



# INVESTORS ATTITUDE TOWARDS MUTUAL FUNDS – A CASE STUDY.

**Dr. Nagaraja, R. C.**, Assistant Professor,  
Department of Commerce,  
Government First Grade College,  
Davangere-577 001 (Karnataka),  
e-mail:nagarajarc@gmail.com

## Abstract

*The investment is the net addition made to the nation's capital stock that consists of goods and services that are used in the production process. A net addition to the stock means an increase in the buildings, equipment's or inventories. These capital stocks are used to produce other goods and services. For the purpose to select the topic because of mutual funds or investment trust or investment companies obtain funds from large number of investors through the sale of units. The fund collected from the investors is placed under the preferential management for the benefit of investors. It's mainly focusing on investors benefits and investment objectives and also portfolio of investment. It's also helps to development of our country mutual fund is a pool of money collected from investors and is invested according to certain investment options. A mutual fund is a trust that pools the savings of an of investors who share a common financial goal. A mutual fund is created when investors put their money together. It is therefore, a pool of investor's fund. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities.*

**Key words:** Investments, Debentures, Securities, Mutual Fund, Capital Market.

## 1. INTRODUCTION:

The economic development of a nation mostly depends upon its impelling and efficient utilization of deficient resources. One such scar value creation. The surplus and the deficit entities through capital markets, financial services and financial instruments. The most important among the surplus entities or savers is the individuals of the nation. Individuals save and invest a part of their earnings with the hope of earning a positive return on their investment, which in turn enhances their future consumption possibilities. The financial system provides the investors a number of investment alternatives with varying amounts of risk and return. Investors make a resource is capital. Capital creation is made possible through accumulation of savings. The surplus entities in the economy save and invest their

surplus in various financial assets which in turn is utilized by the deficit entities for investing in various real assets leading to choice out of the available alternatives based on their investment objectives which includes their return aspiration and risk tolerance. An efficient financial system should provide its investors a range of investment alternatives to suit their investment objectives. This include alternatives with varying maturities and varying risk - return characteristics. In other words the financial system should enable creation of capital on one end and risk less capital on the other. In this regard, Mutual Funds are a good fit into the financial system, as they enable capital creation across the entire spectrum of risk. Mutual Funds are collective investment conveyance which respect an indirect method of investing. A mutual fund is an entity which provides the service of creating and managing public investment portfolios. A mutual fund collects small amounts of money from a large number of like minded investors having similar investment Objectives. The money is pooled and invested into a portfolio of assets depending on the investment objective to be achieved. The returns earned from the invested pool of assets after deducting the investment management charges is divided among the investors based on their invested amount.

## 2. LITERATURE REVIEW :

Many studies have been conducted by researchers on investor attitudes on Mutual Funds. The researchers has made attempts to present a brief review of the literature available, which are published in the form of research article and technical papers published in the journals, magazines and websites in the related area. **Tarak Paul (2014)** focuses on the gap between the degree of expectation and the degree of perceived experience towards mutual fund investment from the viewpoint of customer communication dimension of marketing mix. It is being observed that Investors experienced lack of sufficient education required for investment and finds it difficult in understanding all the contents of the application form. The significant gap between the degree of expectation and degree of experience is indicative of the fact that there is a lot of scope for improvement in the area of customer communication. **Vipin Kumar & Preethi Bansal (2014)** In their research paper they focused on various parameters that highlights investor's perception on mutual funds. It was studied that the scheme of mutual fund investment was not known to many of the investors as still the investors rely upon the traditional pattern of investments like investment in banks and investment in postal savings. As most of the mutual fund investors used to invest in mutual fund for not more than three years and used to quit from the fund as they were not giving desired result as stated in the objective during inception of mutual fund scheme. It was also found from the research that maximum number of mutual fund investors has to depend upon their brokers and agent to invest in mutual fund. **Amit and Singh Sureet (2013)** In this study, he opined that Mutual Funds, which have become an important portal for the small investors are also influenced by their financial behavior. At an individual level, investors are unique and are a highly heterogeneous group. Hence, their fund or scheme selection behavior also widely differs. The mutual fund companies need to understand

