



A STUDY ON AWARENESS AND PREFERENCES OF INVESTORS REGARDING MUTUAL FUNDS AS AN OPTION OF INVESTMENT

ABSTRACT-

The main objective of paper is to analyse awareness and preferences of mutual funds as an option of investment. This paper also focuses on objectives behind investments, which may help mutual funds companies in knowing current expectations of investors. With increasing investments by females, this paper also focuses on awareness and preferences of female investors.

KEYWORDS-

Wealth maximisation, diversification, stable income, capital growth, taxation benefits, public sector, private sector

I. INTRODUCTION

The Indian Mutual fund industry has witnessed considerable growth since its emergence since 1963. The impressive growth in the Indian Mutual fund industry in recent years is caused due to reasons such as rising household savings, comprehensive regulatory framework, favourable tax policies, and introduction of several new products, investor education campaign and role of distributors. The driving force of mutual fund is the safety of principal guaranteed, plus the added advantage of risk minimisation due to diversified portfolio due to which people prefer mutual funds over bank deposits, life insurance, chit funds and even bonds, because with little money they can get into the investment game. One can own a string of blue chips like ITC, TISCO, and Reliance etc through mutual funds. Thus mutual funds act as a gateway to enter into big companies, which is inaccessible for an ordinary investor with his small investment. In financial markets, “expectations” of the investors play a vital role. They influence the price of the securities; the volume traded and determines quite a lot of things in actual practice. These ‘expectations’ of the investors are influenced by their “perception” and actions of humans are related to their perception. We find ample proof for the wide prevalence of such a psychological state among Mutual Fund (MF) investors in India. It is widely believed that MF is a retail product now days which can be customised as per expectations of investors. At the retail level, investors are unique and are a highly heterogeneous group. Many products are offered in the mutual fund industry, which increases the consumer confusion in his selection of the product. Unless the MF schemes are tailored to his changing needs, and unless the AMCs understand the fund selection/switching behaviour of the investors, survival of funds will be difficult in future. This study will highlight the factors influencing the fund/scheme selection behaviour of Retail Investors. It will also help the mutual fund company to adopt new and innovative marketing techniques. The findings of the study will help the mutual fund companies to improve upon their weak areas regarding the factors that influence investor’s decision making as regard to choice of a mutual fund, the facilities or options they expect from a mutual fund.

II.OBJECTIVES OF THE STUDY:

This research paper focuses on awareness and objectives and preferences of investors behind investment in mutual funds .It also aims to know preference of people between investment in public sector and private sector.

1. To find Form of investment preferred by investor.
2. To find Preference of investor about different investment avenues.
3. To find investors' Knowledge regarding diversification principle of mutual funds.
4. To study gender wise preference towards public sector and private sector.
5. To study gender wise preference for different types of mutual funds.

III.REVIEW OF LITERATURE:

Ippolito (1992) states that investor is ready to invest in those fund or schemes which have resulted good rewards and most investors' is attracted by those funds or

Schemes that are performing better over the worst. He believes that past performance is key variable to influence investment decisions of investors.

Goetzman (1997) opined that investor's psychology affects mutual fund selection for investment in and to withdraw from fund.

Shankar (1996) suggested that for penetrating mutual fund culture deep in to society asset management companies must have to work and steer the consumer product distribution model.

Alinvi & Babri(2007)are of view that customers' preferences change on a constant basis ,and organizations adjust in order to meet these changes to remain competitive and profitable. Their paper believes preferences of customers are dynamic.

Nidhi Walia,Dr Ravi kiran (2009) highlighted in their study mutual funds can prove to be most preferred financial avenue if it is put forth to the investors in desired form.

Madhusudhan V Jambodekar (1996) conducted his study to size-up the direction of mutual funds in investors and to identify factors that influence mutual fund investment decision. The study tells that open-ended scheme is most favoured among other things and that income schemes and open-ended schemes are preferred over closed- ended and growth schemes.

IV RESEARCH GAP-

From the comprehensive literature review related to mutual funds industry in India, it is evident that though little work has been done to find out the growth of mutual fund in Indian market. however a study on mutual funds also reflects that for penetrating mutual fund in to society Asset management companies must have to work on customer production distribution model, which is highly influenced by customer preferences .Not only that one of the study also reveals that mutual funds can prove to be most preferred financial avenue if it is shaped in customise form. Thus above studies emphasise on detailed study of customer awareness, customer expectations.

