

A Study on Selected Mutual Fund as an Investment Option in India

MS. S.M. DAKSHAYANI, DR. SAVITA TRIVEDI

Research Scholar DSCASC Bangalore
Prof. DSCASC Bangalore

Date of Submission: 08-07-2020

Date of Acceptance: 23-07-2020

ABSTRACT:

Indian Mutual Fund industry offers a plethora of schemes and serves broadly all types of investors. The range of products include equity funds, debt, liquid, gilt and balanced funds. There are also funds meant exclusively for young and old, small and large investors. Investors of all categories could choose to invest on their own in multiple options but opt for mutual funds for the sole reason that all benefits come in a package. The mutual fund industry is having its hand full to cater to various needs of the investors by coming up with new plans, schemes and options with respect to rate of returns, dividend frequency and liquidity.

The Mutual Fund industry has recorded significant progress on all fronts yet it has not been able to utilize its potential fully. The industry is confronted with number of challenges like low penetration ratio, lack of product differentiation, lack of investors awareness. In view of growing competition in the Mutual Fund industry, it was felt necessary to study the investors attitude and opinion towards mutual fund as well as brief study about major three Mutual Fund companies operating in India namely, UTI Mutual Fund, SBI Mutual Fund and Reliance Mutual Fund.

KEYWORDS: Mutual Funds, Investors and Asset Management Company (AMC)

I. INTRODUCTION:

A mutual fund is a financial intermediary that pools the savings of investors for collective investment in a diversified portfolio of securities. A fund is "mutual" as all of its returns, minus its expenses, are shared by the fund's investors. The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 defines a mutual fund as a 'a fund established in the form of a trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities, including money market instruments'. A mutual fund serves as a link between the investor and the securities market by mobilizing savings from the investors and investing

them in the securities market to generate returns. Thus, a mutual fund is akin to portfolio management services (PMS). Financial market with broad participation it is essential for the development of economy India's first mutual fund was established in 1963 namely, Unit Trust of India (UTI) with the initiative with the government of India and reserve bank of India with the view of encouraging saving and investments & to gain profits from the acquisition, holding, management and disposal of securities.

STATEMENT OF THE PROBLEMS:

The study under investigation here is related to analysing the growth potential of mutual funds in South Bangalore city. Also the researcher makes an attempt here to investigate the impact of different factors on the growth potential of mutual fund. It is whether the mutual funds offering are in accordance to the need of the investors and the due weight age is given to their needs and requirement.

OBJECTIVES OF THE STUDY:

- **Objective 1:** To study and analyse the impact of various demographic factors like age, gender, and annual income on investors' Attitude towards mutual fund.
- **Objective 2:** To study about the factors responsible for the selection of mutual funds as an investment option.
- **Objective 3:** To measure the level of customer's satisfactions in mutual funds.
- **Objective 4:** To find out various schemes invested in mutual funds.

RESEARCH METHODOLOGY:

For measuring various phenomena and analysing the collected data effectively and efficiently to draw sound conclusions, a number of statistical techniques basically Chi-square test for testing of hypothesis has been used and for analysing the various factors responsible for investment in mutual funds, ranking was done on

the basis of weighted scores and scoring was done on the basis of scale.

CHI-SQUARE TEST:

The test statistic is more statistic that may be computed from the data sample, the test statistics serves as a decision maker, since the decision to reject or not to reject the null hypothesis depends on the magnitude of the test statistics. For qualitative data analysis and to see the association between two variables we use Chi-Square.

HYPOTHESIS:

Hypothesis 1: Association between Income and the investor’s attitude towards the mutual fund.

Null Hypothesis (Ho): The Income have no effect on performance towards the investors attitude.

Alternative Hypothesis (H1): The income has effect on attitude level of customers.

Hypothesis 2: Annual income and type of mutual fund is used-

Null Hypothesis (Ho) = There is no significant relationship between annual income and type of mutual fund used by investors

Alternate Hypothesis (H1) = There is a significant relationship between annual income and type of mutual fund used by investors.

