

A STUDY ON INVESTORS' ATTITUDE TOWARDS MUTUAL FUNDS AS AN INVESTMENT OPTION

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Abstract

The concept of mutual fund emerged in Netherlands in 18th century and introduced in India by Unit Trust of India in 1960s. At present, Mutual Fund industry is growing very fast by understanding the needs of the investors. A mutual fund is a trust that pools the savings of a number of investors who have a common financial goal of having secured future as well as some kind of financial benefits out of it. Therefore, mutual fund is the best suitable investment plan for a common man since it offers an occasion to invest his money and earn profit with a relatively low cost. This paper makes an attempt to explain the structure of mutual fund, operations of mutual fund, comparison between investment in mutual fund and bank and calculation of NAV etc. The impacts of various demographic factors on investors' attitude towards mutual fund have also been studied. For measuring various phenomena and analyzing the collected data effectively and efficiently for drawing sound conclusions, Chi-square (χ^2) test has been used.

Key words: Mutual Fund, investors, attitude.

INTRODUCTION

In this modern era mutual fund industry is growing very fast by understanding the needs of the investors. A mutual fund pools the money of people with certain investment goals. The money collected from investors' is invested in capital market instrument such as shares, debentures, and other securities. In mutual funds investors can invest their savings directly or also through a professional financial advisor. The income earned through these investments and the capital appreciations realized are shared by its unit's holder in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment to the common man as it offers an opportunity, to invest in a diversified, professionally managed basket of securities at relatively low cost. Mutual funds are also classified into 5 types. They are: Money Market Mutual Funds, Stock Mutual Funds, Index Funds, Bond Mutual Funds and Balanced Mutual Funds.

According to SEBI (Mutual Funds) Regulations, 1996, a mutual fund is "a fund established in the form of a trust to raise money through the sale' of units to the public or a section of the public under one or more schemes for investing in securities including money market instruments."

Mutual funds offer investors a popular way to transform their investment portfolios. Mutual funds permit investors the opportunity to have a financial stake in various types of investments. These investments include: stocks, bonds, money markets, real estate, commodities, etc. Participation in a mutual fund, however, grants the investor to have a better exposure to each of these assets.

CONCEPT OF MUTUAL FUND



HISTORY OF MUTUAL FUNDS

In 1963 an initiative has been taken by Government of India and Reserve Bank of India to start Mutual Fund industry along with the formation of Unit Trust of India (UTI). The history of mutual funds in India can be broadly classified into four different phases.

They are as follows:

It was the first phase (1964–1987) of Indian mutual fund industry during which UTI enjoyed a complete freedom.

