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RETAIL INVESTORS ON MUTUAL FUND SCHEMES IN BANGALORE- A STUDY

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ABSTRACT

Mutual fund is a pool of money that is managed by professional managers and people generally invest in it due to various reasons like low risk, tax benefit, stable capital growth, diversification, etc. This study aims to find the objectives of retail investors for investing in Mutual funds, analyse riskiness of mutual fund schemes as per the retail investors and analyse the satisfaction level of the investors across the different types of mutual fund schemes. The study was carried out in the city of Bangalore, where datas of 150 respondents were collected through random sampling method. A structured questionnaire was formed to collect the data. To analyse the data Kuskal Wallis Test, Mann Whitney U Test and Cross Tabulation were done. The gender is found to be an influencing factor for investment in mutual funds and investing with the objective of fulfilling social obligations or profit motive. Males have found to be more of a risk takers than females. Contrary to the society's beliefs it has been seen that maximum people of the age group 25 – 45 years are not open to taking risks.

Keywords: Mutual funds, Investment, Retail investors, Equity Schemes, Debt Schemes, Hybrid Schemes

1. INTRODUCTION:

The increasing popularity of mutual funds have been observed in the market with the increasing inflation and an arising need for investment for reasons like additional source of income or as retirement planning or similar requirements. Mutual fund schemes with the professional expertise have enabled investors to diversify their portfolios with the available funds in such a way that they can have minimum risk exposures and ensuring good returns. Mutual fund marked is controlled and regulated by SEBI ensuring safety of the investor's money as well as their interest. With the growing importance of mutual funds, many new companies are entering the markets, hence increasing the competition. Companies provide various schemes of their own for retail investors to choose from. Aditya Birla capital and Sunlife AMC Investments Inc. alone provides 185 mutual fund schemes to its customers. As per SEBI guidelines on Categorization and Rationalization of schemes issued in October 2017, mutual fund schemes are classified as:

- **Equity Schemes:**

There are 11 categories of Equity Schemes namely Multi Cap Fund, Large Cap Fund, Large & Mid Cap Fund, Mid Cap Fund, Small cap Fund, Dividend Yield Fund, Value Fund, Contra Fund, Focused Fund, Sectoral/

Thematic Fund and ELSS.

- **Debt Schemes:**

There are 16 categories of Debt Schemes which are, Overnight Fund, Liquid Fund, Ultra Short Duration Fund, Low Duration Fund, Money Market Fund, Short Duration Fund, Medium Duration Fund, Medium to Long Duration Fund, Long Duration Fund, Dynamic Bond, Corporate Bond Fund, Credit Risk Fund, Banking and PSU Fund, Gilt Fund, Gilt Fund with 10 year constant Duration and Floater Fund.

- **Hybrid Schemes:**

There are 7 categories of Hybrid Schemes which are, Conservative Hybrid Fund, Balanced Hybrid Fund, Aggressive Hybrid Fund, Dynamic Asset Allocation or Balanced Advantage Fund, Multi Asset Allocation Fund, Arbitrage Fund and Equity Savings.

- **Solution Oriented Schemes –** For Retirement and Children

- **Other Schemes** – Index Funds & ETFs and Fund of Funds

2. LITERATURE REVIEW:

1. **T Ram (2015)** did a research on a Study on Factors Affecting Investment on Mutual Funds and Its Preference of Retail Investors. It was conducted with the objective to analyze the factors influencing investments decisions of retail investors in Mutual funds & to study the investors perception and preference towards Mutual funds. It was found in the study that the mutual funds have emerged as one of the important class of financial intermediaries which cater to the needs of the retail investors. The major factors influencing the investment decision of retail investors are tax benefits, high return, price and capital appreciation. Equity based schemes are the most preferred. Bitter past experience is the major preventing factor while considering investment decisions. Investors' satisfaction with regard to mutual fund investors may be rated to average.