A study also reveals that consumer preferences change on a constant basis, it means there are no fixed parameters of customer preference. Their preferences change due to various factors like change in economy, bitter past experience, change in tax policies, brand image etc. these factors are also rapidly changing .and thus continuous study on factors influencing investors is required, which will be served by proposed research.

V.RESEARCH METHODOLOGY

Research area-

The study is to deal with individual investor's investment expectations and behaviour towards mutual funds in India. It also aims to analyse awareness in investors regarding characteristics of mutual funds.

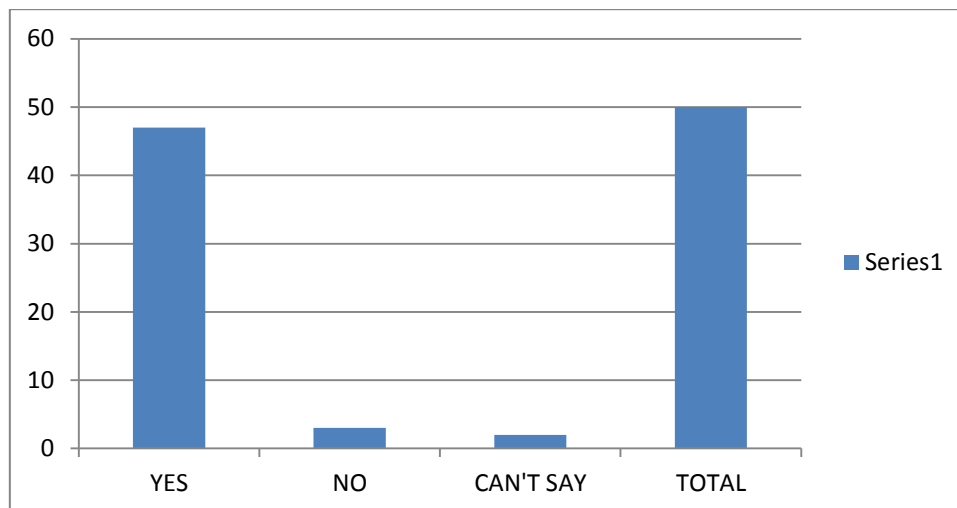
Sample size-

This research is based on primary data which is collected through questioners' method. Sample of 50 individuals is taken from Ahmedabad city by convenience sampling. Sample consist data of males and females in equal proportion, which also enables study to analyse gender wise preferences in investment.

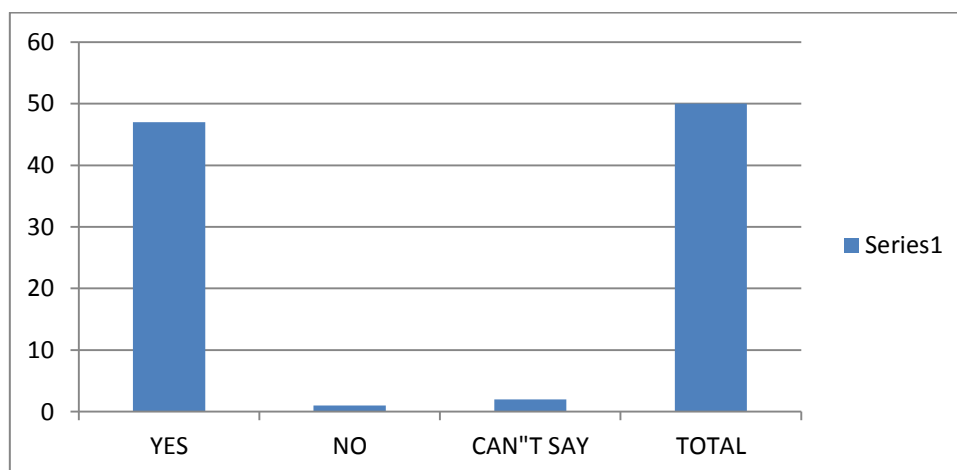
Analysis of data -

Simple statistical tools are used in this research. Following observations are achieved from primary data analysis.