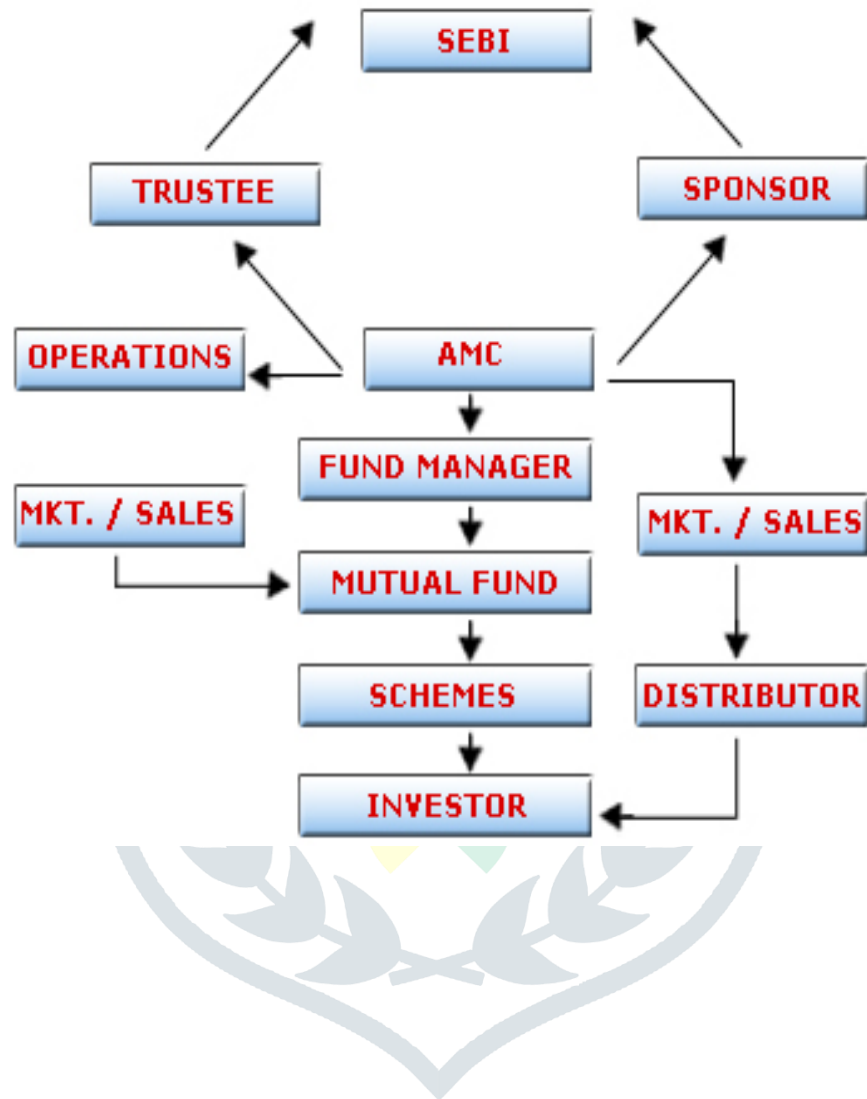
In the second phase (1987–1993), Government of India allowed public sector banks and financial institutions to set up mutual funds.

Third phase (1993–2003) started with the new entry of private sector and foreign funds.

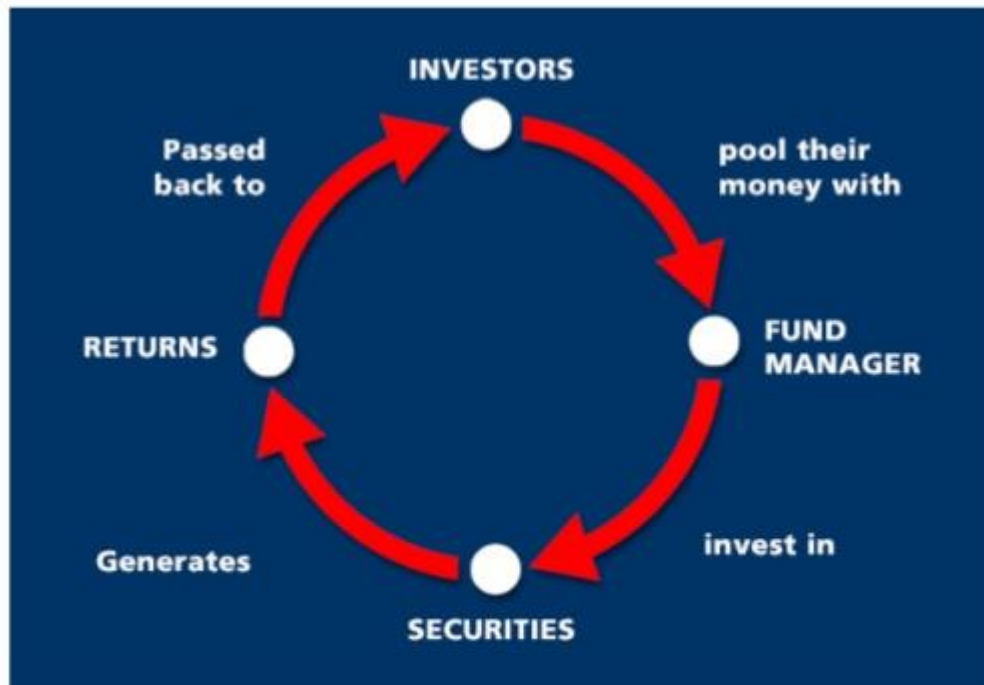
The fourth phase (since 2003 till date) is the age of consolidation and growth.

