

Mutual Fund Investors Preference Among Investors In Trichy District

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ABSTRACT

Mutual fund is a professionally managed system in the Indian Financial Market that helps especially small to medium investors to invest their surplus with ease and comparatively higher returns and with lesser risk. The rapid growth of Indian Mutual Funds industry is evident from the growth of its assets under management every year. Investment in mutual funds is a better option when compared to equities market as it is lesser risk prone. This attracts more medium to small investors to invest in to. Thus mutual fund schemes are considered to be the most appropriate ones to invest in at a relatively low cost. There are several attractive and high yielding schemes in the market as of now catering to specific needs of desiring investors. The investors are only to choose the right scheme that is most suited for their purpose of investment as each scheme has got its own objective and strategy defined. The purpose of study is to ascertain the investors' preference and the reasons for doing so among investors in Trichy District. The study included both primary and as well secondary data from selected sources. The data collected thus were analysed using simple percentage and are presented with graphical representations. The study helps in detailing out the necessary information on investors' perception regarding investment in different sectors and schemes of mutual funds by the investors in Trichy district.

Keywords: Mutual fund Performance, Risk - Return, Investors perception, Awareness, Factors influencing

INTRODUCTION

Mutual fund is a professionally managed system in the Indian Financial Market that helps especially small to medium investors to invest their surplus with ease and comparatively higher returns and with lesser risk. The rapid growth of Indian Mutual Funds industry is evident from the growth of its assets under management every year. Investment in mutual funds is a better option when compared to equities market as it is lesser risk prone. This attracts more medium to small investors to invest in to. Thus mutual fund schemes are considered to be the most appropriate ones to invest in at a relatively low cost. There are several attractive and high yielding schemes in the market as of now catering to specific needs of desiring investors. The investors are only to choose the right scheme that is most suited for their purpose of investment as each scheme has got its objective and strategy defined.

Why should invest Mutual fund? And prefer the best fund for investment?

- It generates higher return at lesser risk and professionally managed

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- By choosing the long term plans one can take care of their future needs like retirement, marriage, children's education etc.,
- Helps in building up savings as return is generally higher than savings bank account.
- Tax liabilities can be reduced.
- One can easily escape from inflation by properly choosing a plan.

OBJECTIVES

1. To find out how often one makes investment in MF portfolio.
2. To know why do Investors prefer Mutual Funds as an Investment option
3. To study the factors influencing one to choose mutual funds as an investment option.
4. To look at whether MF investors prefer the risk fund.
5. To depict the views on pricing MF in market and performance of MF during financial recession.
6. To know about the type of scheme selected and the type of investment.

STATEMENT OF THE PROBLEM

Leaving a few, majority of the investors are not professional to keep tag of the things happening and choose a particular option of investment. Mutual fund is not entirely risk free. It is only relatively at lesser risk. Also everyone may not be in a position to consult an expert before an investment is made. The investors are to carefully study the release documents and opt for the best suitable scheme which would give them the expected or favorable returns, however small the amount that one may invest in.

SCOPE OF THE STUDY

The extent of the study is to investigate the views expressed by the randomly selected investors in Trichy region towards their investment preference in mutual fund sectors. The study included the views of 50 investors in Trichy district.

REVIEW OF LITERATURE

Deepa. P and A. Latha (2018) in their article have exposed unhappiness of investors on the information about the MFs that are available in the market . They have also highlighted expectations of the investors for better service quality from mutual fund investment companies. The study has felt the need for understanding the psychology of the investors so to build better relationship with the companies that they deal with.

Sanesh C and Gresham V (2016), focused on finding out preferences and priorities of investors' on various mutual fund schemes. They have also studied variables influencing the investment and also the pre and post investing conduct of investors in order to develop a more advantageous new schemes. The results showed that investment preferences towards mutual fund schemes are changing with the length of investment chosen, return and safety.

METHODOLOGY

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The study is based on both primary and secondary data. The primary data were collected from 50 investors in Trichy region using simple random sampling through questionnaire. Finally, the collected data were analysed using simple percentages and graphs.

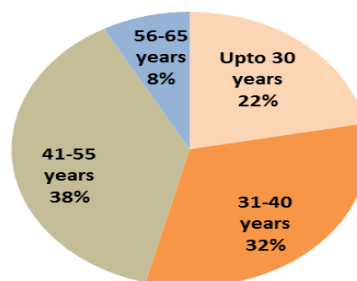
LIMITATIONS

- The study has been conducted those who had invested in different schemes/type of mutual fund.
- The study did not focus on the specific scheme or a specific company.
- The study did not include females as it is the males who generally make decision on investment.

ANALYSIS AND DISCUSSION

Demographic Features of the Respondents:

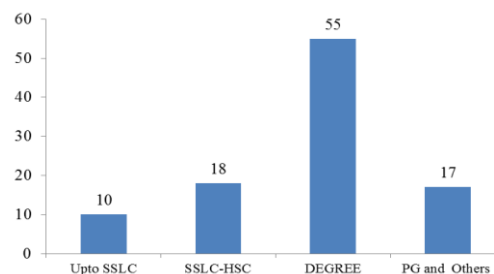
Figure – 1 Age-wise classification of the respondents



Source: Primary Data

The above figure depicts the age-wise distribution of the respondents with regard to their preference to invest in mutual funds. From the figure it is found that a majority of 38 percentage of the respondents belonged to the age group of 41 – 55 years.

