

A STUDY ON INVESTORS ATTITUDE TOWARDS MUTUAL FUND AS AN INVESTMENT AVENUE

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Abstract -- *Mutual fund as an investment avenue provides a platform to the investor who do not want to take high risk on their hard earned investment. In India, mutual fund industry is growing rapidly and this industry has emerged as an important segment of financial market of India, especially in channelizing and mobilizing the savings of millions of individuals into the investment in equity and debt instruments. Mutual fund investment is less risky than investing directly in stocks and is therefore a safer option for risk averse investor. A competent fund manager should analyze investor behavior, perception, and attitude and understand their needs and expectations to gear up the performance to meet investor expectations and requirements. Investment in mutual fund is affected by the attitude of investors and hence the objective of the study is to identify the investor's attitude on mutual fund as an investment avenue and the major findings reveal the factors that influence buying behavior of mutual fund investors. The study aims at finding out the attitude of the investors towards investment on mutual funds in Davangere city with 100 respondents who are likely to be an investors.*

Keywords -- *Investors Attitude, Investment Alternative, Mutual Fund, Risk and Return, Suitable stage, Schemes.*

I. INTRODUCTION

A Mutual Fund will collect the money from the people for the purpose of investment of fund to achieve investment goals. The money invested in various securities depending on the objectives of the mutual fund scheme and the profits (or) loss are shared among investors' in proportion to their investment. Investments in securities are wide range across the industries and sectors. Diversification reduces the risk because all stocks may not move in the same direction in the same proportion at the same time. Mutual fund will issues units to the investors has per their money invested by them. Investors of mutual funds are known as unit holders. The profits or losses are shared by the investors in proportion to their investment. The mutual funds come out with a many schemes with different investment objectives which are launched from time to time. A mutual fund is required to be registered with Securities Exchange Board of India (SEBI) which regulates securities markets before it can collect funds from the public.

The study is all about to know the investors attitude towards mutual fund on the different factor affecting their investment in mutual fund and the awareness about the mutual fund. And what feature of mutual fund attract most to the people to invest in the mutual fund.

A **mutual fund** is a professionally managed investment fund that collects money from many investors to purchase securities. These investors may be retail or institutional in nature. A mutual fund established in 1963 with the formation of UTI, at the initiative of the Government of India and RBI. Until the year 1987 UTI is the only Indian Mutual fund market to enjoy benefits, when a initiating of other government-controlled Indian financial companies established their own investments, including SBI, Canara Bank, and Punjab National Bank. This market was made open to private players in 1993, as a result of the historic constitutional amendments brought forward by the then Congress-led government under the existing regime of Liberalization, Privatization and Globalization (LPG). Kothari Pioneer was the first Indian private sector fund and which has merged with Franklin Templeton. In 1996, SEBI, the regulator of mutual funds in India, formulated the Mutual Fund Regulation which is a comprehensive regulatory framework. Income from Mutual funds could take two forms- dividends and capital gains. Mutual funds have advantages and disadvantages compared to direct investing in individual securities. The primary advantages of mutual funds are that they provide economies of scale, a higher level of diversification, they provide liquidity, and they are managed by professional investors. On the negative side, investors in a mutual fund must pay various expenses and fees to the fund manager.

In the past few months there has been a consolidation phase going on in the mutual fund industry in India. Mutual fund is rapidly growing and getting more investment by the investors. The combined holdings of the mutual Fund owns are known as its portfolio. Each unit represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. Mutual fund industry has made different changes in previous years in the time of the multinational companies have entered in to India with their professional expertise knowledge of managing investment.

II. LITERATURE REVIEW

The study was all about the investor who were diversifying their risk and what the attitude towards the investment on mutual fund is. The published relating to the above topic is reviewed. The relevant literature is reviewed on the basis of Newspaper, journals and some papers on conference.

Sikidar and Singh (1996), carried out a survey with an objective to understand the behavioral aspects of the investors of the North Eastern Region towards equity and MF's investment portfolio.

Rajeswari and Ramamoorthy (2001), have conducted a study to understand the factors influencing the fund selection behavior of 350 MF investors in order to provide some meaningful inferences for Asset Management Companies (AMC) to innovatively design the products.

Singh, B. K. and Jha, A.K. (2009), "An empirical study on awareness & acceptability of Mutual fund", 49-55, Regional Student's Conference, ICWAI.

Hartzalli JC, Muhhofer T, Titman SD. (2010), "Alternative Benchmarks for Evaluating Mutual Fund Performance. J. Real Estate Econ", pp. 121- 154.

