

A study on investors' awareness and preference towards mutual funds as an investment option

¹ Mr. Ankit Goel, ² Dr. Rajendra K. Khatik

¹ Research Scholar- UGC NET SRF School of Commerce and Business Studies Jiwaji University, Gwalior, Madhya Pradesh India

² Sr. Assistant Professor School of Commerce and Business Studies Jiwaji University, Gwalior, Madhya Pradesh, India

Abstract

The current scenario is of modernization. People are becoming modern and more aware and literate day by day in every aspects whether that is of shifting towards cashless, using smart phones for banking, shopping etc, getting independent or if it the case of selection of Investment options. In terms of investment earlier Bank fixed deposits and saving account, PPF used to be favorites investment avenues among investors. But investors are now understanding that to beat inflation investment in these traditional avenues is not enough and one has to adopt diversification to meet out the different goals of their life. In the present scenario mutual funds are the most vivacious investment avenue among all the various available options. One can explore investment in mutual funds which in turn will offer them exposure to various asset classes according to their selection on the basis of various parameters like their age, financial position, risk tolerance and return expectations. Mutual Funds provides liquidity, professional management, tax advantage and better returns and having plethora of schemes according to the need of investors to meet their financial goals. The objective of the research paper is to know the Investors' awareness and preference towards Mutual Funds as an Investment option. Primary data using judgment sampling through questionnaire method as well as secondary data from wide range of literature from various journal publications had been utilized. The findings shows that majority of investors have heard about mutual funds but still a important fraction of them have not initiated to investment because of having lacking in full knowledge of mutual funds. The data further reveals that majority of respondents are showing preference towards investment in mutual funds in near future as to get better returns. The paper suggests that companies and government should come forward in getting investors more literate and train their advisors in a way so to build more confidence among investors for taking initiative to invest in mutual funds.

Keywords: Investment, Awareness, preference, Mutual Funds

1. Introduction

Out of the various traditional investment avenues like bank saving account, fixed deposit, PPF very few are providing high return and also because of high inflation the real return from these avenues are very low. However a retail investor do not have expert knowledge and sufficient time to directly invest in capital markets. One get confuse in deciding that in which stock to invest, when to invest as they do not have price sensitive information readily available all the time and also how much to invest in a particular security. As a solution to the problem, Mutual Funds are the best option available to a retail investors as it is having a advantage of professional management with higher liquidity and better returns. Investors can explore investment in mutual funds schemes according to their financial goal, needs and various other parameters like their age, financial position, risk tolerance and return expectations which in turn will offer them exposure to various asset classes according to their selection. Investment in mutual funds are also safe as they are regulated by SEBI. In today's time smart phones and internet has enables investors to conduct all sorts of transactions anywhere at any point of time which in turn also saves time and money. Nowadays one can directly invest in mutual funds online by visiting the websites of mutual fund companies. Many Mutual Fund houses have launched e KYC option on their websites whereby a non KYC compliant investor can visit the website, get KYC compliant and start investing in mutual funds online immediately. Systematic investment plans (SIPs) offer

investors immense opportunity to invest at regular intervals, seek capital appreciation and generate wealth over the longer run. SIP calculators are also available on the websites. SIP calculators can help investors to determine the amount they need to invest in order to attain a specific goal, once details such as income, risk profile, goals etc are to be enter only. Through smart phone also investment and tracking is possible these days within a short span of time through the use of apps. The research paper is to know the investors awareness about mutual funds and their preference for it as a investment option.

Literature Review

1. Ms. Avani Shah and Dr. Narayan Baser (2012) carried out a survey in Ahmadabad with an objective to study the investor's preference in selection of mutual funds. They have taken two variables: Age and occupation and tried to find the impact of these two variables on investors preference towards mutual funds and concluded that occupation is a variable that affect the investors preference but age does not play any important role.

2. Soumyasaha and Munmun Day (2011) in their article "Analysis of Factors affecting investors perception of Mutual fund investment" published in The IUP journal of Management Research, April 2011 concluded that consumer behavior is an important area of research studies. Investors expectation is a very important factor in this regard that needs to be analysed by all alternative investment avenues. The

success of any mutual fund a popular means of investment depends on how efficiently it has been able to meet the investor's expectation. MF industry in India has a large untapped market. Electronic sale of financial products is gaining volumes with the widespread acceptability of e-buying.

3. Singh J. and S. Chander (2006) in their article "Investors Preference for Investment in Mutual Funds: An Empirical Evidence" Published in *The ICFAI Journal of Behavioral Finance*, 2006. Pointed out that since interest rates on investments like public provident fund, national saving certificate, bank deposits, etc. are falling, the question to be answered is: What investment alternative should a small investor adopt? Direct investment in capital market is an expensive proposal, and keeping money in saving schemes is not advisable. One of the alternatives is to invest in capital market through mutual funds. This helps the investor avoid the risks involved in direct investment.

