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A Project Report On "Ulips V/S Mutual Funds Under Banking Sector With Reference To Hdfc Bank"

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ABSTRACT: Unit linked Insurance Plan (ULIP) is an insurance product offered by lifeinsurance companies combining both risk cover and benefits of investment. ULIP being a combination product, premium amount paid under ULIP consists of risk premium and investment component. Risk premium may be for life or health or any other authorized purposes. A mutual fund is an investment company or a trust that pools the resources of thousands of unit holders and invests on behalf of them in securities market. The mutual funds have been functioning has an agent to mobilize the resources from various investors the Unit Trusts, Investment Trust, Mutual funds Bank, Investment Companies, Real estate, Trust Companies, Personal Trust Funds etc., All their names contain some common characteristics. This research paper tries an attempt to check the best avenue based on the cost and revenue.

I. CHAPTER ONE

INTRODUCTION

Doing investment is the best option for any liquidity than keeping it useless in storage. Rational people like to invest such liquidity at such place from where they can get maximum return from it as well as got assurance of maximum safety. There are many options to invest liquidities (especially cash) from where return could be easily available, like FD'S, Mutual Funds, ULIP'S, properties etc.

MUTUAL FUND

A mutual fund is nothing more than a collection of stocks/bonds. You can think of a mutual fund as a company that brings together a group of people andinvests their money in stocks, bonds, and other securities. Each investor owns shares, which represent a portion of the holdings of the fund.

TASK/BODY

We can make money from mutual fund in three ways:

1. Income is earned from dividends on stocks and interest on bonds. A fund pays out nearly allof the income it receives over the year to fund owners in the form of a distribution.
2. If the fund sells securities that have increased in price, the fund has a capital gain. Most funds also pass on these gains to investors in a distribution.
3. If fund holdings increase in price but are not sold by the fund manager, the funds share increase in price. You can sell your mutual fund shares for a profit. Funds will also usually give you a choice either to receive a check for distributions or to reinvest the earnings and get more shares.

ULIP'S

ULIP is an abbreviation for Unit Linked Insurance Policy. A ULIP is a life insurance policy which provides a combination of risk cover and investment. The dynamics of capital market have a direct bearing on the performance of the ULIPs.

TASK/BODY

1. Most insurers offer a wide range of funds to suit one's investment objectives, risk profile and time horizons.
2. Different funds have different risk profiles. The potential for returns also varies from fund to fund.
3. Investment returns from ULIPs may not be guaranteed.

DIFFERENCE BETWEEN MUTUAL FUNDS AND ULIPS

At first sight, these two options might seem identical, but they are not. There are several differences between these two investment options.

The following are some of the significant difference between ULIPS and MUTUAL FUNDS.

I. RETURN ON INVESTMENT

The return from the ULIP are on the lower side. The reason being, ULIPs promise a fixed sum whether or not the investment plan makes money. In comparison, the returns from mutual funds vary depending on the risk factor. Equity mutual funds have the potential to offer higher returns, while debt mutual funds offer slightly lower returns.

II. LOCK IN PERIOD

ULIP essentially is an insurance product. Therefore, insurance companies define the lock in period for such an investment before which the investment cannot be redeemed. ULIPs have a lock in period ranging between three to five years, depending on the nature and structure of the investment scheme. Mutual fuds generally have a lock in period of one year, but in some cases, like ELSS, the lock in period is three years.

III. TRANSPERENCY

ULIPs are highly sophisticated products which offer a mix of risk cover and investment. These have a less transparent structure concerning the underlying expenses and asset allocation. Mutual funds are relatively open about the free charged and the holding in the portfolio.

IV. TAXATION BENEFITS

Investments in ULIPs is eligible for income tax deduction under section 80c of the income tax act,1961, i.e. you can claim tax deduction of up to rs.1.5 lakh a year on your ULIPs investment. Whereas mutual funds offer a tax deduction only against investment in ELSS. Investing in any other mutual fund scheme will not provide tax deductions and redemption of are subject to taxation as per the applicable tax bracket.

V. EXPENCES

Mutual funds offer the benefit of low costs and professional management. SEBI has capped the expense ratio on mutual funds to1.05% while there is no such limit for ULIPs. The chargers for ULIP scheme can go much higher than mutual funds

VI. RISK COVER

ULIPs come with an in-built insurance plan that offers the sum assured to the family in case the policyholder dies within the term of the policy. However, in the case of mutual funds, there is no risk cover by way of insurance. You need to buy a separate insurance plan and pay an additional premium for the same If required.

ADVANTAGES OF MUTUAL FUND

1. Portfolio Diversification: Mutual Funds invest in a well-diversified portfolio of securities which enables investor to hold a diversified investment portfolio (whether the amount of investment is big or small).

2. Professional Management: Fund manager undergoes through various research works and has better investment management skills which ensure higher returns to the investor than what he can manage on his own.

3. Less Risk: Investors acquire a diversified portfolio of securities even with a small investment in a Mutual Fund. The risk in a diversified portfolio is lesser than investing in merely 2 or 3 securities.

4. Low Transaction Costs: Due to the economies of scale (benefits of larger volumes), mutual funds pay lesser transaction costs. These benefits are passed on to the investors.

5. Liquidity: An investor may not be able to sell some of the shares held by him very easily and quickly, whereas units of a mutual fund are far more liquid.

DISADVANTAGES OF MUTUAL FUND

1. Costs Control Not in the Hands of an Investor: Investor must pay investment management fees and fund distribution costs as a percentage of the value of his investments (if he holds the units), irrespective of the performance of the fund.

2. No Customized Portfolio's: The portfolio of securities in which a fund invests is a decision taken by the fund manager. Investors have no right to interfere in the decision-making process of a fund manager, which some investors find as a constraint in achieving their financial objectives.

3. Difficulty in Selecting a Suitable Fund Scheme: Many investors find it difficult to select one option from the plethora of funds/schemes/plans available. For this, they may have to take advice from financial planners in order to invest in the right fund to achieve their objectives.

TYPES OF MUTUAL FUNDS

General Classification of Mutual Funds

Open-end Funds / Closed-end Funds

Open-end Funds:

Funds that can sell and purchase units at any point in time are classified as Open-end Funds. The fund size (corpus) of an open-end fund is variable (keeps changing) because of continuous selling (to investors) and repurchases (from the investors) by the fund. An open-end fund is always not required to keep selling new units to the investors but is required to always repurchase, when an investor wants to sell his units. The NAV of an open-end fund is calculated every day.

