



A Study on Investors' behavior towards Mutual Fund in India

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ABSTRACT:

A mutual fund is just the connecting bridge or a financial intermediary that allows a group of investors to pool their money together with a predetermined investment objective. The mutual fund will have a fund manager who is responsible for investing the gathered money into specific securities (stocks or bonds). When you invest in a mutual fund, you are buying units or portions of the mutual fund and thus on investing becomes a shareholder or unit holder of the fund.

KEYWORDS: Bond, Equity, Diversification, Investors, Securities etc

INTRODUCTION

Mutual funds are considered as one of the best available investments as compare to others they are very cost efficient and also easy to invest in, thus by pooling money together in a mutual fund, investors can purchase stocks or bonds with much lower trading costs than if they tried to do it on their own. But the biggest advantage to mutual funds is diversification, by minimizing risk & maximizing returns.

It is a trust that collects money from a number of investors who share a common investment objective. Then, it invests the money in equities, bonds, money market instruments and/or other securities. Each investor owns units, which represent a portion of the holdings of the fund.

1. A mutual fund is a type of investment vehicle consisting of a portfolio of stocks, bonds, or other securities.
2. Mutual funds give small or individual investors access to diversified, professionally managed portfolios at a low price.
3. Mutual funds are divided into several kinds of categories, representing the kinds of securities they invest in, their investment objectives, and the type of returns they seek.

TYPES OF MUTUAL FUNDS

Broadly, any mutual fund will either invest in equities, debt or a mix of both. Further, they can be open-ended or close-ended mutual fund schemes.

A. Open-ended funds

In an open-ended mutual fund, an investor can invest or enter and redeem or exit at any point of time. It does not have a fixed maturity period.

B. Close-ended funds

Close-ended mutual funds have a fixed maturity date. An investor can only invest or enter in these type of schemes during the initial period known as the New Fund Offer or NFO period. His/her investment will automatically be redeemed on the maturity date. They are listed on stock exchange(s).

2.2 BENEFITS OF MUTUAL FUNDS

Professional investment management

One of the primary benefits of mutual funds is that an investor has access to professional management. A good investment manager is certainly worth the fees you will pay Another

Diversification

A crucial element in investing is asset allocation. It plays a very big part in the success of any portfolio. However, small investors do not have enough money to properly allocate their assets

Low Cost

A mutual fund let's you participate in a diversified portfolio for as little as Rs.5,000, and sometimes less. And with a no-load fund, you pay little or no sales charges to own them.

TYPES OF RISKS

All investments involve some form of risk. Consider these common types of risk and evaluate them against potential rewards when you select an investment.

Market Risk

At times the prices or yields of all the securities in a particular market rise or fall due to broad outside influences. When this happens, the stock prices of both an outstanding, highly profitable company and a fledgling corporation may be affected. This change in price is due to "market risk". Also known as systematic risk.

Inflation Risk

Sometimes referred to as "loss of purchasing power." Whenever inflation rises forward faster than the earnings on your investment, you run the risk that you'll actually be able to buy less, not more. Inflation risk also occurs when prices rise faster than your returns.

Credit Risk

In short, how stable is the company or entity to which you lend your money when you invest? How certain are you that it will be able to pay the interest you are promised, or repay your principal when the investment matures?

OBJECTIVES OF THE STUDY

- To show the wide range of investment options available in MF's by explaining various schemes offered by different AMC's.
- To help an investor to make a right choice of investment, while considering the Inherent risk factors.
- To understand the recent trends in the MF world.

RESEARCH METHODOLOGY

Research Design

A research design is a blue print of the framework of the study undertaken. A detailed outline of how an investigation will take place. The design of a study defines the study type and outlines the objectives, research question, hypotheses, independent and dependent variables, and, if applicable, data collection methods and a statistical analysis plan. Research design is the framework that has been created to seek answers to research questions.

Data Collection

The research was conducted with the analysis based on

1. Primary Data
2. Secondary Data

Primary data:

The primary data was collected from the executives companies through enquiry. Primary data pertaining to demographic and socio economic characteristics of the samples and their attributes, opinions, awareness and knowledge in relation to the topic undertaken on mutual fund industry and its low penetration in cities were obtained through the survey technique. Structured questionnaire with direct, open ended and closed ended and multiple choice questions were prepared.

Secondary data:

The secondary data collected from the different sites, brochures, news papers, company offer documents, different books and through suggestions from the project guide and from the faculty members of our college. . Secondary data which assisted to execute the research was collected through secondary sources.

