



IMPACT OF MUTUAL FUND INVESTORS - AN ANALYTICAL STUDY

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ABSTRACT :

To accelerate the economic development of our country, it is not only to increase the rate of savings but also to improve the holding pattern of savings. Savings held in the form of currency or physical assets either remain idle or are kept unproductive or wasted. An investor who is not ready to take the risk of capital volatility, prefers mutual funds as an investment avenue. Benefits of funds offer choice, liquidity, convenience and often require a minimum investment. Some investors prefer capital appreciation, many opt for a regular income, and some are interested in getting tax concessions and rest try to mitigate risks.

KEYWORDS : Impact, Mutual Fund, Investors .

INTRODUCTION

Savings form an important part of the economy of any nation. With savings invested in various options available to the people, the money acts as the driver for the growth of the country. Indian financial scene too presents multiple avenues to the investors. Though certainly not the best or deepest of markets in the world, it has ignited the growth rate in mutual fund industry to provide reasonable options for an ordinary man to invest his savings.

Investor is a person who invests money to make a profit. Investor, who is not ready to take the risk of capital market volatility, prefers mutual funds as an investment avenue. In India, the mutual fund industry has been in existence since 1963.

For most mutual funds, stakeholders are free to sell their units at any time, although the price of a unit in a mutual fund will fluctuate daily, depending upon the performance of these securities held by the fund. Benefits of mutual funds include diversification and professional money management. Mutual funds offer choice, liquidity, convenience, and often require a minimum investment.

STATEMENT OF THE PROBLEM

The purpose for which investments are made varies from individual to individual. More number of investors prefer capital appreciation, many opt for a regular income, and some are interested in getting tax concessions and rest try to mitigate risks. Preference of investor and investment pattern is also decided.

Behaviour of investors varies and many factors influence investments. This study on attitude of investors towards mutual funds market is made to identify the effect of mutual funds market and the predominant factors that influence individual investor's behaviour, to study relationship between personal factors (namely age, earning members in the family, education, income, investment experience, and influence on investment decision) and investor's attitude to identify pattern of investment and to explore the nature of response to determine suitability of investment schemes for investors.

OBJECTIVES OF THE STUDY

The main objectives of this study are:

1. To study demographic profile of mutual fund investors.
2. To analyse investors attitude towards mutual funds investment.
3. To examine level of knowledge about of mutual fund investors.

SCOPE

This study is confined to investor's attitude towards mutual fund investment in kanyakumari district. The study also focus the level of awareness of mutual fund investors in their mutual funds investment kanyakumari district.

METHODOLOGY

This study is an empirical one, by using the primary and secondary data to know investment habits of mutual fund investors in Kanyakumari district. The primary data are collected by conducting a survey from the mutual fund investors through a structured questionnaire about their preference in mutual fund products.

The secondary data are collected from books, journals, newspapers, stock brokers, reports, Ph.D theses, internet, AMC and magazines.

SAMPLING DESIGN

In the present study, multistage random sampling techniques are adopted. The sample size is 350 respondents.

REVIEW OF LITERATURE

Nandhagopal, Varadharajan and Ramya (2011) in their article title "A Study on the Performance and Evaluation of Mutual Funds in India" has analyzed performance of selected mutual fund schemes. The top performing equity, income and gilt funds are selected subject to the availability of net asset value prices for the period 2006-2009. The study concluded that in the day-to-day busy pattern of our life the investors are not able to spare time to have a close watch over the stock market in which they leave to invest. If investors expect a return on a regular basis then they can choose a monthly income fund.

Rama Priya (2012) in the study entitled "Investing through Mutual Funds" highlighted that mutual funds are one of the most highly growing products in financial services market. It is suitable for all types of investors from risks averse to risks bearer. Mutual funds have many options of return-risk free returns, constant returns and market associated returns. It is suitable to all ages of investors, businessmen and salaried persons. Investors need not be experts in equity market; mutual funds can satisfy their need. Fund managers are experts in this area and invest fund in well diversified portfolio. High returns with low risk is possible in mutual fund. A prudent choice among many available mutual fund schemes will go a long way in generating wealth for investors. Further in times of high stock market volatility, mutual funds are the best source of investments with assured and adequate returns and providing the selection of the mutual funds in the right direction.

Priya and Ansi Rahila (2013) in their study entitled "Investment Style of Mutual Fund Investors in Kerala" analyzed that the important variables influencing the investment on mutual funds among investors are brand equity, schemes portfolio, reputation of fund manager, past performance of the fund, liquidity factors and risks involved. There should be a compulsory rating for all mutual fund schemes. This rating enables investors to choose the right and suitable schemes. This measure will go a long way in promoting investors interests in the mutual fund investment.