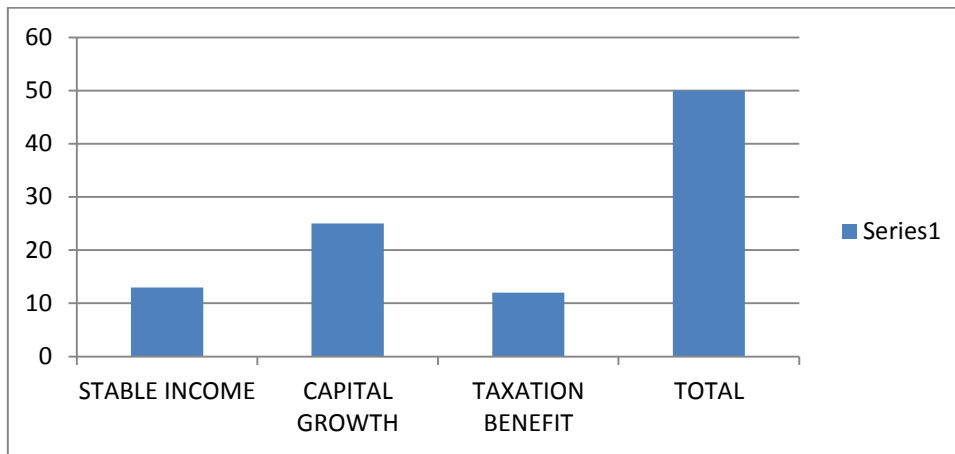
1. Majority of respondents believe investment is key to wealth maximisation.



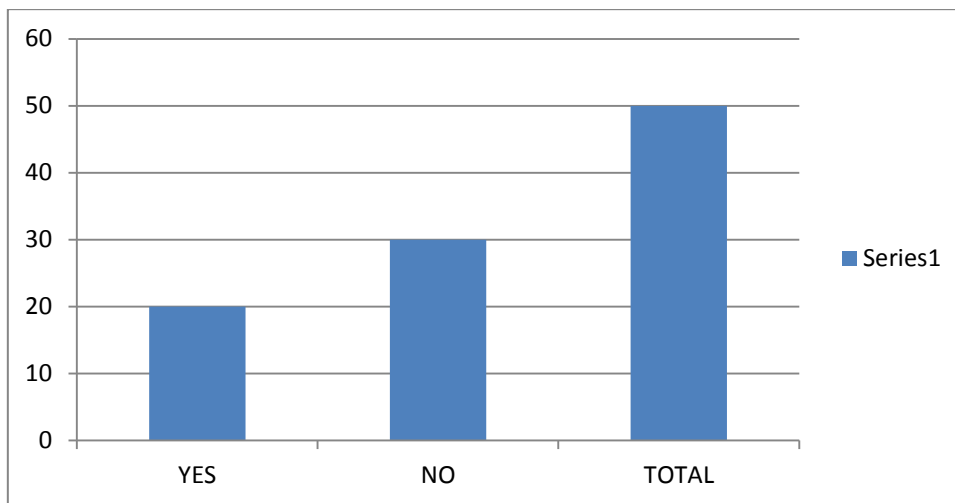
2. Majority of respondents consider mutual funds as a good investment option.



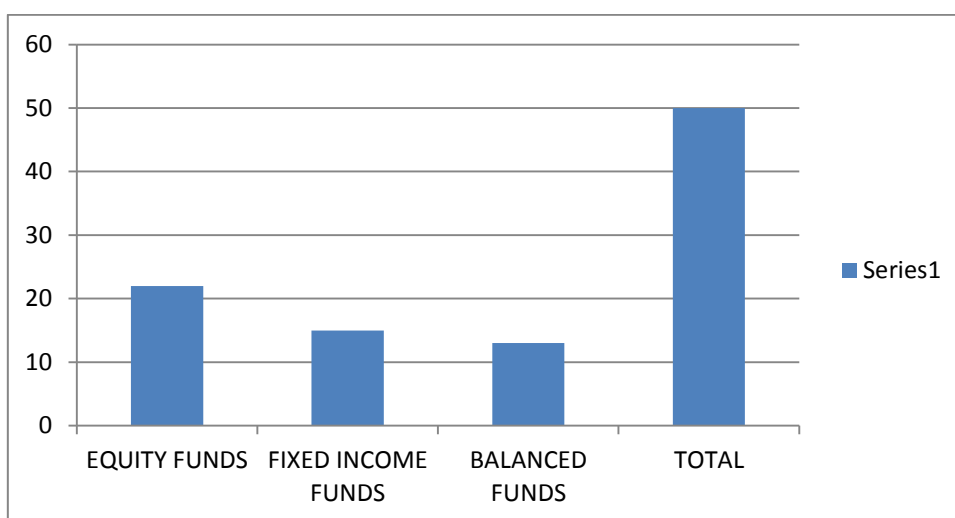
3. Following graph represents objectives of respondents behind their investment in mutual funds. Out of which 50% invest in mutual funds for capital growth objective while 26% invest for stable income and 24% invest for taxation benefits.