SOURCES OF DATA COLLECTION:

This report is based on primary data and secondary data. The primary data required for this study has been obtained from questionnaire and the secondary data has been collected through various journals and websites.

DATA ANALYSIS PROCEDURE:

Chi- Square test of goodness of fit has been used. It is a powerful test for testing the significance of the discrepancy between theory and experiment as given by Karl Pearson. It enables us to find if the deviation of the experiment from theory is just by chance or it is really due to the inadequacy of the theory to fit the observed data.

II. REVIEW OF LITERATURE:

Rajeshwari. T.R, Moorthy Rama V.E., Srinivasan Ajay (1999)-The AMC’s should design products consciously to meet the investors’ needs and should be alert to capture the changing market moods and be innovative.

Mr. B.K. Singh and Mr. A.K. Jha(2009)-This study reveals that Investors basically prefer mutual funds due to return potential, liquidity and safety and that they were not aware of (SIP) Systematic Investment Plan. This study further reveals that there is no complete awareness of mutual funds and their investment plans.

John McDonald (1974)- Compared the relationship between the fund objectives and their risks and return attributes. The study concludes that, on an average the fund managers kept their portfolios within the stated risk. Some funds in the lower risk group possessed higher risk than funds in the most-risky groups.

Ravi Shanker (2002)-The theory states that mutual funds are either open or close ended financial intermediaries which obtain their resources by selling units and whose liabilities, in nature, are formally almost identical with their assets. The RBI and the government have issued detailed guidelines for an orderly and healthy development of MFs in India.

Dr. Binod Kumar Singh (March 2012)-He concluded that, most of the Investors have lack of awareness about the various functions of mutual funds. Moreover, when the demographic factors are concerned such as income, gender and level of education significantly influence the investors attitude towards mutual funds.

Dr. Ranjit Singh, Dr. Anurag Singh &Dr. H. Ramanada Singh (August 2011)- In their study they concluded that, it stresses on positioning of Mutual Funds among the small town and sub-urban investors. In the recent past the significant proportion of the investment of the urban investors is being attracted by the mutual funds. This has led to the saturation of the market in the urban areas.

III. DATA ANALYSIS AND INTERPRETATION:

TABLE NO. 1
Gender – wise classification of Respondents

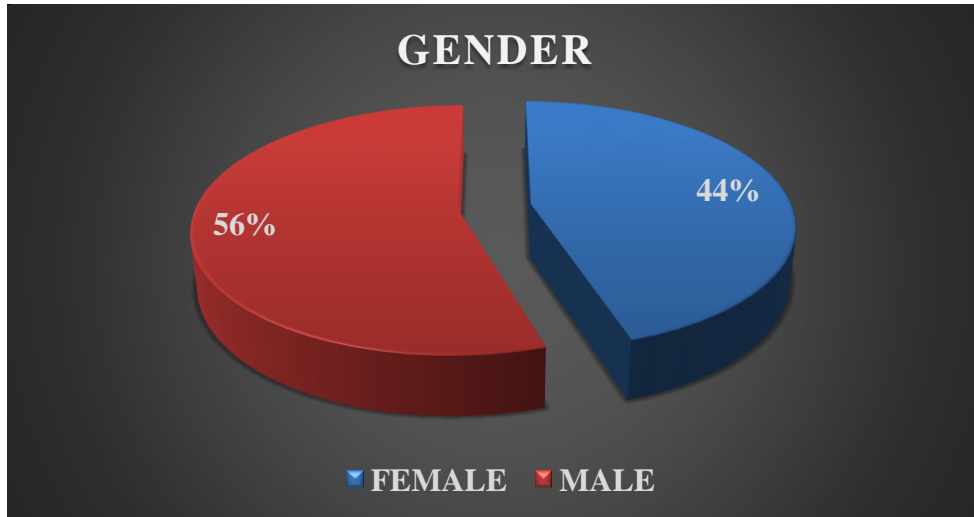
SL NO.	Gender	No of Respondents	% of Respondents
1	Female	132	44.1
2	Male	168	55.9
	Total	300	100

(Source: Primary Data)

Data Analysis: Concerning illustration for above table, 44.1% of the total respondents that is 132 out of 300 responses are female and 55.9% of the

respondent that is 168 out of total responses are male. It indicates that those greater part of the respondents are male.

