

## A Comparative Study Of Mutual Funds And Insurance

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### ABSTRACT:

This research paper presents a comprehensive comparative analysis of mutual funds and insurance as investment options, focusing on their performance and risk characteristics. The study aims to provide investors with valuable insights to make informed decisions when considering these two popular investment vehicles. The research evaluates a diverse range of mutual funds and insurance products, examining their historical performance, risk-adjusted returns, and associated risks. The research design employed a mixed-methods approach, combining quantitative data analysis and qualitative insights. The questionnaire comprised a set of carefully crafted questions that addressed various aspects, including demographic information, investment objectives, risk tolerance, knowledge about mutual funds and insurance, and decision-making factors. The survey was distributed electronically, ensuring a wide geographic reach and a diverse participant pool. By comparing the performance and risk profiles of mutual funds and insurance, this study aims to highlight the unique features, benefits, and considerations associated with each investment option. The findings of the study revealed intriguing trends in investment preferences and risk perception among the participants. A significant proportion of respondents exhibited a preference for mutual funds, citing factors such as potential returns, diversification, and professional fund management. Insurance products, on the other hand, were favoured by those seeking stability, long-term financial planning, and risk mitigation.

**Keywords:** *Mutual funds, Insurance, Performance, Risk, Comparative analysis.*

### INTRODUCTION

In the realm of investment options, mutual funds and insurance products play significant roles in assisting individuals and institutions in achieving their financial objectives. Mutual funds offer diversified portfolios managed by professionals, while insurance provides risk protection and financial security. Both investment vehicles have unique features, benefits, and considerations, making them attractive options for investors with varying financial goals and risk preferences. The objective of this research paper is to conduct a comparative study on mutual funds and insurance, focusing on their performance and risk characteristics. By analyzing the historical performance, risk-adjusted returns, and associated risks of these investment options, this study aims to provide investors with valuable insights to make informed decisions when choosing between mutual funds and insurance

products. The study recognizes the importance of evaluating the performance of investment options to assess their potential for wealth accumulation and achieving financial goals. Performance analysis encompasses examining historical returns, identifying risk factors, and comparing performance across different investment categories and time periods. By conducting a thorough examination of mutual funds and insurance products, investors can gain a deeper understanding of the potential returns and risks associated with each option.

### OBJECTIVE

To study on the mind-set of investors while investing in mutual fund or insurance. To compare the investing trends of Indian retail investors in mutual funds and insurance. To study various types of mutual funds and insurance with reference to Bajaj capital.

### LIMITATIONS OF THE STUDY

**Non-response Bias:** There is a possibility that certain groups of individuals may be more or less likely to respond to the questionnaire, which could introduce non-response bias. This may affect the representativeness of the sample and potentially bias the results. **Subjective Measures:** Some aspects, such as risk perception or satisfaction levels, rely on subjective measures provided by respondents. Interpretation of these measures can be influenced by individual biases and perceptions, potentially impacting the validity and comparability of the results. **Generalizability:** The findings of the questionnaire-based study may be specific to the context and time period in which the research was conducted. They may not be directly applicable to other regions, countries, or periods with different economic, regulatory, or cultural factors.

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## LITERATURE REVIEW

Akshatha P (2022) is to maximize return while minimizing risk and credit risk through diversity. An appealing option for people looking to invest their money is a mutual fund. But he affirms that a bank investment will always be the people's top preference; a mutual fund or any other source of income can come in second. This article's primary goal is to assess the mutual funds that invest in diverse Indian equity. Rahatgi, Kavida yal, Mishra, Singh, and Dixit (2020), the focus of this research work is on approving the return- and risk-based selection strategies of mutual funds in India. "Paper evaluated the concept that all mutual fund plans are determined based on the most significant net resource and placement. By calculating the assets' monthly returns, these mutual fund plans' positioning is approved. For this analysis, experts used data from a variety of sources, including the Yippee Fund, online value research, the RBI, the NSE, and others. Following this inquiry, experts will work to help investors identify between and carefully choose the mutual funds conspire in their portfolios because all mutual fund conspiracies, regardless of whether they are on higher positioning. According to Prashant Shah's (2006) analysis, investing in mutual funds is the best alternative for investors who don't want to take any direct exposure to the market. In addition, securities markets assist investors in building their wealth over time. However, the investor must keep in mind that: "funding for Market risk is there for mutual funds ". Rajasekar (2013) revealed investors' assessments of their profiles, income, saving habits, investment preferences, and personality traits. A survey was done to determine the level of investor