Closed-end Funds:

Funds that can sell a fixed number of units only during the New Fund Offer (NFO) period are known as Closed-end Funds. The corpus of a Closed-end Fund always remains unchanged. After the closure of the offer, buying and redemption of units by the investors directly from the Funds is not allowed. However, to protect the interests of the investors, SEBI provides investors with two avenues to liquidate their positions:

- Closed-end Funds are listed on the stock exchanges where investors can buy/sell units from/to each other. The trading is generally done at a discount to the NAV of the scheme. The NAV of a closed-end fund is computed on a weekly basis (updated every Thursday).
- Closed-end Funds may also offer "buy-back of units" to the unit holders. In this case, the corpus of the Fund and its outstanding units do get changed.

Load Funds/no-load funds

Load Funds:

Mutual Funds incur various expenses on marketing, distribution, advertising, portfolio churning, fund manager's salary etc. Many funds recover these expenses from the investors in the form of load. These funds are known as Load Funds. A load fund may impose following types of loads on the investors:

- **Entry Load –** Also known as Front-end load, it refers to the load charged to an investor at the time of his entry into a scheme. Entry load is deducted from the investor's contribution amount to the fund.
- **Exit Load –** Also known as Back-end load, these charges are imposed on an investor when he redeems his units (exits from the scheme). Exit load is deducted from the redemption proceeds to an outgoing investor
- **Deferred Load –** Deferred load is charged to the scheme over a period.
- **Contingent Deferred Sales Charge (CDSS) –** In some schemes, the percentage of exit load reduces as the investor stays longer with the fund. This type of load is known as Contingent Deferred Sales Charge

No-Load Funds:

All those funds that do not charge any of the above-mentioned loads are known as No-load Funds.

Tax-exempt Funds /Non-Tax-exempt Funds

Tax-exempt Funds:

Funds that invest in securities free from tax are known as Tax-exempt Funds. All open-end equity-oriented funds are exempt from distribution tax (tax for distributing income to investors). Long term capital gains and dividend income in the hands of investors are tax-free.

Non-Tax-exempt Funds:

Funds that invest in taxable securities are known as Non-Tax-exempt Funds. In India, all funds, except open-end equity-oriented funds are liable to pay tax on distribution income. Profits arising out of sale of units by an investor within 12 months of purchase are categorized as short-term capital gains, which are taxable

NEED OF THE STUDY

The need of the study arises out of the compulsion to make an intelligent choice so that the optimum returns assured with a minimal investment and duration. This research study may also address perceptions on investment options whether the mutual fund is better than ULIP or combo of pure term insurance.

OBJECTIVES

- To analyse Mutual funds (ELSS)/ULIPs (ULEP,ULYS) based on their cost and returns.
- To find which investment option proves to be better for an investor.

SCOPE OF THE STUDY

The scope of the study is limited to different mutual fund schemes of HDFC BANK. The present study has taken to observe the returns of ULIPs and Mutual funds.

RESEARCH METHODOLOGY

This research methodology is based on secondary data and collected from various websites.

DATA SOURCES

The data sources used for the study areSECONDARY DATA

The secondary data is obtained from sources like

- Study reference books

- Internet
- Fact sheets

DATA ANALYSIS

The data about different schemes in HDFC standard life insurance is obtained and the analysis is performed and compared with the schemes of other insurance company and different mutual fund schemesof HDFC.

LIMITATIONS

- Comparison of funds with ULIPs is difficult as each of them come with different objectives. Moreover, the past performance of various funds may or may not be sustained in the future.
- There is limited availability of data comparison.
- Much of the data is collected from secondary sources.The calculation so made with the help of the above data may not be accurate.

II. CHAPTER TWO

LITERATURE REVIEW

Author Name : Khurana, A., Goyal, (2011) in their study 'Exploration & Analysis of Structure and Growth Performance of Selected ULIPs' have examined and analysed the Unit Linked Insurance Plans of selected private life insurers on the basis of policy features, diverse charges and the performance registered by each ULIP investment scheme. They mention that every life insurer wants to capture the maximum share in the market and is offering both Unit Linked Insurance Plans (ULIPs) and traditional plans. ULIPs provide the customer a life cover as well as investment avenue. Today in 2011, ULIPs are the stars, accounting for 80 percent of polices sold by life insurers and their rapid rise has been fuelled to a large extent by the last bull runs in the stock market. There is an enormous choice of ULIPs available in the insurance market. But such a wide range of plans puzzle and confuse the buyer.

Author Name:Sunder and Venkatesh, (2013) in their paper 'Life-style Wraps: Cost-efficient Alternative to ULIPs' argue that ULIPs in India have higher deductions for insurance & mortality charges and have higher investment content, when compared to traditional term insurance. The paper tries to convey the idea that ULIPs are viewed as an investment vehicle with a small element of insurance content. The idea discussed in the paper is that ULIPs in India are more investment product with a supplemental insurance content. The ULIPs have lower insurance content than traditional term insurance plans, and that former have more investment content.

Author Name: Varghese, J (2014) in his paper 'Unit Linked Insurance Products (ULIPs) and Regulatory Tangle'. He argued that the main point of dispute was whether the ULIPs are insurance products or "collective investment scheme" as defined in Section 2(b a)1 read with Section 11 AA2 of Securities and Exchange Board of India Act, 1992 (SEBI Act). Even in the traditional life insurance products, the investment aspect and the pay out on maturity happens by liquidating the value of the collective investment, through a complex actuarial calculation, and if the logic adopted by SEBI in its order dated April 9, 2010 is applied, all life insurance products would come within the purview of SEBI. In this paper, the author states that regulatory competition at least in the case of ULIPs was perfectly unavoidable had SEBI considered all aspects of law and regulation. However, it should not go unseen that existence of multiple regulatory bodies will create such scenes in future, since regulation means control and control means power. Hence it is important to create an appropriate dispute resolution mechanism, which would permit regulatory issues and resolve them before those issues go ugly. The most appropriate mechanism should be a higher body, with legal experts in board, which would judiciously decide on issues of regulatory competition taking all the parties into confidence and which has powers to withhold the orders before they are issued. It would be only appropriate that such issues are resolved before it goes public since the impact of such regulatory issues would be much higher on individual investor than any of the regulators can imagine. (Varghese, J., 2014).

Author(s): Marta Alvarez (Institute of Statistics and Computer Information Systems, Business Administration Faculty, University of Puerto Rico, San Juan, PR, USA)

The purpose of this paper is to examine the performance and diversification value of water-related funds. As pollution, climate change and accelerated population growth threaten water resources worldwide, such resources have become a sought-after asset. For most investors, it is impractical to physically hold water as part of a portfolio; therefore, an open question is how to better gain exposure to this asset. The authors propose a look at water-related mutual funds, an issue not found addressed in the literature. In addition to the investment potential of these funds, investors might be drawn to them as part of a more comprehensive socially responsible agenda.