GRAPH NO.1



Data Interpretation: Total number of respondents is 300 out of which 56% are male and 44% are female respondents. Hence, we can say that majority of our respondents are male and male are

more interested to invest in mutual fund than the female and due to this reason, no further analysis of gender as dependent (demographic) factor on other independent factors.

TABLE NO.2
Awareness towards mutual fund

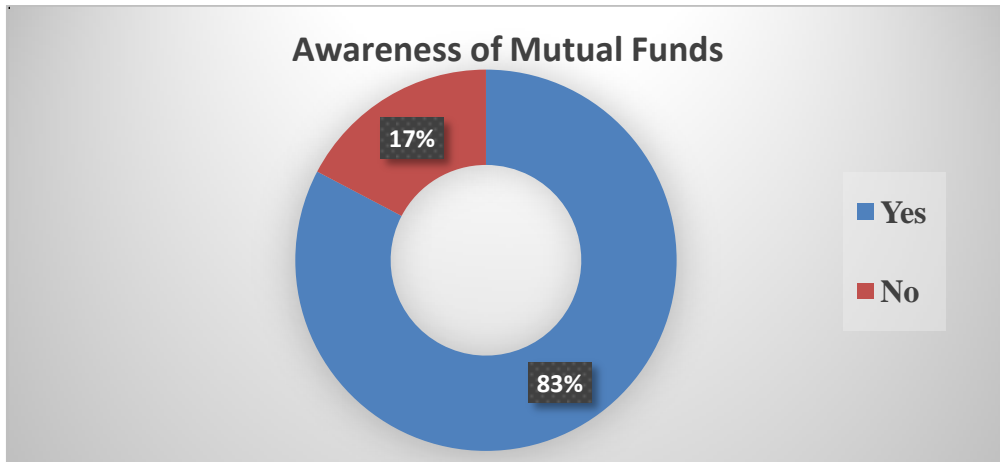
Awareness	No of Members	% of Members
Yes	248	82.7
No	52	17.3
Total	300	100

(Sources: Primary Data)

Data Analysis: In the above table, we can observe that 82.70% of the sample size are aware of mutual funds and are interested to invest in mutual funds only 17% are the people are not aware of the mutual

funds and not interested to invest in mutual funds and also this pie chart shows most of the people are known about mutual funds in one or the other way.

GRAPH NO. 2



Data Interpretation: Out of the sample surveyed, almost all of the people are aware of mutual funds. They are aware of the terms of Mutual funds, though the questionnaire cannot identify the extent of the

awareness. Through the interaction it is found that they are not actually aware of the advantages in investing mutual funds, various types of mutual funds and different schemes offered in it.

TABLE NO. 3
 Well-known mutual fund company for investment

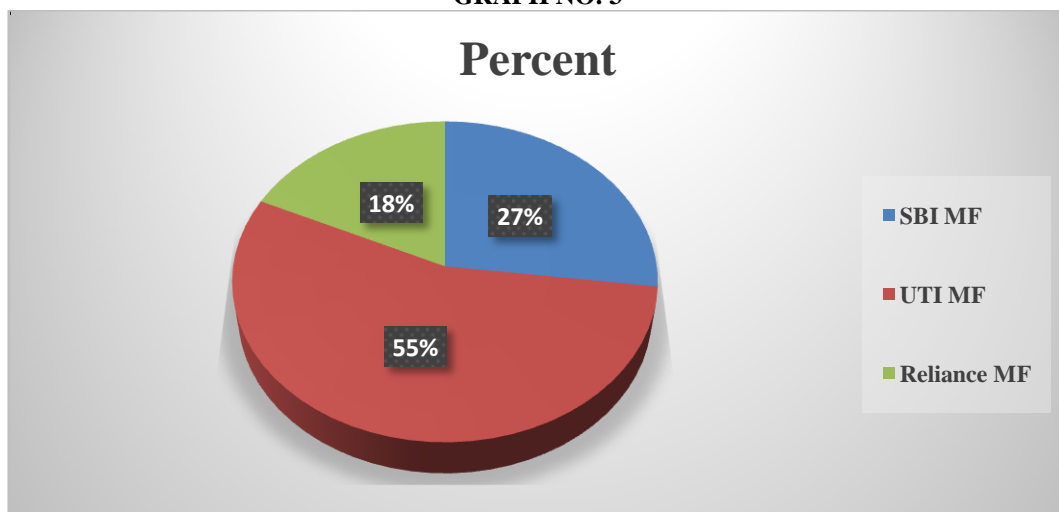
MF Companies	No of Members	% of Members
SBI Mutual Fund	81	27
UTI Mutual Fund	165	55
Reliance Mutual Fund	54	18
Total	300	100

