



ELK

Asia Pacific Journals

*ELK Asia Pacific Journals – Special Issue*

*ISBN : 978-93-855370-1-1*

## **IS MUTUAL FUND A PREFERRED AVENUE FOR INVESTMENTS**

**Priyanka Kapoor**  
Research Scholar,  
Amity University, Lucknow

**Dr Shobhit Goel**  
Faculty, Amity University, Lucknow  
Ph. +91 9415469880  
E-mail. [drshobhitgoel@gmail.com](mailto:drshobhitgoel@gmail.com)

### **ABSTRACT**

**The advent of Mutual Funds changed the way the world invested their money. The start of Mutual Funds gave an opportunity to the common man to hope of high returns from their investments when compared to other traditional sources of investment. The main focus of the study is to understand the attitude, awareness and preferences of mutual fund investors. Most of the respondents prefer systematic investment plans and got their source of information primarily from banks and financial advisors. Investors preferred mutual funds mainly for professional fund management and better returns and assessed funds mainly through Net Asset Values and past performance.**

**Keywords-** Mutual Funds, Investors

### **INTRODUCTION**

India is predominantly known as the next big investment economy, reflected by high savings and investment rate, as compared to other world economies. In today's ever changing market environment, mutual funds are considered upon as a transparent and low cost investment avenue, which appeals a fair share of investor attention leading to growth of the industry. The financial sector in India is unceasingly

evolving for which credit goes to regulatory modifications being undertaken, which is leading market participants like the asset management companies (AMCs) and distributors to restructure their strategies and adopt business models which will yield sustainable benefits both for the investor and also for the economy as a whole. The introduction of Mutual Funds globally changed the way the world invested their money. The mutual fund industry is spread all over the world with US alone accounting for over 50% of it. The schemes offered all over the world are similar in their basic structure though they differ in numbers and with some countries having specialized schemes.

### **Mutual Funds in India**

Since the 1990's when the mutual fund universe opened up to the private sector, the industry has navigated a long path, adapting itself consistently, to the changes that have come along. The Indian mutual fund industry is passing through a phase of transformation. It is witnessing a number of regulatory developments on one side, while



ELK

Asia Pacific Journals

on the other, the overall economy is just recovering from the global crisis of 2008. Growth in Assets under Management (AUM) experience has been unprecedented, growing at a CAGR of 28% over the last four years, and witnessed a growth of almost 17 % alone in last one year. It had been slowing down only over the last few years, as outcome of the global economic slowdown and financial crisis. According to Association of Mutual Funds in India (AMFI), a body that is dedicated to develop mutual fund industry on professional, healthy and ethical lines in India, at present, there are 43 Asset Management Companies (AMCs) functioning in India, which comprises of 32 domestic and 11 foreign fund houses. The break up can also be done in respect of Bank Sponsored AMC (7), Institutional Sponsored (2) and private players (34). The Assets Under Management (AUM) of the Indian mutual fund industry as on March 31, 2016 (as per AMFI Monthly data) has witnessed a increase of 13.73% to Rs. 13, 58,844 crores on a year on year basis, on account of substantial inflows from equity, liquid and income schemes. The total number of schemes under operation is 11755 with ICICI Prudential Mutual Fund at the top with 1555 schemes and IIFCL Mutual Fund at the lowest with one scheme.

*ELK Asia Pacific Journals – Special Issue*  
*ISBN : 978-93-855370-1-1*

### **Objectives of the Study**

An attempt was made in the present study to understand the attitude, awareness and preferences of mutual fund investors, along with the factors influencing the investors in selection of fund and their preferences for various investment avenues.

To be specific following are the main objectives of the present research study:

1. Preference of respondents towards mutual funds
2. Investor's preference for future investment avenues

### **Methodology**

Lucknow, Barabanki and Sitapur cities of Uttar Pradesh forms the study area. Considering the time and other resource constraints of the researcher, total sample size of the mutual fund investors was fixed as 90 i.e 30 per each city. Personal interview method was employed for collecting the needed information. The most commonly used tools to analyze the mutual fund investors were Percentage analysis, Garrett ranking.