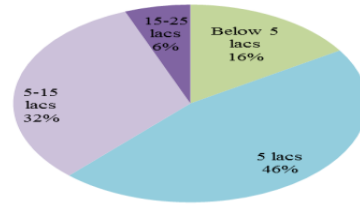
Figure – 2 Education-wise classification of the respondents



Source : Primary Data

The above figure illustrates the distribution of the respondents on the basis of their educational qualification with regard to their preference to invest in mutual funds of different sectors. It is seen that out of the 50 respondents interviewed, a majority of 55 % of the respondents found to be with bachelors degree. Further it is observed that 17 percent of the respondents were having PG and other higher educational qualification.

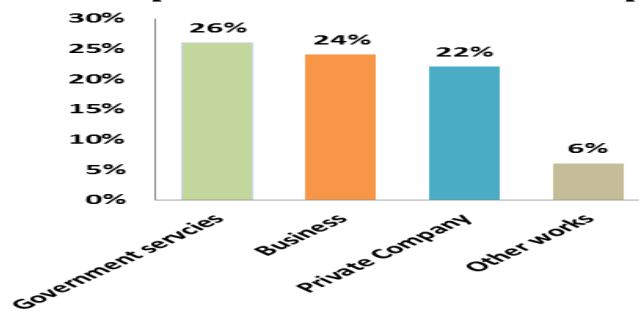
Figure – 3 Income-wise classification of the respondents



Source: Primary Data

A considerable majority of 62 per cent of the respondents were found to be in the the income category of ‘below and up to 5 lacs per annum’. Another 32 per cent belonged to the category of ‘5-15 lacs ’From the above it is clear that persons with higher income are more keen to make investment in mutual fund related schemes.

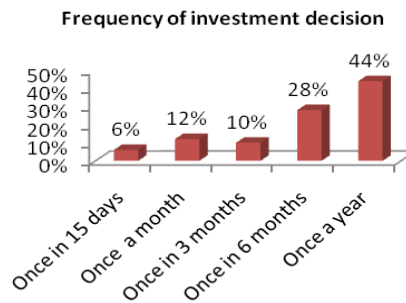
Figure – 4 Occupation-wise classification of the respondents



Source : Primary Data

It is observed from the figure that 26 Per cent of the respondents were employed with government, 24 per cent of the respondents were doing business, 22 per cent of the respondents were working in private companies. The above diagram clearly indicates that most of the mutual fund investors were found to be in Govt service, business or private companies.

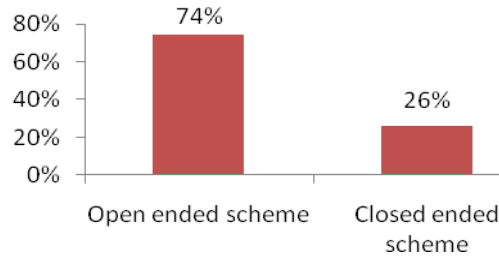
Figure - 5



Source : Primary Data

It is observed from the chart that a majority of 44 percent of the respondents made decision to invest once in a year followed by 28 percent once in 6 months and so on. Only a marginal 6 percent of the respondents were found to be making decision related to investment in MFs every 15 days.

Figure – 6 Preference over open ended Vs closed ended schemes:

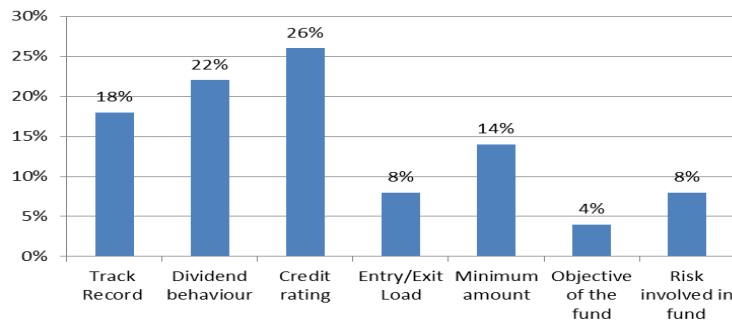


Source: Primary Data

It is evident from the figure that a good majority of 74 per cent of the respondents have chosen the open ended scheme, while 26 per cent of the respondents have chosen closed ended scheme. The reason for majority of the respondents preferring Open Ended Scheme could be to utilize the money that they have invested at the time of urgent needs.