As on 31st march 2013 mutual funds schemes are classified into wide varieties of schemes such as Open-Ended, Close-Ended, Interval, Growth, Income, Balanced, Equity Linked Savings Scheme (ELSS).

STRUCTURE OF MUTUAL FUND



MUTUAL FUND OPERATION FLOW CHART



COMPARISION BETWEEN INVESTMENT IN BANK AND MUTUAL FUND

Factors	Bank	Mutual Fund
Returns	Low	Better
Administrative Expenses	High	Low
Risk	Low	Moderate
Investment Options	Less	More
Network	High Penetration	Low but Improving
Liquidity	At a cost	Better
Quality of Assets	Not Transparent	Transparent
Interest Calculation	Minimum balance between 10th & 30th of every month	Everyday
Guarantee	Maximum Rs.1,00,000 on deposits	None

NET ASSET VALUE

Net Asset Value is the market value of the assets of the scheme minus its liabilities. The per unit NAV is the net asset value of the scheme divided by the number of units outstanding on the valuation date. The most important of the calculation is the valuation of the assets owed by the funds. Once it is calculated, the NAV is simply the net value of assets divided by the number of units outstanding.

The detailed methodology for the calculation of the asset value is given below:

Net Asset value =Sum of market value of shares/debentures + Liquid assets/cash held (if any)
+Dividends/interest accrued-Amount due on unpaid assets -Expenses accrued but not paid.

REVIEW OF LITERATURE

Singh and Jha (2009) conducted a study on awareness & acceptability of mutual funds and found that consumers normally prefer mutual fund due to return potential, liquidity, safety and they were totally unaware about the systematic investment plan. They came to a conclusion that the invertors' will also consider various factors before investing in mutual fund.

Anand and Murugaiah (2004) had studied various strategic issues related to the marketing of financial services. They found that mutual fund industry requires new strategies to survive and for operation. For surviving they have to adopt new marketing strategies and tactics that enable them to capture maximum opportunities with the lowest risks in order to enable them to survive and meet the competition from various market players globally.

OBJECTIVES

1. To study and analyze the impact of various demographic factors on investors' attitude towards mutual fund.
2. To analyze the investors attitude towards selection of mutual funds.

RESEARCH METHODOLOGY

This is basically an analytical study based on primary research as well as also related to the analysis of the attitude of investors' towards mutual funds as an investment option. In order to conduct this study, 100 investors of Mangalore City have been selected by sampling method and mainly questionnaire has been used for collecting the data. All the data required for the study has been obtained mainly from primary sources, but at times, secondary sources of data have also been considered. Basically, targeted populations belong to the Mangalore City and considering an individual investor as a sampling unit.

For measuring various phenomena and analyzing the collected data effectively and efficiently to draw sound conclusions, a number of statistical techniques basically Chi-square test for testing of hypothesis has been used and for analyzing the various factors responsible for investment in mutual funds, ranking was done on the basis of weighted scores and scoring was done on the basis of scale.

TESTING OF HYPOTHOSIS

The following hypotheses have been taken for the study of investors' attitude towards mutual funds.

- There is no association between age and the attitude towards mutual funds.
- There is no association between gender and the attitude towards mutual funds.
- There is no association between income and the attitude towards mutual funds.
- There is no association between educational qualification and the attitude towards mutual funds.
- There is no association between occupation and the attitude towards mutual funds.