2. **Vikrant Vala, Dr. S. O. Junare and Dr. Ashish Joshi (October - December 2021)** did a research on a study on investors' preference for investment in Mutual Fund in context of Gujarat state. It was conducted with the objective to study the working of the Mutual Fund market, to study the mode of investments for equity-oriented Mutual Funds. It was found in the study that MF investors gave more importance to high return followed by liquidity aspect while investing money for MF. Nearly 52.86% of the respondents are satisfied with MFs investments. The important reasons for choices of equity SIP are the social, personal & economical factors, performance, advertiser and fund manager's efficiency. The factors that affect the investment decision of equity SIP are the fund nature, company service, role of advisor and investor service.

3. **Dr.Pallabi Mishran and Dr. Biswajit Prasad Chhatoi (February 2018)** did a research on Investing in Mutual funds: Does profession matter? It was conducted with the objective to determine the selection of mutual fund across profession. The research was performed by purposive sampling method. The findings indicate that profession has an effect in choosing the period of mutual fund investment. While in selection of types of funds profession did not have an effect. Knowledge of mutual fund and parameters for selecting mutual fund had no relationship with the profession of the mutual fund investors.

4. **Dr. P. Subramanyam (2021)** did a research on Impact of Retail Investors Opportunities on Mutual Funds in Andhra Pradesh. It was conducted with the objective to study the impact of retail investor opportunity on mutual funds and to explore the differences in the retail investors opportunities of mutual funds across demographic variables. The study investigated the impact of retail investors opportunities on mutual funds, concluded that retail investors opportunities significantly impact on mutual funds. Conclusion drawn from the test of difference

was that no significant difference existed on the factor of retail investors opportunities of mutual funds across gender, age, occupation, qualification and income are accepted.

5. **Arpita Gurbaxani and Dr Rajani Gupte (2021)** did a research on A Study on the Impact of COVID- 19 on Investor Behaviour of Individuals in a Small Town in the State of Madhya Pradesh, India. It was conducted to study the investment behaviour of individuals was impacted during the COVID-19 outbreak due to reduction in business income, loss of job, preserving cash for emergencies, etc. This paper studies the impact of such factors on the amounts invested by investors in systematic investment plans (SIPs) during lockdown in a tier III city in India; hitherto, such an examination has not been attempted. The study shows that due to measures taken by the government to control the spread of COVID-19 such as lockdown and the stock market crash, individual investor's willingness to invest in mutual funds and the stock market has been impacted negatively. In present times, investors seem to have become more risk averse, and prefer relatively secure investment options offering moderate return with low risk. Investors also need to be educated about Gold ETFs, time to enter and exit the stock market, and mutual fund schemes.

3. OBJECTIVES OF THE STUDY:

a) To identify the objectives of retail investors for investing in Mutual funds.

b) To analyse riskiness of mutual fund schemes as per the retail investors.

c) To analyse the satisfaction level of the investors across the different types of mutual fund schemes.

4. RESEARCH METHODOLOGY:

- **Sampling Frame:** Bangalore City.
- **Sampling Size:** 100 retail investors from the city of Bangalore
- **Sampling Method:** Non probability (Convenience Sampling Method)
- **Sources of information:** Primary Data:
- **Data collection method:** Questionnaire & Interview

5. ANALYSIS AND INTERPRETATION:

Demographic Detail:

As per the analysis, almost 65% were male whereas the female respondents accounted to 34.67%. 55% respondents belong to semi urban area followed by 27.33% from Bangalore Rural part and the rest 17.33% comes from the Urban area. More than half of the respondents from the population were in the age group of 25 – 45 years, It is also observed that respondents in the age group of below 25 years and 45 – 65 years were almost same whereas the respondents above the age of 65 were less than 2%. 74 respondents out of 150 respondents are Graduates. The majority responses included the family size of 3 – 4 which were 59.33%, whereas 30.67% had a family size 5 – 7 and only 10% people had a family of more than 7 people. 59.33% of the total has a family where 2 earning members, while that 22.67% of the respondents has only 1 earning family member. It can be noted that majority of respondents save nearly 20% to 30% of their total income. 26 percentage of people save 10% − 20% of their earnings and people saving more than 30% of their income were 23.33%. Majority of respondents are either businessperson or private sector employees.

people invest in mutual funds with the main aim of earning income as with the growing inflation people need an additional source of income and mutual funds are trusted to be one. The other major factors motivating people to invest in mutual funds is for retirement, emergencies and education and marriage which was 40%, 35.3% and 34.7% of respondents for each respectively. 101 respondents out of 150 respondents trusts family, friends or investment consultants for gaining correct knowledge on mutual fund investments.

