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A Comparative Study of Mutual Funds and Life Insurance of Aditya Birla Sun Life Mutual Funds

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Abstract:

The financial services sector in India has witnessed transformative growth in the post-liberalization era, particularly within the mutual fund and life insurance industries. Despite the growing importance of these investment vehicles, limited behavioral research exists on how Indian retail investors make selection decisions between the two. This article presents a comparative study of mutual funds and life insurance products offered by Aditya Birla Sun Life Mutual Funds (ABSLMF), with particular emphasis on investor behavior, preferences, and decision-making patterns. Data were collected through a structured questionnaire administered to 75 educated respondents in the Hyderabad region using convenience sampling. The study reveals that a majority of respondents prefer life insurance as an investment instrument, with tax exemption and protection being the primary motivators. Systematic Investment Plans (SIPs) are the preferred mode of investment, and family remains the foremost influencer of financial decisions. The findings contribute to the behavioral finance literature and offer actionable insights for financial institutions seeking to deepen market penetration.

Keywords: Mutual Funds, Life Insurance, Investor Behavior, Aditya Birla Sun Life, SIP, Behavioral Finance, India.

Introduction:

India's financial landscape underwent a paradigm shift following the economic liberalization of 1991. The dismantling of regulatory barriers opened the doors to private and foreign participants across sectors, with mutual funds and life insurance emerging as two of the most significant and rapidly growing investment avenues available to retail investors. Within a span of three decades, these instruments have collectively mobilized trillions of rupees, fundamentally reshaping the saving and investment habits of millions of Indian households.

Mutual funds, by pooling capital from diverse investors and deploying it across diversified securities under professional management, offer an accessible route to capital markets for individuals who lack the expertise or resources to invest directly. Life insurance, on the other hand, occupies a dual role — providing financial protection against mortality risk while simultaneously serving as a long-term savings instrument. The coexistence and competition between these two categories create a complex decision environment for the average retail investor.

Aditya Birla Sun Life Mutual Fund (ABSLMF), established in 1994 as a joint venture between the Aditya Birla Group and Sun Life Financial Inc. of Canada, stands as one of India's leading asset management companies. With total domestic AUM exceeding Rs. 2.7 lakh crore (as of March 2021), operations across 300 locations pan-India, and over 7 million investor folios, ABSLMF offers an extensive portfolio spanning equity, debt, hybrid, and structured schemes, making it a compelling context for studying investor preferences and behavior.

This study is motivated by the observation that behavioral finance literature concerning Indian retail investors remains sparse, particularly regarding comparative analysis of mutual fund and life insurance selection behavior. While performance evaluation studies are numerous, research that examines the psychological and socio-economic drivers of product selection is limited. By surveying 75 respondents in Hyderabad, this article seeks to illuminate those drivers and present findings that are of both academic and practical relevance.

Review of Literature:

The academic conversation on mutual funds and life insurance in India spans several dimensions — from performance evaluation to investor psychology — and has grown considerably since liberalization. The following review synthesizes key contributions relevant to the comparative theme of this study.

1. Mutual Fund Performance and Investor Behavior:

Gayathri, Karthika, and Kumar (2019) provide a comprehensive overview of the mutual fund ecosystem in India, underscoring the role of Net Asset Value (NAV), Asset Management Companies (AMCs), and SEBI regulation in shaping investor outcomes. They highlight that mutual fund objectives — ranging from equity growth to balanced and money market strategies — cater to heterogeneous investor profiles, reinforcing the need to understand individual selection behavior.

Agarwal and Mukhtar (2010) applied composite performance measures including the Treynor ratio, Sharpe ratio, Jensen's alpha, and the Information ratio to twenty-four equity growth funds, finding meaningful variation in risk-adjusted performance. Their work underscores that rational fund selection requires sophisticated evaluation, which most retail investors are ill-equipped to conduct independently — creating reliance on advisors and distributors.

Rao and Rao (2009) empirically tested commonly held investor beliefs about balanced and income funds versus market indices across bull and bear phases. Their findings confirmed that markets outperform balanced and income funds during bull runs, while those funds outperform markets during bear runs. This evidence has direct implications for investor timing and product choice.

Agrawal and Patidar (2009) explored mutual fund activity in emerging markets, concluding that investor confidence and fund manager loyalty significantly affect AUM performance, while saving and investment habits vary considerably across demographic groups.

Sehgal and Jhanwar (2007) tested short-term persistence in Indian mutual fund performance, finding no consistent evidence of persistence using monthly data, though some gross abnormal returns appeared in winner portfolios using daily data. Their findings are consistent with efficient market theory and caution against momentum-based fund selection strategies.

