A Study on Investor’s Attitude towards Mutual Funds as an Investment Option

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Abstract

“Mutual funds are subject to market risks. Please read the offer documents carefully before investing” it’s a known fact. Most of the general public believe on this phrase and they assume blindly that mutual funds are completely risky. Financial markets are becoming more extensive with wide-ranging financial products trying innovations in designing mutual funds portfolio but these changes need unification in correspondence with investor’s expectations. Thus, it has become imperative to study mutual funds from a different angle, which is to focus on investor’s perception and expectations. This research paper will focus attention on number of factors that highlights investors’ perception and also the reasons for their discontentment about investing in mutual funds. It also examines on why Equity option and SIP mode of investment are not on top priority in investors’ list.

Key Words: Investor behaviour, mutual funds, SIP etc.
1. Introduction

Mutual Funds are subjected to market risks please read the offer documents carefully before investing. This is a famous phrase that is always being mentioned in the brochures, pamphlets and even in the application forms. There are around forty Asset Management Companies (AMC) in INDIA and in this only few are predominantly acceptable and known to the general public. This is being monitored and guided by Securities Exchange Board of India (SEBI) similar like Insurance Regulatory Development Authority (IRDA) for Insurance companies.

This is not a one man show and it is not being supported by any one individual but it is totally depended upon the market situations. Moreover there are three option of investing segments like online, guidance of adviser and by banking sectors. In today’s situation most of the Mutual Funds are being supported by Banking Sectors like HDFC, ICICI, SBI, CANERA, etc. There are funds which are totally risky and many more funds which are less risk and risk free funds.

Equity, Balance, Debt, Sector funds are four main schemes of Mutual Fund which are prevailing and there are many more. Where Equity funds means it is hundred percentage investing in the Share Market which is fully risky. Similarly Sector, Automobiles, Pharma, Infrastructure funds which hundred percentage risky. Balance funds are which is fifty percentage risky and fifty risk free. Debt funds are totally risk free similar like bank deposits where it is totally invested on Government Bond papers, Debentures, etc.

Likewise there is perfect transparency and corruption free within the Mutual Fund Companies. Where no dealings are done in liquid cash it is being done by cheques and Net Banking which are trust worthy. A Mutual Fund is an investment vehicle, which pools money from investors with common investment objectives. It then invests their money in multiple assets, in accordance with the stated objective of the scheme. The investments are made by an AMC which is being mentioned earlier.

2. Objectives of Study

- To study the investors’ attitude and interest towards Mutual Funds.
- To analyse the socio–economic profile of investors towards Mutual Funds.

3. Research Design

This research study is an analytical and descriptive research. It is related to the analysis of attitude of investors towards Mutual Fund. In order to conduct this study, hundred investors of Vellore District of Tamil Nadu have been considered.

4. Sources of Data

All the data required for this research work is obtained from primary and secondary sources. Mainly questionnaire has been used as a primary instrument.
5. Sampling Plan

**Target Population:** Vellore District of Tamil Nadu

**Sampling Unit:** Individual investors of Vellore District of Tamil Nadu

**Sampling Method:** Random Sampling

**Sample size:** 100

6. Data Interpretation

**Figure 1:** Inference – From the Pie Chart we can understand that Most of the Respondents Prefer to Invest Less on Mutual Funds

**Figure 2:** Inference – Liquidity is the Preferred Factor of Investing in Mutual Funds
Figure 3: Inference- 92% of the Respondents have Not all Invested in Mutual Funds

![Pie Chart showing 92% of respondents have not invested in mutual funds](chart1.png)

Figure 4: Inference – There is no Exact Reason for Not Investing Money on Mutual Funds

![Bar Chart showing reasons for not investing in mutual funds](chart2.png)
Figure 5: Inference - Respondents do not Consider Themselves as Mutual Fund Investor because of Ignorance and Lack of Full Knowledge

<table>
<thead>
<tr>
<th>where do you find yourself as a mutual investor</th>
</tr>
</thead>
<tbody>
<tr>
<td>totally ignorant</td>
</tr>
<tr>
<td>32</td>
</tr>
</tbody>
</table>

Figure 6: Inference – Advertisements form the Major Source of Information While Investing on Mutual Funds

how did you come to know about mutual funds?

