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A Study On Investor's Preference Towards Mutual Funds

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Abstract:
Investors use to park their savings in the financial market for the better returns. For any investors it is the challenging job for them to identify the best investment avenues in the market. Mutual fund investment is one of the investment alternatives. In this paper the attempt was made to study investor's most preferred investment avenues and their awareness about mutual funds. Here, in this research paper resulted that investor's preference in the investment avenues are nearly 21% of them wish to invest in insurance as a security purpose and followed with mutual fund around 18%, 16% for fixed deposits and the least is commodities around 7%. This is clearly indicates that majority of them are aware of mutual fund.

Key words: Mutual Fund, Investment, Risks and Returns.

I. INTRODUCTION

Mutual Funds for the first time emerged in Netherlands in the18th century. Later on it was introduced to Switzerland, Scotland and then to United States in the 19th century. The mutual fund industry in India started in 1963 by the establishment of Unit Trust of India, at the Guidelines of the Government of India and Reserve Bank of India. Present days you are hearing new and more things about mutual funds as revenues for investment.

A mutual fund is a pool of money from numerous investors who shares common financial goal and wish to save or make money. Investing in a mutual fund is lot easier than buying and selling individual stocks and bonds in the market. Investors can sell their shares whenever they want and buy whenever they need the money which is collected is invested by the professional fund manager in different types of securities depending upon the objective of the scheme that is selected by the investors. Investment could range from shares to debentures to money market instruments. The income earned through these investments depends on unit holders in proportion to the number of units owe by them (pro rata) shares the capital appreciation realized by the schemes opted. Thus, a Mutual Fund is the most suitable investment avenue for an ordinary person as it offers opportunity to invest in a diversified professionally managed portfolio at a relatively lower cost. Anyone with an investible surplus fund which may range from little as a few thousand rupees also can be made invested in Mutual Funds. Each Mutual Fund scheme has its own defined investment objective and strategies. Mutual Fund companies are also known as Asset Management Companies (AMC).

The current value of such investments is calculated on day to day basis and this is reflectedin the Net Asset Value (NAV) declared by the funds from time to time. This NAV keeps on varying with the changes in the market of equity and bond. Therefore, the investments in Mutual Funds can't be said risk less but a good managed Fund can give you regular and higher returns than when you can get from fixed deposits of a bank or any or for it etc.

There are many alternative for an investment like Insurance, Mutual Funds, Fixed Deposits / Recurring Deposits, Equity Share, Debentures or Bonds, Post office savings, Commodities and Real estate etc.

II. LITERATURE REVIEW

[1]**Priti Mane, 2016 -** as per articles it is found that investors gives less preference to investing in mutual funds has it is riskier compared to other investment avenues and they have less knowledge about mutual fund has inadequate availability of information. The paper specifies that how the customer prefer, plan or opt mutual fund schemes with different avenues of investment such as deposit, postal savings, recurring deposit, bonds, shares etc. [2]**Sandeep Bansal2014 -** This paper investigates on investor's perception regarding mutual funds and other investment tools.

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The present study analyse investor's perception regarding the mutual fund industry in India and other investment tools. Also in this study comparative analysis made between mutual fund and other investment tools in order understand the investor's behaviour towards mutual fund and various other investment plan like PPF, FD life insurance, equity. The author also study on various risk factors that affect the investment decision towards mutual funds. The findings of the study reveal that mostly investors are not aware about all investment tools and mostly there is transparency in investment during invest in particular tools among investors.[3]**R Padmaja, 2013 -** This research paper studies on consumer behaviour towards mutual funds with special reference to ICICI prudential mutual funds. The main purpose of this study is to know the consumer awareness towards mutual funds. The study further investigates on various factors such as investor perceptions, their preferences and the extent of satisfaction towards mutual funds. Finally author provides some suggestions made in order to increase the awareness towards mutual funds and measures to select appropriate mutual funds to maximize the returns.[4]**Dr. D. Rajasekar 2013 -** The author in this paper studies on investor`s preference towards mutual funds. The present study is conducted with reference to reliance private limited, Chennai. This study is conducted to know about the investor's perception with regard to their profile, income, savings pattern, investment patterns and their personality traits. This study concluded with findings and Suggestions and summary. As a result the author found that overall the investor are highly concerned about safety and growth and liquidity of investments. Further research also finds that most of the respondents are highly satisfied with the benefits and the service rendered by the reliance mutual funds.[5]**Pritam P. Kothari1 &Shivganga C. Mindarg 2013 -**This paper study on investor's attitude towards mutual fund. The study is mainly conducted with reference to investors in Sholapur city. This study is based upon on impact of different demographic variables such as age, money, income and education on the attitude of investors towards mutual funds. as result research found that only a small segment of the investors are interested to invest in mutual funds and the main factor that attract the investor towards mutual fund is financial advisors followed by advertisements in different media. Further research concluded with that the majority of investors have still not formed any attitude towards mutual fund investments.[6]**GauravAgrawalDr. Mini Jain2013 -**The author in this paper studies on investor's preference towards mutual fund in comparison to other investment avenues. In this paper, an attempt is made by the author to study mainly the investment avenue preferred by the investors of Mathura, and also tried to analyze the investor's preference towards investment in mutual funds when other investment avenues are also available in the market. As a result research find out that Bank & LIC are the most preferred avenues of investment as it provides maximum safety and Real Estate & Mutual Funds are the most preferred avenues of investment as it also provides maximum return. Similarly, Post Office Schemes & Mutual Funds are the most preferred avenues of investment based on tax planning.