the fund or scheme selection and switching behavior of the investors to design suitable products to meet the changing financial needs of the investors. **J. Kumar & K. Ahmed, (2012)** mechanism of Indian Mutual Fund Industry, data at both the fund-manager and fund investor levels. There has been incredible growth in the mutual fund industry in India, attracting large investments **Lakshmana Rao. K., (2011)** in his article deals with mutual fund investors awareness, educational level is an important factor that influences the behavior of investment decisions. Increasing educational level attainment is associated with decreased levels of risk tolerance an investor's level of formal education has found to influence risk tolerance. In this study an attempt was made towards the perception of investors has been undertaken to examine the confidence level of the investors in mutual funds. In his study he examines the association between the formal and technical educational factors with the awareness, adoption and perception towards mutual fund schemes. **Deepak Agarwal (2011)**, In his article, he states that, Mutual fund contributes to globalization of financial markets and is one among the main sources for capital formation in emerging economies. **J. Haslem, (2009)** reveals that, the changing nature of competition in the mutual fund industry as it pertains to price competition and threat of increasing range of alternative investment vehicles also had a corollary in changing investor's attitude toward mutual fund. **M. Rabin, (2000)** emphasized that, Investors are unrealistically optimistic toward mutual fund as before making investment in a particular mutual fund they chase its past and recent performance on the basis of which they judge its future prospects and then make investment.

### 3. OBJECTIVES OF THE STUDY :

1. To analyze the factor influencing to invest in mutual fund.
2. To know the factors considered by investors while investing in this mutual fund.
3. To study the attitude of customers towards investing in mutual funds.
4. To know the level of awareness about mutual funds among the customers.
5. To find out preference of the investors for asset management.

### 4. STATEMENT OF PROBLEM :

The mutual fund is one of the best investment avenues for small investors who want to invest in financial securities like shares, debentures, bonds etc. It is very important to have some knowledge about available investment avenues before selecting the best one. The customers choose best investment avenue on the basis of their perception towards particular investment avenue. So, this study undertaken to understand the customers attitude towards the Mutual Fund.

### 5. RESEARCH METHODOLOGY :

Research methodology is the specific procedures or techniques used to identify, select, process, and analyses information about a topic. here in this study both qualitative and

quantitative approaches are used. Survey method of research is one of the types of descriptive research, in this study I use survey method of research, here participants answer questions administered through interviews or questionnaires.

## 6. SOURCES OF DATA :

To fulfil the objectives of the study data was collected from both the primary as well as secondary sources.

## 7. SCOPE OF THE STUDY :

The scope of the study is mainly confined to the performance of mutual fund and analyzing the influence of mutual fund on customers and their attitude towards mutual funds in Davanagere City. Further it covers the sample area of Davanagere city and the size of 30 individuals.

## 8. TYPES OF INVESTORS

Investors are analyzed on the basis of their *age, gender, marital status, educational background, occupational background, annual income, annual savings, family size, preferential investment, investment objectives, total investment, experience in mutual fund investment*, number of mutual fund schemes hold by the investors, investors intention to increase the size of investment in mutual fund, proposed percentage of increase in mutual fund investment, types of investment and strategy for investment

earners are willing to take risks in market fluctuations. All groups investors are now part of mutual fund investment, it includes farmers also. Investors include grapes farmers, sugarcane cultivators and small traders.

## 9. ATTITUDE OF THE INVESTORS

Attitude is a favorable or unfavorable evaluative reaction toward something or someone exhibited in ones beliefs, feelings, or intended behavior. A mental or neutral state of readiness organized through experience, exerting a direct dynamic influence upon the individuals' response to all objects and situations with which it is related. It is the reflection of how an individual feels about something and reach in a certain manner towards an idea.

## 10. FACTORS INFLUENCEING TO INVEST IN MUTUAL FUND

The investors prefer the investment on mutual funds for several reasons. The important factors which drive the investors to the invest in mutual funds considered were, Brand Equity, Type of Fund, Fund Size, Schemes Portfolio, Reputation of Fund Manager, Past Preference of the Fund, Liquidity Factors, Risk Involved and Current Market Conditions.