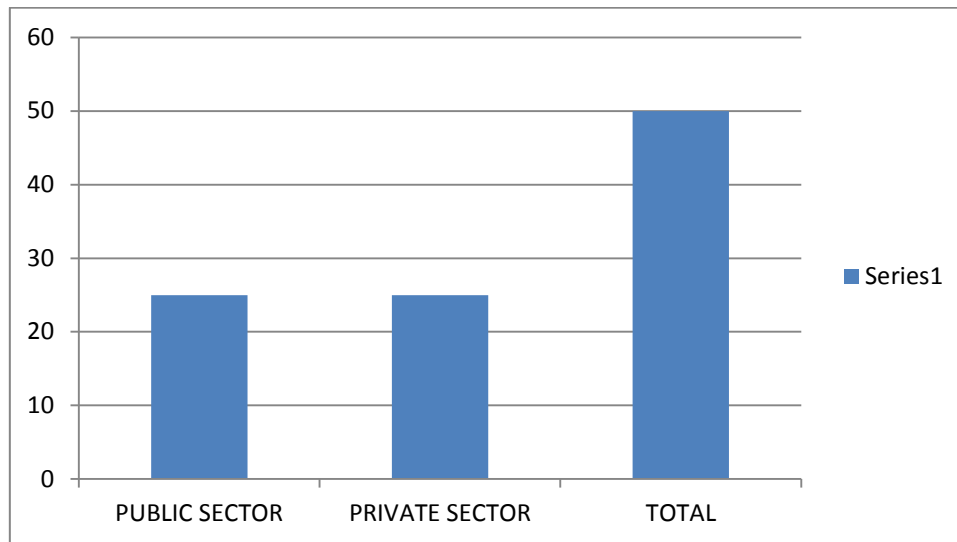
4. Out of population 60% of respondents are not aware of diversification principle of mutual funds, which contributes lot as a risk management feature; this shows lack of awareness in investors.



5. Following graph reflects preference of population for investment in different investment options. Here 44% of population prefers equity funds while 30% of population prefers fixed income funds and 26% of population prefers balanced funds.

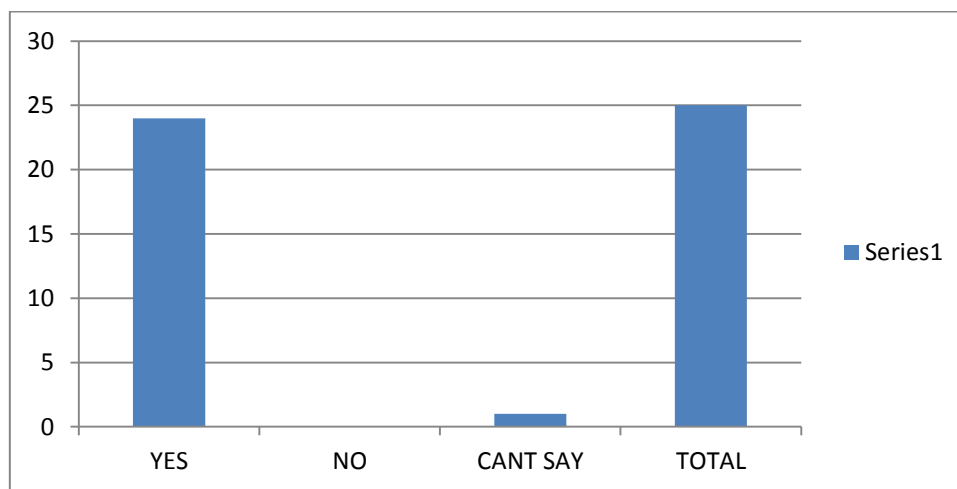


6. This paper also reflects preference of investors in different sectors which says equal preference is seen among population for public sector as well as private sector.