(Source: Primary Data)

Data Analysis: In the above table, we can observe that 55% of the sample size are aware of UTI Mutual Funds, 27% of the sample size are aware of SBI Mutual Fund and only 18% of the sample size

are aware of Reliance Mutual Fund and also this pie chart shows most of the people are known about mutual funds in one or the other way.

GRAPH NO. 3



Data Interpretation: Out of the sample surveyed, almost all of the people are aware of mutual funds. They are aware of the terms of Mutual funds, though the questionnaire cannot identify the extent of the awareness. The above pie-chart represents major

mutual fund companies operating in south Bangalore. As per the research, people are more aware about UTI mutual fund than the other two mutual fund companies for investment purpose.

TABLE NO. 4
Low risky mutual fund company

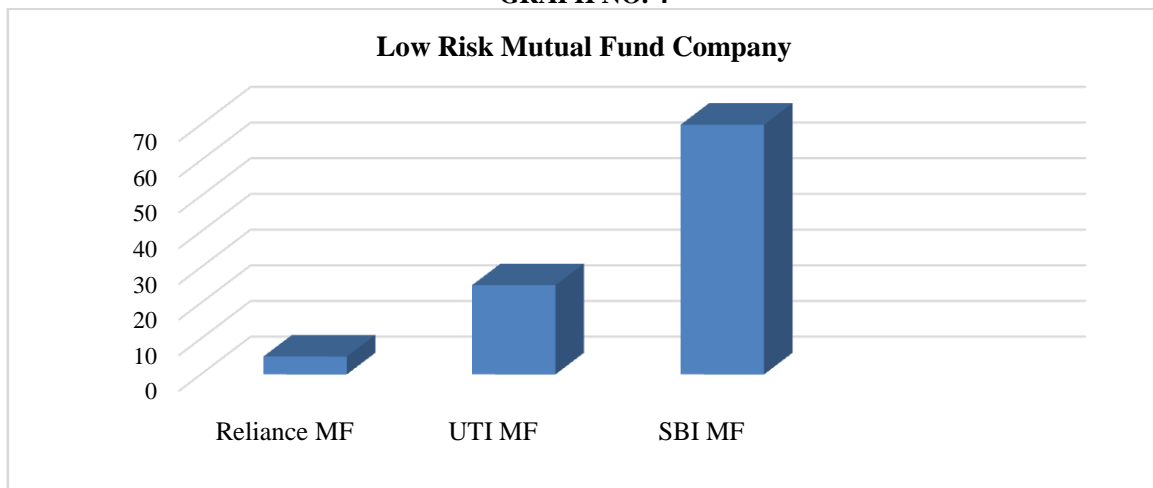
MF Company	No of Members	% of Members
UTI Mutual Fund	75	25
SBI Mutual Fund	210	70
Reliance Mutual Fund	15	5
Total	300	100

(Source: Primary Data)

Data Analysis: Table no.4 shows response of 300 respondents regarding the risk factor about the 3 major mutual companies in India. Investors always want to gain more profits for their investment. So, they figure out the companies which are less risky

and make their investment in that company. Hereout of 300 respondents, 210 respondents think that SBI mutual fund is less risky because its backed-up by State Bank of India.