- advertisement: 43%
- financial advisors: 30%
- banks: 12%
- peer group: 15%
Figure 7: Inference - Most of the Respondents Prefer Open Ended Mutual Funds

![Bar Chart]

Figure 8: Inference – Diversification Feature is Felt to be More Attractive While Investing in Mutual Funds.

![Bar Chart]
Figure 9: Inference – the Most Preferred Company for AMC is HDFC Bank in Vellore

Which AMC will you prefer the most?

<table>
<thead>
<tr>
<th>AMC</th>
<th>Preference</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDFC</td>
<td>45</td>
</tr>
<tr>
<td>ICICI</td>
<td>18</td>
</tr>
<tr>
<td>UTI</td>
<td>9</td>
</tr>
<tr>
<td>RELIANCE</td>
<td>11</td>
</tr>
<tr>
<td>OTHERS</td>
<td>17</td>
</tr>
</tbody>
</table>

Figure 10: Inference – Majority of the Respondents Prefer One Time Investment Only

Which mode of investment will you prefer?

- one time investment: 62%
- systematic investment plan: 38%
7. Findings
1. At current scenario, Mutual Funds are safe and no risk
2. Low risk low profit high risk high profit.
3. Mutual funds are now being a good source of savings for the family benefits.
4. Minimum fd rate must be assured with the ease of liquidity
5. Many are not aware of mutual funds...make your research paper as simple to understand

8. Suggestions
- Mutual Fund AMC’s must guide the investor in a proper and a diligent manner by a intermediary like Advisors or Respective AMC branch sales manager. From the above bar graph it is proved that there are investors who were misguided by the wrong influence and selling by few bankers. Detailed reports of pros and cons have to be mentioned and clarified to the Investors by only proper channel namely – Brokers / Financial advisors with the authorized Acquirer Reference Number (ARN). Similarly the terminologies of these Mutual Fund’s brochures, pamphlets, application forms and monthly statement need to be Investor friendly and at a layman level. There need a periodic meetings held by the AMC’s for the benefit of the Investors as there is always a lack of awareness and if there is any grievances, then it has be solved within the specific assured time.
- Moreover, nothing is possible without a drop of risk essence in this era of Investment. So investors need to diversify their investments in the Mutual Fund as like Systematic Investment Plan (SIP), Long-term, Short-term, One-time investment, etc. Nowadays investors are more preferable towards SIP’s as their main requirement is risk-free or low
risk and to get better returns compared to banking sectors. All these can be attainable only if the investors have the savings mentality, even though the Indians have the mentality of saving more when compared to other countries but still they should have forbearance and reliability towards the mutual funds.

- Likewise, the AMC’s should make the public realise about the safety of money as there is always a lack of reliability due to the changes in the market scenario. Hence forth it is in the hands of the investors as its merely similar to “Caveat Emptor” – Let the buyer be aware.

9. Conclusion

The study reflects that there are still more people who lack awareness of the Mutual Fund and schemes related to it. Moreover, these are dependent upon factors like age, salary and family. The most important point that lacks is confidence and reliability towards Mutual Funds. Similarly there are group of people who are preferable towards Government sectors as their interest rates are assured example - banks. Likewise investors need to be educated and motivated about the Mutual Funds and investing in it. Due to the influences of banks in India, the citizens of India are more upon fixed returns in the specified time period, whereas this is not possible in Mutual funds as it is related with the market situation. Apart from the above, India has an open potential market for Mutual funds as there has been a reduction in the interest rates in the Banking Sectors. Additional to this India has an option of investing in a Tax benefit fund at the time of tax payment during that particular financial year which will fetch some exemption as it is being a step of motivation for the working class of general public.

References


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