educational Qualification



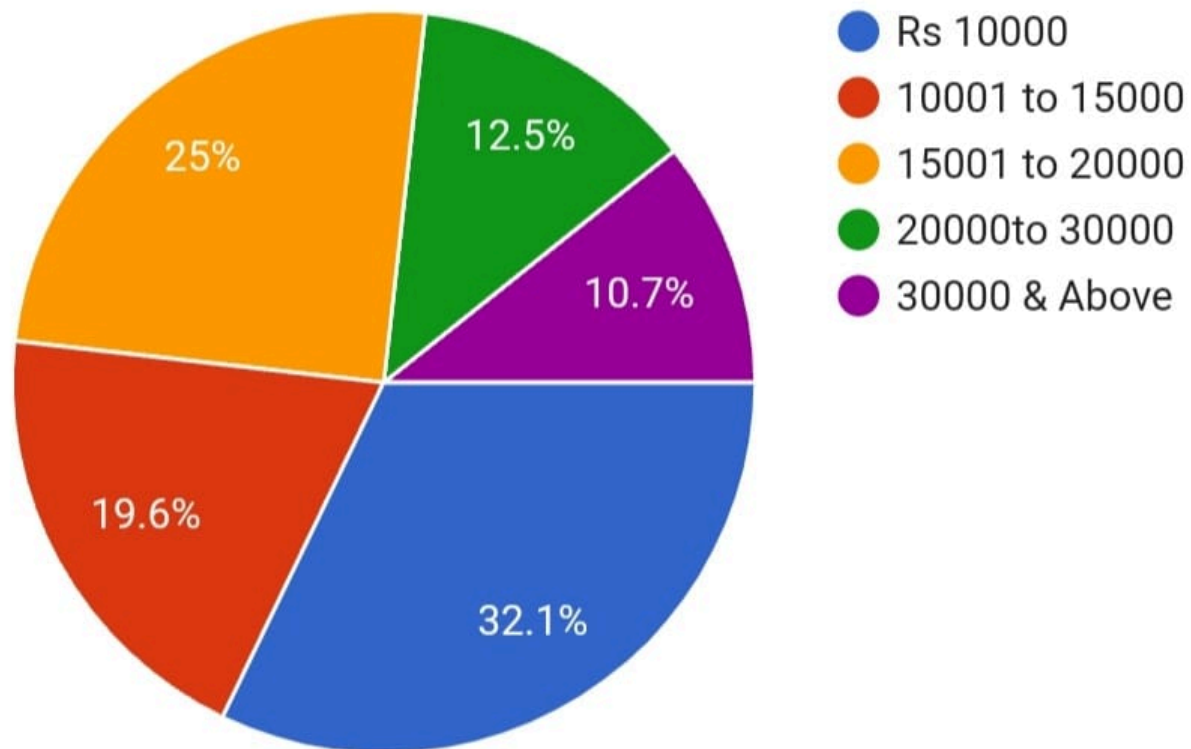
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What is your Monthly family Income Approximately?