Laxmisha (2014) in "Performance of Mutual Funds - An Analysis" ascertained that industries still played by certain unethical practices such as front running, late trading, rapid trading, dominance of fund by

single or few large investors. Often it leads to shift of investors to insurance products, real estate and infrastructure sector. For the long-run success and survival, mutual funds should focus more on the retail investors. As regards performance of mutual funds, the private sector and the joint sector funds have played crucial role in mopping up savings of public, accounting for about 70 percent of the total resources garnered so far by the mutual funds.

ANALYSIS & INTERPRETATION

1. DEMOGRAPHIC PROFILE OF INVESTORS AND THEIR SAVINGS PATTERN

The demographic profile of investors are studied with the help of following table

Table 1

Sl. No.		No. of Respondents	Percentage (%)
Age (years)			
1	Below 30	38	10.90
2.	31- 40	164	46.90
3.	41- 50	94	26.90
4.	Above 50	54	15.30
	Total	350	100
Gender			
1	Male	235	67.10
2.	Female	115	32.90
	Total	350	100
Marital Status			
1	Married	271	77.40
2.	Unmarried	79	22.60
	Total	350	100
Education			
1	Under graduation	59	16.90
2.	Graduation	109	31.10
3.	Postgraduate	69	19.70
4.	Professional	113	32.30
	Total	350	100
Residential Status			
1	Rural	150	42.90
2.	Urban	200	57.10
	Total	350	100
Occupations			
1	Salaried Employees	181	51.70
2.	Business Persons	65	18.60
3.	Professionals	68	19.40
4.	Retired Persons	28	8.00
5.	Any Others	8	2.30
	Total	350	100
Annual Income (Rs.)			
1	Upto 1,50,000	74	21.10
2.	1,50,000 – 2,50,000	113	32.30
3.	2,50,000 – 3,50,000	66	18.90

4.	Above 3,50,000	97	27.70
	Total	350	100
Total Amount of Annual investment (Rs.)			
1.	< 20,000	51	14.60
2.	20,000 – 40,000	82	23.40
3.	40,000 – 60,000	90	25.70
4.	60,000-80,000	67	19.10
5.	> 80,000	60	17.20

Source :Primary Data.

Regarding the demographic profile of the respondents, the table 1 indicate that the 164 (46.90 %) investors belongs to 31 -40 years. It indicates maximum middle age group people are actively involved in mutual fund investment, 253 (67.10%) respondents are male. So, mostly men are involved in mutual fund investment in the study area, 271 (77.40%) are married, 113 (32.30%) of respondents are professionals and graduates, 200 (57.10%) of belong to the urban area, 181 (51.70%) are salaried employees. Salaried employees are significantly involved in mutual fund investment because they expect more tax deduction, 113 (32.30%) are annual income between Rs.1,50,000 – 2,50,000 and 90 (25.70%) are annual savings in mutual fund investments between Rs.40,000 -60,000.

2. INVESTORS ATTITUDE TOWARDS MUTUAL FUND

Table 2 Investors Attitude towards Mutual Fund

Sl. No.	Variables	Mean Score		t-Test
		Rural	Urban	
1.	Mutual Funds are Useful for Small Investors	4.1202	3.9919	2.1908*
2.	Investing in Mutual Funds are Less Risky Compared to Share	3.6256	3.8198	-1.8132
3.	Mutual Funds give Higher Returns than other Investment	3.8971	3.6219	2.8616*
4.	ELSS Schemes are Good for Tax Savings	2.9219	2.9912	0.5892
5.	Mutual Funds having Diversified Portfolio gives Better Returns	3.9817	4.1021	-2.5462*
6.	Mutual Fund Investment is an Asset for the Future	3.8910	3.1919	1.8191
7.	New fund offers are Good than Existing Funds	3.8918	3.6212	2.6813*
8.	Dividend Payout Option is Good	2.9818	2.6675	0.1125
9.	Private Sector Mutual Funds are not Good	3.8958	3.8192	3.1132*
10.	Public Sector Mutual Funds are Safe	3.8252	3.6918	2.0101*
11.	Mutual Fund Managers Perform Good	3.2122	3.3313	-2.1532*

Source: Primary Data. *Significant at five percent level

Table 2 Results of the variables such as mutual funds are useful for small investors, mutual funds give higher returns than other investments, mutual fund investment having diversified portfolio gives better returns, new fund offers are good than existing funds, private sector mutual funds are not good, public sector mutual funds are safe and mutual fund managers perform good are significant at five percent level. Hence it is concluded that the aforesaid variables are influencing investors to have better perception towards mutual funds.

