



Study on Investors Attitude towards Mutual Funds as Investment Alternative

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ABSTRACT

Mutual fund has emerged as a wealth creation tool and is one of the best investment in terms of better security and returns. The study deals with the investors attitude towards mutual funds as investment alternative. The investors attitude was influenced by age, gender, income, occupation and investment objective. The sampling method used was non probability sampling technique with sample size of 150 respondents. In this study, Questionnaire was used as an instrument for data collection. Frequency and Percentage analysis was used to analyze the data. The objective of this study is to identify the investors attitude, factors, safety level and time horizon of the mutual fund. The professional investors have more knowledge about the advantages and working of mutual fund. The investors believe that fund performance is the most important factor to consider for investing in mutual fund scheme which will give high return in the future.

Keywords: Investment, Investment alternative, Mutual fund, Investor attitude, Investor

1. Introduction

A mutual fund is a vehicle to mobilize moneys form investors, to invest in different markets and securities, in line with investment objectives agreed upon between the mutual fund and the investors. Through investment in a mutual fund, a small investor can avail of professional fund management services offered by asset management company. India witnessed a surge in the mutual fund assets under management (AUM) from Rs. 6,14,546 crores in March 2010 to Rs. 22,26,203 crores in March 2020. The 10-year growth stands at 13.74 percent p.a. compounded annually.10 Even, the number of folios has also seen a big rise. From a little over 4.80 crore folios in March 2010, the number has crossed 8.97 crores in March 2020, a healthy growth of 6.45 percent p.a. compounded annually.

The primary role of mutual funds is to help investors in earning an income or building their wealth, by investing in the opportunities available in securities markets. It is possible for mutual funds to structure a scheme for different kinds of investment objectives. SEBI regulates the mutual fund, depositories, custodians and registrars and transfers agents in the country. The legal structure of Mutual Fund in India is a three-tier structure. Mutual funds comprise of five constituents, namely Sponsor, Mutual Fund Trust, [Asset Management Company](#), Custodian & Registrar and Transfer Agent. The sponsor invests in the capital of the AMC. Since sponsors are the main actors behind the mutual fund operation, they also have certain eligibility criteria. The trustees have a critical role in ensuring that the mutual fund complies with all the regulations and are appointed by the sponsor. The AMC is responsible for conducting the day to day operations of the mutual fund. The custodian has custody of the assets of the fund and are registered with SEBI. The Registrars and Transfer Agents maintain a register of investors. They serve fund managers by updating them with investor information and investors by providing them fund benefits. Therefore, Mutual funds are considered as a key participant in the capital market of any economy.

2. Literature Review

2.1 Dr. Suresh Babu K N (2023) analyzed that most of the investors refrain from investing in mutual fund or choose not to invest in mutual fund because they lack understanding and knowledge about mutual fund on the basis of age, ability to take risk and through psychological perspective.

2.2 Dilip Anand (2022) emphasizes that investors attitude towards mutual funds were influenced by age, gender, degree of literacy and kind of employment. The main reason for this is the financial awareness of investors and performance of mutual fund.

2.3 Dhairya Narang, Aditya Mattummal, Ipsa Singh, Tanisha Chugh (2022), the study conducted with a sample of 150 respondents shows that most investors are aware about various mutual fund schemes and other investment methods. The analysis points out that factors such as portfolio diversification and tax incentives are the important reason to invest in mutual fund.

2.4 Dr. J K Raju, Mr. Manjunath, Mr. Sachin H (2018) analyzed that mutual fund is less risky than directly investing in stocks and is a better investment avenue on the basis of investor behavior and attitude. This study also suggests that factors influence the buying behavior of mutual funds.

2.5 Dr. Anshu Tyagi (2018) says that most investors hesitate to invest in mutual fund and prefer to avoid risk and invest in less or no risky investment option like fixed deposit, debt mutual fund and recurring deposits.

2.6 Dr Joginder Singh, Satveer Kaur (2018) says that investors consider safety as the most important investment factor. This study also shows that Saving account is the first preference as compared to other investment options.

2.7 Dr. R. Amsaveni, Mrs.S.Ranjini (2018) conducted a study on Investors attitude towards mutual fund in Coimbatore City. The study reveals that investors have positive approach towards investing in mutual fund and investors collect the information from expert advisors then only invest the money in mutual fund.

