

Investors Attitude towards Mutual Fund

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Abstract: *This research paper highlights Investors attitude towards Mutual fund and at the same time profiles the customers into distinct demographic segments such as age, income etc. Mutual fund is a mechanism of pooling resources by issuing units to investors and investing their funds in securities to get a good return. Out of the return received, the mutual fund keeps a margin for its costs and distributes the profits to the investors. These funds have to be invested according to the objectives provided in offer documents. Investments in securities are spread across a wide cross - section of industries and sectors and thus the risk is reduced. Unit Trust of India was the first mutual fund which was started in India. Units as a form of investment are issued by the Unit Trust of India which is a public sector financial institution.*

Keywords: Investors Attitude, Units, Mutual Fund, Offer Document, Unit trust of India

1. Introduction

Mutual fund industry today is one of the most attractive investment avenues in India. Mutual fund is a good investment option for the medium and small investors who have the limited resources and do not have a professional knowledge about the stock market and other investment opportunities. Mutual funds are the significant financial intermediary collecting funds mainly from small investor and investing them in financial market securities. a mutual fund is an investment company or trust that pools the resources of thousands of its shareholders or unit holders and invest on behalf of these diversified securities and across section of companies to attain the objectives of the investors, which turn achieve income or growth or both.

The mutual funds industry is witnessing a rapid growth as a result of infrastructural development, increase in personal financial assets, and rise in foreign participation. With the growing risk appetite, rising income and increasing awareness, mutual funds in India are becoming a preferred investment option compared to other investment vehicle like fixed deposits and postal savings that are considered safe but give competitively low returns, according to Indian mutual fund industry.

Definition:

The Securities and Exchange Board of India (Mutual funds) Regulations Act 1993, defines a mutual fund *“as a fund established in the form of a trust by sponsor to raise money by the trustee through the sale of units to the public under one or more schemes for investing in securities in accordance with these regulations”*.

Advantages of Mutual Funds

1) Professional Management

The basic advantage of funds is that, they are professionally managed, by well qualified professionals. Investor purchase funds because they do not have the time or the expertise to manage their own portfolio. A mutual fund is considered to be relatively less expensive way to make and monitor their investments.

2) Diversification

Purchasing units in a mutual fund instead of buying individual stocks or bonds, the investor risk is spread

out and minimized up to certain extent. The idea behind diversification is to invest in a large number of assets so that a loss in any particular investment is minimized by gain in other.

3) Economies of scale

Mutual fund buy and sell large amounts of securities at a time thus help to reducing transaction costs, and help to bring down the average cost of the unit for their investor.

4) Liquidity

Just like an individual stock, mutual fund also allows investor to liquidate their holdings as and when they want.

5) Simplicity

Investment in mutual fund is considered to be easy, compare to other available instruments in the market, and the minimum investment is small. Most AMC also have automatic purchase plans whereby as little as Rs.2000 start with just Rs.50 per month basis.

6) Tax benefits

Income tax benefits are available to the investor who invests in mutual funds. Mutual fund debt schemes dividend enjoys tax exemption up to Rs.9000.

7) Transparency

There is transparency in the disclosure. The portfolio is declared every month. It helps investors to know the status of their investment.

8) Flexibility

Mutual fund schemes are flexible with many options. Investors can opt for transferring their holdings from schemes to scheme.

9) SEBI Regulated

All mutual funds are registered with SEBI and function within the provisions and regulation that protect the interests of investor.

Objectives of the Study

- 1) To study the investors attitude towards the mutual funds.
- 2) To find out the factors which influencing the investors to prefer the investment in mutual funds.

Data Collection

The data collection is through Structured Questionnaire. The sampling method is simple random sampling.

a) Primary Data

A questionnaire was prepared and the primary data was collected through survey method

b) Secondary Data

Websites, books were referred.

Sample Size the population being large the survey was carried among 55 respondents.

Interpretation

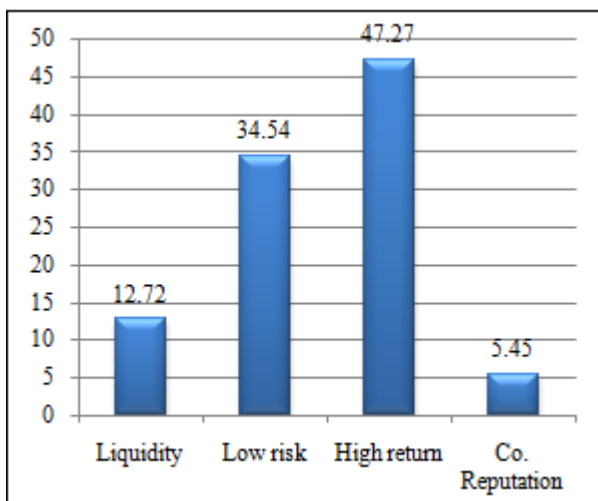
Table 4.1: Details of Respondents.

