



A Study on Investors' Attitude towards Mutual Funds as an Investment Option

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ABSTRACT

In this paper, structure of mutual fund, operations of mutual fund, and comparison between investments in mutual fund and other investment schemes and calculation of NAV etc. have been considered. In this paper, the impacts of various demographic factors on investors' attitude towards mutual fund have been studied. For measuring various phenomena and analysing the collected data effectively and efficiently for drawing sound conclusions, percentage method has been used and for analysing the various factors responsible for investment in mutual funds.

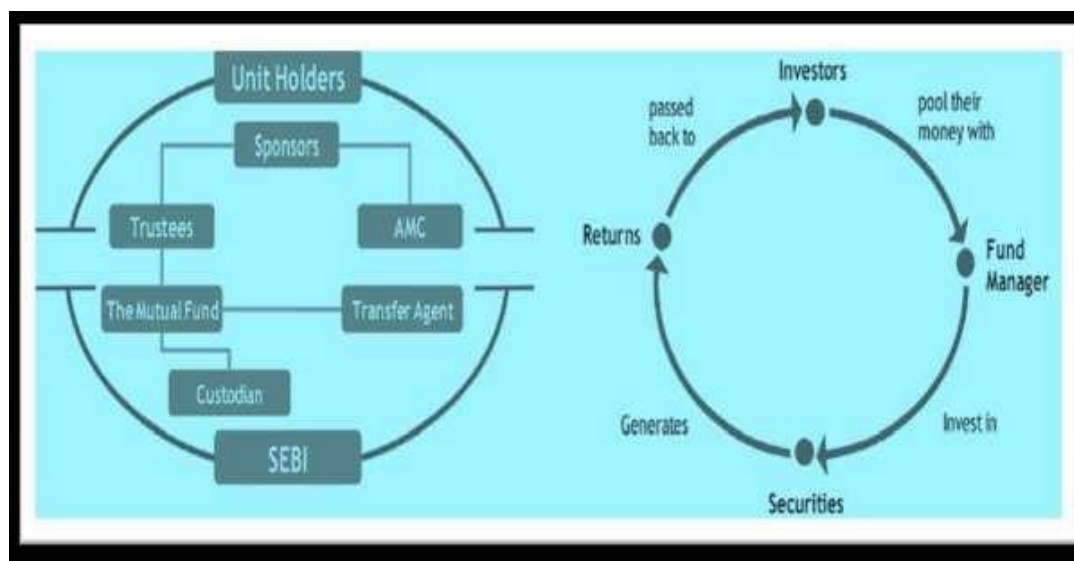
KEY WORDS: Investor Attitude, Mutual Fund, Pool Of Money And Risk And Return, Sources Of Information

INTRODUCTION

A mutual fund is a collection of money from investors that is invested in accordance with specific investment possibilities. A mutual fund is a trust that pools the savings of a group of individuals with similar financial objectives. When investors pool their funds, a mutual fund is formed. As a result, it is a —investor's fund pool. The funds raised are subsequently invested in capital market instruments such as stocks, bonds, and other assets. The income generated by these assets, as well as the capital gains obtained, are distributed to unit holders in proportion to the number of units they own. The contributors and beneficiaries of a fund are the same class of people, namely investors, which is one of the most essential qualities of a fund. A mutual fund is a type of investment vehicle that gives small investors access to a well-diversified portfolio of stocks, bonds, and other assets.

The risk of investing in securities is lessened since it is spread across a wide range of industries and sectors. Because all stocks may not move in the same direction in the same proportion at the same time, diversification decreases risk. Mutual funds issue units to investors based on the amount of money they have invested. Unit holders are people who invest in mutual funds.