Author(s): Donald Nelson (Associate Professor of Accounting at Merrimack College)

This paper examines the implementation of best practices for fund directors as outlined by the Investment Company Institute (ICI) in the summer of 2009. Following a series of well publicized scandals across the financial services industry, the issue of corporate governance within mutual funds is both timely and practical. The purpose of the study is to measure the consistency of implementation of the 15 best practices within fund families. The data indicate that mutual funds, in general, currently follow the guidelines proposed by the ICI. This suggests that most funds are undertaking efforts to protect investors and separate the interests of management from those of investors. These findings also have implications for proposed federal legislation. If mutual funds have already adopted procedures designed to protect investors, additional regulation is redundant.

Lee &lerro (2009) in their study titled" optimizing the portfolio selection for mutual funds"

Analysed that a goal programming model which, once the investor objectives are qualified determines the optimal portfolio form a set of efficient portfolios. This model seeks an indifference trade off condition between acceptable and desired return and hence, helps in selecting the fund which best suits the investor needs.

Malik and Mittal (2018) in their study "performance evaluation of mutual fund in India: a risk adjusted analysis" analysed that past few years have witnessed the portfolio of mutual fund as international diversification have become a reality to reduce market risk & attractiveness to many investors around the globe. The return is measured in US $ would have been higher during the last five years.

Jayadev (2009) in his research "mutual fund performance: an analysis of monthly return" has remarked that fund manager can improve the return by increasing the systematic risk of the portfolio which in turn can be done by identifying highly volatile share. Better return can be earned by adopting the market timing strategy and selecting the under-priced securities. Risk can be reduced with the help of diversification.

DASH(2017), In his paper titled 'basics of investment' he discusses the basic of investment and need for investment. Investment benefits both economy and the society. It is an outgrowth of economic development and the maturation of modern capitalism. For the economy, aggregate investment sanctioned in the current period is a major factor in determining aggregate demand and hence, the level of employment. In the long term, current investment determines the economy's future productive capacity and ultimately, a growth in the standard of living. By increasing personal wealth, investing can contribute to higher overall economic growth and prosperity.

III. CHAPTER THREE

INDUSTRY PROFILE

As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalized and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well. Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance banks. RBI's new measures may go a long way in helping the restructuring of the domestic banking industry. The digital payments system in India has evolved the most among 25 countries with India's Immediate Payment Service (IMPS) being the only system at level 5 in the Faster Payments Innovation Index (FPII).

MARKET SIZE: The Indian banking system consists of 27 public sector banks, 21 private sector banks, 49 foreign banks, 56 regional rural banks, 1,562 urban cooperative banks and 94,384 rural cooperative banks, in addition to cooperative credit institutions. In FY07-18, total lending increased at a CAGR of 10.94 per cent and total deposits increased at a CAGR of 11.66 per cent. India's retail credit market is the fourth largest in the emerging countries. It increased to US$ 281 billion on December 2017 from US$ 181 billion on December 2014.

GOVERNMENT INITIATIVES

- As of September 2018, the Government of India has made the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme an open-ended scheme and has also added more incentives.
- The Government of India is planning to inject Rs 42,000 crore (US$ 5.99 billion) in the public sector banks by March 2019 and will infuse the next tranche of recapitalization by mid-December 2018.

ACHIEVEMENTS

Following are the achievements of the government in the year 2017-18:

- To improve infrastructure in villages, 204,000 Point of Sale (POS) terminals have been sanctioned from the Financial Inclusion Fund by National Bank for Agriculture & Rural Development (NABARD).

• Between December 2016 and March 2017, a major drive was undertaken to boost use of debit cards, resulting in an increase in the number of Point of Sale (POS) terminals by an additional 1.25 million by 2017 end from 1.52 million as on November 30, 2016.

• The number of total bank accounts opened under Pradhan Mantri Jan Dhan Yojana (PMJDY) reached 333.8 million as on November 28, 2018.

ROAD AHEAD

Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth. All these factors suggest that India's banking sector is also poised for robust growth as the rapidly growing business would turn to banks for their credit needs. Also, the advancements in technology have brought the mobile and internet banking services to the fore.The banking sector is laying greater emphasis on providing improved services to their clients andalso upgrading their technology infrastructure, in order to enhance the customer's overall experience as well as give banks a competitive edge. India's digital lending stood at US$ 75 billion in FY18 and is estimated to reach US$ 1 trillion by FY2023 driven by the five-fold increase in the digital disbursements.

HISTORY

The Indian banking system consists of 27 public sector banks, 21 private sector banks, 49 foreign banks, 56 regional rural banks, 1,562 urban cooperative banks and 94,384 rural cooperative banks, in addition to cooperative credit institutions.

Indian banks are increasingly focusing on adopting integrated approach to risk management. Banks have already embraced the international banking supervision accord of Basel II, and majority of the banks already meet capital requirements of Basel III, which has a deadline of March 31, 2019.

Reserve Bank of India (RBI) has decided to set up Public Credit Registry (PCR) an extensive database of credit information which is accessible to all stakeholders. The Insolvency and Bankruptcy Code (Amendment) Ordinance, 2017 Bill has been passed and is expected to strengthen the banking sector.

Deposits under Pradhan Mantri Jan Dhan Yojana (PMJDY) increased to Rs 843.37 billion (US$ 12.02 billion) and 333.8 million accounts were opened in India^. In May 2018, the Government of India provided Rs 6 trillion (US$ 93.1 billion) loans to 120 million beneficiaries under Mudra scheme. In May 2018, the total number of subscribers was 11 million, under Atal Pension Yojna. Rising incomes are expected to enhance the need for banking services in rural areas and therefore drive the growth of the sector. As of September 2018, Department of Financial Services (DFS), Ministry of Finance and National Informatics Centre (NIC) launched Jan DhanDarshak as a part of financial inclusion initiative. It is a mobile app to help people locate financial services in India. The digital payments revolution will trigger massive changes in the way credit is disbursed in India. Debit cards have radically replaced credit cards as the preferred payment mode in India, after demonetization. Debit cards garnered a share of 87.14 per cent of the total card spending.

TRADITIONAL BANKING ACTIVITIES

Banks act as payment agents by conducting checking or current accounts for customers, paying cheques drawn by customers on the bank, and collecting cheques deposited to customers' current accounts. Banks also enable customer payments via other payment methods such as telegraphic transfer, EFTPOS, and ATM.

Banks borrow money by accepting funds deposited on current accounts, by accepting term deposits, and by issuing debt securities such as banknotes and bonds. Banks lend money by making advances to customers on current accounts, by making installment loans, and by investing in marketable debt securities and other forms of money lending.