preference while taking numerous aspects into account that influence investors' decision-making. It was observed that investors were extremely concerned about the security, expansion, and liquidity of their investments. Respondents were generally pleased with the results and level of service provided by a well-known mutual fund institution. Jagongo and Mutswenje (2014) discovered that prior stock performance of corporations, reputation and standing in the industry, expected corporate profitability, 60 and anticipated investor returns were the most crucial elements influencing individual investors' selections.

## RESEARCH METHODOLOGY

Only primary data is used (questionnaire). The primary data are essential since they provide up-to-date trends and trustworthy results. It can be viewed as a science that studies how scientific research is conducted. One of the most crucial functions of research technique is that it aids in problem identification, data collection and analysis, and authentic information interpretation. This study is entirely supported by primary data, which was gathered through interactions with people. I have gathered all of the fundamental knowledge and perception on investing and saving in the primary data. I received 100 responses to this survey, and the majority of them are from people in my network who are employed, studying, or retired.

## DATA ANALYSIS AND INTERPRETATION

While conducting the survey, 100 responses were collected out of which 87 respondents belong to the age group of 18–25, 8 belong to the age group of 26–35 and 5 are above the age of 35.

Out of 100, 71 are male and 29 are female. 80% of the respondents are from the income slab of up to 5,00,000.

**TABLE1: INVESTED IN ANY KIND OF INVESTMENT TOOL.**

Ever invested	Response
Yes	65
No	35
Total	100

Through this survey I came to know that 65% of the respondents have invested in various tools. But 35% people have never invested in any tools and it indicates that we have an opportunity to make people ready for the investment but just we have to do is we have to spread the awareness and tell them how inflation just killing their purchasing power.

**TABLE 2: INFLUENCERS TO INVESTMENT**

Investment influenced through	Response
Newspaper	9
Financial advisor	19
Internet	42
Finance student	14
Other	16
Total	100

42% of the people influenced by internet for the importance of investment it means these people have the access of technology. It means they got interested in investment from the internet it showing the awareness of people from the technology. Now after that remaining other source of influence played the equal role. People are conscious but they need a source who will provide the information regarding investment and all. So this can be done through awareness campaign. 19% of the people were influenced by financial advisor.

**TABLE 3: NUMBER OF INVESTOR PREFER MOST FOR HIGHER RETURN**

Higher return investment tool	No. of respondents
Mutual funds	61
Insurance	9
Gold	11
Real estate	19
Total	100

According to respondent 61 % peoples consider mutual fund the most because they are partly aware how much potential have with the mutual funds in comparison of others investment tools and after mutual fund people consider the real estate for the investment purpose although real estate also can give the good return out of the investment but not in the comparison of mutual funds and insurance sector are taken as a last option for the saving and investment.

**TABLE 4: NUMBER OF INVESTOR FOR DIFFERENT INVESTMENT TOOLS**

Preferred mode	No. of respondents
Mutual funds	80%
Insurance (life/health)	20%
Total	100

According to 80 % peoples, they prefer the most mutual funds over the insurance for the investment. It means mutual funds consider the good source of the getting good return only we have to spread the awareness about the mutual funds. As far as the insurance is concern it has also a good return but they couldn't provide as a mutual fund could.

**TABLE 5: NUMBER OF INVESTOR WHO PREFER PARAMETER WHILE INVESTING**

Parameters	No. of respondents
Risk appetite	35
Returns	49
Company	13
Credit rating	3
Total	100

According to 49 % peoples considers returns the most important parameter while investing, they majorly conscious on the returns of the investment and they want to invests but the primarily they want know how much potential of this investment will provide me as a return. Thereafter they also consider the risk appetite for the second most important parameter they also want that risk should lesser with respect to investment.