## 11. ANALYSIS AND INTERPRETATION

Data interpretation refers to the implementation of processes through which data is reviewed for the purpose of arriving at an informed conclusion. The interpretation of data assigns a meaning to the information analyzed and determines its signification and implications.

**11.1. Table showing Occupation of the respondents**

Occupation	Number of Respondents	(%)
Self Employed	7	23.3
Government Employee	2	6.7
Private Employee	10	33.3
Business	2	6.7
Others	9	30
Total	30	100

Source : Survey

The above table showing the occupation of different respondents in the survey, Seven respondents are self-employed, Two each from Government employees and Business, Ten Private employees and Nine other employees. From the above table, it can be interpreted that maximum 33.3% of private employees are invested in Mutual Funds and only 6.7% from Government employees and Business. It shows good number of participation from private employees and moderate response from other employees towards mutual fund investments.

**11.2 Table showing Preferred type of Mutual Fund**

Type of Fund	Frequency	%
Money Market Funds	5	16.7
Fixed income funds	8	26.7
Equity Funds	9	30
Balanced Funds	8	26.7
Indexed Funds	0	0

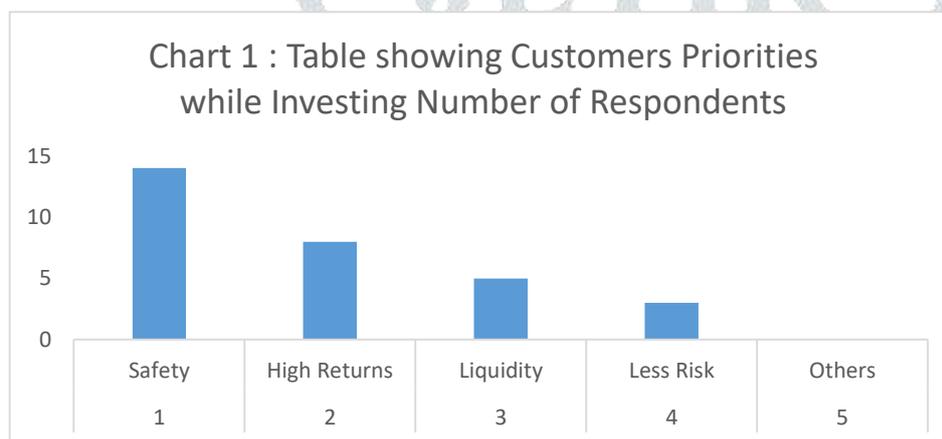
Source: Survey

It can be analyzed that here Nine respondents preferred equity funds, Eight respondents each choose fixed income and balanced funds, Five respondents choose money market funds and no one choose indexed funds. It can be inferred that most of the customers i.e.30% preferred Equity funds and no customers choose balanced funds, it shows most of the customers prefer Equity funds over other type of Mutual funds.

### 11.3 Table showing Customers Priorities while Investing

Sl. No	Factors	Number of Respondents	%
1	Safety	14	47.7
2	High Returns	8	26.7
3	Liquidity	5	16.7
4	Less Risk	3	10
5	Others	0	0

Source : Survey



It can be analysed that, out of Thirty respondents, Fourteen respondents prefer safety factor, Eight respondents prefer high returns, Five prefer liquidity and Three respondents prefer less risk. Majority of respondents prefer safety factor. It can be inferred that 47.7% of the customers choose safety as the top priority and only 10% of the respondents choose mutual fund for less risk. Most of the customers invest in mutual funds for safety purposes.

### 11.4 Table showing Frequency of Investment in Mutual Funds by the respondents

Frequency of Investment	Frequency	%
Monthly (SIP)	17	56.7
Once in a six month	11	36.7
Once in a Year	2	6.7
Very Rare	0	.0
Total	30	100.0

Source : Survey

This can be analyzed that how often customers are invested in mutual funds, here

Seventeen respondents choose monthly Systematic Investment Plan, Eleven respondents invest once in six month and only two respondents investing on yearly basis. It can be inferred from the above chart that 56.7% customers investing in Monthly SIP, it shows Monthly SIP is quite popular among the mutual fund schemes. Investing in monthly SIP shows regular investment in mutual funds. less calculation when compared to investing in stocks. It shows mutual fund is very simple investment avenue and easy to monitor the performance on regular basis.