Considering the state of mind of the general investor, this article figured out the preference attached to different investment avenues by the investors. The preference of mutual funds schemes over others for investment. The source from which the investor gets information about mutual funds and the experience with regard to returns from mutual funds. The results showed that the investors considered gold to be the most preferred form of investment, followed by NSC and post office schemes. Hence, the basic psyche of an Indian investor, who still prefers to keep his savings in the form of yellow metal, is indicated. Investors belonging to the salaried category, and in the age group of 20-35, years showed inclination towards close-ended growth (equity-oriented) schemes over the other scheme types. A majority of the investors based their investment decision on the advice of brokers, professionals and financial advisors. The findings also revealed the varied experience of respondents regarding the returns received from investments made in mutual funds.

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prefers to keep his savings in the form of yellow metal, is indicated. Investors belonging to the salaried category, and in the age group of 20-35, years showed inclination towards close-ended growth (equity-oriented) schemes over the other scheme types. A majority of the investors based their investment decision on the advice of brokers, professionals and financial advisors. The findings also revealed the varied experiences of respondents regarding the returns received from investments made in mutual funds

5. Chalam G. V. (Dr.) (2003) in his article "Investors Behavioral Pattern of Investment and Their Preferences of Mutual Funds." Published in *SOUTHERN ECONOMIST*, Feb 1, 2003 concluded that off all the sections of the society, the household group contributes much of the capital, forming the lifeblood for the economy. According to his analysis, the mutual fund business in India is still in its embryonic form as they currently account for only 15 % of the market capitalisation. The success of mutual funds business largely depends on the product innovation, marketing, customer service, fund management and committed manpower. The investment pattern of the investors reveals that a majority of the investors prefer real estate investments followed by mutual fund schemes, gold and other precious metals.

6. Shanmugham (2000) conducted a survey of 201 individual investors to study the information sourcing by investors, their perceptions of various investment strategy dimensions and the factors motivating share investment decisions, and reports that among the various factors, psychological and sociological factors dominated the economic factors in share investment decisions.

7. G.Prathap and Dr. A. Rajamohan have done study on status of awareness among Mutual Fund Investors in Tamil Nadu and their satisfaction level relating to various issues like rate of return, liquidity, safety, tax consideration, growth perspective, capital gain, maturity period etc. The study outlined that mostly the investors have high level awareness and positive approach toward investing in Mutual Funds.

Objective of the study

1. To know the Investors' awareness level towards Mutual Funds Investment.
2. To know the Investors' preference towards Mutual Funds as an Investment option
3. To study the factors responsible for the preference of mutual funds as an investment option.

Research Methodology

Research Design

This research study is descriptive in nature.

Data Collection Instrument

Both the primary and secondary data collection methods were considered. The primary data was collected through a questionnaire designed for the study. Secondary data was taken from Research papers, Journals, Magazines and Websites.

Sampling Plan:

- Targeted population: Retail Investors
- Sampling unit: Individual Retail Investors
- Sampling method: Judgment sampling

- Sample size: 90
- Sample Area: Mathura

Tools of Data Analysis

The data and information collected is classified, tabulated and processed and its findings are presented in a systematic manner.

Data Analysis & Interpretation

Table 1: Frequency Distribution of Respondents on the basis of Gender

	Gender	Frequency	Percent Valid	Percent	Cumulative Percent
Valid	Male	66	66	66	66
	Female	24	24	24	90
	Total	90	90	90	

Interpretation: In the present study 73% respondents are male and rest 27% respondents are females.

Table 2: Frequency Distribution of Respondents on the basis of Age

	Age	Frequency	Percent Valid	Percent	Cumulative Percent
Valid	Less than 30 years	13	13	13	13
	30 to 45 Years	41	41	41	54
	45 to 60 Years	34	34	34	88
	Above 60 Years	2	2	2	90
	Total	90	90	90	

Interpretation: out of total respondents majority (45%) are from the age group of 30 to 45 years followed by 38% respondents are from 45 to 60 years. Only 2% are above 60 years of age.

Table 3: Frequency Distribution of Respondents on the basis of Academic Qualification

	Educational Qualification	Frequency	Percent Valid	Percent	Cumulative Percent
Valid	Undergraduate	0	0	0	0
	Graduate	36	36	36	36
	Post Graduate	49	36	36	85
	Professionals	5	5	5	100
	Total	90	90	90	

Interpretation: 54% respondents are having qualification of post graduate. None of the respondent is undergraduate.

Table 4: Frequency Distribution of Respondents on the basis of Occupation

	Occupation	Frequency	Percent Valid	Percent	Cumulative Percent
Valid	Business	17	17	17	17
	Service	61	61	61	78
	Professionals	12	12	12	90
	Total	90	90	90	

Interpretation: Majority of the respondents which account for more than 67% are service class and rest 20% are businessman followed by 13% who are professionals.

Table 5: Frequency Distribution of Respondents on the Basis of Income

	Annual Income	Frequency	Percent Valid	Percent	Cumulative Percent
Valid	Less than Rs. 300000	11	11	11	11
	Rs. 300001 to Rs. 500000	43	43	43	54
	Rs. 500001 to Rs. 800000	24	24	24	78
	Rs. 800001 and above	12	12	12	90
	Total	90	90	90	

Interpretation: Out of total 27% of the respondents are having annual earning between Rs. 500000 to Rs 800000, Rest 48 % of the respondents fall under the category of Rs.300001 to Rs. 500000. Only 12% respondents are having annual income more than Rs. 800000.