Banks provide almost all payment services, and a bank account is considered indispensable by most businesses, individuals and governments. Non-banks that provide payment services such as remittance companies are not normally considered an adequate substitute for having a bank account.

ENTRY REGULATION

Currently in most jurisdictions commercial banks are regulated by government entities and require a special bank license to operate. Usually the definition of the business of banking for the purposes of regulation is extended to include acceptance of deposits, even if they are not repayable to the customer's order although money lending, by itself, is generally not included in the definition. Unlike most other regulated industries, the regulator is typically also a participant in the market, i.e. a government-owned (central) bank. Central banks also typically have a monopoly on the business of issuing banknotes. However, in some countries this is not the case. In the UK, for example, the Financial Services Authority licenses banks, and some commercial banks (such as the Bank of Scotland) issue their own banknotes in addition to those issued by the Bank of England, the UK government's central bank.

ACCOUNTING FOR BANK ACCOUNTS

Bank statements are accounting records produced by banks under the various accounting standards of the world. Under GAAP and IFRS there are two kinds of accounts: debit and credit. Credit accounts are Revenue, Equity and Liabilities. Debit Accounts are Assets and 40 Expenses. This means you credit a credit account to increase its balance, and you debit a debit account to decrease its balance. This also means you debit your savings account every time you deposit money into it (and the account is normally in deficit), while you credit your credit card account every time you spend money from it (and the account is normally in credit). However, if you read your bank statement, it will say the opposite that you credit your account when you deposit money, and you debit it when you withdraw funds. If you have cash in your account, you have a positive (or credit) balance; if you are overdrawn, you have a negative (or deficit) balance. The reason for this is that the bank, and not you, has produced the bank statement. Your savings might be your assets, but the bank's liability, so they are credit accounts (which should have a positive balance). Conversely, your loans are your liabilities but the bank's assets, so they are debit accounts (which should also have a positive balance). Where bank transactions, balances, credits and debits are discussed below, they are done so from the viewpoint of the account holder which is traditionally what most people are used to seeing.

ECONOMIC FUNCTIONS

1. Issue of money, in the form of banknotes and current accounts subject to cheque or payment at the customer's order. These claims on banks can act as money because they are negotiable and/or repayable on demand, and hence valued at par. They are effectively transferable by mere delivery, in the case of banknotes, or by drawing a cheque that the payee may bank or cash.
2. Netting and settlement of payments banks act as both collection and paying agents for customers, participating in interbank clearing and settlement systems to collect, present, be presented with, and pay payment instruments. This enables banks to economies on reserves held for settlement of payments, since inward and outward payments offset each other. It also enables the offsetting of payment flows between geographical areas, reducing the cost of settlement between them.
3. credit intermediation banks borrow and lend back-to-back on their own account asmiddleman.
4. credit quality improvement banks lend money to ordinary commercial and personal borrowers (ordinary credit quality) but are high quality borrowers. The 41 improvement comes from diversification of the bank's assets and capital which provides a buffer to absorb losses without defaulting on its obligations. However, banknotes and deposits are generally unsecured; if the bank gets into difficulty and pledges assets as security, to raise the funding it needs to continue to operate, this puts the note holders and depositors in an economically subordinated position.
5. maturity transformation banks borrow more on demand debt and short-termdebt but provide more long-term loans. In other words, they borrow short and lend long. With a stronger credit quality than most other borrowers, banks can do this by aggregating issues (e.g.accepting deposits and issuing banknotes) and redemptions (e.g. withdrawals and redemptions of banknotes), maintaining reserves of cash, investing in marketable securities that can be readily converted to cash if needed, and raising replacement funding as needed from various sources (e.g. wholesale cash markets and securities markets).

LAW OF BANKING

Banking law is based on a contractual analysis of the relationship between the bank (defined above) and the customer defined as any entity for which the bank agrees to conduct an account.

The law implies rights and obligations into this relationship as follows:

1. The bank account balance is the financial position between the bank and the customer: when the account is in credit, the bank owes the balance to the customer; when the account is overdrawn, the customer owes the balance to the bank.

2. The bank agrees to pay the customer's cheques up to the amount standing to the credit of the customer's account, plus any agreed overdraft limit.

3. The bank may not pay from the customer's account without a mandate from the customer, e.g. a cheque drawn by the customer.

4. The bank agrees to promptly collect the cheques deposited to the customer's account as the

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customer's agent, and to credit the proceeds to the customer's account. 5. The bank has a right to combine the customer's accounts, since each account is just an aspect of the same credit relationship.

6. The bank has a lien on cheques deposited to the customer's account, to the extent that the customer is indebted to the bank.

7. The bank must not disclose details of transactions through the customer's account unless the customer consents, there is a public duty to disclose, the bank's interests require it, or the law demands it.

8. The bank must not close a customer's account without reasonable notice, since cheques are outstanding in the ordinary course of business for several days.

These implied contractual terms may be modified by express agreement between the customer and the bank. The statutes and regulations in force within a particular jurisdiction may also modify the above terms and/or create new rights, obligations or limitations relevant to the bank-customer relationship. Some types of financial institution, such as building societies and credit unions, may be partly or wholly exempt from bank license requirements, and therefore regulated under separate rules.

TYPES OF INVESTMENT BANKS

- Investment banks "underwrite" (guarantee the sale of) stock and bond issues, trade for their own accounts, make markets, and advise corporations on capital market activities such as mergers and acquisitions.
- Merchant banks were traditionally banks which engaged in trade finance. The modern definition, however, refers to banks which provide capital to firms in the form of shares rather than loans. Unlike venture capital firms, they tend not to invest in new companies.

BOTH COMBINED

- Universal banks, more commonly known as financial services companies, engage in several of these activities. These big banks are very diversified groups that, among other services, also distribute insurance hence the term bancassurance, a portmanteau word combining "banquet or bank" and "assurance", signifying that both banking and insurance are provided by the same corporate entity.

BANKS IN INDIA

Kotak Mahindra Bank Ltd is a one stop shop for all banking needs. The bank offers personal finance solutions of every kind from savings accounts to credit cards, distribution of mutual funds to life insurance products. Kotak Mahindra Bank offers transaction banking, operates lending verticals, manages IPOs and provides working capital loans. Kotak has one of the largest and most respected Wealth Management teams in India, providing the widest range of solutions to high net worth individuals, entrepreneurs, business families and employed professionals.

Karnataka Bank is a major banking institution based in the coastal city of Mangalore in Karnataka. The Reserve Bank of India (RBI) has designated Karnataka Bank as an A1+ class scheduled commercial bank. The bank now has a national presence with a network of 688 branches and above 1,000 ATMs across 21 states and two Union territories.

