

A STUDY OF INVESTOR'S ATTITUDE TOWARDS MUTUAL FUNDS AS AN INVESTMENT OPTION

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UGC NET in economics

DOI: <https://doi.org/10.36676/jrps.v15.i3.1427>

Published: 15/07/2024



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ABSTRACT

Mutual fund as an investment avenue provides a platform to the investor who does not want to take high risk on their hard-earned investment. In India, mutual fund industry is growing rapidly and this industry has emerged as an important segment of the financial market of India, especially in channelizing and mobilizing the savings of millions of individuals into the investment in equity and debt instruments. Mutual fund investment is less risky than investing directly in stocks and is therefore a safer option for risk averse investors. A competent fund manager should analyse investor behaviour, perception, and attitude and understand their needs and expectations to gear up the performance to meet investor expectations and requirements.

Also, the mutual fund industry today is one of the most preferred investment options of all over the world. It plays a crucial role in the economic development of a country. Mutual fund active involvement can be seen by their dominant presence in the money market as well as the capital market. They are also found very active in the stock market by way of ensuring stability as a supplier of large funds through steady absorption of floating stocks. Investors invest directly in individual securities or indirectly through a financial intermediary. Study intends to identify the usage of schemes and level of risk on the basis of their income level. The findings of the study indicate that the majority of the selected respondents have used open ended schemes with moderate risk.

Keywords -- Investors Attitude, Investment Alternative, Mutual Fund, Risk and Return, Suitable stage, Schemes

INTRODUCTION

A Mutual Fund will collect the money from the people for the purpose of investment of funds to achieve investment goals. The money invested in various securities depending on the objectives of the mutual fund scheme and the profits (or) loss are shared among investors in proportion to their investment. Investments in securities are wide range across the industries and sectors. Diversification reduces the risk because all stocks may not move in the same direction in the same proportion at the same time.

Mutual funds will issue units to the investors as per money invested by them. Investors of mutual funds are known as unit holders. The profits or losses are shared by the investors in proportion to their investment. The mutual funds come out with many schemes with different investment objectives which are launched from time to time. A mutual fund is required to be registered with Securities Exchange Board of India (SEBI) which regulates securities markets before it can collect funds from the public.

The study is all about knowing the investors' attitude towards mutual funds on the different factors affecting their investment in mutual funds, the awareness about the mutual fund and its features of mutual fund that attract most of the people to invest in the mutual fund. A mutual fund is a professionally managed investment fund that collects money from many investors to purchase securities. These investors may be retail or institutional in nature. A mutual fund was established in 1963 with the



formation of UTI at the initiative of the Government of India and RBI. Until 1987 UTI was the only Indian Mutual fund market to enjoy benefits, when an initiation of other government-controlled Indian financial companies established their own investments, including SBI, Canara Bank, and Punjab National Bank.

This market was made open to private players in 1993, as a result of the historic constitutional amendments brought forward by the then Congress-led government under the existing regime of Liberalization, Privatization and Globalization (LPG). Kothari Pioneer was the first Indian private sector fund which merged with Franklin Templeton. In 1996, SEBI, the regulator of mutual funds in India, formulated the Mutual Fund Regulation which is a comprehensive regulatory framework. Income from Mutual funds can take two forms: dividends and capital gains. Mutual funds have advantages and disadvantages compared to direct investing in individual securities.

The primary advantages of mutual funds are that they provide economies of scale, a higher level of diversification, liquidity, and are managed by professional investors. On the negative side, investors in a mutual fund must pay various expenses and fees to the fund manager.

In the past few months there has been a consolidation phase going on in the mutual fund industry in India. Mutual funds are rapidly growing and getting more investment from the investors. The combined holdings of the mutual Fund are known as its portfolio. Each unit represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. Mutual fund industry has made different changes in previous years in the time the multinational companies have entered into India with their professional expertise and knowledge of managing investment.

AWARENESS ABOUT MUTUAL FUNDS

There are various avenues of investment in accordance with individual preferences. Investments are made in different asset classes depending on an individual's risk and return characteristics investment choices are financial and physical assets. Gold and real estates are examples of physical assets, which have a physical form to them. There is a strong preference for these assets, as these assets can be purchased with cash and held in the long term. The obvious disadvantages with physical assets are the risks of loss, theft, and lower levels of return. Financial assets are securities, which are certificates embodying a financial contract between parties.

Bonds, equity shares, deposits and insurance policies are some of the examples of financial assets. In financial assets investors only hold the proof of their investments in the form of a certificate or account. These products are usually liquid, transferable and in most cases, stored electronically with higher degree of safety. But a minimum amount of cash is always kept in hand for transactions and contingencies. To face the contingencies and unexpected events the insurance came into existence. Another avenue of investment is mutual funds. It is created when investors put their money together. It is therefore a pool of the investor's funds. The most important characteristic of a mutual fund is that the contributors and the beneficiaries of the fund are the same class of people, namely the investors. The term mutual means that investors contribute to the pool, and also benefit from the pool.