Deepa Venkataraghavan (2011), "Everything You Wanted To Know About Investing In Mutual Funds", Bestsellers18, BBS Parihar, Ragiv Sharma, Deepika Singh Parihar, "Analyzing Investors attitude towards Mutual Fund as an Investment option", IUP, Jul-2009, pp. 56-64.

Dr. Ravi Vyas (July 2012), in his article “Mutual Fund Investor’s Behavior and Perception”, published in International Refereed Research Journal Vol. – III.

Dr. Shantanu Mehta (September 2012), in his research paper “Preference of Investors for Indian Mutual Funds and its Performance Evaluation”, published in Pacific Business Review International Vol. 5.

VN, Sreeja (2013), “Indian Mutual Funds’ AUM grew at its fastest pace since April, aided by strong inflows and RBI measures”, Nov, <http://www.ibtimes.com/indian-mutual-funds-aum-grew-its-fastest-pace-april-aided-stronginflows-rbi-measures-1465396>

III. OBJECTIVES

- To identify the investor’s attitude towards mutual fund.
- To study about the factors responsible for the selection of mutual funds as investment option.
- To study and rank the factor having implication on attitudes of investor towards mutual fund.

IV. STATEMENT OF THE STUDY

Mutual fund is presently growing industry in India. Mutual funds have their weakness and may not be for everyone. No investment is risk free. If the entire stock market declines in value, the value of mutual fund shares will go down as well, no matter how balanced the portfolio is. Low risk preferred people only invest in mutual funds especially balanced funds and money market funds than when they buy and sell stocks on their own.

When an investors invest in a mutual fund, they depend on the fund manager to make the right decisions regarding the fund’s portfolio. And the many people not have much knowledge bout mutual fund as per the literature review. Therefore, a study on investor’s perception, attitude towards mutual fund as an investment avenue needs to be assessed.

V. SCOPE OF THE STUDY

This paper provides information about Future of Mutual Funds industry as well as awareness level amongst people for Mutual Funds. Also this report gives an outlook how the mutual funds are performing in the current market situation as an alternate investment avenue. And the people preference about the investment. This paper on mutual funds is informative the students who want to understand and undertake assignments in the Mutual fund industry. This study helps to the general people who can understand the importance and explore the new option for investment in Mutual Funds. Different financial institutions provide services that are both complementary to and competitive with each other. A well-built financial system directly contributes to the growth of the country.

VI. RESEARCH METHODOLOGY

A primary research was carried out through a questionnaire. The questionnaire was well structured and the responses were sought from the respondents. The nature of the questions was such that it avoided ambiguous responses from the respondents and it also helped in quick analysis of the data collected.

We followed it by a descriptive research design in order to understand the problem and carry out the research in a lucid manner. The survey research study method was employed and a structured questionnaire was used to collect data from the desired sample. The data was collected from 100 respondents who are resided in Davangere city. A survey design provides a description of some fraction of the population that is sampled through the data collection process. The study also employed the questionnaire as the data collection Instrument for the study. The responses are gathered in a standardized way, so questionnaires are more objective, certainly more so than interviews.

CHI-SQUARE TEST

The test statistic is some statistic that may be computed from the data sample. The test statistics serves as a decision maker, since the decision to reject or not to reject the null hypothesis depends on the magnitude of the test statistics. For qualitative data analysis and to see the association between two variables we use chi-square.

This is a statistical method used to assess the goodness of fit between a set of observed and those of expected values theoretically. Chi-square statistic basically helps in research. It is widely used for testing relationships between categorical variables. The null hypothesis of the Chi-Square test is that no relationship exists (not statistically significant) on the categorical variables in the population; they are independent.

The formula used is

$$X^2 = \sum (O-E)^2 / E$$

Where,

O = Observed frequency

E = Expected frequency

\sum = Summation

X² = Chi Square value

VII. DATA- ANALYSIS AND INTERPRETATION

Null Hypothesis (H₀): There is no significant relationship between Annual Income and Ever invested in mutual fund

Alternate Hypothesis (H₁): There is a significant relationship between Annual Income and Ever invested in mutual fund

Null Hypothesis (H₀): There is no significant relationship between Annual income and Type of mutual fund used by investors

Alternate Hypothesis (H₂): There is a significant relationship between Annual income and Type of mutual fund used by investors

Table 1: Annual income and Ever invested in MF**Annual income * Ever invested in MF Crosstabulation**