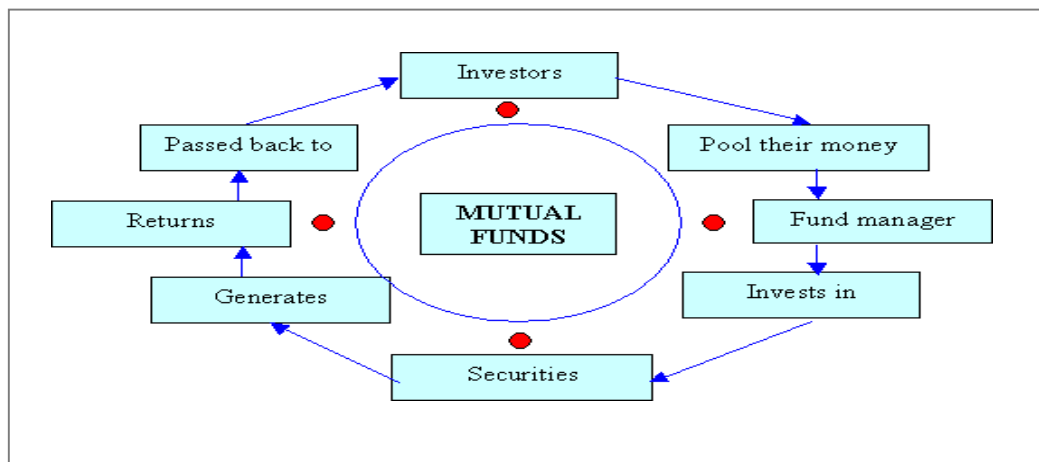
MUTUALFUNDOPERATION FLOWCHART :



Market risks apply to mutual funds; please read the offer documentation carefully before investing. This is a well-known phrase that appears frequently in flyers, pamphlets, and even application forms. In India, there are approximately forty Asset Management Companies (AMCs), however just a few are well accepted and well-known. The Securities Exchange Board of India (SEBI), which is analogous to the Insurance Regulatory Development Authority (IRDA) for insurance businesses, is monitoring and guiding this. The bond or fixed income fund, the equity fund, the balanced fund, and the money market fund are the four basic mutual funds.

A mutual fund is a trust that includes a sponsor, trustee, asset management company (AMC), and custodian. A sponsor is a person who launches a mutual fund, either alone or in conjunction with other entities. The sponsor must provide at least 40% of the investment's net worth and meet the eligibility conditions set forth in the Securities and Exchange Board of India (SEBI-Mutual Fund) regulations of 1996. Beyond the initial contribution paid to start up the mutual fund, the sponsor is not liable for any loss or shortfall originating from the operation of the schemes.

Structure of mutual funds :



• Net Asset Value (NAV):

What exactly is NAV?

The market value of a mutual fund unit is its Net Asset Value (NAV). The market value per fund unit determines the overall cost of a mutual fund. The NAV is calculated by adding the market value of all the fund's shares and dividing it by the total number of mutual fund units.

The fund's NAV is just the price per share. Mutual funds have a net asset value, similar to stocks, which have a share price.

In general, mutual fund units start at \$10 and rise as the fund's assets under management increase. As a result, a well-known fund will have a larger net asset value than a lesser-known one.

How is NAV calculated?

• Calculation of Net Asset Value in General

If a mutual fund's NAV is \$500, you'll have to pay that amount for one unit of that mutual fund. In contrast, if you invest \$5,000 in a mutual fund with a net asset value of \$500, you will be permitted to purchase 10 units of that fund.

The total cost of all the shares in an equity fund is the cost of the fund. These price swings are related to share market volatility, which is why mutual fund portfolios have a daily value.

• Calculation of the NAV on a daily basis

Each day, after the stock market closes at 3:30 p.m., all mutual companies evaluate the value of their portfolio. The market reopens the next day with the closing share values from the previous day. Using the following formula, the fund house deducts all existing liabilities and expenses to compute the day's net asset value (NAV).

$$[\text{Assets} - (\text{Liabilities} + \text{Expenses})] = \text{Net Asset Value} / \text{The number of units that are still available}$$

A mutual fund scheme's assets are split between securities and liquid cash. Equity, debentures, bonds, and commercial papers are all examples of securities. Interest and dividends are also included in the assets.

The net asset value of the fund is calculated by adding the cash amount in the bank account and subtracting the money payable to others. The daily expenses of managing a fund are also deducted by the fund management.

When you divide total asset value by the number of mutual fund units released so far, you get the cost per unit on a daily basis.