There are no other claimants to the funds. The pool of funds held mutually by investors is the mutual fund. A mutual fund is a financial intermediary that allows a group of investors to pool their money together with a predetermined investment objective. The mutual fund will have a fund manager who is responsible for investing the gathered money into specific securities (stocks or bonds). When investors invest in a mutual fund, they are buying units or portions of the mutual fund.

BENEFITS OF INVESTING IN MUTUAL FUNDS

Liquidity



Let's assume you want to sell your property to get some cash in hand. How long will it take you? From timing the sale properly to getting paperwork in order, it can take you anywhere from a few weeks to a few months. But in the case of MF investments, converting your assets to cash is much easier. Unlike traditional financial instruments, you can redeem your units at any point in time. You can even sell your fund units when the share market is bullish and make a profit. While MF schemes offer flexibility in buying and selling, you should consider factors like exit-load and pre-exit penalty before retrieving your money.

Portfolio diversification

The importance of mutual funds in diversifying your portfolio is unparalleled. Why? Because they allow individual investors to invest in asset classes otherwise inaccessible, such as government bonds. Besides, since the performance of equity funds depend on the stock market movement, your investment value never shoots or drops in tandem. In MF schemes, your fund manager spreads your investments across industries, stocks of companies, and sectors. In this way, you gain maximum exposure at minimum risk. How? When an asset class value is in decline, your investments in other sectors can minimise overall loss. This helps safeguard your investment interests and makes your portfolio's performance relatively less volatile.

Smaller initial investments

For investing in MF schemes, you don't necessarily have to shell out a large sum of money. You can even start investing with as little as Rs. 500 in Systematic Investment Plans (SIP). This reduces your initial investment costs and allows you to spread your investments across the lows and highs of the share market. If you have a regular income, do invest in SIPs. Here, a fixed amount gets automatically debited from your account either monthly or quarterly.

Costs incurred

A significant benefit of mutual funds is the low costs involved. Before starting your investment, you can compare the expense ratio of various MF schemes and select the one with the lowest percentage. Here, the expense ratio denotes the annual maintenance charges applicable on MF schemes. These costs include management fees, annual operating costs, advertising costs, allocation charges, etc. Moreover, if you purchase multiple fund units at once, the commission charges and processing fees will be lower than buying a single fund unit.

Tax efficiency

Now, let us look at the importance of mutual funds as a tax-saving investment avenue. Under Section 80C of the Income Tax Act, the Equity Linked Savings Scheme or ELSS qualifies for tax exemption up to Rs. 1.5 lakhs. ELSS generates favourable returns at a short lock-in period of 3 years.

REVIEW OF LITERATURE

Sukhwinder Kaur (2010): perception regarding mutual funds in India and to give the suggestions for growth of mutual funds in India. Primary and secondary data have been used in the study. Sample size of 200 investors was taken for a survey. The analysis of data has been done with the factor analysis. The findings of the study revealed that investors consider mutual funds as a safe and secure investment and vehicle to enter into blue chip companies and assure monetary benefits.

Nishi Sharma (2012): examines the investor's reference to distinct features provided by mutual fund companies to attract them for investing in specific funds/schemes. The study uses principal component analysis as a tool for factor reduction. The results reveal that in order to secure the patronage of Indian investor mutual fund companies are expected to ensure full disclosure and regular updates of the relevant information along with the assurance of safety and monetary benefits.

Pritam P. Kothari and Shivangi C. Mindar analysed the impact of different demographic variables on the attitude of investors towards mutual funds. For this purpose, 200 respondents of Solapur city, having different demographic profiles were surveyed. The study reveals that the majority of investors have still not formed any attitude towards mutual fund investments. Only a small segment of the investors are in mutual funds and the main sources of information still are the financial advisors followed by advertisements in different media.

Ankit Goel, Rajendra, Khatik (2017: reveals that majority of respondents are showing preference towards investment in mutual funds in near future as to get better returns. It can be said that the Mutual Fund as an investment vehicle is capturing the attention of various segments of the society, like industrialists, financial intermediaries, academicians, investors and regulators for varied reasons and deserves an in-depth study.

Priyanka Sharma and Payal Agrawal (2015) in their study made an attempt to understand the effect of demographic factors in mutual fund investment decisions. The study reveals that the investors' perception is dependent on their demographic profile. Investor's age, marital status and occupation has a direct impact on investors' choice of investment. The study further reveals that the female segment is not fully tapped. The research also reveals that the liquidity and transparency are some factors which have a high impact on investment

Binod Kumar Singh (2012) had studied the impact of various demographic factors on investor's attitude towards mutual funds for measuring and analysing various factors responsible for investment in mutual funds.

