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Customer Attitude towards Investing in Mutual Funds

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ABSTRACT

In this study, an attempt is made to analyse the Customer Attitude towards investing in Mutual Funds, which is divided into five sections. First section includes introduction of the study. Second section a brief review of the earlier studies. Third section is covered the industry overview and area of study. In fourth section, analyse the consumer attitude towards risk and return of the Investment option in Mutual Funds. Fifth section devoted to conclusion, findings, suggestions of the study. In this study, probability sampling has been used. Sample size is 120 respondents from Coimbatore. The present study is based on primary data as well as secondary data. The main findings of the study are that the mutual fund is the one of the best sources of the investment. Females are less active in Investing in Mutual Funds. Investors who invest in Mutual Funds largely invest in Public Sector Mutual Funds.

1. INTRODUCTION:

1.1 INTRODUCTION TO STUDY:

Mutual fund is a company that pools money from many investors and invests the money in securities such as stocks, bonds, and short-term debt. The combined holdings of the mutual fund are known as its portfolio Investors buy shares in mutual funds. The first modern investment funds, the precursor of mutual funds, were established in the Dutch Republic Mutual funds were introduced to the United States in the 1890s. Early US. funds were generally closed-end funds with a fixed number of shares that often traded at prices above the portfolio net asset value.

OBJECTIVES OF THE STUDY:

- To find out customers perception towards mutual funds as an investment option, in comparison to the various investment avenues available
- To study the various factors influencing the investment decisions of individuals.

STATEMENT OF THE PROBLEM:

To study about customer perception towards mutual funds as an investment option. Over a period of time, we can notice that mutual funds have been gaining a lot of popularity among investors as a profitable investment vehicle. Thus, through this research paper our main focus was to find how people living in Coimbatore perceive mutual funds as an investment option in terms of their knowledge and understanding. Also, to identify the number of people who are aware about the working of mutual funds and the various factors affecting investment decision of customers in mutual fund schemes. As various environmental factors, such as social class, culture, personal influence, family and rituals, and individual differences, such as consumer resources, knowledge, attitude and personality, affect the decision-making process thus there was a need to study the perception of customers in Bangalore towards mutual funds as an investment option.

RESEARCH METHODOLOGY:

VARIABLES:

The following are the variables that have been studied in this paper:

- Age

METHOD OF DATA COLLECTION:

Primary data has been used for this research. A questionnaire was prepared and circulated. Responses were collected from individuals and this data was used for analysis and findings of this study. Close ended questions were asked to the respondents to which they had to respond on the basis of their perception towards mutual funds as well as other investment options.

SAMPLING TYPE AND SIZE:

Respondents were selected on the basis of convenience sampling. People from various walks of life like professionals, students, businessmen/businesswomen, homemakers, etc. had been asked to fill their responses to the questionnaire which was given to them. The sample size for this research is 120 respondents

DURATION OF THE STUDY:

This study was carried out over a period of 3 months from January 2023 to March 2023.

Chi-Square Test

Chi-Square Test of Independence is used to find out if there exists any kind of relationship between the given categorical variables. In this study χ^2 test is applied for identifying the association of age, gender, and occupation with investment decision of respondents.

REVIEW OF LITERATURE:

1. Kumar (Ms. Nidhi Walia and Dr (Ms.) Ravi 2010)' she overburdened by the responsibility of giving investors the best return while effectively using their abilities to properly allocate the timing. Mutual fund portfolio management is a truly dynamic decision-making process that monitors the ongoing assessment and demand of efficient fund managers.

2. Selvam (2011) studied the risk and return relationship of Indian mutual fund schemes. The study found out that out of thirty-five sample schemes, eleven showed significant t-values and all other twenty-four sample schemes did not prove significant relationship between the risk and return. According to t-alpha values, majority (thirty-two) of the sample schemes' returns were not significantly different from their market returns and very few number of sample schemes' returns were significantly different from their market returns during the study period