			Ever invested in MF		Total
			Yes	No	
Annual income	Below 3 lakh	Count	32	14	46
		Expected Count	37.7	8.3	46.0
		% within Annual income	69.6%	30.4%	100.0%
	3-5 lakhs	Count	12	4	16
		Expected Count	13.1	2.9	16.0
		% within Annual income	75.0%	25.0%	100.0%
	5-10 lakhs	Count	22	0	22
		Expected Count	18.0	4.0	22.0
		% within Annual income	100.0%	.0%	100.0%
	Above 10 lakhs	Count	16	0	16
		Expected Count	13.1	2.9	16.0
		% within Annual income	100.0%	.0%	100.0%
Total	Count		82	18	100
	Expected Count		82.0	18.0	100.0
	% within Annual income		82.0%	18.0%	100.0%

*Source: SPSS Extract***Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.692 ^a	3	.003
Likelihood Ratio	19.750	3	.000
Linear-by-Linear Association	12.173	1	.000
N of Valid Cases	100		

a. 3 cells (37.5%) have expected count less than 5. The minimum expected count is 2.88.

Source: SPSS Extract

A Chi-square test was performed and relationship was found between annual income of investors and ever invested in mutual fund, $X^2(3, N = 100) = 13.69, p = 0.003$. Therefore, as the P-value (0.003) is less than the significance level (0.05), reject the null hypothesis.

It is observed that the Investors with annual income of more than 5 lakhs have invested in mutual fund as an investment avenue. The investors who have annual income of less than 5 lakhs, only 60% to 70 % investors invested in mutual fund.

Out of total respondents, 82% of the investors have invested in mutual funds. This clearly depicts that investors are aware of Investment Avenue as an alternative and have invested in different available mutual fund schemes.

Table 2: Annual income and Type of mutual fund you used**Annual income * Type of MF you used Crosstabulation**

			Type of MF you used				Total
			Open-end	Close-end	SIP	Don't know	
Annual income	Below 3 lakh	Count	12	0	20	0	32
		Expected Count	12.5	3.9	14.8	.8	32.0
		% within Annual income	37.5%	.0%	62.5%	.0%	100.0%
	3-5 lakhs	Count	4	0	6	2	12
		Expected Count	4.7	1.5	5.6	.3	12.0
		% within Annual income	33.3%	.0%	50.0%	16.7%	100.0%
	5-10 lakhs	Count	10	6	6	0	22
		Expected Count	8.6	2.7	10.2	.5	22.0
		% within Annual income	45.5%	27.3%	27.3%	.0%	100.0%
	Above 10 lakhs	Count	6	4	6	0	16
		Expected Count	6.2	2.0	7.4	.4	16.0
		% within Annual income	37.5%	25.0%	37.5%	.0%	100.0%
Total	Count		32	10	38	2	82
	Expected Count		32.0	10.0	38.0	2.0	82.0
	% within Annual income		39.0%	12.2%	46.3%	2.4%	100.0%

Source: SPSS Extract

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	27.480 ^a	9	.001
Likelihood Ratio	27.418	9	.001
Linear-by-Linear Association	2.029	1	.154
N of Valid Cases	82		

a. 9 cells (56.3%) have expected count less than 5. The minimum expected count is .29.

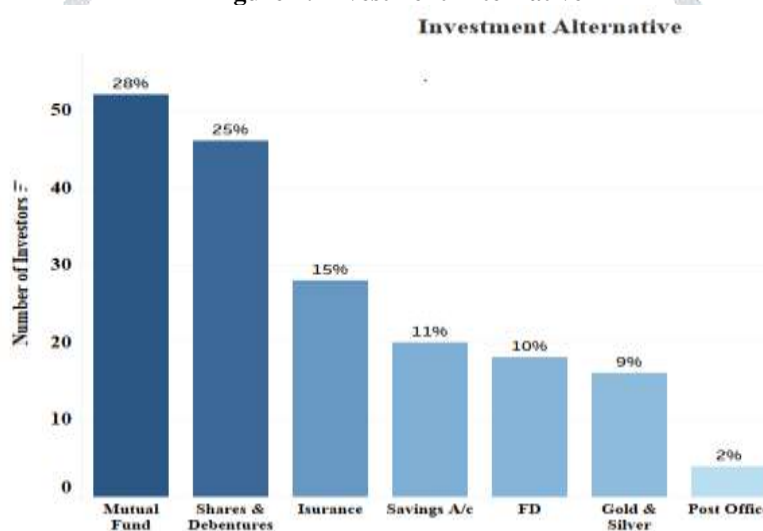
Source: SPSS Extract

A Chi-square test was performed and relationship was found between annual income of investors and ever invested in mutual fund, $X^2(9, N = 100) = 27.48, p = 0.001$. Therefore, as the P-value (0.001) is less than the significance level (0.05), reject the null hypothesis.

The investors who are in the bracket of annual income below 3 Lakhs, have opted systematic Investment Plan (SIP) mutual fund scheme. The investors with annual income above 5 lakhs have opted Open-end scheme for mutual fund investment.