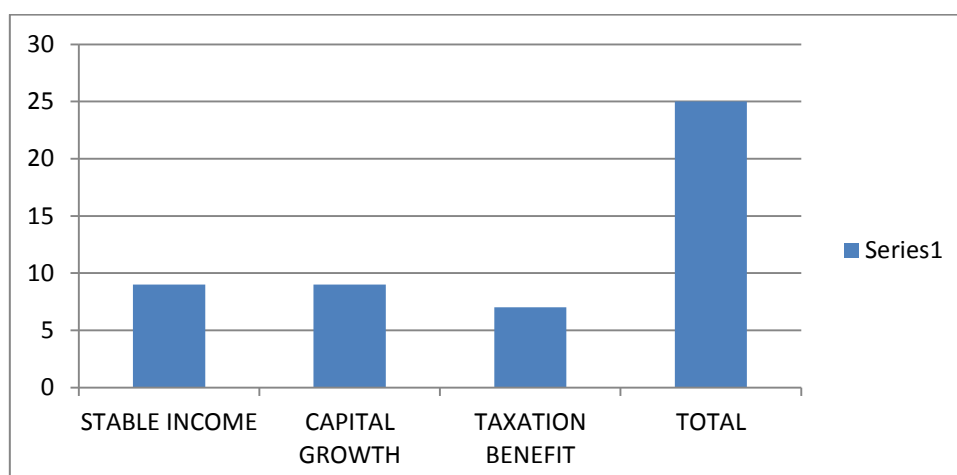


7. This paper also attempts to analyse gender wise awareness and preference of investors for mutual funds investment, which reflects following results.

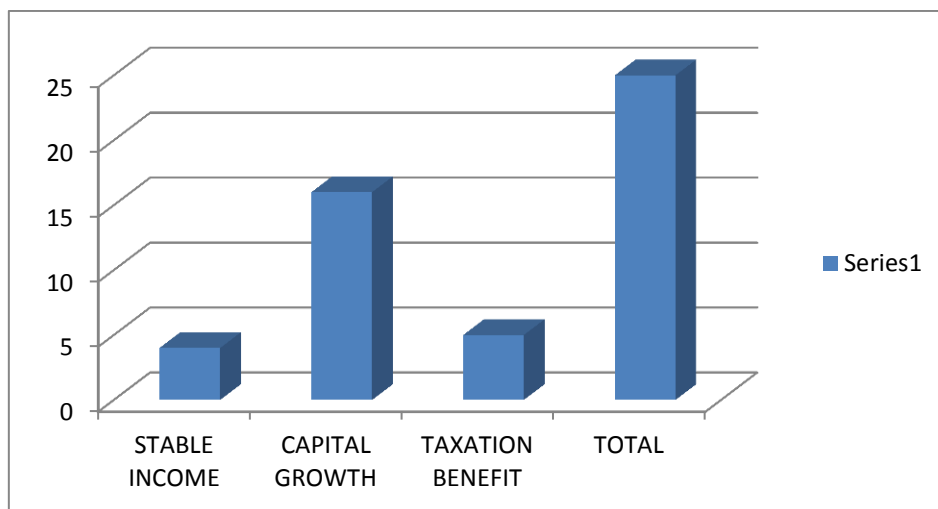
Here following graph reflects that 96% of females consider mutual funds as a good option of investment. While 4% of females are have no opinion regarding this. This reflects increasing awareness and popularity of mutual funds even among females.