### 11.5 Table showing Factors to be considered while investing

Options available	Frequency	%
Past Performance (NAV)	15	50
Ratings (by CRISIL, ICRA, Etc.)	6	20
Asset Management Companies	5	16.7
Expert Advise	4	13.3
Others	0	0
Total	30	100

#### Source : Survey

From the above table it can be analyse that what factors the customers are considered while investing in mutual fund, here Fifteen respondents choose past performance over other options, Six respondents choose Ratings, Five choose asset management companies and Four respondents goes for expert advice. It can be inferred from the above majority 50% respondents investing in mutual funds based on the past performance of the mutual fund and only 13% take expert advice before investing, this shows majority of mutual fund investors are aware of performance of mutual fund and consider it as the major factor before investing in mutual funds.

### 11.6 Table showing Motives behind investing in Mutual Funds

Motives	Number of Respondents	%
It is a good investment instrument	8	26.7
It's better to invest in Mutual funds rather than investing directly in shares	9	30
They give assured and consistent return	7	23.3
They provide high return with low risk	7	23.3
Less calculation is required before investing when compared to share market	4	13.3
Very simple to invest & monitor fund performance on a regular basis	10	33.3
Mutual Funds provide the benefit of cheap access to expensive stocks	9	30
Mutual funds diversify the risk of the investor by investing in a basket of assets	5	16.7
Professional fund managers manage them with in-depth research	8	26.7

#### Source : Survey

Chart 2 : Table showing Motives behind investing in Mutual Funds Number of Respondents

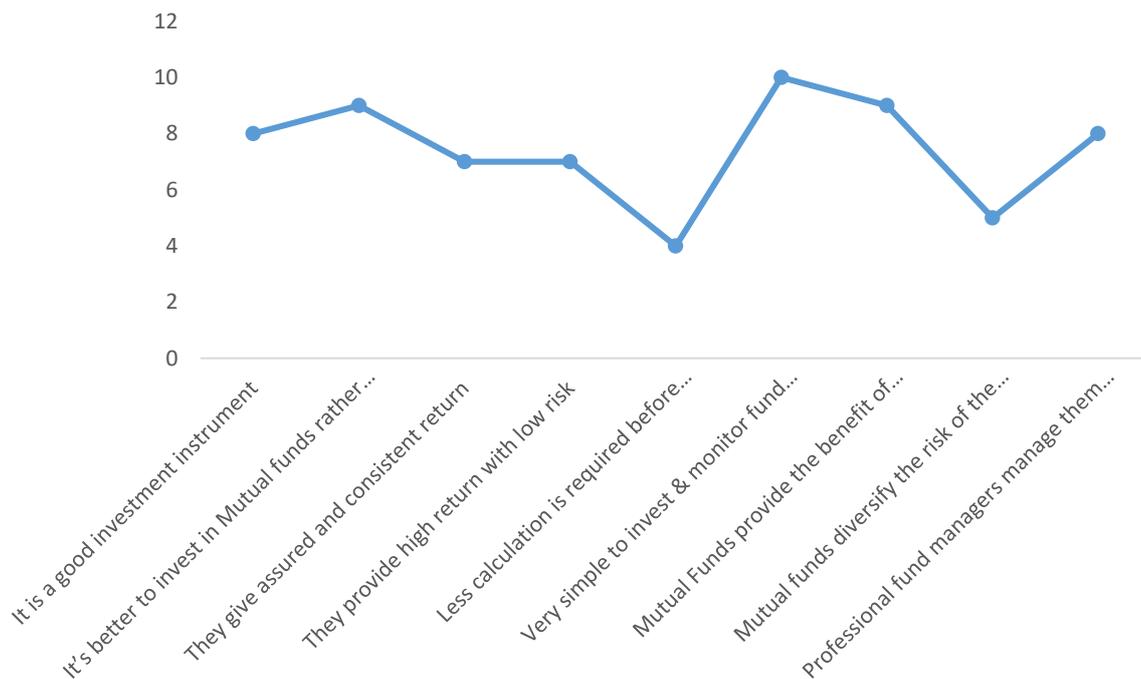


Table showing motives behind investing in Mutual funds, here Ten respondents out of Thirty investing because it is very simple to invest and monitor fund performance on a regular basis and only Four respondents invest because it requires less calculation. It can be inferred from the above bar chart that most of the customers investing in mutual fund because it is very simple and easy to monitor and only 13% shows it requires .