FINDINGS

The Study was aimed at identifying the different level of attitude towards the mutual funds. The study shows that out of 98 respondents 21 respondents have a positive attitude, 57 respondents have a neutral attitude and 20 respondents have a negative attitude towards the mutual funds.

The **table-I** explains the association between age and attitude towards the mutual funds. The calculated value of chi-square is less than tabulated value of chi-square at 5% level of significance. Hence it is not significant and the null hypothesis is accepted at 5% level of significance. Hence it is concluded that there is no association between age and the attitude towards mutual funds. About 11 respondents having age group (20-28), 8 respondents having age group (28-38) and 2 respondents having age above (38-48) have a positive attitude towards the mutual funds. There is a highest positive attitude towards the mutual funds in the age group (20-28) against the others.

The **table-II** explains the association between gender and attitude towards the mutual funds. The calculated value of chi-square is less than the tabulated value of chi-square at 5% level of

significance. Hence it is not significant and the null hypothesis is accepted at 5% level of significance. Hence it is concluded there is no association between gender and the attitude towards mutual funds. About 14 male respondents and 7 female respondents have a positive attitude towards the mutual funds. There is a highest positive attitude towards the mutual funds in male against the female.

The **table-III** explains the association between income and attitude towards the mutual funds. The calculated value of chi-square is less than the tabulated value of chi-square at 5% level of significance. Hence it is not significant and the null hypothesis is accepted at 5% level of significance. Hence there is no association between income and the attitude towards mutual funds. About 7 respondents are having monthly income (10,000-20,000), 5 respondents are having monthly income (20,000-30,000) and 9 respondents are having monthly income above 30,000 have a positive attitude towards the mutual funds. There is a highest positive attitude towards the mutual funds having monthly income above 30,000 against the others.

The **table-IV** explains the association between level of education and attitude towards the mutual funds. The calculated value of chi-square is less than the tabulated value of chi-square at 5% level of significance. Hence it is not significant and the null hypothesis is accepted at 5% level of significance. Hence there is no association between level of education and the attitude towards mutual funds. About 3 respondents are having PUC qualification, 14 graduate respondents and 4 post-graduate respondents are having a positive attitude towards the mutual funds. There is a highest positive attitude towards the mutual funds among the graduate respondents against the others.

The **table-V** explains the association between occupation and attitude towards the mutual funds. The calculated value of chi-square is less than tabulated value of chi-square at 5% level of significance. Hence it is not significant and the null hypothesis is accepted at 5% level of significance. Hence there is no association between occupation and the attitude towards mutual funds. There is a highest positive attitude towards the mutual funds among the respondents who are professionals against the others. About 3 respondents whose occupation is business, 10 professional respondents and 8 respondents who are salaried employees are having positive attitude towards the mutual funds.

The **table-VI** explains the association between Factors responsible for investment in mutual funds and Attitude towards investments in Mutual Funds. The calculated value of chi-square is less than the tabulated value of chi-square at 5% level of significance. Hence it is not significant and the null hypothesis is accepted at 5% level of significance. Hence there is no association between the factors responsible for investment in mutual funds and attitude towards investments in mutual funds. 9 respondents have got positive attitude regarding high returns, 2 respondents have got positive attitude regarding transparency, 2 respondents have got positive attitude regarding liquidity, 5 respondents have got positive attitude regarding flexibility and 3 respondents have got positive attitude regarding affordability in mutual funds.

During the study, it was found that the investors' basically invested in mutual funds due to high return potential, transparency, liquidity, flexibility and affordability.

CONCLUSION

The present study shows that most of the respondents are still confused about the mutual funds and they have not formed any attitude towards the mutual fund. It has also been observed that most of the respondents are having less information about mutual funds. Moreover, as far as the demographic factors are concerned age, gender, income, level of education, occupation, factors responsible for investment in mutual funds have not been found influencing the attitude of investors' towards mutual funds. As far as the benefits provided by mutual funds are concerned, return potential and liquidity are considered as the important factors for investing in mutual funds followed by flexibility, transparency and affordability.