GRAPH NO. 4



Data Interpretation: In the figure it clearly shows that majority of the people think that investment in SBI mutual fund is less risky compared to Reliance mutual fund and UTI mutual fund. About 70% of the respondent think SBI mutual fund is less risky to invest. 25% of the respondents think UTI mutual

fund has low risk and only 5% of the people think that Reliance mutual fund is less risky compared to other two companies. This clearly shows that Reliance mutual fund is higher in terms of risk factor.

TABLE NO. 5
Features that attract investors

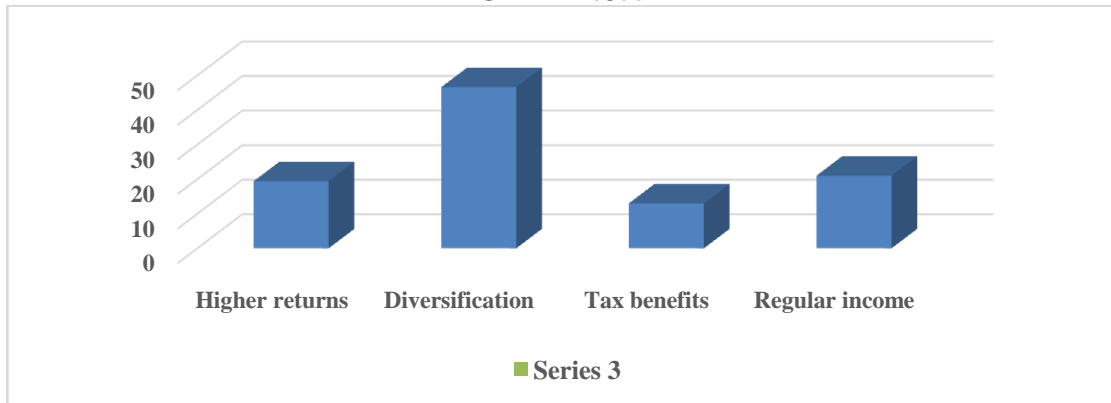
Options	No of Members	% of Members
Higher returns	58	19.4
Diversification	140	46.6
Tax benefits	39	13
Regular Income	63	21
Total	300	100

(Source: Primary Data)

Data Analysis: Table no.5 talks about features that attract the investors to invest in mutual fund. Mutual fund companies make necessary plans to attract wide range of investors by adding on certain benefits like higher returns, risk diversification, tax benefits and

regular income for the investment made. Investors always want to earn more returns with less risk factors. Such kind of investors always prefer mutual fund to diversify the portfolio and the risk factor.

GRAPH NO. 5



Data Interpretation: In this figure, it mainly talks about the key factors which will attract the investors in mutual funds. We can see that 47% of the respondents have attracted towards the diversified

investment portfolio and the distribution of the risk in various sectors, so that there will be less chances of loss the investment made.