#### 11.7 Table showing Advantages of Mutual Funds

Advantages	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Risk diversification	7	20	3	0	0
Smaller capital outlay	4	23	3	0	0
Convenience	1	17	11	1	0
Liquidity	8	13	8	1	0
Can invest very small amounts	5	20	3	2	0
Flexibility	5	16	9	0	0
Disciplined investing	1	17	12	0	0
Tax benefits	2	17	10	1	0
Variety of products	3	19	5	2	1

Source : Survey

From the above table it can be analyse that the various advantages of mutual funds and the respondents give ratings based on their preferences from strongly agree to strongly disagree. Here most of the respondents are agree with the most advantages of Mutual Funds It

can be inferred that majority of customers choose smaller capital outlay is the big advantage and have little confusion over liquidity of the mutual fund schemes.

**11.8 Table showing Reason behind resumption of Mutual Fund schemes**

Reasons	Number of Respondents	%
Non-Performance of Funds	12	40
Non-Availability of good service from Mutual Fund company	5	16.7
Non availability of investment support / service	1	3.3
Lack of information about fund performance	2	6.7
Difficulty in monitoring fund performance	1	3.3

**Source : Survey**

From the above table it can be analyzed that Twelve out of Thirty respondents choose Nonperformance of funds Five respondents choose non availability of services, Two respondents says lack of information about fund performance, One respondent choose lack of investment support, and another one choose difficulty in monitoring the fund performance as the reason for the redemption of mutual fund schemes. It can be inferred from the above bar chart that majority of customers redeem their mutual fund schemes because of Non-performance of mutual fund schemes, it shows the performance of mutual fund schemes determine the redemption of mutual fund schemes.

### 11.9 GENDER AND TYPE OF MUTUAL FUND :

Ho: There is no significant relationship between gender and investment in different types of mutual fund

Gender and Type of Mutual Fund	Chi square Calculated value	Degrees of Freedom	Chi Square Table Value @ 5% level of significance	Status of Hypothesis
Money market funds	1.2	1	3.84	Accepted
Fixed income funds	0.136	1	3.84	Accepted
Equity funds	0.286	1	3.84	Accepted
Balanced funds	3.409	1	3.84	Accepted
Index funds	0	0	0	
Others	0.207	1	3.84	Accepted

**Source : SPSS**

From the above table it can be clear that in all the cases calculated chi-square value is less than the table value, hence it is proved that the null hypothesis is accepted and alternative hypothesis is rejected and there is no relationship between gender and mutual fund investments because nowadays job opportunities and earnings are equal among gender.

### 11.10 AGE AND TYPE OF MUTUAL FUND

H<sub>0</sub>: There is no significant relationship between age and investment preferences of mutual fund types.

Age and Type of Mutual Fund	Chi square Calculated value	Degrees of Freedom	Chi Square Table Value@ 5% level of significance	Status of Hypothesis
Money market funds	1.805	3	7.81	Accepted
Fixed income funds	2.183	3	7.81	Accepted
Equity funds	0.041	3	7.81	Accepted
Balanced funds	3.157	3	7.81	Accepted
Index funds	0	0	00	
Others	0.791	3	7.81	Accepted

Source : SPSS

From the above table it can be clear that the calculated chi square value is less than the critical value. Hence it is proved that the null hypothesis is accepted and alternative hypothesis is rejected, therefore it can be identified that there is no relationship between age and Mutual Fund preference. Therefore, the people prefer the type of mutual funds based on their income and savings.

### 11.11 MONTHLY INCOME AND TYPE OF MUTUAL FUND

H<sub>0</sub>: There is no significant relationship between monthly income and type of Mutual fund.