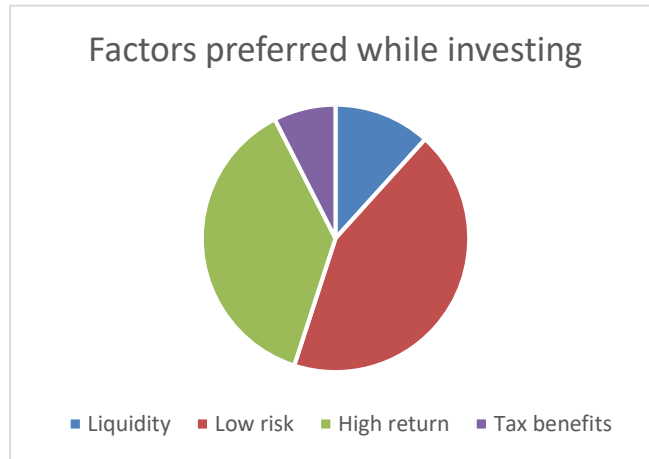
INDUSTRY OVERVIEW

The concept of mutual funds was invented in Europe in early 1770s. During a bleak economic situation, Adriaan Van Ketwich, a Dutch merchant created the world's first mutual fund in 1774. He pooled money from several individuals and created a diversified fund of bonds. He named it "Eendragt Maakt Magt," which translates to "Unity Creates Strength." The issue was successful and Van Ketwich introduced his second fund, "Concordia Res Parvae Crescunt" in 1779 with more freedom in investment policy.

Van Ketwich's fund survived until 1824. But the vehicle he created is still considered to be a hallmark of personal investing more than two centuries later. The early mutual fund bouquet was close-ended in nature. It spread from the Netherlands to England and France before heading to the U.S. in the 1890s.

ANALYSIS AND INTERPRETATION**Table 4.1(a)****Factors preferred while investing**

FACTORS	NO. OF RESPONDENTS	PERCENTAGE
LIQUIDITY	14	11.7%
LOW RISK	52	43.3%
HIGH RETURN	45	37.5%
TAX BENEFITS	9	7.5%
TOTAL	120	100%



Interpretation:

Out of the 120 participants in the survey, 43.3% prefer taking low risk while investing their money. They are risk averse. 37.5% of the respondents prefer high returns on their investment. 11.7% of the respondents choose to invest in liquid assets. 7.5% of the respondents consider tax benefits before investing their money in any particular avenue

Table 4.1(b)

Respondents Preference Regarding the Different Investment Avenues

PARTICULARS	PREFERENCE	RANK
FIXED DEPOSIT	474	1
SAVING ACCOUNT	349	4
INSURANCE	228	7
MUTUAL FUNDS	443	2
SHARES/DEBENTURES	317	6
POST OFFICE	227	8
GOLD/SILVER	380	3
REAL ESTATE	327	5

NOTE: The respondents were asked to rate the above-mentioned investment avenues according to their preference from a scale of 1 through 5, with 1 being the least and 5 being the highest preference. The highest score of the parameters denotes the highest preference, and the vice versa is true.

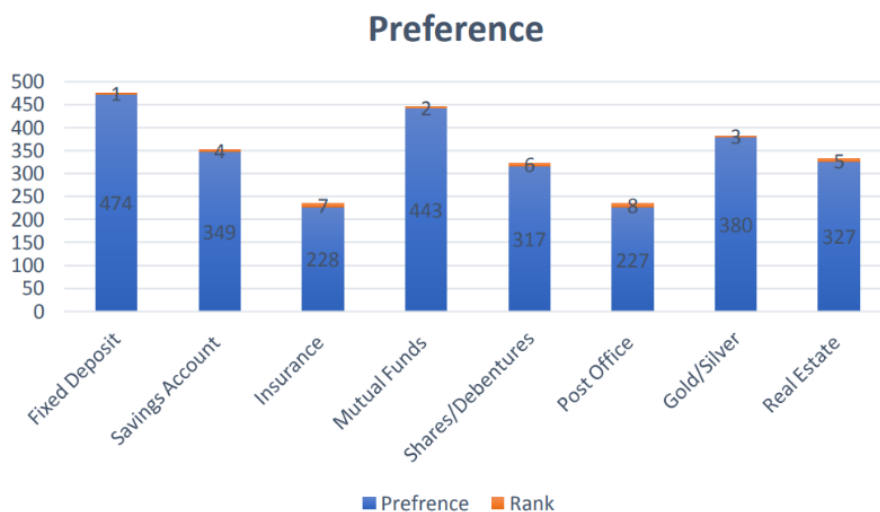


Table 4.1(c)