Table 6: Frequency Distribution of Respondents on the Basis of Marital Status

	Marital Status	Frequency	Percent Valid	Percent	Cumulative Percent
Valid	Married	81	81	81	81
	Unmarried	9	9	9	100
	Total	90	90	90	

Interpretation: In the present study 90% respondents are married and rest 10% are unmarried.

Table 7: Purpose of Investment

S. No.	Variable	No. of Respondents
1.	Saving	90

2.	Capital Appreciation	62
3.	Regular Income	55
4.	Tax Benefits	79

5.	To beat Inflation	90
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Interpretation: Savings and to beat inflation is primary purpose of the investors followed by Tax benefits and capital appreciation.

Table 8: Annual savings out of total Earnings

S. No.	Annual Savings	No. of Respondents
1.	Less than 20%	24
2.	20% to 35%	33
3.	35% to 50%	17
4.	More than 50%	16
	Total	90

Interpretation: Majority of the respondents (37%) are able to save between 20% to 40% of their total earnings followed by 27% respondent who are able to save less than 20%

Table 9: Awareness of benefits of Mutual Funds

S. No.	Awareness	No. of Respondents
1.	Not Aware	22
2.	Some Knowledge	52
3.	Fully Aware	16
	Total	90

Interpretation: Out of total respondents 58% are having some knowledge of Mutual Funds. Only 18% are confident to be fully aware about mutual funds.

Table 10: Preference of Investment Avenue

Investment	Rank	Rank Order
Banks		1
Post Office		2
Insurance		4
Real Estate		6
Gold/ Silver		5
Bonds		7
Mutual Funds		3

Interpretation: Banks and Post office are preferred as number 1 and 2 choice respectively by the respondents. Mutual funds are the 3 choice and bonds are having last choice in terms of preference among various investment avenues.

Table 11: Preference of Mutual Fund Scheme

S. No.	Preferred Scheme of Mutual Funds	No. of Respondents
1.	Equity Scheme	55
2.	Debt Scheme	38
3.	Balanced Scheme	76
4.	Sectorial Funds	19
5.	Index Funds	17
6.	Tax relief schemes	46

Interpretation: Among the various available schemes Balanced Scheme is the most preferred among respondents. Index scheme is the less preferred scheme.

Table 12: Preferred mode of investment in Mutual Funds

S.No.	Awareness	No. of Respondents
1	One time Investment	17
2	Systematic Investment Plan (SIP)	73
Total		90

Interpretation: SIP is to be the preferred mode of investment as compared to one time investment among the mutual fund investors.

Table 13: Tracking of Mutual Fund Performance

S. No.	Tracking of Mutual Funds Performance	No. of Respondents
1	Once in a week	16
2	Once in a Month	23
3	Half Yearly	24
4	Annually	27
5	Never	0
Total		90

Interpretation: Majority of the mutual fund investors track the performance of their schemes annually followed by 27% respondents who track them on half yearly basis.

Table 14: Factors Affecting Mutual Funds Investment Decision

S. No.	Factors	No. of Respondents
1	Risk	87
2	Return	90
3	Liquidity	82
4	Tax Saving	48
5	Diversification	53
Total		90

Interpretation: About all the Investors look for return while investing in mutual funds. Tax saving is not always considered while taking investment decision in Mutual Funds by the respondents.

Table 15: Preferred mode of investment in Mutual Funds

S.No.	Mode	No. of Respondents
1	Online	36
2	Offline	54
Total		90

Interpretation: Offline mode of investment is preferred by majority 60% of investors. Only few 40% are using online mode.

Findings

1. The first objective of the investors is to save and beat inflation. Majority of them also want to save tax and increase their wealth.
2. Majority of the investors are able to save between 20 to 35% out of their total earnings
3. Out of total mutual fund investors under the study still there are some who are not aware about mutual funds and they have invested in Mutual Funds on the advice of others.
4. Banks and Insurance are being preferred as choice no.1 and 2 respectively. Mutual funds are preferred at 3 no. by majority of investors.
5. Balance funds and Tax relief schemes are most preferred schemes among the respondents.
6. SIP mode is the preferred mode among respondents.
7. Investment through offline is still adopted by most of the mutual funds investors.

Recommendation & Suggestions

1. Mutual Fund Companies should promote investors to invest through online mode rather than offline as it saves time and cost both.
2. Those who can take risk at early stage should also take initiative to invest in Equity schemes as return provided by them is much higher.

3. Mutual funds companies should make provide the investors details of the return given by them through various advertisements as they can be the better option than bank deposits in terms of return and liquidity.
4. Mutual Fund Companies should provide training or take initiative to aware the investors about various benefits of investment in mutual funds.
5. Past data shows that Mutual funds can be the best option for wealth creation and to beat inflation.
6. Investors should be provide awareness about the knowledge of mutual funds so that they can better portfolio of mutual fund investments according to their investment objective.

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