III. SCOPE OF THE STUDY

The study is confined to geographic boundary within Karnataka. The research data is collected through questionnaire targeting different segments of investors to find out public awareness about the mutual fund and to know most preferred investment option. The data is collected on random basis with structured questionnaires framed on limited parameter confined to research study.

IV. OBJECTIVES OF THE STUDY

- To find out investor's most preferred Investment Avenue in the financial market.
- To study the criteria on what bases investors take investment decision before investing.
- To find out investors awareness about mutual fund and their preference towards mutual fund.
- To study factors responsible for selecting mutual fund as an investment option.

V. METHODOLOGY

1) **Research design**: Descriptive research

2) **Sample design**: The simple random sampling method is used to determine the sample. The sample for the study includes students, employees and household.

- **Sample size**: The sample size of 156.
- **Sampling method**: Random Sampling

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- **Sampling unit**: The sampling units include only investors who have invested in any of the investment avenues in Karnataka State.
- **Sampling time frame**: Jan 1st 2017 to March 1st 2017

3) **Sources of data: Primary and Secondary Data:** The study mainly deals with the financial behaviour of Individual Investors towards Mutual funds and other investment avenues in Karnataka. The required data was collected through a pretested questionnaire administered on acombination of simple random and judgment sample of 156 educated individual investors and gone through different research reports.

VI. LIMITATION OF THE STUDY:

- The primary data is limited to 156 respondents which are collected through simple random sampling method.
- The study is limited few parameters inconsideration.
- There may be error few don't disclose actual facts.
- The boundary for the research is confined to only Karnataka state.

VII. DATA ANALYSIS

Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation	Skewness		Kurtosis	
	Stat	Stat	Stat	Stat	Stat	Stat	Std. Error	Stat	Std. Error
Annual Income	156	0	3	.77	.826	.872	.194	.130	.386
6 Annual Savings	156	0	3	.69	.760	.777	.194	-.248	.386
Reason for Preferable Investment	156	0	8	1.12	2.055	1.840	.194	2.493	.386
Factor Affecting Investment Decision	156	0	8	1.01	1.839	1.975	.194	3.206	.386

Sources of Information about Mutual Fund	110	0	3	1.18	.911	.372	.230	-.629	.457
Valid N (listwise)	110								

Table1:Awareness about mutual funds among respondents

Particulars	Yes	No	Total
Respondents	110	46	156
Percentage	70.51	29.49	100

Table 2: Factor influences the investor to invest in mutual funds

Particulars	Respondents
Liquidity	13
Return	14
Safety	19
Diversification	3
Tax benefits	26
Flexibility	25
Professional management	6
Capital appreciation	27
Others	0
Total	133

Table 3: The Preferred Investment Avenue of the respondents

Sl. No	Particulars	Respondents	%
1	Insurance	32	20.51
2	Mutual funds	28	17.95
3	FD/RD	25	16.03
4	Shares/ debentures	24	15.38

Table 4: Factor affecting the investment decision of the investors

Particulars	Respondents
Liquidity	45
Return	82
Trust	43
Risk	61
Tax benefits	32
Flexibility	27

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5	post office saving	20	12.82
6	Commodities	11	7.05
7	Real estate	13	8.33
8	Others	3	1.92
	Total	**156**	**100**