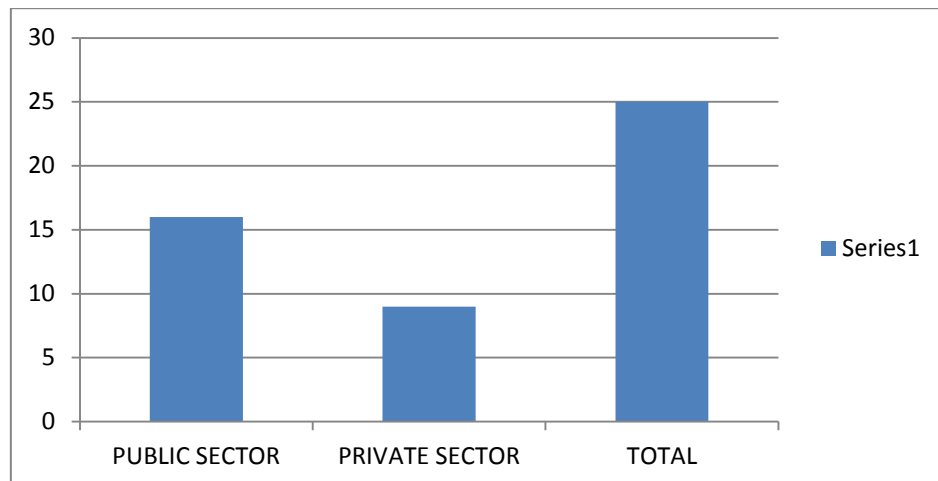
8. Following graph represents objectives of females behind investment in mutual funds, which shows 36% of females invest for stable income, 36% of females invest for capital growth and 28% of females have preference of taxation benefits.



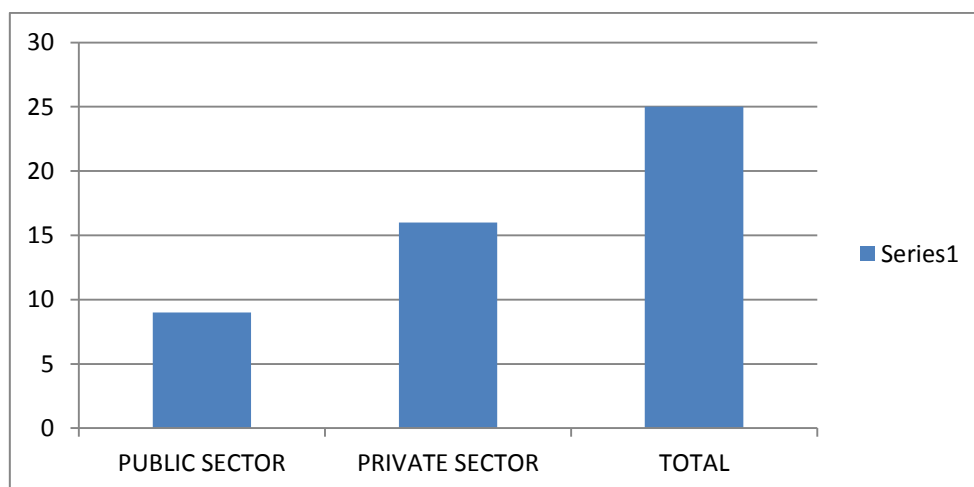
While following graph represents objectives of males behind investment in mutual funds, which shows 16% of males invest for stable income, 64% of males invest for capital growth and 20% of males have preference of taxation benefits.



9. Following graph reflects preference of females for different sectors in investment. 64% of females prefer investment in public sector while 36% of females prefer private sector.



While 64% of males prefer investment in private sector and 36% prefer public sector.



VI. LIMITATIONS-

Research paper is based on sample size and sample size may not represent the whole market.

VII. CONCLUSION-

This paper attempted to analyse awareness and preferences and objectives of investors behind investment in mutual funds. This paper also reflects gender wise preferences and objectives.

-This paper reflects majority of population considers mutual funds as a good option of investment, which reflects popularity of mutual funds.

-This paper also reveals that 60% of population are not aware of diversification principle of mutual funds, which actually plays major role in success of mutual funds.

-This paper reveals majority of investors have objective of capital growth behind investment in mutual funds .and as a result study also reflects that majority of investors prefer equity funds.

-This paper also reflects that public sector is more popular among females while private sector is more preferred by males.

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CA MINOUTI JANI
ASSISTANT PROFESSOR
GLS BBA
GLS UNIVERSITY

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