REVIEW OF LITERATURE

1. Simran Saini, Dr.BimalAnjum, and Ramandeep Saini (2011) conducted research on mutual fund awareness and perception. To investigate the expansion of the mutual fund business in India and to assess investor awareness and perceptions of mutual fund investing. The historical performance and stability of the mutual fund scheme are the most essential features that attract investors when picking a mutual fund scheme. According to the findings, the primary elements that can restore investor confidence in mutual funds are qualification, occupation, and yearly family income. The study's key findings concern investors' perceptions of many characteristics of mutual funds, such as their principal aim, their knowledge of SIP, and their perceptions of financial counselors and brokers as sources of information.
2. A study on investors' attitudes regarding mutual funds as an investment choice was undertaken by Dr.Binod Kumar Singh (2012). To investigate and assess the impact of various demographic parameters on investors' views about mutual funds, as well as the factors that influence their decision to invest in mutual funds.
3. Arathy B, Aswathy A Nair, AnjuSai P, Pravitha N R (2015) did a study on the factors influencing mutual fund investment and retail investor preference. The mutual fund factor has a variety of programs that provide varied rewards. The goal of this study is to investigate the factors that influence mutual fund investment decisions. To investigate the elements that influence retail mutual fund investors' investment decisions. The majority of investors agree that investing in mutual funds will improve their financial situation.
4. In their study titled Investor attitude towards mutual funds investing, Dr. Bharti Wadhwa, Dr.AnubhaVashisht, and Ms.Davinder Kaur (2015). The purpose of this research is to look into and analyze the effects of various demographic characteristics on investors' attitudes about mutual funds. To investigate and rank the elements that influence the decision to invest in mutual funds. Factor analysis decreases the number of variables to a manageable quantity that can explain the observed variance across a large number of variables.
5. A study on investors' attitudes regarding mutual funds as an investment choice was undertaken by A.V.V.S. Subbalakshmi and R. Balachandar (2017). To investigate investors' attitudes and interest in mutual funds, as well as the socioeconomic profile of mutual fund investors. In terms of value, the most favoured AMC is HDFC Bank, while the majority of respondents prefer open ended mutual funds. Mutual funds are currently a good source of savings for the benefit of the family.
6. RajanBilasBajracharya (2017) conducted a study on the attitudes of investors toward mutual funds in Kathmandu, Nepal. The goal of this research is to investigate the impact of various socioeconomic and demographic variables on investors' attitudes toward mutual funds, as well as the various sources that investors utilize to make investment decisions based on their preferences. Due to a lack of expertise and resources, mutual fund investors can acquire access to investment opportunities that would otherwise be unavailable to them.

OBJECTIVES OF THE STUDY

1. To investigate investors' attitudes on mutual fund investments in Vadodara.
2. To investigate the demographic aspects that influence investors' decisions to invest in mutual funds.
3. To learn about investors' preferences for mutual fund investments in Vadodara.
4. To find out which age groups and income levels favor mutual funds over other investing options.

RESEARCH DESIGN / METHODOLOGY

The research is descriptive in nature. To characterize everything that falls under, descriptive research was used.

Research Design:

The study's research design is descriptive research. To characterize everything that falls under, descriptive research was used.

Source of Data:

A questionnaire will be used as a source of data, and the investors will react to it. We will then evaluate the data and come up with a conclusion.

Data acquisition:

For data collecting, we'll leverage primary data and conduct an online survey using the Google form approach.

Population:

Investors who invest in mutual funds will be the target population.

Sampling Design

- Sampling size – 100
- Respondent - investors invest in mutual fund.
- Research Tool – Questionnaire
- Sample Method – Convenience sampling

Limitations of the study:

The study's limitations are as follows:

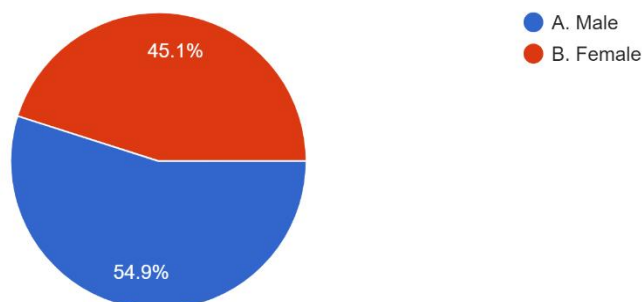
1. The research is limited to the city of Vadodara.
2. The sample size shall be limited to no more than 100 people.
3. The study's time frame was constrained.
4. The researcher will have to rely on information provided by respondents, which may or may not be entirely accurate.

DATA ANALYSIS AND INTERPRETATION

- As we can see pie chart shows the distribution of the study gender wise, that out of 120 respondents' 55% investors are male and 45% investors are females. This means the majority of the investors are male in Vadodara city.