Sl. No	Particulars	Respondents	Percentage	
1	Age	Below 28	14	25.45
		28 - 35	18	32.72
		Above 35	23	41.82
2	Marital Status	Married	47	85.45
		Single	8	14.54
3	Income	Below 1.5 lakhs	9	16.36
		1.5 - 3 lakhs	13	23.63
		3 - 5lakhs	19	34.54
		Above 5 lakhs	14	25.45

Table 4.2: Factor Consider for Investment

Nature	Respondents	Percentage
Liquidity	7	12.72
Low risk	19	34.54
High return	26	47.27
Co. Reputation	3	5.45

Source: Primary Data

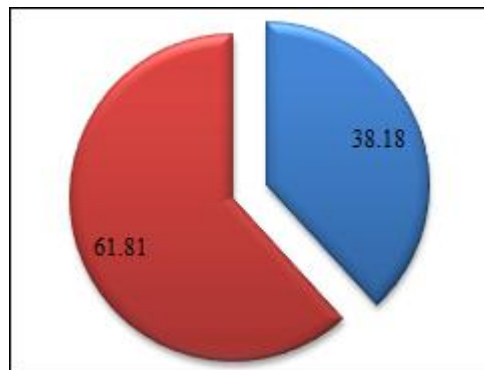


Interpretation

Above table shows that while investing 47.27% of respondents consider high return, 34.54% consider low risk, 12.72% liquidity and 5.42% respondents consider company reputation.

Table 4.3: Type of Mutual Fund

Govt/Private	Respondents	Percentage
Public sector mutual funds	21	38.18
Private sector mutual funds	34	61.81

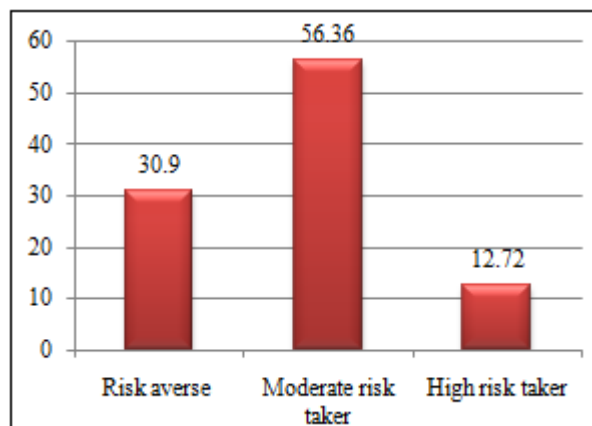


Interpretation

Above table reflects that Majority of the 61.81% respondents invests in Private sector mutual funds and 38.18% are invests in Public Sector mutual funds.

Table 4.4: Nature of Investor

Nature of Risk	Respondents	Percentage
Risk averse	17	30.90
Moderate risk taker	31	56.36
High risk taker	7	12.72

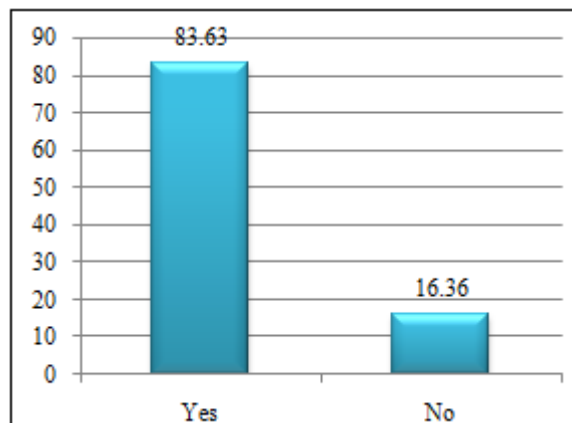


Interpretation

Above table tells 56.36% respondents are moderate risk takers, 30.9% are Risk averse and 12.72 are high risk taker.