Data Analysis:**PROFIT AND LOSS ACCOUNT OF ICICI BANK LIMITED**

PROFIT & LOSS ACCOUNT OF ICICI BANK (in Rs. Cr.)	MAR 22	MAR 21	MAR 20	MAR 19	MAR 18
	12 mths	12 mths	12 mths	12 mths	12 mths
INCOME					
Interest / Discount on Advances / Bills	57,551.11	47,942.62	40,866.21	39,603.39	38,943.15
Income from Investments	14,673.21	12,796.88	11,568.17	11,377.07	10,625.35
Interest on Balance with RBI and Other Inter-Bank funds	682.15	736.09	663.38	495.46	158.24
Others	1,891.85	1,925.60	1,868.14	2,680.35	3,012.69
TOTAL INTEREST EARNED	74,798.32	63,401.19	54,965.89	54,156.28	52,739.43
Other Income	16,448.62	14,512.16	17,419.63	19,504.48	15,323.05
TOTAL INCOME	91,246.94	77,913.36	72,385.52	73,660.76	68,062.49
EXPENDITURE					
Interest Expended	41,531.25	36,386.40	31,940.05	32,418.96	31,515.39
Payments to and Provisions for Employees	8,271.24	6,808.24	5,913.95	5,733.71	3,012.69
Depreciation	947.12	776.91	780.74	757.65	679.29
Operating Expenses (excludes Employee Cost & Depreciation)	12,394.63	10,503.91	9,009.25	8,263.70	8,972.36
TOTAL OPERATING EXPENSES	21,614.41	18,089.06	15,703.94	14,755.06	12,683.56
Provision Towards Income Tax	3,746.03	3,360.60	2,661.85	2,180.12	5,788.61
Provision Towards Deferred Tax	2,371.20	-2,947.14	-2,004.72	-702.60	-3,319.18
Other Provisions and Contingencies	14,053.23	19,661.14	17,306.98	15,208.14	11,667.82
TOTAL PROVISIONS AND CONTINGENCIES	20,170.46	20,074.60	17,964.11	16,685.66	14,137.25
TOTAL EXPENDITURE	83,316.13	74,550.05	65,608.10	63,859.67	58,336.20
NET PROFIT / LOSS FOR THE YEAR	7,930.81	3,363.30	6,777.42	9,801.09	9,726.29
NET PROFIT / LOSS AFTER EI & PRIOR YEAR ITEMS	7,930.81	3,363.30	6,777.42	9,801.09	9,726.29
Profit / Loss Brought Forward	17,879.57	18,495.26	18,744.94	17,132.19	17,261.42
TOTAL PROFIT / LOSS AVAILABLE FOR APPROPRIATIONS	25,810.38	21,858.56	25,522.36	26,933.28	26,987.70
APPROPRIATIONS					
Transfer To / From Statutory Reserve	1,982.80	840.90	1,694.40	2,450.30	2,431.60
Transfer To / From Capital Reserve	395.44	28.00	2,565.46	5,293.30	2,382.24
Transfer To / From Revenue And Other Reserves	0.00	350.00	700.00	0.00	500.00
Dividend and Dividend Tax for The Previous Year	645.31	0.00	0.00	0.00	3.85
Equity Share Dividend	0.00	965.13	1,457.46	0.95	2,907.52
Tax On Dividend	0.00	0.00	8.73	-7.19	279.37
Balance Carried Over To Balance Sheet	21,327.47	17,879.57	18,495.26	18,744.94	17,132.19
TOTAL APPROPRIATIONS	25,810.38	21,858.56	25,522.36	26,933.28	26,987.70
OTHER INFORMATION					
EARNINGS PER SHARE					
Basic EPS (Rs.)	12.28	5.23	10.56	15.31	16.75
Diluted EPS (Rs.)	12.08	5.17	10.46	15.25	16.65
DIVIDEND PERCENTAGE					
Equity Dividend Rate (%)	0.00	50.00	75.00	125.00	250.00

FINDINGS

1. Mutual funds are dynamic financial institutions which play crucial role in an economy by mobilizing savings and investing them in the capital market
2. HDFC hybrid equity has a negative growth when compared to ICICI Prudential liquid fund growth.

3. ICICI prudential aggressive plan dir growth has a negative growth. The average returns was 0.09. The highest return was around 23%. However, there is a negative 4% return from ICICI.
4. SHARPE'S: As per Sharpe performance measure, a high Sharpe ratio is preferable as it indicates a superior risk adjusted performance of a fund.

SUGGESTIONS

- ❖ Try to understand where the money is going
- ❖ Don't rush in picking funds, think first
- ❖ Invest. Don't speculate
- ❖ Don't put all the eggs in one basket
- ❖ Be regular and assess the performance of various schemes

CONCLUSION:

- 1) Investing in the ICICI MUTUAL FUND (GROWTH) will lead to profits. By seeing the overall performance ICICI MUTUAL FUND is performing very well. The prospective investors are needed to be made aware of the investment in mutual funds.

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