2. Comparative Studies: Mutual Funds vs. Life Insurance:

Dr. Das et al. (2008), in a landmark study drawing on 100 respondents from Orissa, found that the majority of Indian investors preferred life insurance over mutual funds, with capital growth, tax saving, and retirement planning as primary motivators. Government employees showed a pronounced preference for life insurance, while private sector employees leaned toward mutual funds. Newspapers and magazines were identified as the dominant information source — a finding that contrasts with the digital media trends observed in more recent surveys.

Gupta and Agrawal (2014) studied investors in Indore and found mutual funds were preferred over ULIPs (Unit Linked Insurance Plans), with returns being the primary motivation for mutual fund investors and savings the primary motivation for insurance investors. This distinction between return-seeking and protection-seeking behavior remains a key analytical lens in the present study.

Panda and Panda (2013) examined risk and return perceptions, finding that mutual fund investors exhibited higher risk appetite but lower financial literacy, while life insurance investors tended to be more self-informed and methodical. They recommended periodic portfolio review as investment needs evolve across life stages — a recommendation that resonates with the findings of this study.

3. Industry Structure and Regulatory Context:

Chakrabarti (2009) documented the rapid growth of India's asset management industry, noting that both mutual funds and insurance were opened to private players only in 1993 and 2000 respectively, and that regulatory changes introduced since then have driven impressive growth rates. He highlighted the emergence of unit-linked insurance plans (ULIPs) as a hybrid product category that blurs the boundary between the two instrument types.

Tripathy (1996) argued that the mutual fund and life insurance industries must enhance skills and technology to prepare for the demands of a liberalized Indian economy. This prescient call for modernization foreshadowed the digital transformation that has since reshaped both industries.

Objectives of the Study:

The study is guided by the following specific objectives:

- To understand the primary objectives of investors while investing in different financial instruments, with particular emphasis on mutual funds and life insurance products.
- To analyze investor behavior and attitude toward different savings instruments, specifically toward life insurance and mutual fund schemes.
- To identify and compare the investment preferences of respondents between mutual funds and life insurance products.
- To identify the sources of information that influence investment instrument selection decisions among retail investors.
- To examine demographic factors — including gender, age, and income level — and their influence on investment behavior and instrument preference.

Research Questions:

This study seeks to address the following research questions:

- RQ1: Do Indian retail investors in Hyderabad exhibit a statistically meaningful preference for life insurance over mutual funds, or vice versa?
- RQ2: What are the primary objectives driving investment decisions, and do these objectives differ between mutual fund investors and life insurance investors?
- RQ3: What demographic factors (gender, age, income group) significantly influence the choice of investment instrument?
- RQ4: Which information sources most heavily influence investment decisions among educated retail investors in Hyderabad?

- RQ5: What role does risk tolerance play in shaping investment horizon and instrument selection?
- RQ6: How does mode of investment (SIP vs. lump sum) correlate with investor demographic profiles?

Research Methodology:

1. Research Design:

The study adopts a descriptive research design. Descriptive research is appropriate here because the primary intent is to characterize the population — specifically their investment preferences, awareness levels, and behavioral patterns — rather than to establish causal relationships.

2. Data Collection:

Primary data were collected through a structured questionnaire comprising 20 questions covering demographic details, awareness of financial instruments, investment preferences, risk tolerance, investment horizon, mode of investment, portfolio review habits, and information source reliance. The survey was administered to educated residents of Hyderabad between November 2025 and April 2026.

3. Sampling:

Convenience sampling was employed to select 75 respondents. The target population was defined as educated residents of Hyderabad with exposure to or interest in financial products. While this sample size is appropriate for a pilot-scale MBA project study, it limits generalizability to the broader national market, a limitation discussed in Section 8.

4. Data Analysis:

Data were analyzed using descriptive statistics — primarily frequency distributions and percentage analysis — and represented visually through pie charts and bar graphs. Analysis was performed question-by-question to illuminate response patterns across each thematic area.

Key Findings and Analysis:

1. Demographic Profile:

The respondent profile revealed a strong male dominance, with 69% of participants being male (51 out of 75) and 31% female (24 out of 75). This gender skew mirrors broader trends in financial market participation in India, where women remain underrepresented. The majority of respondents (55%) fell within the 21–30 age bracket, followed by the 41–50 (23%) and 31–40 (21%) groups, with only 1% above 50. The dominance of younger respondents aligns with growing youth interest in financial instruments, driven partly by government and SEBI campaigns promoting mutual fund awareness.

2. Investment Preference: Mutual Funds vs. Life Insurance:

A central finding of the study is that 58% of respondents preferred life insurance as their investment instrument of choice, compared to 42% who preferred mutual funds. When asked to choose a single instrument, 35% selected life insurance products and 30% selected mutual funds, with 10% unable to decide. This preference for life insurance aligns with findings from Das et al. (2008) and reflects the deeply ingrained cultural emphasis on life protection and tax saving in Indian investment behavior.

