



# NAVIGATING THE INVESTORS BEHAVIOUR TOWARDS MUTUAL FUND IN COIMBATORE CITY

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## Abstract

In current times investment have become more reliable, with a plethora of assets to choose from and an overwhelming amount of information available, investors face both opportunities and risks. Mutual funds have emerged as a valuable tool for ensuring financial well-being. In general, small investors exhibit an optimistic attitude towards investing in mutual funds. This study is an attempt to know the investors perception towards mutual funds - Coimbatore city. The surveys are undertaken using sample of 120 investors. The study employs Likert scale analysis, Rank Correlation analysis, Percentage analysis to interpret the data and the overall the competitive analysis of mutual funds and investor perceptions aims to contribute to the existing body of knowledge on mutual fund investments, providing valuable insights for investors, financial advisors, and policymakers to make informed decisions and enhance the overall performance and perception of mutual funds in the investment landscape.

**Keywords:** *Mutual funds, Investor perception, Financial advisors, Policymakers, Optimistic investors.*

## INTRODUCTION

In the contemporary world, money plays a pivotal role in individuals' lives. Planning for the future necessitates prudent investment of one's hard-earned income. Investment involves allocating funds saved from current consumption with the anticipation of reaping future benefits, thereby rewarding patience with financial growth. People diversify their savings into various assets based on factors such as risk tolerance, desired returns, safety of principal, liquidity, and the array of investment opportunities offered by different financial institutions.

Investing entails acquiring financial products or assets with the expectation of favorable future returns. It is a critical endeavor that profoundly impacts an investor's long-term financial well-being. Investors have a wide range of avenues to allocate their savings, each offering varying levels of risk and potential returns. Even if individuals do not directly choose specific assets like stocks, they still invest through participation in pension plans, employee savings programs, or through investments in life insurance policies or real estate.

In India, a multitude of investment avenues exists, spanning from marketable and liquid options to non-marketable assets, with varying degrees of risk. Choosing the appropriate avenue depends on the individual's specific financial goals, risk appetite, and expected returns.

### **STATEMENT OF THE PROBLEM**

A Mutual Fund operates as a trust that consolidates the savings of multiple investors who share a common financial objective. The pooled funds are subsequently invested in capital market instruments such as shares, debentures, and other securities. Therefore, the study aims to analyze various company funds due to investors' lack of awareness regarding the schemes in the market.

### **SCOPE OF THE STUDY**

Mutual funds present a medium-risk investment opportunity with substantial potential for safer financial placements. The mutual fund industry has experienced significant growth recently, with assets under management (AUM) growing by 35% during the fiscal year 2023-24, reaching a new high of ₹53.40 lakh crore as of March 2024. This growth is the highest since fiscal 2021, when the industry had grown by 41%. (Mutual fund assets grow 35% in fiscal 2024 to a new high: AMFI annual data, 2024) (Rishabh Goel, 2023)

The study seeks to understand customers' interests and awareness levels, including preferences for companies, portfolios, investment modes, and options for generating returns. This research could assist companies in devising future planning and strategic initiatives.

### **OBJECTIVES OF THE STUDY**

- To examine the demographic profiles of investors.
- To assess investor awareness regarding risk and return across different mutual funds offered by various companies.

## REVIEW OF LITERATURE

**Sumathy, M. and Mr. Shaneeb P (2018)** highlighted the increasing popularity of Indian Mutual Funds in recent years. Initially dominated by UTI, the industry saw the entry of new players that shattered UTI's monopoly, leading to intense competition. Consequently, the mutual fund sector has become a significant focal point in the Indian economy. Recognizing the importance of educating investors about mutual funds, the researchers conducted a descriptive study among mutual fund investors in Coimbatore city.

**Sujaritha, and Santhiya (2019)** emphasized that mutual funds offer a viable option for investors seeking to safeguard their hard-earned money without taking high risks. The mutual fund industry has experienced rapid growth, emerging as a crucial segment of the financial market. It allows investors across all sectors of the Indian economy to participate in both equity and debt instruments. Compared to direct stock investments, mutual fund investments are perceived as less risky, appealing to risk-averse investors.

**Harshini, and Kavya (2020)** emphasized that investment involves deploying money into goods or services to generate wealth, either directly or indirectly. In today's era, saving money alone isn't enough; investing is crucial for wealth creation. Mutual funds have emerged as a profitable and reliable investment tool, pooling investors' money into equity, debt, or both.

**Nagaraja (2021)** focused on how investments contribute to increasing the nation's capital stock, which comprises goods and services used in production processes. Investments in mutual funds, investment trusts, or investment companies involve gathering funds from a large number of investors through unit sales. These funds are then professionally managed to benefit investors, with a focus on achieving investment objectives and maintaining a diversified investment portfolio.