Simran Saini and Bimal Anjum (2011) had analysed the mutual fund investments in relation to investor's behaviour that attract them to invest in mutual funds. Investor's opinion and perception has been studied relating to various issues like type of mutual fund scheme, main objective behind investing in mutual fund scheme, level of satisfaction, role of financial advisors and brokers, sources of information, deficiencies in the services provided by the mutual fund managers, challenges before the mutual fund industry etc.

R.Vasudevan & Peermohaideen (2012) The study aimed to understand and analyse investor's perception of such risk and expectation associated with specific mutual funds. The research also revealed that investors perceive risk as under performance, risk and return in mutual fund investment are medium and not so satisfactory.

D. Rajasekar (2013) The study was conducted with a sample size of 150 respondents by using statistical tools like percentage analysis, chi square, weighted average, with an objective to know about the investor's perception on their profile, income, savings pattern, investment patterns and their personality criteria. The study was concluded by taking into consideration various parameters involved in investors decision making keeping in mind investors perception towards mutual fund investment

Subramanya PR (2015) The research has been studied on socio economic factors like age, gender, education income and savings of investor's perception towards mutual funds is not encouraging but the age of investors and saving habit of the respondent is closely correlated.

Mukesh. H. V. (2015) had studied investor's perception on mutual funds for return, tax benefit and capital appreciation, but most of the investors lack awareness about mutual funds and their various schemes like, SIP (Systematic Investment Plan). Hence, it becomes necessary to create awareness among the investors through conducting seminars, workshops on financial markets and publishing data in newspapers, magazines and journals.

Preeti Khitoliya (2014) examined through her research that the majority of the respondents in the age of 35-44 wish to invest in a mutual fund having moderate risk which ensures wealth maximization

followed by balanced fund and income funds. Similar results have been seen in the age group of 25-34. But a reverse trend was seen in the age group of 45 above where majority is risk averse as they wish to invest in mutual fund schemes which guarantees safety of principal amount followed by balanced fund and growth fund.

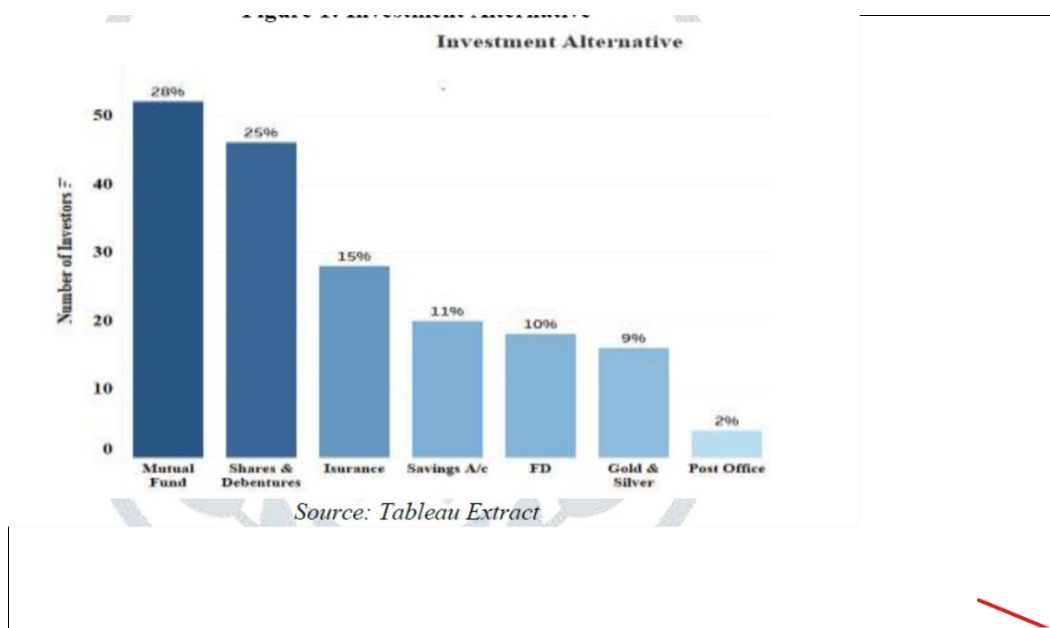
OBJECTIVES

- To identify the investor's attitude towards mutual funds.
- To study about the factors responsible for the selection of mutual funds as investment options.
- To study and rank the factors having implication on attitudes of investors towards mutual funds.