### **Findings and Discussions (Refer Table No.1)**

As per the investor preferences, about 65 per cent of investors preferred equity funds followed by balanced funds (18.75 per cent)



ELK

Asia Pacific Journals

and that indicated that more than sixty percent of the respondents were risk takers interested in investment growth. Nearly 72.50 per cent of investors preferred open - ended funds with systematic investment plans (SIP) having a tenure period of two to five years and 38.75 per cent of investors preferred to invest Rs 1000 per month followed by Rs 2000 (37.50 per cent). Thus it is inferred that middle aged, married long term investors preferring having a family size 3-5 preferred SIP. These investors wanted their investments on piece meal basis to meet their need for money in future. About 28.75 per cent of the investors knew about mutual funds from banks followed by financial advisors (23.75 per cent) as they had access to banking facilities and advice from financial advisors. As per the study 26.25 per cent of respondents preferred Reliance Mutual Fund followed by ICICI Prudential Mutual Fund (21.25 per cent). Transparency of investment and other services provided made investors to prefer the Reliance, ICICI AMCs.

### **Investor's Preference for Future Investment Avenues**

The respondents were asked to rank their investment preferences for various investment avenues they were willing to invest in future. The reasons were analysed

*ELK Asia Pacific Journals – Special Issue  
ISBN : 978-93-855370-1-1*

using Garrett ranking technique and the results are presented in the table below: **(Refer Table No.2)** It could be seen that investment in gold ranked first, followed by investment in shares, real estate, mutual funds, fixed deposits, post office savings, debentures, ULIPS, commodity market. The least preference was given to investment in National Saving Certificate (NSC). The respondents gave their first preference to gold, because it is not a perishable product and can be bought and sold at any time and preference towards shares is because they are most liquid compared to any other investment vehicle Respondent's interest towards investment in fixed deposits is increasing not only due to hike in policy rates but also believe that their investment is risk free. The respondent's investment towards commodity and currency market is very low because of lack of knowledge towards it and moreover it is highly risky asset to invest, though the returns are high.

### **Suggestions**

1. Comparative performance of various mutual fund schemes offered by different companies should be considered before deciding on the investment in mutual funds.



ELK

Asia Pacific Journals

2. Scientific appraisal of professional expertise of fund managers could help the investors in understanding the performance of mutual fund schemes.
3. Investors in mutual funds should be aware of status of different sectors like power, infrastructure, banking, pharmaceuticals and health before selecting a scheme.
4. Investor's should be aware not only the updates of the scheme selected but also should know the latest SEBI guidelines.

### **Conclusion**

The aggressive market that can tap any individual is financial services. Investors have their individual risk appetite and believe in the market they are entering in. In this volatile market environment mutual funds play an active role not only in promoting a healthy capital market but also increase liquidity in the money market. They have been identified as one of the important factor pushing up the market prices of securities .The analysis of the above study helps us to understand the attitude and behaviour of the investor based on their preferences. Based on the above approach, it can be noted that investors ought to be cautious in selecting the

*ELK Asia Pacific Journals – Special Issue  
ISBN : 978-93-855370-1-1*

schemes, sectors and various asset management companies. Mutual fund industry which has enormous growth, if better controlled by market regulators with their strict regulations, the resources can be better allocated in an emerging market economy.

### **References**

1. Babu, M. and Indumathi. 2008. Indian Mutual Fund Industry – an Overview. SMART Journal of Business management studies. 4(1):pp.72-79
2. Greider, E. Jenice, quoted by Rai and Musafir. 1994. Factors Influencing Investment Decisions, Indian Capital Markets – Trends and Dimensions, Tata McGraw-Hill Publishing Company Ltd., New Delhi, 2000
3. Gupta, M. and S. Chander. 2011. Consideration of Sources of Information as Selection Criteria in Mutual Fund Purchase: A Comparative Study of Retail and Non-Retail Investors. IUP Journal of Applied Finance. 17(1): pp. 27-42.
4. Malhotra, D. and R. McLeod. 1997. An Empirical Analysis of Mutual Fund Expenses. Journal of