Other Details:

Most preferred equity scheme is Dividend yield funds as people prefer going for funds that can generate income for them. People also prefer investing in small cap funds, mid cap funds and large & mid cap funds with 24%, 24.7% and 26% respondents for each. Comparatively less people prefer investing in sectoral funds considering high risk associated with them. Also, not many respondents prefer investing in value funds. 7.3% of the respondents would rather not prefer investing in mutual fund schemes.

Most preferred debt schemes with 29.3% and 22.7% respectively. People also prefer investing in liquid fund considering minimal risk and rapid redemptions. Gilt funds are among some of the least preferred schemes. As per the study Floater funds with 4% and credit risk funds 5.3% are also less selected funds.

Balanced advantage fund is the most preferred hybrid fund schemes as it provides them with flexibility in choosing proportion of debt and equity which accounts 25.1%. Multi Asset Allocation is chosen by 34.7% and contributes 19.3% to the total of the respondents and is growing popularity. Also, 15.3% do not prefer hybrid schemes which can be because people who are less aware about mutual funds or are not active investors may not know or may not trust hybrid schemes.

DESCRIPTIVE STATISTICS:

Investors option vary from neutral to agree in majority of the statements like active investments in mutual funds, less capital is required for mutual fund investments, preferring tax benefits from investments and receiving definite positive returns from mutual fund investments. People agrees that the prefer investing for profit motive and fulfilling obligations, getting liquidity of money and stable income, mutual fund is less risky and is well regulated by SEBI and also entry and exit from it is also easy. Investors also believe that there are varieties of mutual fund schemes to choose from. People also disagree on the fact that the ups and downs in stock market doesn't affect mutual funds investment.

KRUSKAL WALLIS TEST RESULT:

Table 1: Satisfaction * Schemes

Schemes	Asymp. Sig.	H0 accepted/ rejected	Level of Significance
Equity Schemes	.502	Accepted	Not Significant
Debt Schemes	.528	Accepted	Not Significant
Hybrid Schemes	.350	Accepted	Not Significant

The significant value of the Kruskal Wallis test is more than the critical value of 5% (or 0.05) in all the above cases. Therefore, it can be said that we fail to reject null hypothesis and there is no significant relation between people investing in equity, debt or hybrid schemes and their satisfaction level in current investment option.

Table 2: Saving Income * Investment

Schemes	Asymp. Sig.	H0 accepted/ rejected	Level of Significance
Equity Schemes	.895	Accepted	Not Significant
Debt Schemes	.431	Accepted	Not Significant
Hybrid Schemes	.211	Accepted	Not Significant

The significant value of the Kruskal Wallis test is more than the critical value of 5% (or 0.05) in all the cases above. Therefore, we can say that we fail to reject the null hypothesis and there is no significant difference between people investing in equity debt or hybrid mutual fund schemes with the percentage of income they save.

Table 3: Objectives of investment in mutual funds * Age Group

Objectives	Asymp. Sig.	H0 accepted/ rejected	Level of Significance
Profit motive	.003	Rejected	Significant
Meeting social obligations	.007	Rejected	Significant
Stable income	.191	Accepted	Not Significant
Liquidity	.109	Accepted	Not Significant
Capital growth	.025	Rejected	Significant

The significant value of the Kruskal Wallis test is less than the critical value of 5% (or 0.05) for Profit motive, Meeting social obligations and Capital growth. Hence, we can say that we reject null hypothesis and there is a significant difference between people investing in mutual fund schemes with profit motive, meeting social obligations and capital growth on the basis of their age.