TABLE NO. 6
Investment pattern of investors

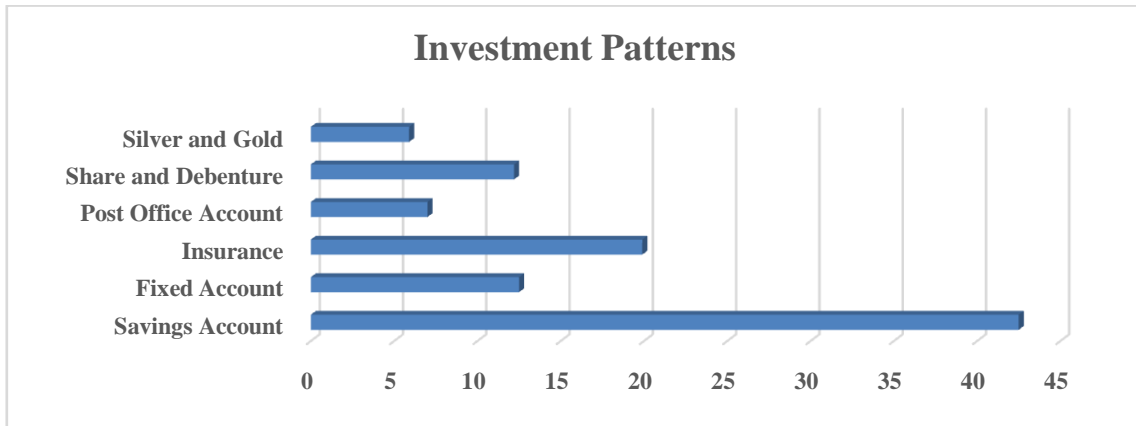
Investment Pattern	No of Members	% of Members
Savings Account	128	42.5
Fixed Account	38	12.5
Insurance	59	19.9
Post Office Account	21	7.0
Share and Debenture	36	12.2
Silver and Gold	18	5.9
Total	300	100

(Source: Primary Data)

Data Analysis: From the above table it is clear that 43% are opted for an investment in saving account deposits and 12% are opted for fixed account

deposits, insurance 20%, post office account 7%, silver and gold 6% of the total sample.

GRAPH NO. 6



Data Interpretation: The investment pattern of an investors are very important because this shows the avenues where the people are really interested to invest, here 43% have interest in saving account deposits, as it is very safe and risk free. Out of the

300 sample it is observed that those who had opted for an investment in bank as saving account and fixed account are found to be in the age group of 35 and above.

TABLE NO. 7

Institution which earned more profits during Corona Lockdown

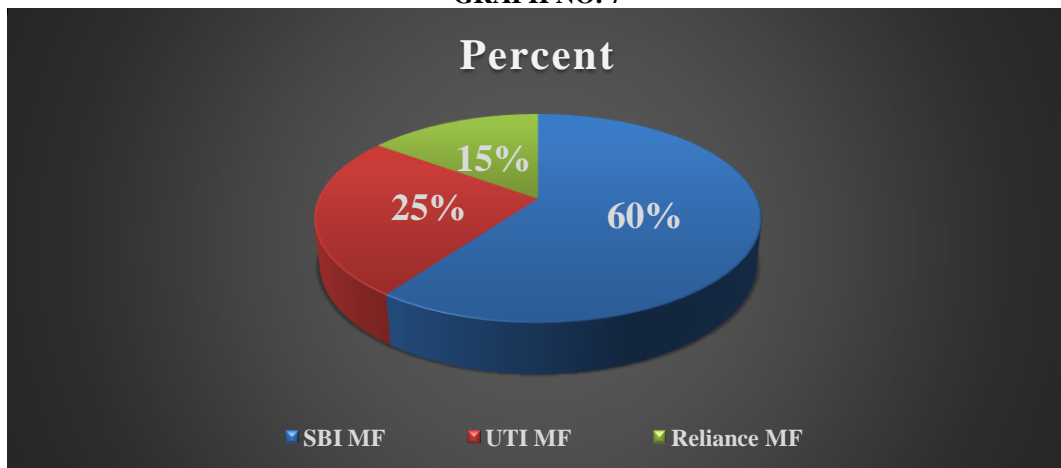
Institutions	No of Members	% of Members
SBI Mutual Fund	180	60
Reliance Mutual Fund	45	15
UTI Mutual Fund	75	25
Total	300	100

(Source: Primary Data)

Data Analysis: In the above table, we can observe that 60% of the sample size think that SBI Mutual Fund earned more profits. 25% of the sample size think that UTI Mutual Fund earned more profits.

Only 15% of the sample size think that Reliance Mutual Fund earned more profits and also this table shows most of the people are known about mutual funds in one or the other way.

GRAPH NO. 7



Data Interpretation: Out of the sample surveyed, almost all of the people are aware of mutual funds. They are aware of the terms of Mutual funds,

though the questionnaire cannot identify the extent of the awareness. The above pie-chart represents major mutual fund companies operating in south

Bangalore. As per the research, SBI Mutual Fund earned more profits and investments were made more into it because SBI Mutual Fund is backed up by Sate Bank of India and Government.