2. Gender

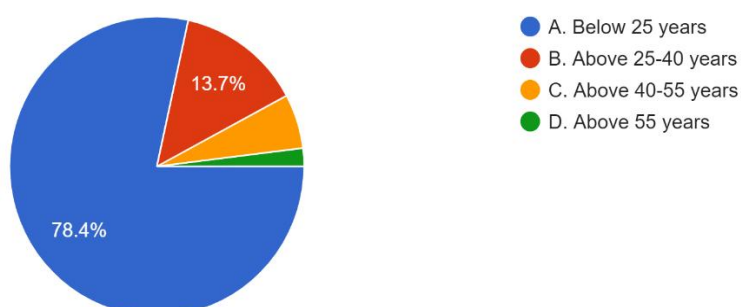
102 responses



Out of 100 respondents 78% respondents are below 25 years age, 13% respondents are belonging age of above 25-40, 7% respondents are belonging age group of above 40-55, and 2% respondents have age above 55. Above chart shows that majority of the respondents have age group of Below 25 years and above 25-40 years.

3. Age

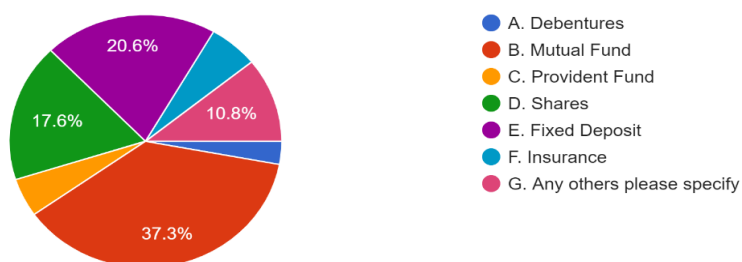
102 responses



The figure it is shown that out of 100 respondents 5% Investors preferred provident fund, 20% fixed deposit, 4% debentures, 6% insurance, 17% Shares, and 37% Mutual fund. It shows that Mutual fund has gained popularity among the investors and they also prefer it as an Investment

7. What kind of financial investment do you prefer most?

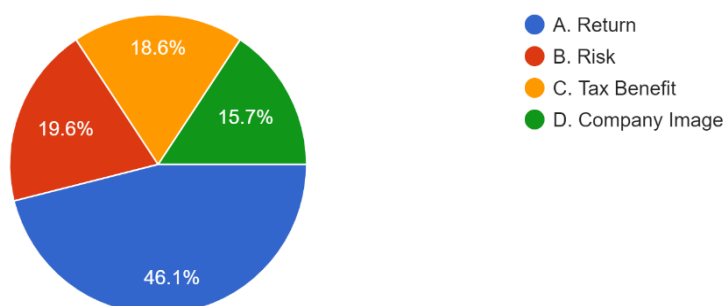
102 responses



This figure mainly suggests about factors considered by investors while investing their money in different financial product. It is found that mostly 46% respondents are look at higher return on their money, 19% respondents are look at tax benefit on their money, 16% respondents are look at company image and 19% respondents are look at the risk while investing their money.

8. While investing your money, which factors you considered most?

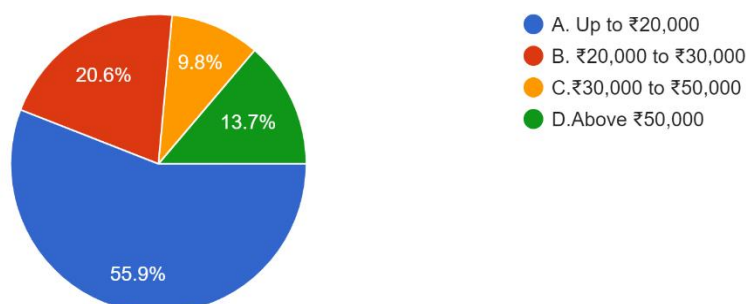
102 responses



Out of 100 respondents 56% respondents have income invest up to RS.20000, 20% respondents have invest between 20000 to 30000, 10% respondents have income invest above RS.30000 to RS.50000 and 14% respondents have more than RS.50000 investing mutual fund.

10. How much amount you will be invest in mutual fund?

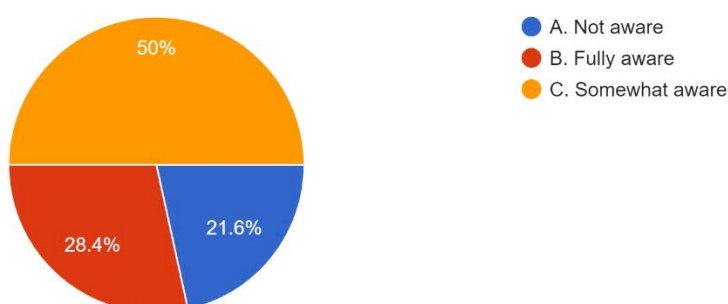
102 responses



This is mainly talking about out of 100 respondents mostly 28% investors are Fully aware about Mutual funds, 22% investors are Not aware about Mutual fund and 50% investors are Somewhat aware about Mutual fund.

