

Mutual Funds and Life Insurance: Investor's Action

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Abstract:- India is now being ranked as one of the fastest growing economic system of the world. The position of Indian insurance and mutual fund industry as a major financial provider in the financial market has been truly remarkable over the past decade or so. Indeed, since 1992, several research studies have highlighted the importance of these two as important investment vehicles in the Indian capital market environment. But there are very few existing Behavioral Finance ' studies on factors influencing the selection of mutual fund and life insurance schemes and very little information is available on perceptions, preferences, attitudes and behaviors of investors. Again, there may be no attempt to analyze and compare Indian retail investors selection behavior towards mutual funds and life insurance, particularly in the post-liberalization period. With this context, this paper makes a serious attempt to research investors ' actions in selecting these two investment vehicles from an Indian perspective through a comparative study.

I. INTRODUCTION

A mutual fund is an investment vehicle made up of a pool of money that has been raised by many investors to invest in securities such as stocks, shares, money market instruments and other assets. Mutual funds are managed by skilled money managers who distribute the investment of the fund and try to generate capital gains or profits for the investors of the fund. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus. Mutual fund is regulated by SEBI. Mutual funds give small or individual investors access to professionally managed portfolios of equities, bonds and other securities. Each shareholder, therefore, participates proportionally in the gains or losses of the fund. Mutual funds invest in a wide amount of securities, and performance is usually tracked as the change in the total market cap of the fund, derived by aggregating performance of the underlying investments. Mutual fund units, or shares, can typically be purchased or redeemed as needed at the fund's current net asset value (NAV) per share, which is sometimes expressed as NAVPS. A fund's NAV is derived by dividing the total value of the securities in the portfolio by the total amount of shares outstanding.

Life insurance is a contract between a guarantors and a policyholder in which the guarantors ensures installment of a passing advantage to named recipients upon the passing of the safety net provider. The company promises a death benefit in consideration of the payment of premium by the insured. The reason of life insurance is to supply

monetary assurance to surviving dependents after the passing of a backup plan. It is essential for applicants to analyze their financial situation and determine the standard of living needed for their surviving dependents before purchasing a life insurance policy. Life protections operators or brokers are instrumental in evaluating needs and setting up the sort of life protections most appropriate to address those needs.

A comparative analysis study on mutual fund and insurance was done in ordered to analyze the critical areas as to why the investment in mutual fund and insurance related product is less. As customers assume investing in these products is risky and it requires a huge amount. Customers generally visit the bank for the regular/day to day activities like saving, fixed deposit and loans. Customers are not getting proper guidance as the agents and employees visit the branch quiet often.

II. RESEARCH BASED PROJECT

❖ *Introduction*

A. *Nature of Problem:*

- Lack of awareness on mutual fund and life insurance product of Indian society.
- There is a knowledge gap between people about the products and other investing options.

B. *Objectives of the study:*

- To study the Lack of awareness on mutual fund and life insurance product.
- To know about the preferences of investors towards mutual funds and life insurance.
- To know about the extent of satisfaction of investors towards mutual funds and life insurance.

C. *Utility of the study:*

- The project utility is for the investors, banking sector, other financial institution, etc.

D. *Limitations of the study:*

- Sample size was limited to 100 because of limited time which is small to represent the whole population.
- The research was limited to Dombivli area only and if the same research would have been carried in another city, the results may vary.
- Sometimes the respondents because of their business didn't able to concentrate while filling up the questions.

❖ *Context of the Problem:*

Following are the major issue found in the research.

- Customers would either consist of upper middle class or lower middle class, due to which they mainly focus on

traditional banking activity such as saving, fixed deposits, current account, loans, etc. As the income received is low customers do not prefer to invest in mutual fund and insurance products.