Monthly Income and Type of Mutual Fund	Chi square Calculated value	Degrees of Freedom	Chi Square Table Value@5% level of significance	Status of Hypothesis
Money market funds	5.52	3	7.81	Accepted
Fixed income funds	1.364	3	7.81	Accepted
Equity funds	2.54	3	7.81	Accepted
Balanced funds	2.813	3	7.81	Accepted
Index funds	0	0		
Others	14.483	3	7.81	Rejected

Source : SPSS

From the above table it can be clear that in all the cases table value except in last case. Hence it is said that the null hypothesis is accepted and alternative hypothesis is rejected. Therefore, it is clear that there is no relationship between monthly income and type of mutual fund investments.

### 11.12 MOTIVES BEHIND INVESTMENT

Ho: There is no significant impact of motives and investments in Mutual Fund.

**Table: One-Sample Test**

	Test Value = 0					
	t	df	Sig. (2tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
It is a good investment instrument	21.108	29	.000	1.73333	1.5654	1.9013
It's better to invest in Mutual fund rather than investing directly in shares	19.977	29	.000	1.70000	1.5260	1.8740
They give assured and consistent returns	22.494	29	.000	1.76667	1.6060	1.9273
They provide high returns with low risk	22.494	29	.000	1.76667	1.6060	1.9273
Less calculation is required before investing when compared to share market	29.571	29	.000	1.86667	1.7376	1.9958
Very simple to invest & monitor fund performance on a regular basis	3.413	29	.002	2.33333	.9350	3.7316
Mutual Funds provide the benefit of cheap access to expensive stocks	19.977	29	.000	1.70000	1.5260	1.8740
Mutual Funds diversify the risk of the investor by investing in a basket of assets	26.492	29	.000	1.83333	1.6918	1.9749
Professional fund managers manage them with in-depth research	21.108	29	.000	1.73333	1.5654	1.9013

**Source : SPSS**

From the above table it can be clear that significant two tailed test result is equal to .000 therefore it is said that null hypothesis is rejected and alternative hypothesis is accepted. Hence it is proved that the investors of Mutual Funds are investing in different types of schemes by considering motives and performance of the Mutual Funds.

**11.13 Table : Advantages of mutual funds**

Ho: There is no significant impact of advantages and the Mutual Fund preferences of investors.

Advantages	One-Sample Test					
	Test Value = 0					
	t	df	Sig. (2tailed)	Mean Difference	95% Confidence Interval of the Difference	
				Lower	Upper	
Risk Diversification	17.895	29	.000	1.86667	1.6533	2.0800
Smaller capital outlay	21.977	29	.000	1.96667	1.7836	2.1497
Convenience	21.153	29	.000	2.40000	2.1679	2.6321
Liquidity	13.676	29	.000	2.06667	1.7576	2.3757
Can invest very small amounts	15.303	29	.000	2.06667	1.7905	2.3429
Flexibility	17.147	29	.000	2.13333	1.8789	2.3878
Disciplined investing	23.312	29	.000	2.36667	2.1590	2.5743
Tax benefits	19.338	29	.000	2.33333	2.0866	2.5801
Variety of products	4.263	29	.000	2.86667	1.4912	4.2421

**Source : SPSS**

From the above table it is clear that null hypothesis is accepted and alternative hypothesis is rejected as there is no significant impact of advantages and the Mutual Fund preferences of investors.

**12. CONCLUSION :**

In the present time investors are getting confidence day by day by acquiring knowledge through various sources and their pattern of investment are also shifting from traditional, low risk investment avenues to modern and risky investment avenues like equity and mutual funds. Financial literacy among females and youths will definitely be a huge success factor for the mutual fund industry. Mutual Fund SIP is a monthly based investment plan through which an investor could invest a fixed sum into mutual funds every month at pre-decided dates. This hedges the investor from market instability and derives maximum benefit as the investment is done at regular basis irrespective of market conditions. It is a challenge for the stock brokers to create the awareness of Mutual funds in the society and explain them that how best their funds are managed by the asset manager based on their risk-taking ability. The level of awareness about MUTUAL FUND schemes can be enhanced through the efforts of the company. The investors are seen to primarily invest in the mutual fund without knowing the entire working of the investment.

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