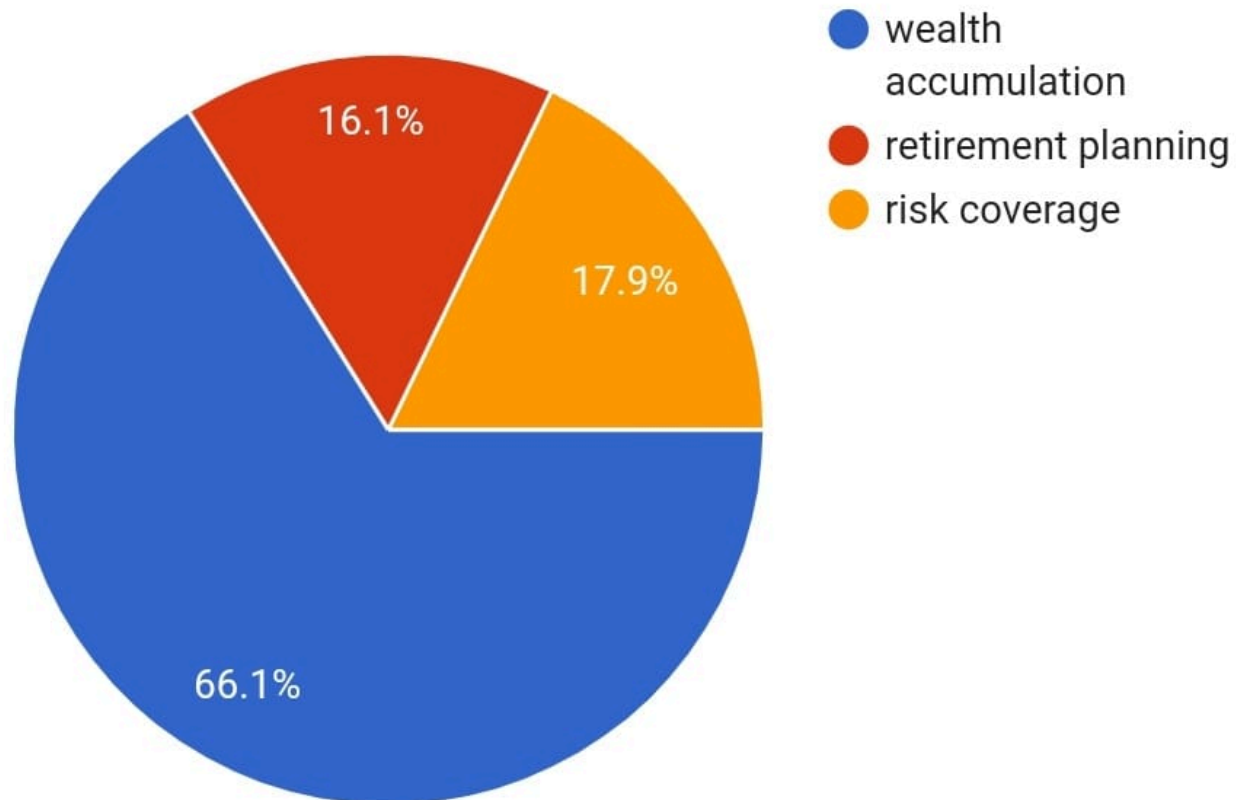


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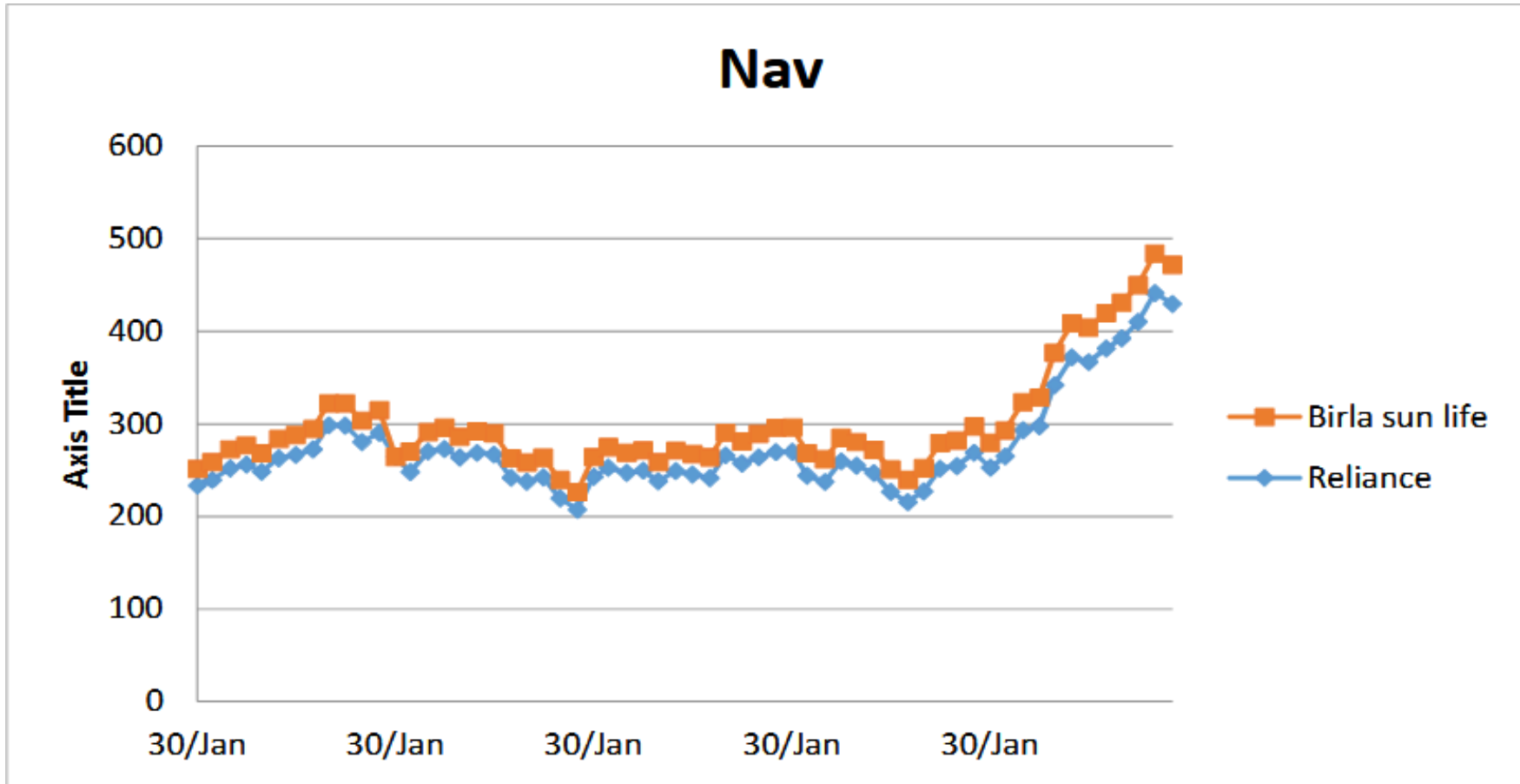


What are your primary investment goals?

56 responses



Reliance Mutual Fund & Birla sun life Mutual Fund



Dependent variable is Birla sun life mutual fund, 1 independent variables Reliance mutual fund, 60 cases.

•Variable Coefficient Std. Error t-value p(2 tail)

•Intercept -4.062241 2.8263297 -1.437285 0.156

•VAR1 .1061709 .0101454 10.464953 <.001

•R-Squared = 0.6538 Adjusted R-Square = 0.6478

•Cohen's f-square = 1.8882, a large effect size.

•Analysis of Variance to Test Regression Relation

•Source Sum of SqsdFMean SqF p-value

•Regression 1775.9282 1 1775.9282 109.51525 <.001

•Error 940.54331 58 16.216264

•Total 2716.4715 59

OBJECTIVES OF ASSOCIATION OF MUTUAL FUNDS IN INDIA

- **To ensure the ethical standard of mutual fund operations in India**
- **Oversee the operations of AMCs and mutual fund agents and ensure that they follow the**
 - **code of conduct, as well as encourage effective business practices**
 - **Seeking guidance from SEBI for any issues concerning mutual funds industry**
 - **Keeping mutual fund industry informed with updates and undertake research activities**
 - **with other bodies**
- **Ensuring distributors operate basis the code of conduct and taking actions in case of any**
 - **violations**
- **Protection of interest of investors**

- **Mutual funds are a great alternative in this case as they are managed by professionals. But**
- **How do mutual funds work? Here is a handy guide to what you should know.**



Types of Mutual Funds

- Mutual funds are divided into several kinds of categories, representing the kinds of securities
- they have targeted their portfolios and the type of returns they seek. There is a fund for
- nearly every type of investor or investment approach. Other common types of mutual funds
- include money market funds, sector funds, alternative funds, smart-beta funds, target-date
- funds, and even funds of funds, or mutual funds that buy shares of other mutual funds.