3. LEVEL OF KNOWLEDGE ABOUT MUTUAL FUND

Table 3: Level of Knowledge about Mutual Fund

Sl.No.	Variables	Mean Score		t-Test
		Rural	Urban	
1.	Types of Fund	4.2134	3.8924	2.2182*
2.	Performance of Fund Objectives	3.2132	3.8691	1.0183
3.	Portfolio of Fund	3.9856	3.8691	1.890
4.	Portfolio Management	4.1086	4.8910	-2.8910*
5.	Net Asset Value	4.1181	4.9180	-2.1110*
6.	Lock in Period	2.8991	4.1120	-3.8935*
7.	Investors Redressal Mechanism	3.0183	2.8103	2.089
8.	Mutual Fund Companies	3.8913	2.9835	1.3214

Source: Primary Data.

*Significant at five percent level.

Table 3 Identify the level of knowledge about mutual fund as per the perception from both the rural and the urban respondents in Kanyakumari district, *t*-test is employed. Results reveal that variables such as types of fund, portfolio management, net assets value, and lock in period are significant at five percent level. Hence it is concluded that respondents have more knowledge about mutual fund.

4. BENEFITS OBTAINED FROM MUTUAL FUND INVESTMENT

Table 4 Benefits Obtained from Mutual Fund Investments

Sl.No.	Variables	Mean Scores		t-Test
		Rural	Urban	
1.	Portfolio Diversification	4.2611	4.3059	-1.025 ^{NS}
2.	Tax Shelter	3.8500	3.8235	0.504 ^{NS}
3.	Lower Cost	3.0389	3.5882	-0.492 ^{NS}
4.	Liquidity of Investment	3.8056	3.5706	4.201*
5.	Assured Allotment	3.3889	3.2706	0.354
6.	High Yield	3.6000	3.2824	3.367*
7.	Convenience in Investment	3.3278	3.2941	3.387*
8.	Service Behaviour	3.2833	3.1824	0.316
9.	Innovation in Schemes	3.2667	3.4412	-1.091
10.	Capital Appreciation	3.4111	3.1353	3.654*
11.	Profitability	3.6056	3.5647	0.218
12.	Transferability	3.5000	3.3294	3.478*

13.	Repurchase Facility	3.4556	3.2694	2.845*
14.	Loan Facility	3.5944	3.4000	3.783*
15.	Professional Management	3.5167	3.2765	2.147*
16.	Wide Investment Opportunities	3.6556	3.5412	2.427*

Source : Primary Data.

*Significant at five percent level

NS : Not Significant

Table 4 Result shows that variables such as liquidity of investment, high yield, convenience in investment, service behaviour, innovation in schemes, capital appreciation, transferability, repurchase facility, loan facility, professional management and wide investment opportunities are significant at five percent level. Hence, it is inferred that the variables identified through *t*-test are mostly influencing the respondents in both the rural and the urban regions of Kanyakumari district to have a positive attitude towards mutual fund investment.

SUGGESTIONS

- Mostly male respondents are actively involved in mutual fund investment in Kanyakumari district. Women generally do not possess their own money to invest. They are unaware about mutual fund products and share market operations. Further, they do not have courage, risks taking ability and experience about mutual fund investment. To reduce these disparities, various types of awareness programme, seminars and conferences are to be conducted especially for women about risks taking ability and benefits of mutual fund investment.
- The urban area investors are mostly involving in mutual fund investment when compared with the rural area investors in the study area. The rural area investors have inadequate knowledge about mutual fund. Hence to create awareness about mutual fund various types of advertisement can be attempted through different media.
- Savings are the major influencing factor, which attracts the employee investors. Most employees, who are tax payers, prefer to invest in mutual funds just for the sake of tax relief. Hence, the government can introduce additional tax relief to the mutual fund schemes, to attract more number of new investors towards mutual fund.
- Mutual funds are still not able to tap large savings from the rural population just because of lack of network system of branches in such area. Hence, mutual fund companies must come forward to spread branches to remote rural areas to mobilize more savings of the rural people.
- When new schemes are introduced in the market, all information relating to schemes do not reach the market properly. Hence, all mutual fund companies can together form an information cell in every district with their own cost. Information cell will provide adequate information relating to mutual fund especially for new schemes. It will be of great help to the mutual fund investors.

CONCLUSION

Mutual fund industry in India is expanded widely in the recent times. A large number of new players have entered in to the market and they have introduced a large number of schemes to attract investors. Especially, funds of the public sector mutual funds like UTI, commercial banks and financial institutions play a significant role in the market. UTI mutual fund is the largest mutual fund in terms of number of investors and volume of investment. The private sector mutual funds also offer a number of innovative schemes in the market to attract investors in the present day. In particular, the study on attitude of investors towards mutual funds is an interesting research topic not only for researchers but also for investors, managers of financial, banking and investment institutions. If findings and suggestions of this study are considered positively, and implemented by the concerned authorities related to the mutual fund, there will be a great

success to the mutual fund institutions, investors in mutual fund and also to the development of the economy of our nation. When savings increases, standard of living, village economy and economy of the country increases.

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