On the choice of specific scheme, the respondents have stated as below:

Figure - 7 Factors influencing choice of specific schemes:



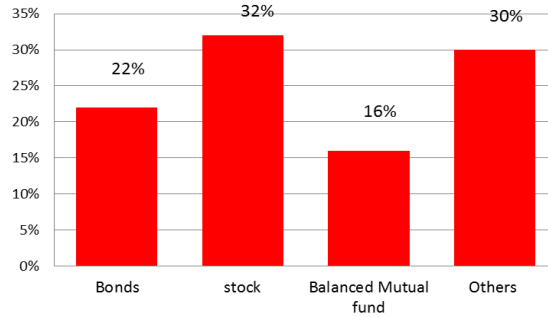
Source: Primary Data

It is found that a majority of 26 per cent of respondents have chosen MFs on the basis of the credit rating agencies report. 22 per cent of the respondents’ choice was based on dividend behaviour of the fund. While 18 per cent of the respondents have relied on the track record of the institution, 14 per cent of the respondents choice was based on minimum amount of investment another 8 per cent of the respondents have decided on the basis of entry / exit load and risk involved in fund.

Preference over type of investment by mutual funds

The past investment pattern of the respondents were found to be as follows:

Figure – 8

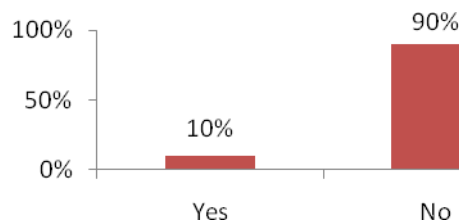


Source : Primary Data

The figure – 13 is to give the following details regarding investment in the past. Among the respondents it is found that 32 percent have invested in stock related funds . 30 per cent of the respondents have invested in funds investing in real estates, commodities, options, futures, etc., Another 22 per cent of respondents have invested in mutual funds investing in bonds and lastly 16 per cent of the respondents have invested mostly in balanced mutual funds.

Regarding investment in units of funds that are invested in risky projects, the respondents have opined as below:

Figure - 9 Preference over investment in risky projects by mutual fund:

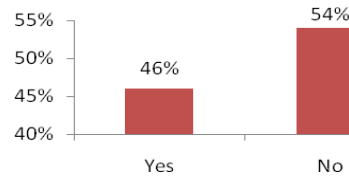


Source : Primary Data

It is evident from the above figure that 90 per cent of the respondents have not chosen a fund investing in risky projects and the rest 10 per cent of the respondents would buy units of fund that are invested in risky projects.

As to the question on ‘Other things remaining favorable, if a mutual fund as per your assessment is over priced, Would you still invest in the fund’-the respondents have opined thus:

Figure - 10 Opinion on pricing of mutual fund units:

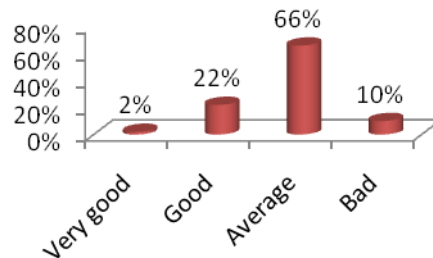


Source : Primary Data

It is learnt that 54 per cent of the respondents would not invest in the fund if a mutual fund as per assessment is over priced and 46 per cent of the respondents would still invest in the fund even if it is overpriced. This 46% of the respondents might have invested in over-priced funds either that they were unaware of the mutual fund scheme or didn't read the terms and condition of the scheme.

As to the question on 'During the current financial downturn how is your fund performing' – the respondents have expressed as follows:

Figure - 11 Opinion on performance of mutual fund during financial downturn:



Source: Primary Data

A good majority of 66 per cent of the respondents have reported that their fund is performing average during the current financial downturn and 22 per cent of respondents have responded that their fund has been performing well, while 10 per cent of respondents have responded that their fund has been performing badly during the current financial downturn.

SUGGESTIONS

- Bank,/Mutual fund company may consider conducting Mutual fund investment awareness campaign so that it creates awareness among customers.
- Many illiterate people/low income people are of the opinion that investment in MFs is meant for educated and people having high level of income only. This mind set need to be changed.
- MF companies should provide schemes with good return and lower risk.
- Many were not aware of the tax relaxation and it is more beneficial for investors.
- The government may include financial literacy in the curriculum of schools and colleges.

CONCLUSION

The present study has dealt about the investors preferences towards mutual funds in trichy. The study explains that many investors are preferred to invest in mutual fund in order to have high return at low level of risk, safety liquidity. As the investment portfolio keeps changing everyday so does the investors' preferences and pattern of investment does. The investors belonging to urban areas, higher educational qualification, salaried

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and self employed persons, higher income group investors have preferred to invest in financial institutions and mutual funds. Investors belonging to lower educational qualification, lower income group were less interested in mutual fund investment.

Further, choice of a scheme depends on its past performance only as future is not predictable. As no one want to take risk, Asset Management Company's (AMC) may consider launching more diversified funds to attract investors. The administrative and other charges may be further reduced. The minimum lock in period may be brought down in order to include short term investors.

SCOPE FOR FURTHER STUDY

The study may be extended to include both men and women category with larger sample size and analyzed with some more statistical tools. Further, one may focus on a particular company or similar funds of different companies.

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