Transparency	29
Capital appreciation	22
Others	1
Total	**342**

Chart: 1Preferred Investment Avenue of the respondents

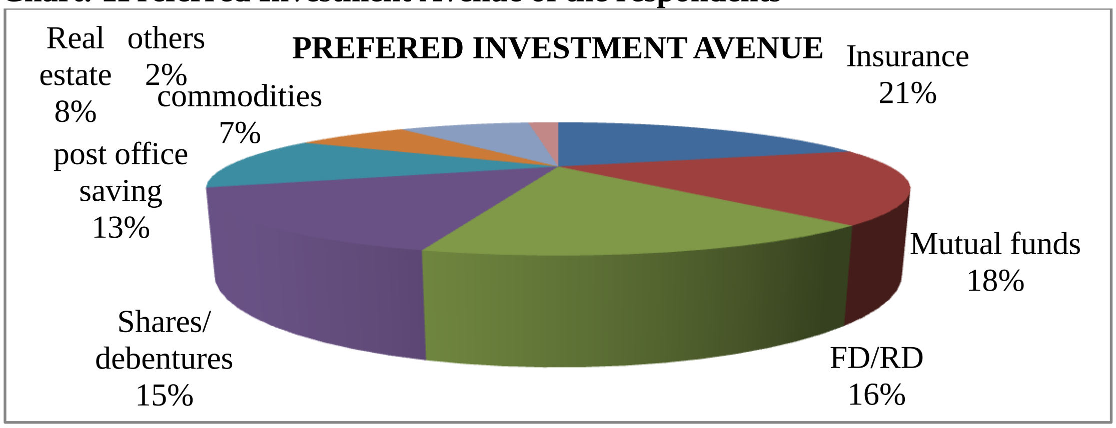


Chart: 2 Factor affecting the investment decision of the investors

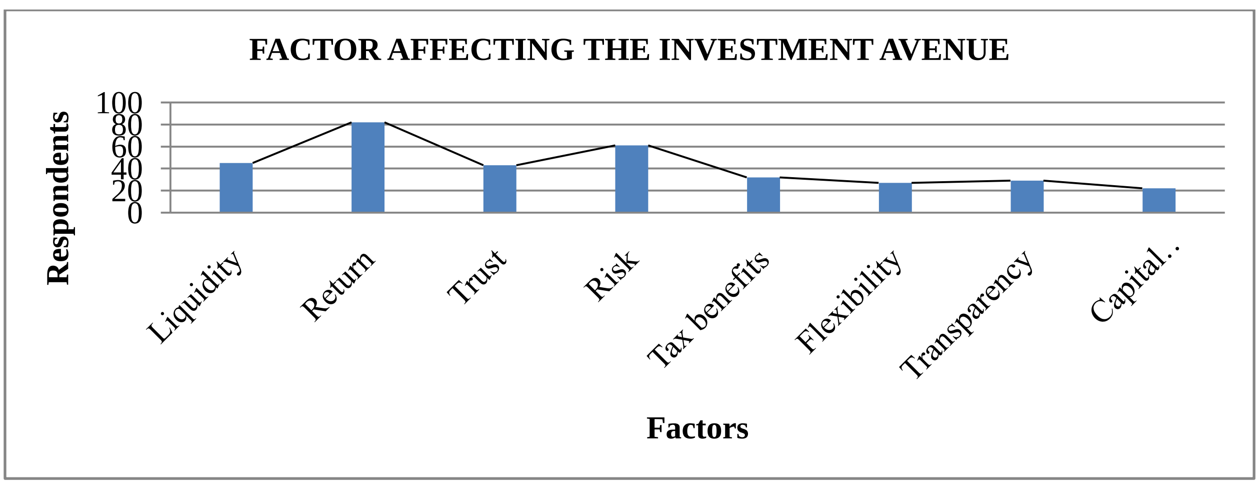
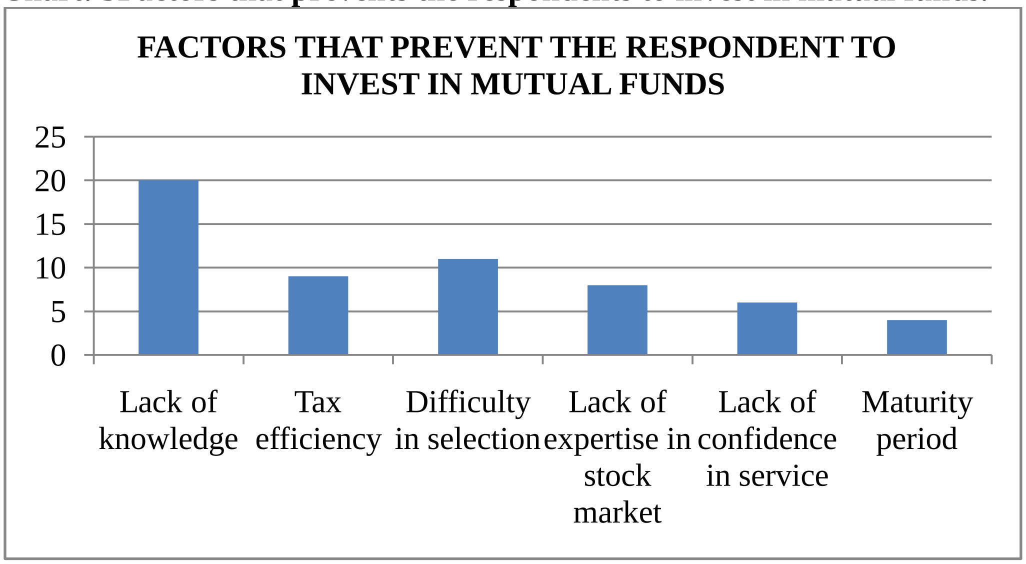