Federal Bank Ltd is a major Indian commercial bank in the private sector headquartered in Kerala having more than thousand branches and ATMs spread across different States in India. It is the fourth largest bank in India in terms of capital base. The rating factors in the long-standing track record of the bank, high level of capitalization.

Indian Overseas Bank (IOB) was founded on February 10, 1937, by Mr M Chidambaram Chattier, a pioneer in many fields - Banking, Insurance and Industry with the twin objectives of specialising in foreign exchange business and overseas banking. IOB had the unique distinction of commencing business on February 10, 1937 on the inaugural day itself.

Bank of India was founded on September 7, 1906 by a group of eminent businessmen from Mumbai. The bank was under private ownership and control till July 1969 when it was nationalised along with 13 other banks. The bank has made a rapid growth over the years and has become one of the largest public sector banks with a strong national presence.

Vijaya Bank has grown from being a bank focussed in Karnataka to becoming an all-India bank with the merger of nine smaller banks in the decade of 1960. The bank has built a network of 1,701 branches, 49 extension counters and 1,458 ATMs, that span all 28 states and four union territories in the country.

Canara Bank was founded in 1906 by Mr AmmembalSubba Rao Pai at Mangalore in Karnataka. The bank has gone through various phases of growth trajectory in over hundred years of its existence. The growth of the bank has been phenomenal, especially after nationalisation in

1969 and attaining the status of a national level player in terms of geographical.

COMPANY PROFILE

HDFCbank limited is an Indian banking and financial services company headquartered in Mumbai, Maharashtra. It has 88,253 permanent employees as on 31 March 2018 and has a presence in Bahrain, Hong Kong and Dubai. HDFC Bank is India's largest private sector lender by assets. It is the largest bank in India by market capitalization as of February 2016. It was ranked 69th in 2016 Brands Top 100 Most Valuable Global Brands. HDFC Bank was incorporated in August 1994. As of June 30, 2018, the Bank had a nationwide distribution network 4,804 branches and 12,808 ATM's in 2,666 cities/ towns.

HISTORY

In 1994 HDFC Bank was incorporated, with its registered office in Mumbai, India. Its first corporate office and a full-service branch at Sandoz House, Worli were inaugurated by the then Union Finance Minister, Manmohan Singh. As of October 9, 2018, the bank's distributions network was at 4,805 branches and 12,260 ATMs across 2,657 cities and towns. The bank also installed 4.30 Lakhs POS terminals and issued 235.7 Lakhs debit cards and 85.4 Lakhs credit card in FY 2017.

MISSION

To provide a package of attractive financial services for housing purposes through a competent and motivated team of employees using the state-of-the-art technology to maintain financial stability and growth of the organization. While contributing to the national goal of providing decent housing to all.

VISION

To be customer driven best managed enterprise that enjoys market leadership in providing housing related finance.

PRODUCTS AND SERVICES

HDFC Bank provides a few products and services including wholesale banking, Retail Banking, Treasury, Auto Loans, Two-wheeler Loans, Personal Loans, Loans Against Property, Consumer Durable Loan, lifestyle loan and credit cards. Along with this Various Digital Products are Payzapp and Chillr.

FINANCIAL INFORMATION

The last eighteen years have been very fulfilling. We can of course wax eloquent about it in so many ways, but they say, figures don't lie, so we will let the figures do all the talking.
They will give you a fair idea of how we have grown in the past few years.

- Financial Results
- RBI Order of Amalgamation – CBOP
- Scheme of Amalgamation - CBOP (as approved by RBI)
- Annual Reports
- Extra Ordinary General Meeting
- Investor Presentation
- Analyst Meet

AWARDS AND ACHIEVEMENTS

HDFC Bank began operations in 1995 with a simple mission: to be a "World-class Indian Bank". We realized that only a single-minded focus on product quality and service excellence would help us get there. Today, we are proud to say that we are well on our way towards that goal. It is extremely gratifying that our efforts towards providing customer convenience have been appreciated both nationally and internationally.

2018

Aadhar Excellence Awards 2018
• Best Performing Private Bank in Total Aadhar Generation & Update
• Best Performing Private Bank in Total Aadhar Generation & Update - In House Model
• Best Performing Branch of HDFC Bank in Total Aadhar Generation & Update for Kidwai Nagar Branch, Kanpur, Uttar Pradesh.

Institutional Investor 2018 All-Asia Executive Team

• Best IR Professional: 2nd Rank among banks in Asia (ex-Japan)
• Best CEO: 2nd Rank • Best CFO: 1st Rank
• Best IR Company: 3rd Rank National Payments Excellence Awards 2018 HDFC Bank wins NPCI National Payments Excellence Awards.

2017

Business India 19th Best Bank survey Best Bank for the year 2017 The Asset Triple A Country Awards 2017 Best IPO, India Dun & Bradstreet Banking Awards 2017
- Best Private Sector Bank - Retail
- Best Private Sector Bank - Digital Banking (Mobility)
- Best Private Sector Bank - Asset Quality
- Best Private Sector Bank – Overall

2016

• Institutional Investor All-Asia Executive Team ranking 2016 Mr. Aditya Puri ranked Best CEO HDFC Bank ranked Best Company in Banks sector of Asia ex-Japan

• Asia money FX Poll 2016 -Ranked No. 1 in the Best Domestic Provider for FX Products and Services in India Ranked No.2 in the Best Domestic Provider of FX Services and for FX Research and Market Coverage Ranked No. 1 in the Best Local Cash Management Bank in India

2015

National Payments Excellence Awards 2015 HDFC Bank wins NPCI National Payments Excellence Awards

• Business Today Award- Best CEO Award - Mr. Aditya Puri

• IDC Insights Award 2015- Excellence in Customer Experience

• Finance Asia Country Awards 2015 - Best Asian Bank - Best Domestic Bank – India

2014

Business Today - KPMG Study 2014 - Best Large Bank - Overall - Best Large Bank – Growth.

2013

• Business Standard- Mr. Aditya Puri - Banker of the Year 2013

• Best Domestic Bank in India - Mr. Aditya Puri: Best Executive in India

• Best in Financial Services: Bank Category

2012

• Dun & Bradstreet Corporate Awards 2012 Best in Banking sector

• NDTV Profit Business Leadership Awards 2012- Winner in the banking categor

BUSINESS FOCUS

HDFC Bank’s mission is to be a World Class Indian Bank. The objective is to build sound customer franchises across distinct businesses to be the preferred provider of banking services for target retail and wholesale customer segments, and to achieve healthy growth in profitability, consistent with the bank’s risk appetite. The bank is committed to maintain the highest level of ethical standards, professional integrity, corporate governance and regulatory compliance. HDFC Bank’s business philosophy is based on five core values: Operational Excellence, Customer Focus, Product Leadership, People and Sustainability.