**Gawande, et al. (2022)** underscored the extensive academic, research, and professional interest in mutual funds within the finance field. The widespread acceptance of mutual funds as a reliable investment vehicle is crucial for the industry's growth. Investors encompass a broad spectrum of socioeconomic backgrounds and vary in their expectations of returns and risk tolerance levels. Meeting investors' needs requires a thorough understanding of their demographic and economic profiles, essential for designing products that align with their preferences and requirements.

## METHODOLOGY

**Sampling design:** Convenience sampling technique is utilized to gather information from the target respondents.

**Sample size:** The study comprises a sample size of 120 participants.

**Data collection:** The required data is sourced from both primary and secondary sources. Primary data is collected through a well-structured questionnaire distributed to investors of various companies. Secondary data is gathered from published and unpublished reports and records of diverse capital market institutions and statistical tools are Simple Percentage analysis, Likert Scale Analysis and Rank Correlation.

## DATA ANALYSIS AND INTERPRETATION

The data collected through the questionnaire is analyzed considering each factor and the analysis is presented:

### Demographic Summary of Investors (Percentage Analysis)

Variables	Category	Frequency	Percentage
Gender	Male	64	53.33
	Female	56	46.67
	Total	120	100
Age	Less than 25 years	48	40
	26 to 40 years	56	46.67
	41 to 55 years	9	7.50
	Above 56 years	7	5.83
	Total	120	100
Marital Status	Married	36	30
	Unmarried	84	70
	Total	120	120
Education	Illiterate	19	15.83
	School level	25	20.83
	College level	43	35.83
	Professional	33	20.50
	Total	120	100
Occupation	Business	27	22.50
	Employees	19	15.83
	Profession	9	7.50
	Service sector	14	11.67
	Agriculture	9	7.50

	Student	42	35.00
	Total	120	100

The above table describes the demographic profile of the respondents, 53.33% are Male respondents and 46.67% are Female respondents, 40% of the respondents are less than 25 years of age, 46.67% of the respondents belongs to the age group of 26 years - 40 years, 7.50% of the respondents belongs to the age group of 41 years –55 years, 5.83% of the respondents are above 56 years of age, 30% of the respondents are married and 70% of the respondents are the unmarried. 15.83% are Illiterate, 20.83% of the respondents are at School Level, 35.83% of the respondents are at College Level and 27.5% of the respondents are Professionals, 22.50% of the respondents are Business People, 15.83% of the respondents are employees, 7.50% of the respondents are Professions, 11.67% of the respondents are in the field of service sector, 7.50% of the respondents are in the field of Agriculture and 35.00% of the respondents are Students.

### Likert Scale Analysis

**TABLE 1 - LEVEL OF AWARENESS OF RISK ASSOCIATED WITH SMALLCAP FUNDS**

S.NO	FACTORS	NO OF RESPONDENTS	LIKERT SCALE(X)	TOTAL(FX)
1	Highly Aware	57	5	285
2	Aware	8	4	32
3	Neutral	23	3	69
4	Unaware	8	2	16
5	Highly Unaware	24	1	24
<b>TOTAL</b>		<b>120</b>		<b>426</b>

Likert Scale value 3.55 is higher than the middle value (3), so the respondents are aware of risk associated with Small cap funds.

**TABLE 2 - LEVEL OF AWARENESS OF RISK ASSOCIATED WITH OPEN ENDED FUNDS**

S.NO	FACTORS	NO OF RESPONDENTS	LIKERT SCALE(X)	TOTAL(FX)
1	Highly Aware	72	5	360
2	Aware	4	4	16
3	Neutral	9	3	27
4	Unaware	4	2	8
5	Highly Unaware	31	1	31
<b>TOTAL</b>		<b>120</b>		<b>442</b>

Likert Scale value 2.09 is lesser than the middle value (3), so the respondents are unaware of risk associated with Open ended funds.

**TABLE 3 - LEVEL OF AWARENESS OF RISK ASSOCIATED WITH LIQUID FUNDS**

S.NO	FACTORS	NO OF RESPONDENTS	LIKERT SCALE(X)	TOTAL(FX)
1	Highly Aware	24	5	120
2	Aware	39	4	156
3	Neutral	28	3	84
4	Unaware	19	2	38
5	Highly Unaware	10	1	10
<b>TOTAL</b>		<b>120</b>		<b>408</b>

Likert Scale value 2.35 is lesser than the middle value (3), so the respondents are unaware of risk associated with Liquid funds.