Table 5:Factors that prevents the investors to invest in mutual funds.

Particulars	**Respondents**
Lack of knowledge	20

Tax efficiency	9
Difficulty in selection	11
Lack of expertise in stock market	8
Lack of confidence in service	6
Maturity period	4
Inefficient investment advisors	5
Total	**63**

Chart: 3Factors that prevents the respondents to invest in mutual funds.



a) HYPOTHESIS-1

H_0: There is no significance relationship between age of an investor and awareness about mutual fund.

H_1: There is significance relationship between age of an investor and awareness about mutual fund.

Table 6: Relationship between age of an investor and awareness about mutual

Correlations

		Age	awareness about mutual funds
Age	Pearson Correlation	1	-.118
	Sig. (2-tailed)		.142

	N	156	156
awareness about mutual funds	Pearson Correlation	-.118	1
	Sig. (2-tailed)	.142	
	N	156	156

The correlation between age and awareness about mutual funds is negative. Though given hypothesis exist negative correlation between two variables but, whereasp value is more than significance level α = 0.05 i.e.p value 0.142> 0.05, which implies that there is no significant relationship between age and awareness about the mutual funds. Therefore it accepts the null hypothesis.

b) HYPOTHESIS-2

H_0: There is no significance relationship between annual income and investor's preference towards mutual fund.

H_1: There is significance relationship between annual income and investor's towards mutual fund.

Table 7: Relationship between annual income and investor's preference towards mutual funds.

Correlations

		annual income	are you investor of mutual fund
annual income	Pearson Correlation	1	-.242*
	Sig. (2-tailed)		.011
	N	156	110
are you investor of mutual fund	Pearson Correlation	-.242*	1
	Sig. (2-tailed)	.011	
	N	110	110

*. Correlation is significant at the 0.05 level (2-tailed).

There is a negative correlation between two variables i.e. – 0.242 and where as p value is less than α (0.05) i.e. 0.011 which implies that there is significant relationship between age and awareness about the mutual funds. Therefore it fails to accept the null hypothesis.

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c) HYPOTHESIS-3

H$_0$: There is no significant relationship between gender and awareness about mutual funds.

H$_1$: There is significant relationship between gender and awareness about mutual funds.

Table 8: Relationship between gender and awareness about mutual funds

Correlations

		gender	awareness about mutual funds
Gender	Pearson Correlation	1	.067
	Sig. (2-tailed)		.408
	N	156	156
awareness about mutual funds	Pearson Correlation	.067	1
	Sig. (2-tailed)	.408	
	N	156	156

Though given hypothesis exist positive correlation between two variables, but where as p value is more than significance level 0.05 i.e. 0.408,it is implies that there is no significant relationship between gender and awareness about the mutual funds. Therefore it accepts the null hypothesis and rejects the alternative hypothesis.

d) HYPOTHESIS-4

H$_0$: Thereis no significant relationship between annual income and preference of Investment Avenue.

