

A Study on Factors Affecting to Investors' Preference towards Mutual Funds.

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Abstract

The Indian mutual fund industry is growing rapidly and this is reflected in the increase in Assets under management of various fund houses. Mutual fund investment is less risky than directly investing in stocks and is therefore a safer option for risk averse investors. The present paper aims at finding out the factors affecting to investors' preference towards mutual funds. This paper also investigates the motivating factors which encourages the investors to invest in mutual fund industry. To find the factors affecting investors' preference the primary data is collected through the structured questionnaire. Sample size is taken 100 respondents. The data is analyzed through percentages. It was founded that Tax benefits, high return, price and capital appreciation are some of the major factors which the investor will look into while investing in mutual fund. The findings will help mutual fund companies to identify the areas required for improvement and can also improve their marketing strategies. It will help the Mutual Fund companies to create new and innovative product according to the orientation of investors.

Keywords: Mutual fund, Factors, Investors, Preference.

INTRODUCTION

A mutual fund is a financial intermediary that pools the savings of investors for collective investment in a diversified portfolio of securities. A fund is "mutual" as all of its returns minus its expenses, are shared by the fund investors. Thus, mutual fund is a collective saving scheme. Globally, mutual funds have established themselves as the means of investment for the retail investor. Mutual funds are managed by professional managers who have the requisite skills and experience to analyses the performance and prospects of companies. They make possible an Organised investment strategy, which, is hardly possible for an individual investor. Mutual fund invests in a number of companies across various industries, sectors and securities. This diversification reduces the riskiness of the investments. Besides professional management

and risk diversification, mutual funds offer the benefits of increased liquidity, flexibility, tax benefits, transparency and stability to the stock market. On account of the numerous benefits offered by mutual funds, they have grown phenomenally. The Indian Mutual fund industry has witnessed considerable growth since its establishment in 1963. Many products are offered in the mutual fund industry.

This paper will highlight the factors affecting to investors' preference towards Mutual Fund. It will also help the mutual fund company to look into their weaker areas. It will help mutual fund product designers to craft strategies to introduce innovative products and to improve the scope of the mutual funds market.

LITERATURE REVIEWS

Many studies have been conducted in India and abroad covering different aspects of Mutual fund.

Nallandula Nandini and Dr. N Sugandan (2018) analysed on "A Study on Awareness and Perception about Mutual Funds of Post Graduate Students" with an objective to get an overview of the awareness and perception about mutual fund from post graduates' students and summarize a variety of investment avenues and to study on awareness and perception about different option available in the Mutual Fund to invest the students. The major concern of the present study is to determine the awareness and perception about mutual fund of students, purpose and reason for using mutual fund, and also perception towards mutual fund. Data were collected from students, through different colleges. The study reveals that the majority of the respondents were some aware about the mutual fund. It is also found that the majority of the respondent they do not understand the working procedure of the mutual fund.

Haniyeh Amiri¹ & Ana Maria Gil-LA Fuente (2016) studied on "Studying of the Factors Affecting on the Mutual Fund by Individual Investor in Iran, Malaysia, Turkey and US" with an objective to investigate the factors affecting mutual fund in different countries. This study examines the main criteria of domestic investors in mutual funds selection behavior and evaluates their performance and with a survey method and using a questionnaire. The Findings of the study indicate that there are 7 major factors that influence different types of investors in mutual funds selection behavior. The results of this analysis gives what is different between professional investors and other kinds of investors in the selecting of mutual funds.

Saloni Raheja and Jyotishna Jairath (2015) analysed on "Mutual funds: individual investor behavior" with an objective to study the individual investor behavior. The study focuses on the behavior of investors towards mutual funds. This study will be useful to the brokers, distributors and to all investors. The study concluded that in order to maintain the investor confidence in mutual funds they should be provided with timely information relating to different trends in the mutual fund industry. For achieving heights in the financial sector, the mutual fund companies should formulate the strategies in such a way that helps in fulfilling the investors' expectations.

V. Rathnamani (2013) conducted a research on "Investor's Preferences towards Mutual Fund Industry in Trichy" with the objective to analyze the investors awareness and perception regarding Mutual fund investment. They concluded that many investors are chosen to invest in mutual fund in order to have high gain at low level of risk, safety liquidity. It can be said that the Mutual Fund as an investment vehicle is

capturing the attention of various segments of the society, like academicians, industrialists, financial intermediaries, investors and regulators for varied reasons and deserves an in-depth study.