IV. FINDINGS

- The trend for investment is changing rapidly besides the traditional pattern of investment and people today they are ready to undertake risk and also bear the volatility of changing mutual fund market scenario.
- This shows that people with Middle Income Group are more attractive to this market and are ready to bear the risk.
- It is observed that 55% of the respondents are aware of UTI Mutual funds, 27% of the respondents are aware of SBI Mutual Funds and only 18% of the respondents are aware of Reliance Mutual Funds. This also shows that most of the people are known about Mutual Funds in one or the other way.
- It is observed that more businessmen were inclined towards investing in current account. The ladies were inclined to invest their money in Gold and jewelleryes. Service class people and retired class people prefer more saving and fixed deposits people with high income.
- Majority of the people think that investment in SBI mutual fund is less risky compared to Reliance mutual fund and UTI mutual fund. About 70% of the respondent think SBI mutual fund is less risky to invest. 25% of the respondents think UTI mutual fund has low risk and only 5% of the people think that Reliance mutual fund is less risky compared to other two companies. This clearly shows that Reliance mutual fund is higher in terms of risk factor.

V. CONCLUSION:

The mutual fund industry is growing at a tremendous pace. A large number of plans have come up from different financial resources. With the stock markets oaring the investors are attracted towards these schemes. Investors need a financial intermediary who provides the required knowledge and professional expertise on successful investing. As the investor always try to maximize the returns and minimize the risk. Mutual Fund satisfies these requirements by providing attractive returns with affordable risks. With the emergence of tough competition in this sector mutual funds are launching a variety of schemes which caters to the requirement of the particular class of the investors.

Risk takers for getting capital appreciations should invest in growth and equity schemes. Investors who are in need of regular income should invest in income plan. The Indian investors generally invest over period of 2-3 years also there is a tendency to invest in fixed deposits due to the security attached to it. According to the research UTI and SBI Mutual Funds is less risky to invest than Reliance Mutual Fund because these two mutual funds are backed up by Indian Government whereas Reliance Mutual Fund comes under a private sector which is not backed up by Indian Government. This clearly shows that Reliance Mutual Fund is higher in terms of risk factor.

Finally, I would like to conclude that in order to excel and make mutual funds a success, companies still need to create awareness and understand the behaviour of the Indian customer.

REFERANCES:

- [1]. Indian Mutual Funds Handbook (5th Edition): A Guide for Industry Professionals and Intelligent Investors. Book by Sundar Sankaran published in the year 2003.
- [2]. Mutual funds- Ladder to Wealth Creation. Book by Vivek K. Negi in the year 2012.
- [3]. 108 Questions and Answers on Mutual Funds And SIP. Book by Yadnya investments published on 18th august 2017.
- [4]. Mutual Funds Made Easy Author: Gerald Perritt in the year 1995.
- [5]. Bogle on Mutual Funds: New Perspectives For The Intelligent Investors. Book by John C. Bogle in the year 1993.

WEBSITES:

- [6]. www.amfiindia.com
- [7]. www.moneycontrol.com
- [8]. www.njgroup.in
- [9]. www.investopedia.com
- [10]. www.investor.sebi.gov.in
- [11]. <https://www.sbimf.com/en-us>
- [12]. <https://groww.in/mutual-funds/amc/sbi-mutual-funds>
- [13]. <https://groww.in/mutual-funds/amc/uti-mutual-funds>
- [14]. <https://www.moneycontrol.com/mutual-funds/amc-details/UTI>
- [15]. <https://groww.in/mutual-funds/amc/reliance-mutual-funds>
- [16]. <https://www.nipponindiamf.com/WhyRelianceMutualFund>



**International Journal of Advances in
Engineering and Management**

ISSN: 2395-5252



IJAEM

Volume: 02

Issue: 01

DOI: 10.35629/5252

www.ijaem.net

Email id: ijaem.paper@gmail.com