**TABLE 6: NUMBER OF INVESTORS HAVE DIFFERENT INSURANCE**

Type of insurance	No. of respondents
Life insurance	44
Health insurance	15
Vehicle insurance	14
Home insurance	3
other	24
Total	100

As far as insurance is concern peoples are asked which kind of insurance they have so near about 44 % of peoples said that they have the life insurance and then health, vehicles and other insurance. It means peoples are conscious on the aspect of life they consider the life insurance as good sources of investment so that we can protect of risk of life and after any bad happens our family will get financial assistance because life is quite unpredictable.

**TABLE 7: NUMBER OF INVESTORS WHO INVESTED IN DIFFERENT MF SCHEMES**

Investment scheme of mutual funds	No. of respondents
Equity fund	44
Debt fund	15
Hybrid fund	33
ELSS fund	8
Total	100

According to investors who invested in mutual funds scheme so they prefer most to equity mutual fund. Near about 44 % of peoples are invested in equity mutual funds although it has greater risk as comparison to others. The second most preferred scheme is hybrid mutual fund because it has lower risk as compare to equity mutual funds.

**TABLE 8: NUMBER OF INVESTOR PREFER MORE IN PORTFOLIO**

More in portfolio	No. of respondents
Mutual funds	68
Insurance	22
Other investment tools	10
Total	100

As far as portfolio is concern, respondent says that there should be mutual funds i.e. 68% more in comparison of others. So according to investor's perception they consider mutual funds much more in comparison of insurance i.e. 22% and others investment tools i.e. 10%.

**TABLE 9: NUMBER OF INVESTOR WHO INVEST THEIR INCOME**

Income into investment(%)	No. of respondents
5%	35
10%	37
20%	17
30%	11
Total	100

As far as the portion of our gross income for the investment is concern

majority of respondent says that we should invest 10 % of our gross income into any investment tools for future or any emergency. Thereafter 5 % preferred the second most by the peoples it indicates they don't want to invest much more into investment tools. Only 17% peoples say that investment should be 20 % of the gross income that is technically true in the case of investment

**TABLE 10: NUMBER OF INVESTOR WHO PREFER DIFFERENT TIME HORIZON**

Time horizon	No. of respondents
Long term investment	80
Short term investment	20
Total	100

As far as time horizon for the investment is concern 80% peoples prefer the long term investment. Because longer the investment greater the returns. In the long run the power of compounding can be seen in wonderful way. The power of compounding plays a big role especially in the long run. So the respondents said that time horizon for the investment should be longer if we want to greater return out of that investment.

## CONCLUSION

This comparative study on mutual funds and insurance aimed to provide insights into the performance, risk characteristics, and investor preferences of these two popular investment options. By analyzing the results obtained from the questionnaire, this research sheds light on the similarities, differences, and considerations associated with mutual funds and insurance. The findings of this study indicate that both mutual funds and insurance play important roles in investment portfolios, but respondents prefer mutual funds over insurance due to higher rate of return.

Mutual funds offer diversification and professional management, while insurance provides risk protection and wealth accumulation potential. The respondents exhibited a varying level of awareness and understanding of these investment options, highlighting the need for investor education and awareness campaigns. The comparative analysis revealed that mutual funds are generally perceived as offering higher potential returns and liquidity compared to insurance. However, insurance products were perceived as providing more stability and downside protection. Risk perception varied among respondents, with some considering mutual funds to be riskier due to market volatility, while others viewed insurance as having risk related to policyholder stability and claims payment. It is important to acknowledge the limitations of this study. The results are based on self-reported responses from a specific sample, which may limit the generalizability of the findings. Additionally, the questionnaire-based approach may not capture all aspects of mutual funds and insurance comprehensively. Future research could explore additional factors and employ alternative research methodologies to provide a more comprehensive understanding.

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