The investors who have annual income below 5 lakhs, around 16% of the respondents are not aware of their mutual fund scheme. Investors with annual income more than 5 lakhs are aware of the mutual fund scheme, they have invested in close-ended fund and they belong to the range of 25% to 27%.

Figure 1: Investment Alternative

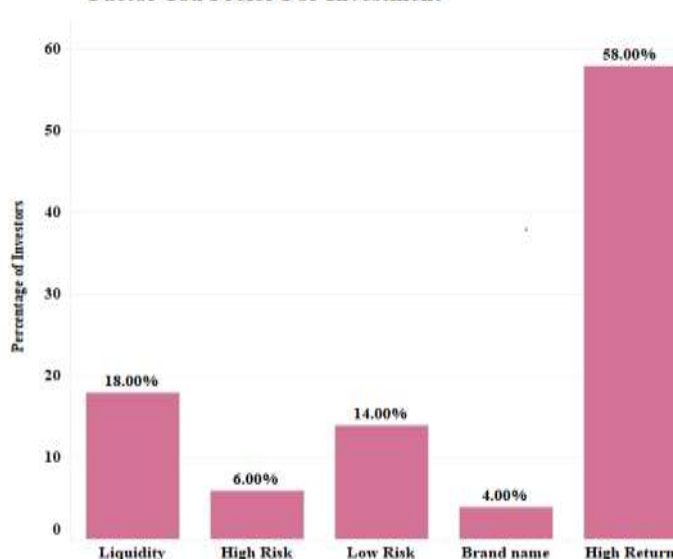


Source: Tableau Extract

Out of total respondents, 28% of them invest in mutual fund which is at the highest rate compared to other investment alternative. On the other hand, around 25% of the respondents do invest in shares and debentures. And the other investment alternatives are much lesser in opting as avenue like savings a/c (11%), FD (10%), Gold & Silver (9%), Insurance (15%) and post office (2%).

Figure 2: Factors considered for investment

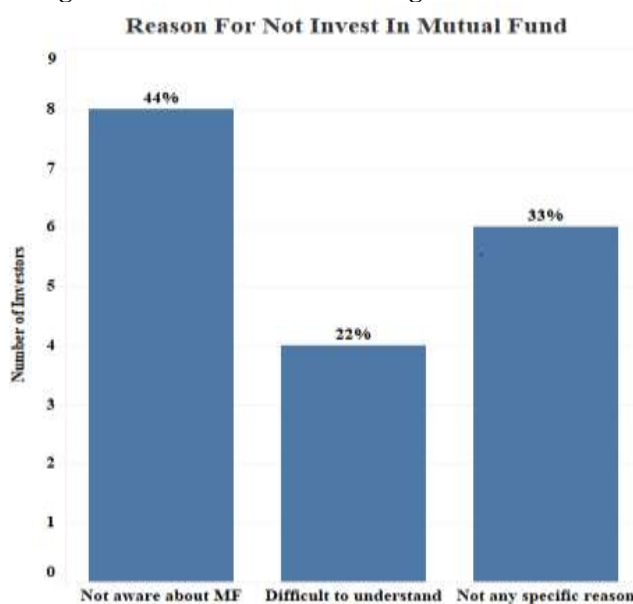
Factor You Prefer For Investment



Source: Tableau Extract

Out of total respondents, 58% of them prefer high return for their investment which is at the highest rate compared to other factor of preference .On the other hand, around 18% of the respondents prefer liquidity and the other factors of preference are much lesser like high risk (6%), Low risk (14%), and Brand (4%).

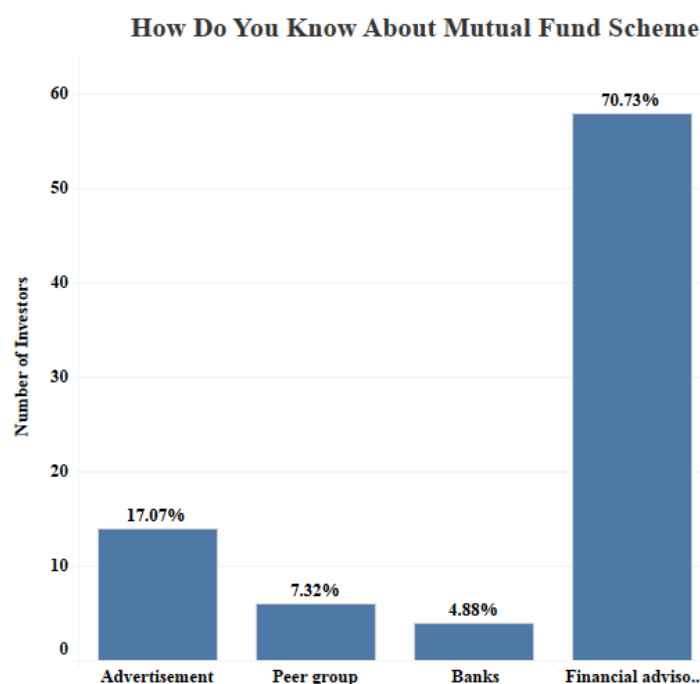
Figure 3: Reason for not investing in Mutual Fund