H$_1$: There is significant relationship between annual income and preference of Investment Avenue.

Table:9: Relationship between annual income and preference ofInvestment Avenue.

Annual income * which is your most preferable investment avenue Crosstabulation

Count

		which is your most preferable investment avenue								Total
		insurance	MF	post office savings	shares/ debt	Commo-dities	Real estate	FD	other invest	
annual	less than 2.5 lakhs	15	15	9	4	5	7	11	3	69

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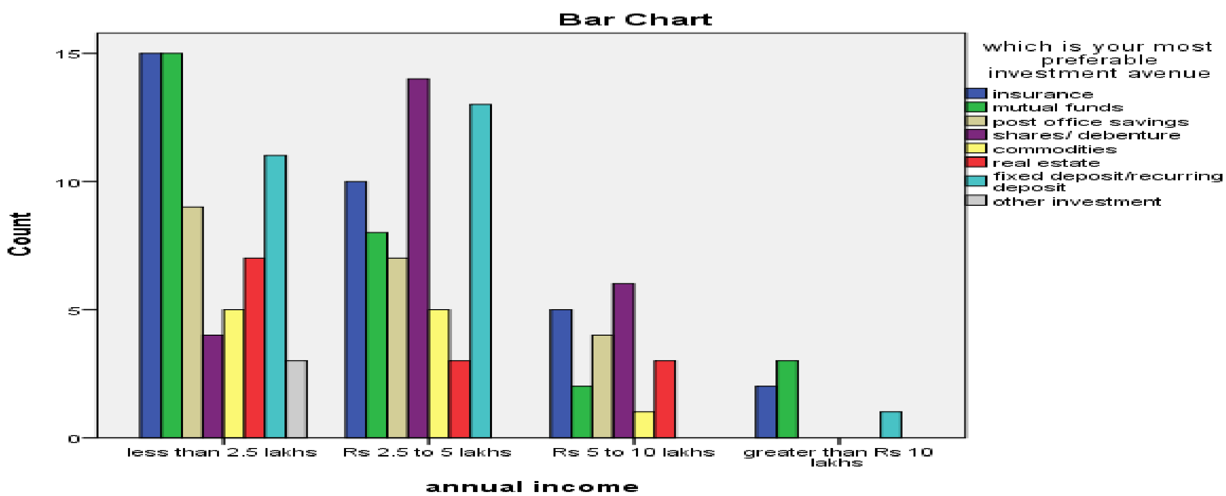
income	Rs 2.5 to 5 lakhs	10	8	7	14	5	3	13	0	60
	Rs 5 to 10 lakhs	5	2	4	6	1	3	0	0	21
	greater than Rs 10 lakhs	2	3	0	0	0	0	1	0	6
Total		32	28	20	24	11	13	25	3	156

Chart: 4



The analysis depicts that respondent's income below Rs 2.5 lakhs prefers insurance and mutual fund, annual income between Rs 2.5 to 5 lakhs prefers shares/debentures, annual income between Rs 5 to 10 lakhs Preference shares/Debentures and greater than Rs 10 lakhs prefers mutual fund.

Table: 10: Calculated Chi – Square Tests

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	29.486[a]	21	.103
Likelihood Ratio	35.846	21	.023
Linear-by-Linear Association	1.244	1	.265
N of Valid Cases	156		

a. 20 cells (62.5%) have expected count less than 5. The minimum expected count is .12.

Here it depicts that p value is more than 0.05 i.e. 0. 103 which implies that there is no significant relationship between annual income and preference of Investment Avenue. Therefore it accepts the null hypothesis.

VIII. CONCLUSION

The paper attempts to study Investor's Preference Towards Mutual Funds In Comparison With Other Investment Avenues. For any investors it is the challenging job for them to identify the best investment avenues in the market, with taking into consideration other factors. In this paper it is identified that investors most preferred investment avenues is insurance followed by mutual fund when other investment avenues (i.e. savings a/c, fixed deposit/recurring deposit, insurance, mutual fund, post office, share/debenture, real estate, commodity) are available in market. This clearly states that most of them are aware about mutual fund i.e. through financial advisor. The factor which investors takes into consideration while investing in mutual fund is capital appreciation and tax benefit and the factors which prevents investors to opt mutual fund is due to lack of information, difficulty in selection avoids them to park their savings in mutual fund.

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