Subramanya P R and Dr. T P Renuka Murthy (2013) find on “Investors Attitude Towards Mutual Fund (Special Reference to Chikkamagalore District, Karnataka State, India)” with an objective to study the investor’s attitude & interest towards mutual fund and to recognize the factors that influences the investors with respect to mutual fund. The study aims at finding out the attitude of the small investors towards investment in mutual funds in Chikkamagalore. By adopting random sampling for 150 respondents, Simple statistical tools are used for analyzing the data whatsoever collected in this study. The present investigation outlined that the investors have positive approach towards investing in mutual funds. The investors opt Mutual fund for safety and investors collect the information from expert advisors then only invest the money. Mainly investors select the income, growth and equity fund for their investment in Mutual fund.

OBJECTIVE OF RESEARCH

- To find out factors affecting to investors’ preference towards Mutual Fund.
- To study the investors preference and perception towards Mutual funds.

RESEARCH METHODOLOGY

For obtaining information, descriptive research is chosen. Descriptive research includes surveys and fact-finding enquiries of different kind. The research instrument used in the study is Questionnaire method. The questionnaire consists of both open end and close end questions. The data used for the study is Primary data. Primary data is the data collected for the purpose of study by the samples taken. The area of study is Bardoli and Surat Region. The sample size of the study is limited to 100 investors. Non – Probability (Convenience Sampling) is used.

DATA ANALYSIS

Chi-Square Test

H₀: There is no significant relationship between demographic variables and investment in Mutual Fund.

H₁: There is a significant relationship between demographic variables and investment in Mutual Fund.

Demographic Factor	Investing in Mutual Fund		Chi-Square		
	Yes	NO	χ^2	Df	p-value
Gender					
Male	65	2	0.545	1	0.461
Female	31	2			
Annual Income of Investor					
50,000-100,000	4	1	4.499	3	0.217
100,001-200,000	35	2			

200,001-500,000	43	1			
500,000 & above	14	0			
Earning members in family					
1	29	3	8.366	4	0.079
2	50	0			
3	12	0			
4	4	1			
5	1	0			

The above table indicates the relationship between responding view regarding weather invest in Mutual Fund or not and demographic factors like gender, annual income of investor and earning members in family. Since P-value of all demographic variable is greater than 0.05 thus, null hypothesis is accepted. So, it was found that there is no relationship between various variable and investor reference regarding investing in Mutual Fund.

Kruskal- Wallis Test

H₀: There is no significance difference in factor affecting decision of investing in Mutual Fund and demographic variables.

H₁: There is a significance difference in factor affecting decision of investing in Mutual Fund and demographic variables.

Factors	Demographic Factor	N	Mean Rank	Df	Significance relationship
Risk Diversification	Education				
	SSC	1	2.00	4	0.070
	HSC	4	48.88		
	Graduate	50	47.97		
	Post Graduate	30	52.92		
	Other	15	57.77		
	Income				
	50,000-100,000	5	20.10	3	0.001
	100,001-200,000	37	46.30		
	200,001-500,000	44	55.25		
	500,000 & above	14	57.54		
	Earning Member				
	1	32	53.09	4	0.829
	2	50	48.18		
	3	12	52.04		
	4	5	51.30		
	5	1	61.00		
Tax Benefit	Education				
	SSC	1	77.00	4	0.064
	HSC	4	53.50		
	Graduate	50	56.22		
	Post Graduate	30	46.97		
	Other	15	35.93		
	Income				
	50,000-100,000	5	53.00	3	0.741
	100,001-200,000	37	47.00		

	200,001-500,000	44	51.73		
	500,000 & above	14	55.00		
	Earning Member				
	1	32	52.69	4	0.450
	2	50	52.46		
	3	12	45.00		
	4	5	34.20		
	5	1	30.00		
Brand Name	Education			4	0.551
	SSC	1	30.50		
	HSC	4	45.75		
	Graduate	50	52.88		
	Post Graduate	30	45.13		
	Other	15	55.90		
	Income			3	0.075
	50,000-100,000	5	29.90		
	100,001-200,000	37	45.23		
	200,001-500,000	44	56.00		
	500,000 & above	14	54.50		
	Earning Member			4	0.624
	1	32	45.62		
	2	50	51.88		
	3	12	52.75		
	4	5	57.50		
	5	1	75.50		
Returns	Education			4	0.122
	SSC	1	73.50		
	HSC	4	61.75		
	Graduate	50	54.74		
	Post Graduate	30	47.75		
	Other	15	37.33		
	Income			3	0.527
	50,000-100,000	5	54.70		
	100,001-200,000	37	45.61		
	200,001-500,000	44	53.74		
	500,000 & above	14	51.75		
	Earning Member			4	0.353
	1	32	57.34		
	2	50	48.20		
	3	12	47.88		
	4	5	40.80		
	5	1	26.50		
Suitability of Fund	Education			4	0.084
	SSC	1	5.00		
	HSC	4	32.00		
	Graduate	50	49.32		
	Post Graduate	30	58.40		
	Other	15	46.60		
	Income			3	0.008
	50,000-100,000	5	15.80		
	100,001-200,000	37	47.03		
	200,001-500,000	44	55.59		
	500,000 & above	14	56.07		
	Earning Member				