Source: Tableau Extract

Out of total respondents, 44% of them are not aware of mutual fund in detail which is at the highest rate compared to other reason. On the other hand, around 22% of the respondents has difficulty in understanding mutual fund and 33% of respondents do not have any specific reason for not investing in mutual fund.

Figure 4: How does investors are aware of Mutual Funds Scheme



Source: Tableau Extract

Out of total respondents, 71% of them aware about the mutual fund from the financial advisor/brokers which is at the highest rate compared to others .On the other hand, around 17% of the respondents aware of mutual fund from the advertisement, 7% of the respondents the peer group and 5% of them aware from the Banks.

VIII. FINDINGS

The responses obtained on all hundred questionnaires were statistically analyzed using SPSS software and the results are statistically tested. Below are the major observations drawn out of the analysis made

- From the total respondents, it is found that 62% of respondents are Male and 38% are Female.
- 26% of the investors aged between 18-30 years, 48% investors aged between 31- 40 years, 20% investors aged between 41-50 years and 6% investors aged between 50 & above.
- 22% of the investors ranked 'diversification' as the feature of mutual fund attracted them as first, 41% investors ranked second, 29% investors ranked third, 5% investors ranked fourth and 2% investors ranked fifth.

- 39% of the investors ranked 'better returns & safety' as the feature of mutual fund attracted them as first, 12% investors ranked second, 17% investors ranked third, 17% investors ranked fourth and 15% investors ranked fifth.
- 22% of the investors of the investors ranked 'regular income' as the feature of mutual fund attracted them as first, 15% investors ranked second, 24% investors ranked third, 24% investors ranked fourth and 15% investors ranked fifth.
- 7% of the investors of the investors ranked 'Tax Benefits' as the feature of mutual fund attracted them as first, 12% investors ranked second, 17% investors ranked third, 44% investors ranked fourth and 20% investors ranked fifth.
- 10% of the investors of the investors ranked 'Professional management' as the feature of mutual fund attracted them as first, 20% investors ranked second, 12% investors ranked third, 10% investors ranked fourth and 49% investors ranked fifth.
- 22% of the investors occupation is Business, 22% are professional, 42% are salaried person, 6% are students and 8% of the investors are retired professionals.
- From the study it is observed that 82% of respondents have invested in Mutual fund and 18% of them are not invested in Mutual fund.
- 15% of the investors purchase the Mutual fund directly from the AMCs, 55% of them purchase through Brokers only, 27% of the investors from Broker/ sub-brokers and 3% investors from other sources.
- 39% of the investors have opted Open-end Mutual fund scheme, 12% of them have opted Close-end scheme, 46% investors opted Systematic Investment Plan (SIP) and 2% of the investors do not know the scheme they have invested in.
- 29% of the investors prefer one time investment mode of investment and 71% investors prefer Systematic Investment Plan (SIP) mode.
- 27% investors like to receive return every year like Dividend Payout, 32% investors like to have dividend re-investment option and 41% investors expect to have Growth in Net Asset Value (NAV).

IX. CONCLUSION

The mutual fund industry is tremendously growing. A large number of plans have come up from different financial resources in India. The study shows that the awareness level of mutual fund among the investors are very low because of only having the partial knowledge about the mutual fund which prevent them to invest in mutual fund to avoid risk bearing factor and fear of losing money. And many investors invest money for better return and safety. The study further reveals that female segment is not fully tapped. The study shows that investors want high return for their returns.

The study reveals that the low income investors have invested their money in Systematic Investment Plan (SIP) scheme with the savings motive. The high income investors, most of the respondents have invested their money in the mutual fund. This clearly depicts that Indian mutual fund industry is trending towards growth phase. The investors with low income are not aware of Mutual Funds as an investment avenue and due to lack of knowledge they have not invested their savings into Mutual Funds.

Therefore, there is a huge scope for all the financial intermediaries to have mutual fund awareness program as an investment avenue and provide proper education about mutual funds. So that, pooling of small investors towards mutual funds investment is likely possible.

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