Equity Funds:

- ✓ The largest category is that of equity or stock funds. As the name implies, this sort of fund
- ✓ invests principally in stocks. Within this group are various subcategories

Example of Equity Funds Returns:

Scheme Name	1M	3M	6M	YTD	1Y	2Y	3Y	5Y
DSP Top 100 Equity Fund - Direct Plan - GrowthLarge Cap Fund	0.17%	3.92%	18.27%	23.94%	44.39%	17.10%	17.42%	12.48%
Canara Robeco Bluechip Equity Fund - Direct Plan - GrowthLarge Cap Fund	2.51%	8.90%	22.55%	29.43%	51.99%	28.71%	25.02%	19.45%
IDBI India Top 100 Equity Fund - Direct Plan - GrowthLarge Cap Fund	2.37%	10.69%	27.75%	35.81%	58.38%	27.23%	24.11%	16.45%
Kotak Bluechip Fund - Direct Plan - GrowthLarge Cap Fund	2.04%	9.34%	24.10%	32.30%	54.83%	26.52%	23.24%	17.30%
JM Large Cap Fund - (Direct) - GrowthLarge Cap Fund	4.04%	10.14%	23.19%	27.04%	42.42%	23.71%	17.58%	14.21%

Fixed-Income Funds:

- **Another big group is the fixed income category.**
A fixed-income mutual fund focuses on
- **investments that pay a set rate of return, such as government bonds, corporate bonds, or other**
- **debt instruments. The idea is that the fund portfolio generates interest income, which it then**
- **passes on to the shareholders.**

Example of Fixed-Income Funds Returns:

Scheme Name	3-Year Performance	5-Year Performance
SBI Magnum Income Regular Bonus	8.82%	9.07%
SBI Magnum Income Fund Regular Growth	8.83%	9.07%
Aditya Birla Sun Life Income Fund Regular Plan Growth	8.82%	9.07%
Canara Robeco Income Fund Regular Plan Growth	8.82%	9.07%
HDFC Income Fund Growth	8.82%	9.07%
UTI – Short Term Income Fund – Regular Plan – Growth Option	8.82%	9.07%

Mutual Funds or ULIPs?

	Mutual Funds	ULIPs
 Scope	Only Investment	Investment and Insurance Cover
 Tax Deductions	Only ELSS or Equity-Linked Saving Schemes give you such tax deductions	As per Section 80C of the Income Tax Act, whatever money you invest is deducted from your total taxable income
 Liquidity	Except with ELSS, can withdraw funds within a year, however, 1% of fund value (exit load) is deducted	Limited liquidity due to minimum lock in period of 5 years
 FMC	Fund Management Charges are high, around 2.5%	Fund Management Charges are lower, around 1.35%

LIC

- **Life Insurance Corporation of India (LIC)** is an Indian multinational public sector life insurance company headquartered in Mumbai.
- It is India's largest insurance company as well as the largest institutional investor with total assets under management worth ₹45.7 trillion (US\$570 billion) as of March 2023.
- It is under the ownership of Government of

India and administrative control of the Ministry of Finance.

INITIAL PUBLIC OFFERING

- Finance Minister Nirmala Sitharaman announced a proposal to conduct an initial public offering for LIC in the 2021 Union Budget. The IPO is expected to occur in 2022, and the Government of India will remain the majority shareholder after the public listing.
- Ten percent of shares are proposed to be allotted to existing LIC policy holders. In year 2021, the government of India had proposed to enhance the authorized capital of the LIC of India, to 250 billion (US\$3.1 billion) to facilitate its public listing scheduled for the next fiscal year which will begin on 1 April.
- Due to the scale of the offering and the LIC's ownership structure, the deal has been referred to as "India's Aramco moment" in reference to the comparable 2019 IPO of Saudi Aramco.
- The LIC announced it would open its IPO to the public on 4 May 2022, and the process would be concluded on May 9. Through this IPO, the Government of India is now aiming to raise 21,000 crore, as opposed to raising between 65,000 crore to 70,000 crore by diluting the 5% equity earlier. As per the IPO price band for 3.5% stakes for 21,000 crore, the valuation comes to around 6 lakh crore.