	1	32	44.27	4	0.245	
	2	50	50.77			
	3	12	62.33			
	4	5	53.90			
	5	1	77.50			
Liquidity	Education				4	0.262
	SSC	1	4.50			
	HSC	4	54.50			
	Graduate	50	53.11			
	Post Graduate	30	49.63			
	Other	15	45.53			
	Income				3	0.252
	50,000-100,000	5	32.20			
	100,001-200,000	37	48.58			
	200,001-500,000	44	53.44			
	500,000 & above	14	52.86			
	Earning Member				4	0.110
	1	32	51.61			
	2	50	52.19			
	3	12	53.21			
	4	5	26.10			
	5	1	20.00			
Price	Education				4	0.132
	SSC	1	8.50			
	HSC	4	61.12			
	Graduate	50	54.48			
	Post Graduate	30	49.03			
	Other	15	40.13			
	Income				3	0.053
	50,000-100,000	5	35.30			
	100,001-200,000	37	43.34			
	200,001-500,000	44	56.81			
	500,000 & above	14	55.04			
	Earning Member				4	0.609
	1	32	50.89			
	2	50	49.93			
	3	12	55.83			
	4	5	36.60			
	5	1	72.00			
Capital Appreciation	Education				4	0.544
	SSC	1	35.50			
	HSC	4	59.00			
	Graduate	50	51.16			
	Post Graduate	30	53.25			
	Other	15	41.53			
	Income				3	0.682
	50,000-100,000	5	41.70			
	100,001-200,000	37	49.89			
	200,001-500,000	44	50.02			
	500,000 & above	14	56.75			
	Earning Member				4	0.926
	1	32	51.16			
	2	50	49.53			
	3	12	55.08			

	4	5	48.00		
	5	1	35.50		
Ratings by rating agency	Education			4	0.492
	SSC	1	85.50		
	HSC	4	47.25		
	Graduate	50	53.56		
	Post Graduate	30	45.32		
	Other	15	49.20		
	Income			3	0.485
	50,000-100,000	5	55.80		
	100,001-200,000	37	55.50		
	200,001-500,000	44	46.65		
	500,000 & above	14	47.50		
	Earning Member			4	0.758
	1	32	50.33		
	2	50	49.62		
	3	12	49.50		
	4	5	55.80		
	5	1	85.50		
Fund Manager's Experience	Education			4	0.235
	SSC	1	86.00		
	HSC	4	47.38		
	Graduate	50	55.19		
	Post Graduate	30	46.00		
	Other	15	42.33		
	Income			3	0.572
	50,000-100,000	5	37.70		
	100,001-200,000	37	51.69		
	200,001-500,000	44	52.60		
	500,000 & above	14	45.32		
	Earning Member			4	0.878
	1	32	50.56		
	2	50	48.83		
	3	12	58.17		
	4	5	49.10		
	5	1	47.00		

The above table details about the mean rank associated significance value for each group regarding various factors affecting Mutual Fund Decision. The associated significance value for almost all cases is less than 0.05 so the null hypothesis is rejected. So, there is significant association. But Risk diversification and Suitability of fund have less significant value regarding income variable so null hypothesis is accepted. Thus, there is a significant differentiation.

FINDINGS

- Tax benefits, high return, price and capital appreciation are some of the major factors which the investor will look into while investing in mutual fund. Liquidity, diversification, risk and brand image also have influence on the final mutual fund purchase decision of the investor but not as much as the former.
- Investors seem to seek expert advice and rely on it the most while taking their investment decision. Some

investors depend on the ratings given by CRISIL, ICRA etc. to decide as to where to invest. And a few investors seem to analyze about the past performance (NAV) or the asset management company.

CONCLUSION

The mutual funds have emerged as one of the important class of financial intermediaries which cater to the needs of the investors. The major factors affecting to the investment decision of investors are tax benefits, high return, price and capital appreciation and Risk diversification. Systematic Investment Plans (SIP) schemes are the most preferred. Investors satisfaction with regard to mutual fund investors may be rated to average.

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