12. How much are you aware about mutual fund?

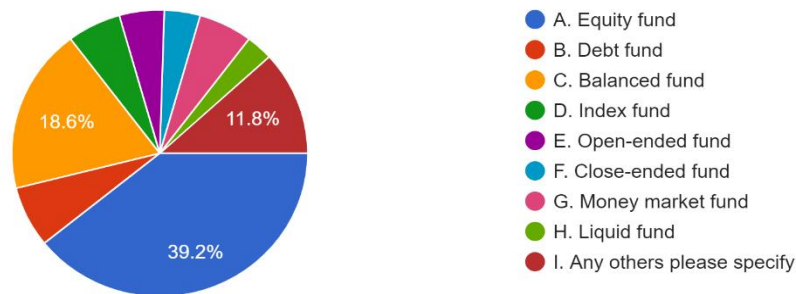
102 responses



- Out of the 100 respondents 39% investors are invest their money in Equity mutual fund(growth & dividend), 18% investors are invest their capital in balanced fund, 3% in open-ended fund and liquid fund both,7% investors are invest their money in Debt fund,4% in index fund and 5% in money market fund investing their money.

16. Which type of fund or scheme do you prefer most in mutual fund?

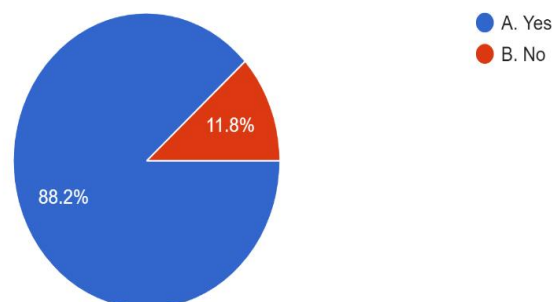
102 responses



This figure mainly talks about investor's satisfaction with their investments option. Out of 100 respondents 88% of investors are satisfied with their investment option and other 12% investors are not satisfied with their investment option.

22. Are you satisfied with your investment option?

102 responses



FINDINGS

- From the study it was found out of 100 respondents that majority of the investors are male (55%) and less numbers of females (45%) are investing as an investor.
- Majority of the investors are young and they have just started their career. It might be possible that this respondent does not have complete knowledge of mutual fund.
- Out of 100 respondents 5% Investors preferred provident fund, 20% fixed deposit, 4% debentures, 6% insurance, 17% Shares, and 37% Mutual fund. It shows that Mutual fund has gained popularity among the investors and they also prefer it as an Investment.
- Majority of the investors consider high returns, low risk factor and company image while investing their money.
- Majority of the investors have income invested UP to RS.20,000 , 20% investors have invested up to RS.20,000 to 30,000 and 14% investors have invested income above RS.50,000 in mutual fund.
- From this study found that few investors have full awareness about mutual fund.
- Out of the 100 respondents 39% investors are invest their money in Equity mutual fund (growth & dividend), 7% investors are investing their money in Debt fund and few investors are using tax benefit (ELSS) scheme in mutual fund.
- Out of 100 respondents 88% of investors are satisfied with their investment option and other 12% investors are not satisfied with their investment option.

CONCLUSION

Most of the respondents are confused and have not formed any attitude towards mutual fund as an investment option. Demographic factors are significantly influence investors attitude towards mutual fund. Majority of an investors are young in this study. It has been observed that some of the investors don't have awareness about functions of mutual fund. Equity based schemes are the most preferred. The major factors influencing the investment decision of investors are Tax benefits, High returns, Low risk and Company image.

RECOMMENDATION

- Mutual fund needs to do more advertisement to increase awareness regarding of mutual fund.
- As the awareness of MF is still lacking in this market, companies should give focus on "Customer Education". For this purpose, arrange the conference and seminars can be the best way towards educating the customers.
- Investors should refer T.V, NEWS, MAGAZINE and other literatures to develop their knowledge.
- People in this city are not confident in investing their money in mutual fund. Hence there is a need to do something which will build the confidence in the investor's minds.
- The present performance of the mutual fund is very good compared with other investments.
- Mutual fund companies must tie up with other financial institutes like banks, post office for reaching to the mass people.

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