ELK

Asia Pacific Journals

- Financial Research. 20(2): pp. 175-190.
5. Mishra, B. 2001. A Study of Mutual Funds in India, Unpublished Research Paper under the Aegis of Faculty of Management Studies, University of Delhi.
  6. Muthappan, P. K. 2006. Problems and Prospects of Mutual Funds An Empirical Analysis. SMART Journal of Business Management Studies. 2(1): pp.98-101
  7. Rachel, G. A. 2009. Mutual Funds and Investors Interest. Chartered Secretary. 22(1): pp. 23-24.
  8. Rajan, R. 1997. Investment size based segmentation of individual investors. Management Researcher. 3(3 & 4): pp. 21-28.
  9. Ranganathan and Kavitha. 2006. A Study of Fund Selection Behaviour of Individual Investors towards Mutual Funds - with Reference to Mumbai City. Indian Institute of Capital Markets, 9th Capital Markets Conference Paper.
  10. Sankaran Sundar. 2009. Indian Mutual Funds Hand Book. Orient paper backs. Chapter 1. p.4
  11. Shajahan, U. S. and R. Archana 2008. A Study on Factors Influencing the Investment on Mutual Fund. Global Management Review. 2(5): pp.39-43.
  12. Soumya, S. and D. Munmun. 2011. Analysis of Factors Affecting Investors' Perception of Mutual Fund Investment. The IUP Journal of Management Research. 10(2): pp.23-44.
  13. Thomas. T.C.2007.A Study of Service Quality on Investment Attributes of Equity Oriented Mutual Funds. Journal of Contemporary Research in Management. 1(1,2): pp.1-8.
  14. Vanniarajan, T. and P. Gurunathan. 2007. Mutual Funds -A customer Centric Analysis. Indian Journal of Accounting. 37(2): pp.9-17.
  15. Vijayalakshmi, R. and R. Jayasathya. 2009. A Study on the Factors Influencing the Selection of Mutual Fund Company. Journal of Contemporary Research in Management. 11(9): pp. 145-152.



ELK

Asia Pacific Journals

*ELK Asia Pacific Journals – Special Issue*  
*ISBN : 978-93-855370-1-1*

**LIST OF TABLES:**

**TABLE 1 Preference of Respondents towards Mutual Funds**

<b>S.NO</b>	<b>Variable</b>	<b>Category</b>	<b>Per cent</b>
1	Scheme	Equity fund ,	65.00
		Debt fund	16.25
		Balanced fund	18.75
2	Scheme	Open – ended	72.50
		Close – ended	27.50
3	Mode of Investment	One time Investment	27.50
		Systematic Investment Plan (SIP)	72.50
4	Levels of Investment (monthly)	Rs.1000	38.75
		Rs.2000	37.50
		Rs.3000	8.75
		Rs.5000	15.00
5	Tenure of Investment below	1 year	13.75
		1-2 year	30.00
		2-5 year	38.75
		Above 5 years	17.50
6	Preferred Scheme	New Fund Offer	23.75
		Existing schemes	76.25
7	Source of Information	Advertisement	17.50
		Information from friends	18.75
		Bank	28.75
		Financial Advisors	23.75
		Canvassing by agents	11.25
8	Type of AMC preferred	SBI MF	15.00
		UTI AMC	13.75
		HDFC AMC	12.50
		Reliance AMC	26.25
		ICICI Prudential AMC	21.25
	Other AMCs	11.25	



**Table 2 Investor’s Preference for Future Investment Avenues**

<b>S. No</b>	<b>Kind of Investments</b>	<b>Garrett score</b>	<b>Rank</b>
1	Gold	89.92	1
2	Shares	84.37	2
3	Real estate	79.45	3
4	Mutual funds	74.34	4
5	Fixed deposits	71.27	5
6	Post office Saving	68.63	6
7	Insurance	60.27	7
8	Debentures/bonds	53.76	8
	ULIPS	51.09	9
	Commodity market(metals)	49.56	10
11	Commodity market(agri )	47.89	11
12	Currency market	41.64	12
13	National Saving Certificate	40.35	13