- Employees (agents) are allocated with more than 1 branch, as they have to visit all the branches frequently they not able to focus on 1 branch and the reduction in workforce is another major challenge which is faced by the bank.
- Customer’s loyalties is losing day by day as they are not able to understand or avail services provided by the bank as the employees are handling more than one branch, their focus towards customers would be low.
- Majority of the customers being illiterate there is a lack of knowledge about mutual funds and insurance product. At times it becomes difficult for the customers to understand the traditional banking activity.
- As the awareness on mutual funds and insurance product is low, customers are not interested in investing a bulk amount in these types of schemes and lack knowledge on the sip & benefits which otherwise they would have received by investing in these schemes.
- Many organisations provide insurance coverage to their employees with better schemes due to which they don’t find a need investing their money on the insurance products of the bank as it requires additional formalities and is more time consuming.

❖ Presentations of Data / Analysis and Discussion

What kind of investments you prefer most?

79 responses

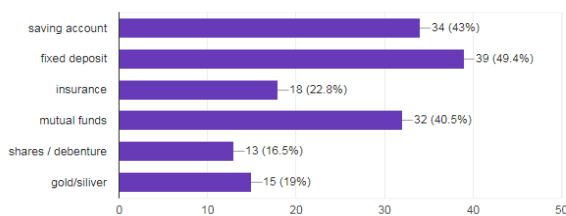


Fig 1

- **Analysis:**
49.4% of the respondents are for fixed deposit and 43% of the respondents are for saving accounts
- **Interpretation :**
More number of people are investing in fixed deposits and insurance, but still they are people who are less considered in investing in mutual funds, insurance, shares, gold/silver.

While investing your money, which factor you prefermost?

77 responses

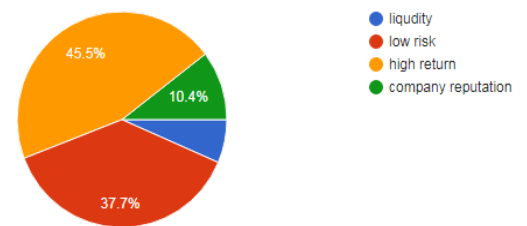


Fig 2

- **Analysis :**
45.5% prefer to invest in high return with low risk.
- **Interpretation:**
The above data interprets that public is don’t willing to invest on company reputation or on liquidity. They prefer to invest in scheme of high return.

Have you ever invested your money in mutual fund?

79 responses

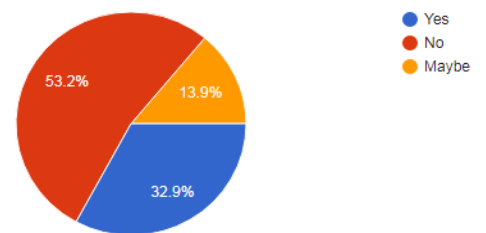


Fig 3

- **Analysis :**
The analysis indicates that 53.2% of the public is not interested to invest in mutual fund
- **Interpretation:**
The above data interprets that people are aware of mutual funds but still there is majority of the population who are not interested to the concept of investing.

If yes, Where do you find yourself as a mutual fund investor?

51 responses

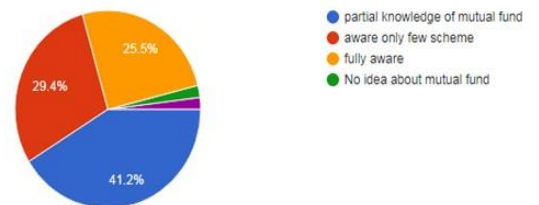


Fig 4

- **Analysis:**
Only 25.5% of public are fully aware.

- **Interpretation:**
The above data interprets that the respondents are not aware of mutual funds majority of public are have partial knowledge or aware only on few scheme.

If no, If not invested in Mutual Fund then why?

60 responses

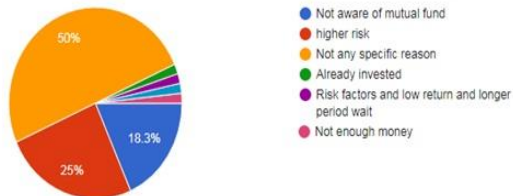


Fig 5

- **Analysis:**
25% of public considered as it is high risk and they have not awareness about the product.

- **Interpretation:**
From above data majority of investor have no interest to invest in mutual funds.

How do you come to know about Mutual Fund?