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APPENDIX: TABLES

Table-I - Association between Age and Attitude towards the Mutual Fund

Age of the Respondents * Attitude towards investments in Mutual Funds Cross Tabulation

Count

	Attitude towards investments in Mutual Funds			Total
	Positive	Neutral	Negative	
Age of the Respondents 20-28	11	26	7	44
28-38	8	17	7	32
38-48	2	14	6	22
Total	21	57	20	98

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.253 ^a	4	.516
N of Valid Cases	98		

Pearson Chi Square Test value = 3.253 and p value = 0.516

Since $0.516 > 0.05$, we accept null hypothesis.

Table – II - Association between Gender and Attitude towards the Mutual Fund

**Gender of the Respondents * Attitude towards investments in Mutual Funds Cross
Tabulation**

Count

		Attitude towards investments in Mutual Funds			Total
		Positive	Neutral	Negative	
Gender of the Respondents	Male	14	41	15	70
	Female	7	16	5	28
Total		21	57	20	98

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.365 ^a	2	.833
N of Valid Cases	98		

Pearson Chi Square Test value = 0.365 and p value = 0.833

Since $0.833 > 0.05$, we accept null hypothesis.

Table – III - Association between Income and Attitude towards the Mutual Fund

Income * Attitude towards investments in Mutual Funds Cross tabulation

Count

		Attitude towards investments in Mutual Funds			Total
		Positive	Neutral	Negative	
Income	10000-20000	7	10	7	24
	20000-30000	5	12	2	19
	Above 30000	9	35	11	55
Total		21	57	20	98

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.844 ^a	4	.304
N of Valid Cases	98		

Pearson Chi Square Test value = 4.844 and p value = 0.304

Since $0.304 > 0.05$, we accept null hypothesis.

Table – IV - Association between Educational Qualification and Attitude towards the Mutual Fund

Educational Qualification of the Respondents * Attitude towards investments in Mutual Funds Cross tabulation

Count

		Attitude towards investments in Mutual Funds			Total
		Positive	Neutral	Negative	
Educational Qualification of the Respondents	PUC	3	10	4	17
	Graduate	14	21	7	42
	Post Graduate	4	26	9	39
	Total	21	57	20	98

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.636 ^a	4	.156
N of Valid Cases	98		

Pearson Chi Square Test value = 6.636 and p value = 0.156

Since $0.156 > 0.05$, we accept null hypothesis.

Table – V - Association between Occupation and Attitude towards the Mutual Fund

Occupation of the Respondents * Attitude towards investments in Mutual Funds Cross tabulation

Count

		Attitude towards investments in Mutual Funds			Total
		Positive	Neutral	Negative	
Occupation of the Respondents	Business	3	6	5	14
	Professional	10	26	6	42
	Salaried	8	25	9	42
	Employee				
Total		21	57	20	98

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.301 ^a	4	.509
N of Valid Cases	98		

Pearson Chi Square Test value = 3.301 and p value = 0.509

Since $0.509 > 0.05$, we accept null hypothesis.

Table – VI - Association between Attitude towards investments in Mutual Funds and Factors responsible for investment in Mutual Funds

Factors responsible for investment in mutual funds * Attitude towards investments in Mutual Funds Cross tabulation

Count

		Attitude towards investments in Mutual Funds			Total
		Positive	Neutral	Negative	
Factors responsible for investment in mutual funds	High Return Potential	9	20	12	41
	Transparency	2	7	1	10
	Liquidity	2	3	3	8
	Flexibility	5	13	2	20
	Affordability	3	14	2	19
Total		21	57	20	98

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.084 ^a	8	.425
N of Valid Cases	98		

Pearson Chi Square Test value = 8.084 and p value = 0.425

Since $0.425 > 0.05$, we accept null hypothesis.