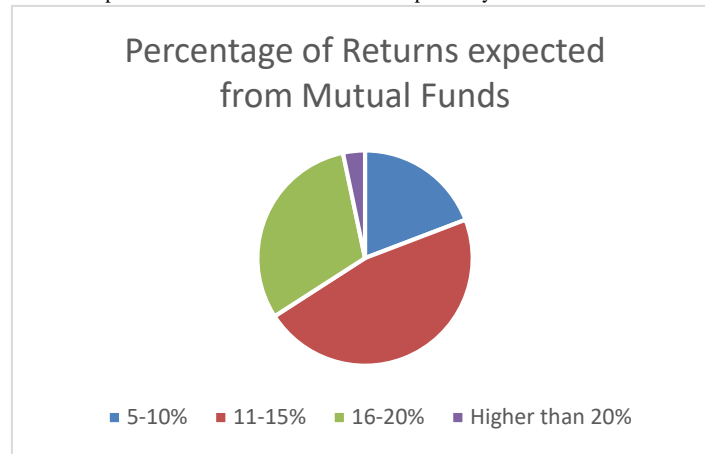
Percentage of Returns expected from Mutual Funds

EXPECTED RETURNS	NO. OF RESPONDENTS	PERCENTAGE
5-10%	23	19.2
10-15%	56	46.7

15-20%	37	30.8
HIGHER THAN 20%	4	3.3
TOTAL	120	100

Interpretation:

Out of the 120 respondents, 19.2% of them expected 5-10% as their return on investment, 46.7% expected 10- 15% as their return on investment, 30.8% expected 15-20% returns and 3.3% of them expected returns of more than 20% respectively.

**ANALYSIS AND TESTS**

1) Chi Square Tests

a) Between Age and Investment Decision:

H0: There is no significant association between age and investment decision

COUNT		INVESTMENT DECISION		TOTAL
		NO	YES	
AGE	18-25	39	11	50
	26-35	15	9	24
	36-50	19	22	41
	Above 50	2	2	4
	Below 18	0	1	1
TOTAL		75	45	120

O	E	O-E	(O-E) ²	(O-E) ² /E
39	31.25	7.75	60.07	1.92
15	15	0	0	0
19	25.62	6.62	43.82	1.71
2	2.5	0.5	0.25	0.1
0	0.625	0.625	0.390	0.624
11	18.75	7.75	60.07	3.20
9	9	0	0	0
22	15.38	6.62	43.82	2.850
2	1.5	0.5	0.25	0.166
1	0.375	0.625	0.390	1.04
TOTAL				11.61

Interpretation:

Chi-Square Tests

	value	D.F
Chi- square	9.488	4

$$D.F = (C-1) (R-1) = (2-1) (5-1) = 1*4 = 4$$

Level of significance = 0.05.

Finding:

Calculated value = 11.61

Table value = 9.488

Inference:

The calculated value of χ^2 is more than the table value. Therefore, Hypothesis is rejected.

FINDINGS, SUUGESTIONS AND CONCLUSIONS

Summary of Findings

- 43.3% preferred taking low risk while investing their money. They are risk averse. 37.5% of the respondents preferred high returns on their investment while 11.7% of the respondents chose to invest in liquid assets.
- 19.2% of them expected 5-10% as their return on investment, 46.7% expected 10- 15% as their return on investment, 30.8% expected 15-20% returns and 3.3% of them expected returns of more than 20% respectively.
- The chi-square test showed that calculated value is 11.61 is greater than table value ($\chi^2_{0.05} = 9.488$).

RECOMMENDATION AND SUGGESTIONS

- As was seen from the data collected, people want to invest in mutual funds and it is among one of the preferred investment options, but they do not invest in them due to lack of knowledge regarding mutual funds.
- It was found that people weren't completely aware of the benefits offered by mutual funds and hence had a hesitation to make investment in such schemes.

CONCLUSIONS

Mutual funds provide a viable investment option for retail investors who lack the time and experience to research and invest in stocks and bonds. This is because mutual funds provide the advantage of cheap access to expensive stocks. The mutual funds diversify the investor's risk by investing in a variety of assets. These are operated by a team of professional fund managers with in-depth research advice from investment analysts. Being institutions with good market bargaining power, mutual funds have access to crucial corporate information that individual investors are unable to access. Thus, the present study takes up understanding the extent of awareness about mutual funds and analysing the perception of the investors towards mutual funds.