CAPITAL STRUCTURE

As on 31st march, 2015 the authorized share capital of the Bank is Rs. 550 Crore. The paid-up share capital of the Bank as on the said date is Rs501,29,90,634/- (2506495317) equity shares of Rs. 2/- each). The HDFC Group holds 21.67 % of the Bank's equity and about 18.87 % of the equity is held by the ADS / GDR Depositories (in respect of the bank's American Depository Shares (ADS) and Global Depository Receipts (GDR) Issues). 32.57 % of the equity is held by Foreign Institutional Investors (FIIs) and the Bank has 4,41,457 shareholders the shares are listed on the Bombay Stock Exchange Limited and The National Stock Exchange of India Limited. The Bank's American Depository Shares (ADS) are listed on the New YorkStock Exchange (NYSE) under the symbol 'HDB' and the Bank's Global Depository Receipts (GDRs) are listed on Luxembourg Stock Exchange under ISIN No US40415F2002.

MANAGEMENT

Mrs. Shyamala Gopinath holds a master’s degree in Commerce and is a CAIIB. Mrs. Gopinath has 39 years of experience in financial sector policy formulation in different capacities at RBI. As Deputy Governor of RBI for seven years and member of the Board. Mrs. Gopinath had been guiding and influencing the national policies in the diverse areas of financial sector regulation and supervision, development and regulation of financial markets, capital account management, management of government borrowings, The Managing Director, Mr. Aditya Puri, has been a professional banker for over 25 years and before joining HDFC Bank in 1994 was heading Citibank's operations in Malaysia. The Bank's Board of Directors is composed of eminent individuals with a wealth of experience in public policy, administration, industry and commercial banking.

TECHNOLOGY

HDFC Bank operates in a highly automated environment in terms of information technology and communication systems. All the bank’s branches have online connectivity, which enables the bank to offer speedy funds transfer facilities to its customers. Multi-branch access is also provided to retail customers through the branch network and Automated Teller Machines (ATMs). The Bank has made substantial efforts and investments in acquiring the best technology available internationally, to build the infrastructure for a world class bank.

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IV. CHAPTE FOUR

DATA ANALYSIS AND INTERPRETATION

Comparison of ULIP, ULYS and mutual fund

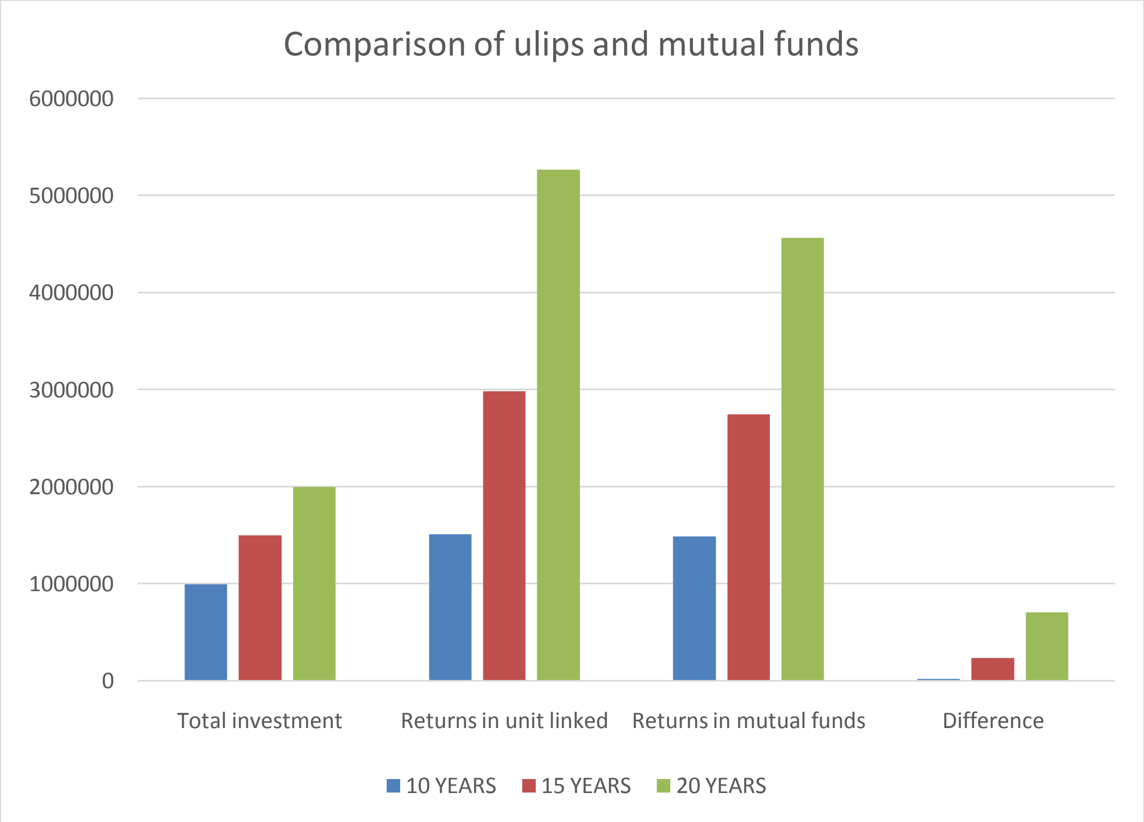
Charges for ULEP & ULYS	
Initial Charges for 1 & 2 yrs	**30% - 5%**
Initial Charges 3rd yrs onwards	**1%**
FMC	**0.80%**
Policy Fee	**240**
Premium for 3 yrs	**100000**
Premium for rest of period	**100000**
Rate of return	**10**

Year	**Regular premium**	**Unit linked**					
		Initial charges	**Policy fee**	**Inevitable amount**	**Growth**	**FMC**	**Net Growth**
1	100,000	30,000	240	69,760	76,736	614	**76,122**
2	100,000	30,000	240	69,760	160,470	1,284	**159,187**
3	100,000	1,000	240	98,760	283,741	2,270	**281,471**
4	100,000	1,000	240	98,760	418,254	3,346	**414,908**
5	100,000	1,000	240	98,760	565,035	4,520	**560,515**
6	100,000	1,000	240	98,760	725,202	5,802	**719,401**
7	100,000	1,000	240	98,760	899,977	7,200	**892,777**
8	100,000	1,000	240	98,760	1,090,691	8,726	**1,081,965**
9	100,000	1,000	240	98,760	1,298,798	10,390	**1,288,407**
10	100,000	1,000	240	98,760	1,525,884	12,207	**1,513,677**
11	100,000	1,000	240	98,760	1,773,681	14,189	**1,759,491**
12	100,000	1,000	240	98,760	2,044,076	16,353	**2,027,724**
13	100,000	1,000	240	98,760	2,339,132	18,713	**2,320,419**
14	100,000	1,000	240	98,760	2,66,097	21,289	**2,639,808**
15	100,000	1,000	240	98,760	3,012,425	24,099	**2,988,326**
16	100,000	1,000	240	98,760	3,395,794	27,166	**3,368,628**
17	100,000	1,000	240	98,760	3,817,127	30,513	**3,783,614**
18	100,000	1,000	240	98,760	4,270,611	34,165	**4,236,446**
19	100,000	1,000	240	98,760	4,768,727	38,150	**4,730,577**
20	100,000	1,000	240	98,760	5,312,271	42,498	**5,269,773**