Table 4.5: Safety of Mutual Fund

Safety	Respondents	Percentage
Yes	46	83.63
No	9	16.36

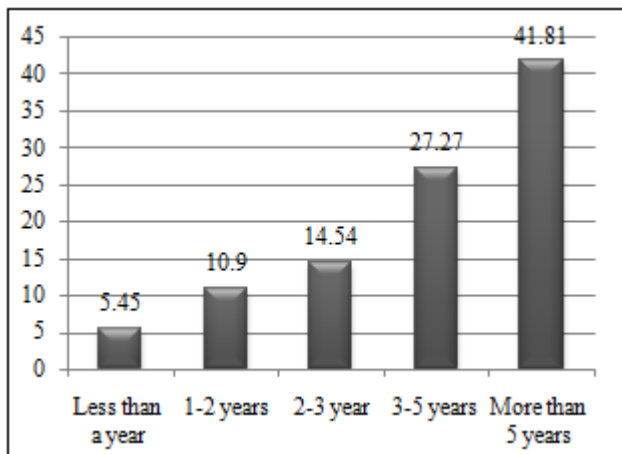


Interpretation

Above table reflects that majority of 83.63% respondents said mutual fund is safe investment and only 16.36% said it's not safe.

Table 4.6: Period of Investment

Period	Respondents	Percentage
Less than a year	3	5.45
1 - 2 years	6	10.90
2 - 3 year	8	14.54
3 - 5 years	15	27.27
More than 5 years	23	41.81

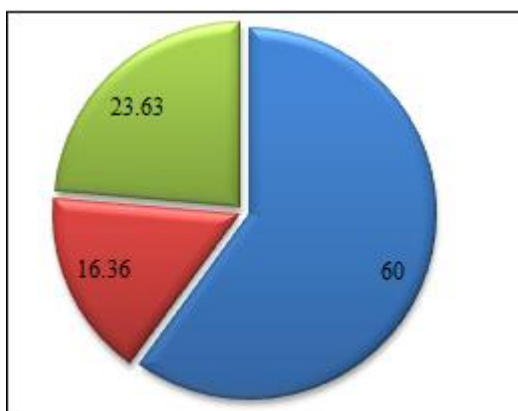


Interpretation

Above table shows 41.81% respondents invest for long period means more than 5 years, 27.27% invest for 3 - 5 years, and 14.54%, 10.90% invest for 2 - 3 and 1 - 2 years respectively.

Table 4.7: Preference of Investment

Nature of Investment	Respondents	Percentage
Growth	33	60.00
Income	9	16.36
Balanced	13	23.63

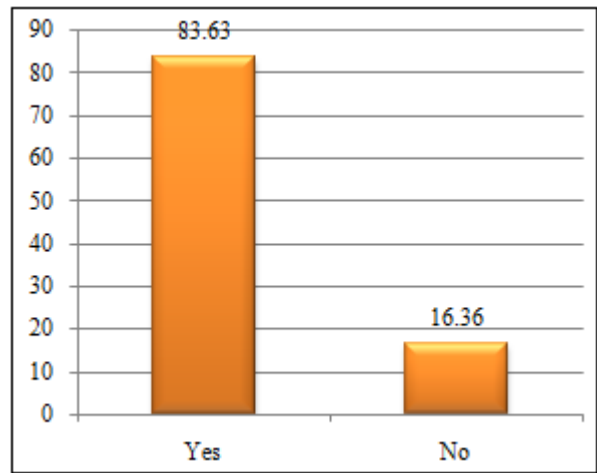


Interpretation

Above table depicts 60% respondents invest in growth oriented schemes, 23.63% are invest in Balanced fund and 16.36% respondents invest in Income Funds.

Table 4.8: Mode of Investment

Mode of Investment	Respondents	Percentage
One time investment	18	32.72
Systematic Investment plan	37	67.27



Interpretation

Above table shows majority of the 83.63% respondents did SIP and only 16.36% are invested in One time Investment.

2. Findings

- 1) While in investing in Mutual fund investors considers low risk and high return.
- 2) Majority of investors prefer Private Sector Mutual funds.
- 3) Most of the investors are moderate risk takers.
- 4) Considering other investment avenues Mutual funds are safe.
- 5) Majority of Investors invest in long term.
- 6) Investors think comparing with other schemes Growth oriented schemes are better.
- 7) Comparing with One time investments most of respondents invest in SIP.

3. Conclusion

During the study, I gained the knowledge about the Mutual Funds - its benefits and risks. I came to know how mutual fund is better than other investment avenues like Shares, Postal Schemes and Fixed Deposits etc.

This project helped me understand the attributes that investors look in for before investing and also the financial behavior of Mutual Fund Investors in connection with the preferences over Brands, Sources/Channels, Products/Schemes, modes of Investment and Options for receiving Returns etc. Mutual Funds are considered as one of the best available investment option as compared to others they are very cost efficient and also easy to invest in.

References

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