LIC RETURNS

- ✓ The average return on investment for LIC over a period of ten years between 2005-2006 and 2014-2015 has been 6.7%. The average return on a ten-year bond has been 7.9%. The difference between the two returns is 120 basis points. In fact, the average rate of inflation between 2005-2006 and 2014-2015 was 8.85%
- ✓ If you are the life, only on your death will the nominee receive 125% of the sum assured. If you survive the policy term, you will get 20% of the sum assured on the 5th, 10, and 15th policy year. The remaining 40% will be paid at the end of the policy term

THE INTEREST RATE OF LIC

- ✓ A Medium-term fixed deposit, that is, from 1 year 5 months to 4 years 11 months, withhold interest rates is 5.65% to 5.75% for general customers and is 5.9% to 6% for senior citizens according to the period of lock-in.

CHAPTER 5

FINDING SUGGESTIONS

LIFE INSURANCE	MUTUAL FUNDS
Life insurance is a pure protection plan that will secure your family financially in case of your untimely demise	Mutual Funds are a type of financial instrument created by a pool of investments from different institutions and individuals
The main purpose of a typical life insurance policy is to safeguard the financial future of the family of the policyholder in case of his/her untimely demise	The main purpose of mutual funds is to generate returns on your investments to meet your long term financial goals

It takes care of the liquidity through its
loan facility

Investors can liquidate their units at any
given time

LIFE INSURANCE	MUTUAL FUNDS
Life insurance comparatively involves less risk than other options	Since mutual funds' investments are subject to market risks, hence the risk involved is also high
The policy is in existence for a defined policy tenure	Mutual funds do not have any tenure. One can invest any amount at any point in time

Returns depend upon the policy type, but generally are low compared to the investments

Returns are significantly higher in long term

LIFE INSURANCE	MUTUAL FUNDS
Additional rider benefits are available under the policy	No rider benefits as such are provided under mutual funds
There is no diversification option when you invest your money in just one plan	Mutual funds comprise many securities, hence making the portfolio of the investor diverse

Tax exemption is up to a premium payment of Rs.1,50,000 under section 80c of the income tax act, 1961

ELSS mutual funds only qualify for tax exemptions under section 80c of the income tax act, 1961

Benefits Under LIC

- Following are the benefits covered under LIC policies:
- Risk coverage
- Financial security
- Building financial corpus
- Tax benefits

Benefits of Mutual funds

- ☐ Following are the benefits covered under Mutual funds:
- ☐ Proper fund management
- ☐ Easy to invest
- ☐ SIP options available
- ☐ Better returns
- ☐ Diverse categories for investment
- ☐ Affordable investments with easy payment options

LIC Calculator

One time

Monthly

Amount I wish to invest

₹ 10,000

Invest for (Years)

10

Till 2033

Stay invested for (Years)

20

Till 2043

Expected rate of return (in %)

8

/ Year

You invest

₹12 L

Over 10 Years

You get

₹39.8 L

After 20 Years

Market Linked Plan



SIIP (Plan no. 852)

[Get Details >](#)

Invest

₹10K/month For 15 Years

You Get

Market Linked

₹60.9 L In 15th Year

Returns⁺

16.36% RSI *

CONCLUSIONS

- ✓ **Financial planning is as important as any other aspect of life. In today's times, an individual is spoiled with a lot of financial investment choices.**
- ✓ **So, it becomes very difficult to understand and choose an investment best suited for someone. There are a lot of options to fulfill an individual's investment as well as insurance needs.**
- ✓ **Sometimes it becomes very overwhelming, and at that time the investor should keep their primary goal in mind before investing their money anywhere.**