Whereas, The significant value of the Kruskal Wallis test is more than the critical value of 5% (or 0.05) for stable income and liquidity. Hence, we fail to reject null hypothesis we can say that there is a significant difference between people investing in mutual fund schemes for stability of income and liquidity on the basis of their age.

Table 4: Risk * Profit Motive

Schemes	Asymp. Sig.	H0 accepted/ rejected	Level of Significance
Riskier Equity Schemes	.000	Rejected	Significant
Safer Debt Schemes	.075	Accepted	Not Significant

The significant value of the Kruskal Wallis test less than the critical value of 5% (or 0.05) for riskier equity schemes. Hence, we reject null hypothesis and there is a significant difference between people investing in riskier equity schemes with the objective of profit earning.

While, the significant value of the Kruskal Wallis is more than the critical value of 5% (or 0.05) for safer debt schemes. Hence, we fail to reject null hypothesis and there is no significant difference between people investing in safer debt schemes with the objective of profit earning.

MANN WITNEY U TEST RESULT:

Table 5: Preference as per Gender:

Objectives	Asymp. Sig.	H0 accepted/ rejected	Level of Significance
Investment in Mutual Funds	.001	Rejected	Significant
Profit earning	.009	Rejected	Significant
Meeting social obligation	.143	Accepted	Not Significant
Tax benefit	.555	Accepted	Not Significant
Stable income	.672	Accepted	Not Significant

The significant value of the Mann Whitney U Test is less than the critical value of 5% (or 0.05) for Investment in Mutual Funds and Profit earning. Hence, we reject null hypothesis and there is a significant difference in attributes for investment in mutual funds and for profit motive in male and female investors.

On the other hand, The significant value of the Mann Whitney U Test is more than the critical value of 5% (or 0.05) for meeting social obligation, tax benefit and stable income. Hence, we fail to reject null hypothesis and we can say that there is no significant difference in investment in mutual funds for the purpose of fulfilling obligations, tax benefit and stable income in male and female investors.

CROSS TABULATION:

Table 6: Gender * Riskier Equity Schemes

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.524[a]	2	.009
Likelihood Ratio	9.559	2	.008
Linear-by-Linear Association	.540	1	.462
N of Valid Cases	150		
There is a relationship between people investing in riskier equity schemes with their gender.			

The significant value obtained from the table is 0.009 which is less than the critical value of 5% (or 0.05). Therefore, we reject the null hypothesis and it can be said that there is a relationship between people investing in riskier equity schemes as per the gender.

6. CONCLUSION:

The study shows that not majority of the investors are very active investors but they prefer investing in mutual funds for adding a source of investors and also planning for retirement and emergencies. It is also observed that previously majority of the investors preferred equity schemes but the preferences have changed overtime. Even though equity schemes are considered riskier options still a quarter part of investors are satisfied with their investments in equity schemes, however debt schemes are proved to be the most satisfactory for the respondents. Also, even though respondents believe that mutual funds are less risky as compared to other investments, provides liquidity, stability in income and are heavily regulated by SEBI, they also are doubtful about receiving definite positive returns and believes that they are surely affected by changes in the stock market. Mutual funds provide a variety of schemes for the investors to choose from. The part of the income that the investors save directly affects their investments, especially in debt and hybrid schemes. The objectives of investing in mutual funds have remained consistent since many years i.e., earning profits, planning for education, marriage and retirement and capital growth. The gender is found to be an influencing factor for investment in mutual funds and investing with the objective of fulfilling obligations or profit motive. Males have found to be more of a risk takers than females. Contrary to the society's beliefs it has been seen that maximum people of the age group 25 – 45 years are not open to taking risks.

The popularity of mutual fund have been growing since the past few years and people are more actively investing in them. Also, in the near future that risk taking can become a trend with more and more options coming in the market. The factor attracting individuals to put their money in mutual funds is that small savings of all the investors are put together to increase the buying power and professional manager are hired to invest and monitor the money, saving them from the hassle of doing it themselves. Many people are realising that investing in mutual funds provides them with more flexibility as compared to traditional investment options like bank deposits and fixed deposits.

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