**TABLE 4 - LEVEL OF AWARENESS OF RISK ASSOCIATED WITH SECTOR FUNDS**

S.NO	FACTORS	NO OF RESPONDENTS	LIKERT SCALE(X)	TOTAL(FX)
1	Highly Aware	8	5	40
2	Aware	15	4	60
3	Neutral	23	3	69

4	Unaware	41	2	82
5	Highly Unaware	33	1	33
<b>TOTAL</b>		<b>120</b>		<b>284</b>

Likert Scale value 2.37 is lesser than the middle value (3), so the respondents are unaware of risk associated with sector funds.

**TABLE 5 - LEVEL OF AWARENESS OF RETURNS ASSOCIATED WITH OPEN ENDED FUNDS**

S.NO	FACTORS	NO OF RESPONDENTS	LIKERT SCALE(X)	TOTAL(FX)
1	Highly Aware	80	5	400
2	Aware	13	4	52
3	Neutral	6	3	18
4	Unaware	13	2	26
5	Highly Unaware	8	1	8
<b>TOTAL</b>		<b>120</b>		<b>504</b>

Likert Scale value 4.20 is higher than the middle value (3), so the respondents are aware of returns associated with Open Ended Funds.

**TABLE 6 - RANKING FOR VARIOUS OBJECTIVES OF THE INVESTMENTS**

PARTICULARS	1	2	3	4	5	6	7	8	TOT	RANK
To make earnings as a part of regular income	24(8)	28(7)	16(6)	13(5)	9(4)	8(3)	11(2)	11(1)	642	1
Long term wealth creation	16(8)	17(7)	17(6)	18(5)	16(4)	12(3)	14(2)	10(1)	577	2
To have a flow of income for future	14(8)	9(7)	15(6)	20(5)	16(4)	24(3)	10(2)	13(1)	526	4
To provide for anticipated	14(8)	8(7)	9(6)	12(5)	21(4)	26(3)	18(2)	12(1)	492	8

future needs										
Children career / marriage	20(8)	18(7)	11(6)	16(5)	14(4)	9(3)	22(2)	10(1)	569	3
Purchase of asset	8(8)	11(7)	20(6)	13(5)	18(4)	16(3)	16(2)	18(1)	496	7
Tax savings	14(8)	17(7)	14(6)	16(5)	9(4)	11(3)	12(2)	27(1)	515	5
Reinvestments	11(8)	12(7)	18(6)	12(5)	17(4)	14(3)	17(2)	19(1)	503	6

(Source: Primary Data)

### INTERPRETATION:

In the table 4.3.1, it is understood that make earnings as a part of regular income objective is ranked as 1, Long term wealth creation is ranked as 2, Children career / marriage is ranked as 3, To have a flow of income for future is ranked as 4, Tax savings is ranked as 5, Reinvestments is ranked as 6, Purchase of asset is ranked as 7 and to provide for anticipated future needs is ranked as 8.

### INFERENCE:

In this study the majority of the respondents ranked 1 for the objective that make earnings as a part of regular income.

### Suggestions

- Mutual funds can meet most investors' needs, but it's crucial to select the right ones and have a process for monitoring and managing them effectively.
- Investors are advised to consult financial or professional advisors and thoroughly analyze the past performance, functions, types, and financial parameters of mutual funds.
- For long-term growth and high returns, investors should consider investing in mutual funds based on careful analysis rather than seeking short-term income.
- Organizations should educate their investors on the risks and returns associated with mutual funds to enhance the effectiveness of their investments.

### Conclusion

A mutual fund is a monthly investment plan where an investor can contribute a fixed amount on pre-determined dates each month. Currently, Indian Mutual Funds have approximately 8.99 crore (89.9 million) SIP accounts

through which investors regularly invest in various schemes. Investors typically analyze company reports before investing in shares and are aware of the returns associated with different types of mutual funds, indicating a generally risk-averse nature. However, many respondents' express dissatisfaction with the past reports, general information, company management, financial parameters, and project details provided. This study demonstrates a significant impact of investors' perceptions and attitudes towards mutual fund investments on their decision-making process.

### **Limitation of the study**

- Awareness of mutual funds is largely affected by environmental factors, which are beyond the control of investors.
- There may be a bias towards the primary data collection from the investors.

### **Future Scope of the study**

Future research on mutual fund investments should investigate how advancements in financial technology (FinTech) and digital platforms influence investor behavior, accessibility, and decision-making, as these technologies are reshaping the investment landscape. Additionally, exploring investor attitudes towards a broader range of investment products, including exchange-traded funds (ETFs), index funds, and alternative investments, can provide insights into how these products compare to mutual funds. Integrating concepts from behavioral finance will help understand psychological factors driving investor decisions, such as risk aversion, herd behavior, and cognitive biases. Furthermore, studying the role of customized financial planning and advisory services in guiding investor decisions can enhance mutual fund investment outcomes. Addressing these areas will provide deeper insights into the evolving landscape of mutual fund investments and contribute to the development of more effective investment strategies and policies tailored to investor needs.

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