Charge for MF	
Entry load	2.25
FMC	2.25%
Premium for 3 yrs	100000
Premium for rest period	100000
Rate of return	10

Returns of ULIP, ULYS and mutual funds

UL VS MF	10YRS	15YRS	20YRS
Total investment	1,000,000	1,500,000	2,000,000
Return in unit linked	1,513,677	2,988,326	5,269,773
Return in MF	1,488,701	2,750,509	4,564,104
Difference	**24,976**	**237,817**	**705,668**



Interpretation

In the above graph we can see that when the investor is investing 10,00,000 for the period of 10 years in ULIPS/MUTUAL FUNDS. Returns in ULIPS are higher when compared with MUTUAL FUNDS. The investor can see the difference of 24,976 in 10 years. Like wise when the investor is investing 15,00,000 and 20,00,000 for 15 and 20 years. The returns in ULIPS are high with the difference of 2,37,817 for 15 years and 7,05,668 for 20 years in ULIPS.

Comparison of HDFC (ULIP, ULYS) and other insurance companies

Charges for HDFC, ULIP & ULYS	
Initial charges for 1 & 2 years	**30%-5%**
Initial charges from 3rd year onwards	**1%**
FMC	**1%**
Policy fee	**240.00**
Premium for 3 years	**100000**
Premium for rest of period	**100000**

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Rate of returns	**10**
Premium for rest of period	**100000**
Rate of return	**10**
Premium for rest period	**100000**

Year	**Regular premium**	**HDFC ULYS/ULEP**					
		Initial charges	**Policy fee**	**Investable amount**	**Growth**	**FMC**	**Net growth**
1	100000	30000	240	69760	76736	614	**76,122**
2	100000	30000	240	69760	160470	1,284	**159,187**
3	100000	1000	240	98760	283741	2,270	**281,471**
4	10000	100	240	9660	320244	2,562	**317,682**
5	10000	100	240	9660	360077	2,881	**357,196**
6	10000	100	240	9660	403542	3,228	**400,313**
7	10000	100	240	9660	450971	3,608	**447,363**
8	10000	100	240	9660	502725	4,022	**498,703**
9	10000	100	240	9660	559200	4,474	**554,726**
10	10000	100	240	9660	620825	4,967	**615,858**
11	10000	100	240	9660	688070	5,505	**682,565**
12	10000	100	240	9660	761448	6,092	**755,356**
13	10000	100	240	9660	841518	6,732	**834,786**
14	10000	100	240	9660	928891	7,431	**921,459**
15	10000	100	240	9660	1024231	8,194	**1,016,037**
16	10000	100	240	9660	1128267	9,026	**1,119,241**
17	10000	100	240	9660	1241791	9,934	**1,231,857**
18	10000	100	240	9660	1365669	10,925	**1,354,743**
19	10000	100	240	9660	1500844	12,007	**1,488,837**
20	10000	100	240	9660	1648346	13,187	**1,635,160**

Other insurance companies

other insurance companies	
Initial charges for 1 year	**60%-10%**
Initial charges 2^{nd} year on wards	**1%**
FMC	**0.80%**
Policy fee	**240**
Premium for 3 years	**100000**
Premium for rest of period	**10000**

Rate of return				**10**			
Year	**Regular premium**	**Unit linked**					
		Initial charges	**Policy fee**	**Investable amount**	**Growth**	**FMC**	**Net growth**
1	100000	60000	240	39760	43736	350	**43429**
2	100000	1000	240	98760	156408	1251	**155312**
3	100000	1000	240	98760	279480	2236	**277521**
4	10000	100	240	9660	345899	2527	**313685**
5	10000	100	240	9660	355680	2845	**353187**
6	10000	100	240	9660	399132	3193	**396335**
7	10000	100	240	9660	446594	3537	**443465**
8	10000	100	240	9660	498437	3987	**494944**
9	10000	100	240	9660	555064	4441	**551174**
10	10000	100	240	9660	616918	4935	**612595**
11	10000	100	240	9660	684480	5476	**679683**
12	10000	100	240	9660	758277	6066	**752963**
13	10000	100	240	9660	838886	6711	**833007**
14	10000	100	240	9660	926934	7415	**920438**
15	10000	100	240	9660	1023107	8185	**1015222**
16	10000	100	240	9660	1128157	9025	**1120251**
17	10000	100	240	9660	1242902	9943	**1234192**
18	10000	100	240	9660	1368237	10946	**1358648**
19	10000	100	240	9660	1505139	12041	**1494591**
20	10000	100	240	9660	1654676	13237	**1634120**

Returns for HDFC / OTHER INSURANCE COMPANIES

HDFC / OTHER INSURANCE COMPANIES	10 YEARS	15 YEARS	20 YEARS
TOTAL INVESTMENT	1,00,000	1,00,000	1,00,000
RETURNS IN HDFC	6,15,858	10,16,037	16,35,160
RETURNS IN OTHER INSURANCE COMPANIES	6,12,595	10,15,222	16,34,120
DIFFERENCE	3,263	815	1040