RESEARCH METHODOLOGY

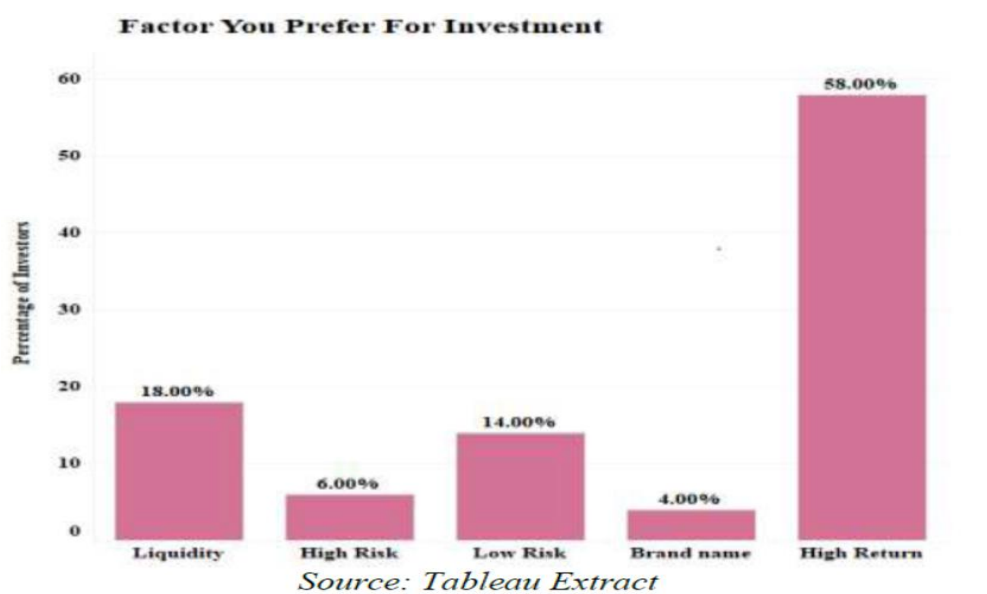
The Research has been based on conceptual research work. A depth study was carried out. This paper discusses the legal aspects related to investor's attitude towards mutual funds to understand the values that mutual funds hold and to understand the importance of investor's attitude towards mutual funds. Secondary data has been used and studies from the previous researchers to identify various aspects related to the topic. Literature review and introduction has been prepared with the help of research paper publications, article, and other internet sources.

FINDINGS AND DISCUSSION



Source: Tableau Extract

The above figure clearly shows that mutual funds is a highly preferred investment option among the investors due to its evident advantages.



Source: Tableau Extract

The above graph shows the various factors investors consider before investing and shows that high return is the major factor for investors to invest.

IMPLICATIONS

Mutual funds have been focused as an investment avenue in the past few years only. The financial growth and stability of an economy plays a vital role in this area. Gradually educated citizens are gaining the knowledge of the saving and investment cycle and its effects in an economy. Many have opted for SIP. But still there are some lacking in our economy especially in the field of mutual fund investment criteria. Many people still hesitate to enter this field. The various target groups, their awareness and financial literacy, their age group and gender differences play a vital role to upgrade the mutual fund industry.

SCOPE FOR FURTHER RESEARCH

The research work brings scope for other areas to enhance it. Education and awareness among people are a very essential part. Research works may be preceded on various awareness programs and finance education and comparison of pre and post conditions of those target groups. Right people at the right time with right information will definitely help to enhance mutual fund investment. Female participation in investment dealings should also be encouraged. With girl child education and female job opportunities, the income generated by females has increased and with increased income, investment has to be increased. Thus, this paper gives scope for female participation in mutual fund investment. The age groups of people also affect their investment decisions. It is more convenient for senior citizens as they remain dependent on others in various aspects. This paper also gives scope to work on people of various age groups and their attitude toward mutual funds. This will help to get solutions to many problems which discourage mutual fund investment. The paper directly gives scope to research on strong portfolio investments. The detailed investigation of many companies is to be searched out for the same.

CONCLUSION

Mutual fund industry has still to struggle to gain more investors. Financial literacy among females and youths will definitely bring a huge success to this industry. For that reason, the government is looking to provide financial studies in school level. Adults who are already mutual fund investors should not withdraw from the same as they attain experience in the field. In Indian market where financial



instruments are capturing almost every unit of society, mutual fund industry has a great scope if it gives more attention to some factors which will ultimately lead to satisfaction of investors which will help the mutual fund industry to boom up. The organization to boost the mutual fund investment company shall educate the public to the benefits of mutual funds through the advertisement, publicity campaigns having stall exhibition. The District Adoption Program [DAP] and the Investor Awareness Program [IAP] done by each AMC are aimed at improving awareness about mutual funds in locations that have nil or minimal penetration of mutual funds.

Mutual fund industry has shown vast growth in the investing sector. As the investor always tries to maximize the returns and minimize the risk. Mutual funds satisfy these requirements by providing attractive returns with affordable risks. The mutual fund industry has already taken over the banking industry, more funds being under mutual fund management than deposited with banks. With the emergence of tough competition in this sector, mutual funds are launching a variety of schemes which cater to the requirement of the particular class of investors.

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