78 responses

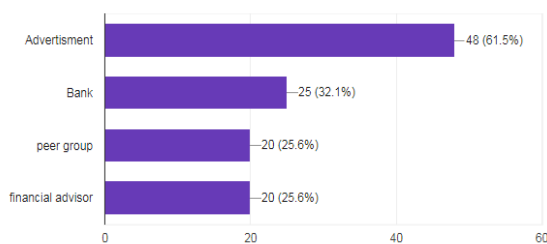


Fig 6

- **Analysis:**
61.5% of the public are aware by the advertisements of mutual fund company.

- **Interpretations:**
From the above data awareness of different products are from advertisement instead from bank and other institution company.

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

71 responses

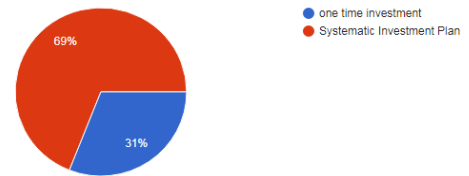


Fig 7

- **Analysis:**
69% of the investor prefers to invest in sip.

- **Interpretation:**
From above data the majority public are not willing to invest lump sum money instead they are willing to invest in partial basis.

Do you prefer to invest in life insurance?

75 responses

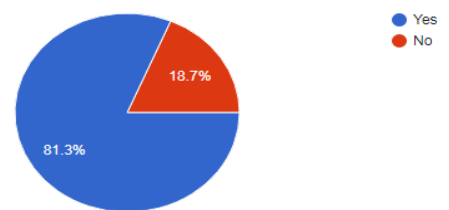


Fig 8

- **Analysis:**
The analysis indicates that 81.3% of the public are comfortable with life insurance.

- **Interpretation:**
The above data interprets that people are generally considered with getting life insured but few people are not willing to invest in insurances.

How do you invest in life insurance product?

76 responses

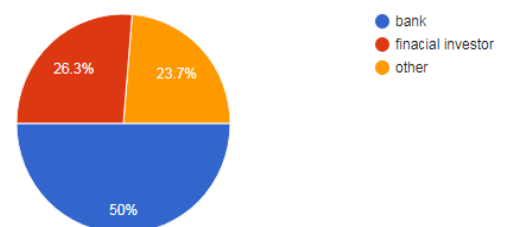


Fig 9

- **Analysis:**
50% of the people will prefer to invest from bank.

- **Interpretation:**
From the above data people are willing to invest from bank rather than from financial investors and other institution.

III. CONCLUSION

❖ *Inferences:*

From the above study it can be concluded that majority of the public of Indian society are willing to invest in insurance product rather than mutual funds. As the awareness on mutual funds and insurance product is low, customers are not interested in investing a bulk amount in these types of schemes and lack knowledge on the sip & benefits which otherwise they would have received by investing in these schemes.

❖ *Managerial Implications:*

The study can be implied to understand practicality of investing in mutual fund and insurance through banking stream. It can also provide investor or working class individual with basic knowledge of differentiating between mutual fund and insurance.

❖ *Annexure:*

➤ **What kind of investments you prefer most?**

- Saving account
- Fixed deposits
- Insurance
- Mutual funds
- Shares / debenture
- Gold / silver

➤ **While investing your money, which factor you prefer most?**

- Liquidity
- Low risk
- High return
- Company reputation

➤ **Have you ever invested your money in mutual fund?**

- Yes
- No
- May be

➤ **If yes, where do you find yourself as a mutual fund investor?**

- Partial knowledge of mutual fund
- Aware only few scheme
- Fully aware

➤ **If no, if not invested in mutual fund then why?**

- Not aware of mutual fund
- Higher risk
- Not any specific reason

➤ **How do you come to know about mutual fund?**

- Advertisement
- Bank
- Peer group
- Financial group

➤ **When you invest in mutual funds which mode of investment will you prefer?**

- One time investment
- Systematic investment plan

➤ **Do you prefer to invest in life insurance?**

- Yes
- No

➤ **How do you invest in life insurance product?**

- Bank
- Financial investor
- Other

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