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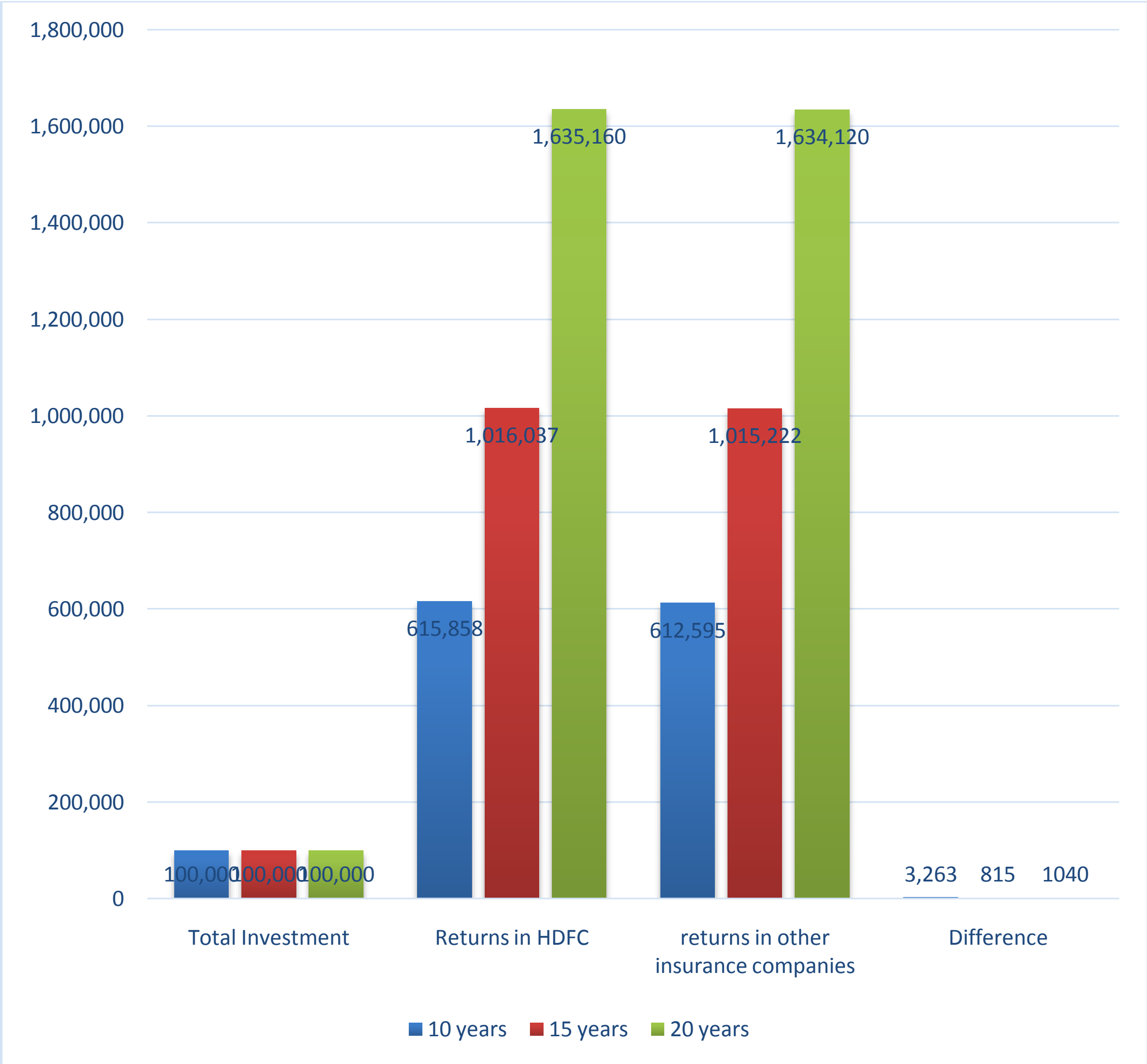

Interpretation

In the above graph we can see that when the investor is investing 1,00,000 in HDFC (ULIPS/MUTUAL FUNDS)and 1,00,000 in other insurance companies. Returns in HDFC are high when compared with other insurance companies. With the difference of 3263 for 10 years, 815 for 10 years, 1040 for 20 years.

V. CHAPTER FIVE

FINDINGS

From the analysis, it is observed that the schemes like unit linked endowment plan (ULEP) and unit linked youngster plan (ULYS) in HDFC standard life insurance are performing better from 5th year on words. The reason is that the initial charges in the first and second year are very less in other insurance companies, whereas HDFC standard life insurance company is an initial charge of 60% to 10% in the first year itself.

- When schemes like ULEP and ULYS of HDFC standard life insurance are compared with HDFC mutual funds (ELSS), it is noticed that up to 8th year, equity linked saving schemes of HDFC mutual funds is performing better. There after HDFC standard life insurance schemes are giving better returns. The strong reason behind is that fund manager cost is more for mutual funds (2.25%)
- It is also observed that in the long run, insurance scheme is giving more return than mutual funds. Around Rs 7, 05,668 is difference in the amount observed between the above said schemes in a time span of 20 years.

SUGGESTIONS

- Though the charges are less in insurance schemes, every company must highlight to its investors the fact that the expenses involved in investing in Mutual Funds are far less as compared to investment made in ULIPS.

- Since there are tax benefits associated with the investment made into ULIPs the AMC must highlight the tax benefits associated with ELSS and must bring about more of such advantages/benefits to counter the stiff competition from ULIPs.

CONCLUSION

- As far as ULEP and ULYS are compared with ELSS of HDFC Mutual Funds, it is observed that there is a difference of nearly 10% increase in the returns in the span of 5years.
- When HDFC (ULEP and ULYS) is compared with ELSS schemes of other insurance companies it is observed that HDFC is generating a net growth of Rs 16,35,160 thereby creating a difference of Rs 1040.
- It is also to be noted that there would be more capital appreciation in Mutual Funds if the period of investment is short. If it is for long term period. It would be better to invest in ULIPs for more capital appreciation.
- The people who are Interested in long term in Mutual Fund should be given the benefits of reducing the expense related to the Fund Manager cost, so that they can reap more returns similar to ULIPS.

DECLARATION

I hereby declare that this project report titled "**ULIPS VS MUTUAL FUNDS Under banking sector with reference to HDFC bank"** submitted to the Department of Business Management, **ANURAG GROUP OF INSTITUTIONS**, Hyderabad, is a bonafide work undertaken by me and it is not submitted to any other University or Institution for the award of any other degree or diploma / certificate or published any time before.

CERTIFICATE

This is to certify that the bonafide record of project report is done and submitted by **S. Srilatha (HT.NO.18H61E0099)** of MBA II Year/2 Semester during the Academic year 2019-2020.

Internal Examiner
External Examiner

Head of the Department

VI. ACKNOWLEDGEMENT

We would like to thank, **Dr. K.S RAO, Director, Anurag Group of Institutions** for his support, advice and constant backup without which this project report work would not have been completed successfully.

It is our pleasure to thank **Dr. G. SABITHA, HOD, School of Business Management** for her valuable suggestions and encouraging us to carry out this project report work which has been immense learning experience for me.

We would like to express a deep indebtedness and whole heart thanks to my Project guide **SEEMA NAZNEEN, Asst. Professor** for her impartial and enlightened guidance throughout the development of the project report work. We feel grateful for the wonderful efforts that they have put in for the completion of my project report work. It is our pleasure to acknowledgement the help of all the respected elders.

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