3. Primary Investment Objective:

Tax exemption emerged as the dominant investment objective, cited by 35% of respondents. This was followed equally by wealth accumulation and capital growth (15%) and regular income and cash flow (15%), with wealth preservation and risk mitigation a priority for 10%. The predominance of tax saving as a motive — consistent across both mutual fund and life insurance investors — highlights the pervasive influence of India's tax incentive framework (particularly Section 80C deductions) on investment behavior.

4. Mode of Investment:

SIP emerged as the decisively preferred investment mode, chosen by 68% of respondents against 32% who preferred lump-sum investment. Among SIP investors, 80% preferred monthly contributions in the Rs. 500–5,000 range, reflecting the aspirations of middle-income salaried investors for whom small, disciplined contributions are more sustainable than large one-time outlays. For lump-sum investors, 50% preferred the Rs. 1,000–20,000 band.

5. Awareness of Financial Instruments:

Awareness was highest for life insurance (28%), followed by gold (24%), fixed deposits (23%), mutual funds (20%), and equity markets (5%). This pattern suggests that despite government and industry efforts to boost mutual fund penetration, traditional instruments — particularly life insurance and gold — remain more familiar to the general investor population.

6. Information Sources:

Family was identified as the most influential information source for 55% of table respondents, followed by friends and colleagues (23%) and financial advisors (21%). Digital sources — internet and apps — were cited by only 1%, underscoring the continued dominance of personal networks in financial decision-making, particularly in semi-urban and urban Hyderabad contexts.

7. Risk Tolerance and Investment Horizon:

Risk tolerance was rated extremely important by 35% of respondents and very important by 20%, confirming that the majority of investors integrate risk considerations into their decision-making. Investment horizons were evenly split between short-term (less than 1 year, 25%) and long-term (more than 5 years, 25%), with medium-term investors constituting 15% and 10% unsure. This bimodal distribution suggests the presence of two distinct investor segments with divergent financial planning philosophies.

Discussion:

The findings of this study coalesce around several meaningful patterns. First, the preference for life insurance over mutual funds — despite generally lower returns — reflects the primacy of financial security and tax optimization in the Indian investor psyche. Life insurance, unlike mutual funds, guarantees a death benefit and provides Section 80C tax relief, making it a rational choice for risk-averse, tax-sensitive investors.

Second, the overwhelming preference for SIPs (68%) indicates a behavioral shift toward disciplined, incremental saving — a trend that ABSLMF and its competitors have actively fostered through campaigns such as 'Mutual Funds Sahi Hai.' However, the concentration of SIP amounts in the lowest band (Rs. 500–5,000) reveals that most investors remain at the entry level, suggesting significant headroom for upscaling.

Third, the dominance of family as an information source — and the minimal role of digital channels — has important implications for marketing strategy. Financial institutions that invest heavily in digital advertising may be underestimating the power of referral networks and word-of-mouth. Conversely, a growing proportion of younger investors (21–30 age group, 55%) may be more receptive to digital outreach than older cohorts.

Fourth, the identified preference gap between male and female investors, and the very low female respondent base, corroborates concerns about gender disparity in financial market participation. Tailored financial products and literacy programs aimed at women investors represent both a social imperative and a significant untapped market opportunity.

Conclusion:

This study undertook a comparative examination of investor preferences toward mutual funds and life insurance products in the context of Aditya Birla Sun Life Mutual Funds, drawing on survey data from 75 respondents in Hyderabad. The analysis confirms that life insurance currently holds a stronger preference among retail investors, driven primarily by tax saving benefits and the psychological comfort of guaranteed coverage. Mutual funds, though recognized for their return potential and professional management, are constrained by lower awareness and greater perceived risk.

The study underscores the need for financial institutions to move beyond product-centric communication and engage with the behavioral and socio-economic drivers of investment decisions. This includes leveraging family and peer networks as distribution amplifiers, designing female-friendly investment schemes, and developing hybrid products that combine the insurance reassurance investors seek with the return potential of market-linked instruments.

Future research should expand the sample geographically and numerically, incorporate longitudinal tracking of investment decisions, and employ multivariate analysis techniques to isolate the independent effects of demographic variables on instrument choice.

Limitations:

The principal limitations of this study are as follows. First, the sample of 75 respondents, drawn exclusively from the Hyderabad region using convenience sampling, may not represent the diversity of the Indian retail investor population across geographic, socioeconomic, and cultural dimensions. Second, the study was conducted over a relatively short period, during which the Government of India has been actively promoting mutual fund investments — a policy context that may have influenced responses in ways that are difficult to disentangle. Third, reliance on self-reported data introduces the risk of social desirability bias. Fourth, the absence of inferential statistical testing limits the ability to draw causal conclusions from the observed associations.

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