2.8 Dr.P.Kannadas, P. Suresh Pandian (2015) described that an investors wants to invest in diversified portfolios that give better return in the form of interest or capital gains. This study focuses on the behavior on mutual fund investors.

3. Research Methodology

3.1 Objectives of the Study

- To know the reason why do people refer Mutual funds as compared to other investment option.
- To bring out the preference wise level of investment alternative.
- To know the safety level and time horizon of investing in Mutual fund.
- To study and analyse the various factors of investor attitude towards Mutual fund.

3.2 Research Design: It is a descriptive research design, as it understands the demographics and other characteristics of the population, and also understand the investor attitude about any products or services.

3.3 Sources of Data Collection: There are two sources of data collection. Primary data are data freshly gathered for a specific purpose or for a research project. Primary data collection uses surveys, experiments or direct observations. Secondary data is the data that has been already collected by and readily available from other sources. Secondary data collection may be conducted by collecting information from a diverse source of documents or electronically stored information, and market studies.

3.4 Sample Size: Total 150 respondents were surveyed in Vadodara city consisting of professional, students, government officer and business persons.

3.5 Sample Area: The sampling area was Vadodara city only.

3.6 Sampling method: The sampling method used here is Non-Probability Method. Because the sample is gathered at the researcher's convenience, the sampling method employed is Convenience Sampling with well-structured questionnaire.

3.7 Data Collection Instrument: To identify and collect the data, survey and questionnaire is used to do the research of investor attitude towards mutual fund as an investment alternative.

4. Data Analysis:

Table 1 Demographic Details of Respondents

Sr No.	Factors	Category	Frequency	Percentage
01	Gender	Male	105	69.5
		Female	45	29.8
02	Age	Below 25	33	22.0
		Between 25 – 35	72	47.7
		Between 35 – 45	39	26.0
		Above 45	6	4.0
03	Occupation	Business	36	24.0
		Professional	81	54.0
		Student	30	20.0
		Government officer	3	2.0
04	Income	Not applicable	27	18.6
		Between 1-5 lac	74	49.0
		Between 5-10 lac	37	24.5
		Above 10 lac	12	7.9

The above table shows that out of 150 respondents, 69.5% of the respondents are male, while 29.8% of the respondents are female, 47.7% of the respondents belong to the age group of 25-35, 54% of the respondents are professionals, 49% of the respondents are between Rs 1,00,000 – 5,00,000.

Table 2 Respondents having primary goal of Investment

Primary Goal of Investment	Frequency	Percentage
Education	33	22.0
Tax/Retirements Benefits	41	27.4
Savings	70	46.6
Others	6	4.0
Total	150	100.0

According to this table out of 150 respondents, 46.6% respondents were having Savings as primary goal of investment, followed by 27.4% were tax/retirement benefits, 22% were education and minimum respondents of 4% as primary goal of investment were others.

Table 3 Preference of Investment avenue by Respondents

Investment Avenue	Frequency	Percentage
Bank Saving Account	146	97.3
Mutual Fund	102	68.0
Fixed Deposit	119	79.3
Insurance	72	48.0
Gold	23	15.3
Real Estate	15	10.0
Shares	36	24.0

The above analysis showed that majority of 97.3% respondents were preferred to invest in Bank Saving Account, followed by 79.3% respondents preferred to invest in Fixed deposit, followed by 68% respondents preferred to invest in Mutual fund, followed by 48% respondents preferred to invest in Insurance, followed by 24% preferred to invest in Shares and the least preferred avenues were Gold and Real estate with 15.3% and 10%.

Table 4 Respondents finding information from different sources about Mutual funds

Sources of Information	Frequency	Percentage
Social Media	26	17.3
Magazines	9	6.0
Relatives	15	10.0
Advertisement	61	40.7
Bank	39	26.0
Total	150	100.0

From the above analysis it is clear that, 40.7% respondents see Advertisement as the most important sources of information about mutual fund. Out of 150 respondents, 40.7% know about mutual fund through Advertisement, 17.3% through Social media, 10% through Relatives, 26% through Banks and 6% through Magazines.

Table 5 Advantages of Mutual fund as compare to other investment avenue

Advantages	Frequency	Percentage
High Return	51	34.0
Diversified	18	12.0
Well Regulated	33	22.0
Low Cost	13	8.6
Liquidity	26	17.3
Others	9	6.0
Total	150	100.0

The above analysis shows that 34% respondents see High return as an advantage in mutual fund, followed by 22% respondents see as well regulated, followed by Liquidity and Diversified with 17.3% and 12% and least respondents were 8.6% low cost and 6% others as an advantage of mutual fund.

Table 6 Respondents preferring different Asset Management Companies

AMC	Frequency	Percentage
SBI	48	32.0
Reliance	22	14.7
Axis	8	5.3
ICICI	23	15.3
HDFC	39	26.0
UTI	6	4.0
Others	4	2.7
Total	150	100.0

According to this chart, 32% respondents prefer to invest in SBI, followed by 26% respondents in HDFC, followed by 15.3% respondents in ICICI, followed by 14.7% respondents in Reliance and least respondents in Axis and UTI with 5.3% and 4% and 2.7% respondents in others.

Table 7 Factors consider for investing in Mutual fund scheme

Factor	Frequency	Percentage
Fund Performance	56	37.3
Net Asset Value	22	14.7
AMC Performance	29	19.3
Experience of Fund manager	43	28.7
Total	150	100.0

In the above analysis, it shows that majority of the 37.3% respondents considers fund performance as primary factor before investing in mutual fund, followed by 28.7% respondents consider experience of fund manager, followed by 19.3% respondents consider AMC performance and least consider were 14.7% respondents from Net Asset Value.

Table 8 Risk associated with different Mutual fund schemes

Risk	Frequency	Percentage
Very low	8	5.3
Low	59	39.3

Moderate	31	20.7
High	38	25.3
Very High	14	9.3
Total	150	100.0

In the above analysis, maximum 39.3% of respondents had given their suggestion on low risk and followed by 25.3% had given their suggestion on high risk, followed by 20.7% on moderate risk, followed by 9.3% had given their suggestion on very high risk and minimum 5.3% of respondents had given suggestion on very low risk.

Table 9 Experience of Investing in mutual fund scheme

Years	Frequency	Percentage
Not investing	84	56.0
Less than 1 year	16	10.6
Between 1-3 years	25	16.6
Between 3-5 years	17	11.33
More than 5 years	8	5.33
Total	150	100.0

According to this analysis, 56% of the respondents are not investing in the mutual fund and out of 44% respondents, majority 16.6% respondents are investing between 1-3 years and followed by 11.33% respondents are investing in the last 3-5 years and 5.33% respondents are investing in mutual fund since more than 5 years.

5. Findings

- Most of the investors (47.7%) were in the age group of 25-35 years.
- Most of the investors (69.5%) were male investors.
- Majority of the respondents were Professional (54%) and Business (24%) people in occupation.
- Most of the respondents (49%) were in the income category of 1-5 lac.
- Majority of the respondents (46.6%) have Savings as primary goal of investment.
- Majority of the respondents have chosen Bank Deposit (97.3%) as their first preference. The second and third preference were Fixed Deposit (79.3%) and Mutual fund (68%). Insurance (48%) as fourth preference.
- Most of the respondents prefer Advertisement (40.7%) as primary sources of information.
- Most of the respondents see High return (34%) as an advantage before investing in mutual fund.
- Most of the respondents prefer to invest in SBI (31.8%), HDFC (26%), ICICI (15.3%) and Reliance (14.7%).
- Majority of the respondents (37.3%) consider Fund performance before investing in mutual fund scheme.
- Majority of the respondents (39.3%) facing low risk on the basis of different mutual fund schemes.
- Majority of the respondents (16.6%) have investment experience in mutual fund between 1-3 years and the least (5.33%) between more than 5 years.

6. Conclusion

Demographic factors influence the investor attitude towards mutual fund. The investors preference for Saving Account, Mutual fund and Fixed deposit varies depending on age, income, occupation and gender. The study reveals that investors invest in the mutual fund with the savings perspective. It also shows that investors prefer low risky and short term mutual fund scheme. Most of the investors prefer high return as advantage of mutual fund as they believe that risk is high in mutual fund scheme. Investors should know that past performance of a mutual fund scheme doesn't determine the future performance. All factors should be properly evaluated before investing in mutual fund scheme. AMC's release scheme related document that is helpful in selecting a right scheme. This study will help other researchers to study, analyze and collecting the data in evaluating the investors attitude towards mutual fund.

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