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## **A STUDY ON MUTUAL FUNDS PREFERENCE BY INVESTORS IN CHENNAI CITY**

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### **ABSTRACT :**

Mutual funds have emerged as a vital tool for securing financial well-being and participating in India's growth story. Despite their significant contributions, the number of retail investors remains relatively small due to low awareness. However, as information spreads and awareness increases, more individuals are recognizing the benefits of mutual fund investments. The financial system plays a crucial role in promoting economic development by offering innovative investment instruments. Among these, mutual funds stand out for their safety, liquidity, returns, and convenience. With 36 mutual funds in India offering various investment strategies, investors have a wide array of options to match their needs and preferences. A mutual fund functions as an investment company that pools money from multiple investors to invest in a diversified portfolio of securities.

Managed by professionals, mutual funds provide efficient access to stocks, bonds, and other securities, offering diversification and cost advantages compared to individual investments. This project explores consumer/investor perceptions and behaviours towards mutual funds, shedding light on awareness levels, preferred products, savings habits, investment criteria, and factors influencing investment decisions. By understanding consumer preferences and needs, this report aims to assist investors in making informed choices and maximizing their investment potential.

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### **INTRODUCTION:**

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to the number of units owned by them. It is a very useful source of investment for common man.

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### **MEANING OF MUTUAL FUND**

A mutual fund is an investment where a bunch of people chip in money to buy different assets such as stocks, bonds, and money market instruments. The assets are managed by professional investment managers, who aim to generate returns for the investors. Mutual funds are regulated by the Securities and Exchange Board of India (SEBI).

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### **MUTUAL FUND ORIGIN**

Mutual funds originated in the 1800s with the establishment of the first investment trust in London, but the first official mutual fund, the Massachusetts Investors Trust (MIT), was launched in the USA in 1924. Growth was slow until the 1950s and 1960s, but explosive growth occurred in the '80s and '90s. By 2022, the AUM of mutual funds in the USA reached \$22.11 trillion. Globally, mutual funds have become a major investment avenue, with the USA standing out with a high AUM to GDP ratio of 140% in 2021.

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### **OBJECTIVES OF THE STUDY**

- To understand investment preference of the investors in relation to mutual funds
- To find out investors awareness and knowledge of mutual funds
- Finding the type of mutual fund scheme preferred by the investors
- To examine the risk perception of the investors
- To study the future expectations of investors in mutual funds

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## REVIEW OF LITERATURE

### HYPOTHESIS OF THE STUDY

Dr. Pallabi Mishra, Dr. Biswajit Prasad Chhatoi (2018): (Analysing the investments in Mutual funds is profession matter or not) The result of the present study proved that profession does not play a major role in selection of mutual fund and its parameters.

Saxena & Sheikh (2019) ( A study on demographic factors that have impact on mutual fund): The study that gender is no impact on mutual fund investment intention however middle age group, high-income group, and investors with finance-related education are highly positive about mutual funds' investments.

Bobade et. al (2020) ( To examine the awareness of the investors): (The study found that most of the investors are aware of mutual funds.) Investors are investing their money in mutual funds for regular return in future, Tax Saving, Minimizing financial risk. Mutual Fund industry growing at a large level in India.

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### HYPOTHESIS OF THE STUDY

- To understand investment preference of the investors in relation to mutual funds:

**Null hypothesis (H<sub>0</sub>):** there is no significant relationship between age of the respondents and the factors influencing the investment preference of the investors in relation to mutual funds.

**Alternative hypothesis (H<sub>1</sub>):** there is a significant relationship between age of the respondents and the factors influencing the investment preference of the investors in relation to mutual funds.

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### SOURCES OF DATA

The data collected from both primary and secondary data

**Primary data:** The questionnaire was prepared, administered among the digital payment users and received response from 92 individuals.

**Secondary data:** Collected from online journals, websites & review of literature from published articles.

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### TOOLS AND TECHNIQUES

The study utilized a questionnaire as its research instrument for data collection.

This questionnaire was designed in alignment with the study's objectives and was administered to consumers to gather their perspectives. The information was collected using a meticulously structured questionnaire.

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### ANALYSIS TOOL

**PERCENTAGE ANALYSIS:** It also known as ratio analysis, is a method used to analyse financial statements and other data by expressing individual items as a percentage of a base figure. It helps in comparing different components of financial statements over time or against competitors.

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### STATISTICAL TOOLS

**CHI-SQUARE:** The chi-square test is used to analyse categorical data and determine whether there is a significant association between two categorical variables. It is commonly used to test for independence in contingency tables and to compare observed frequencies with expected frequencies.

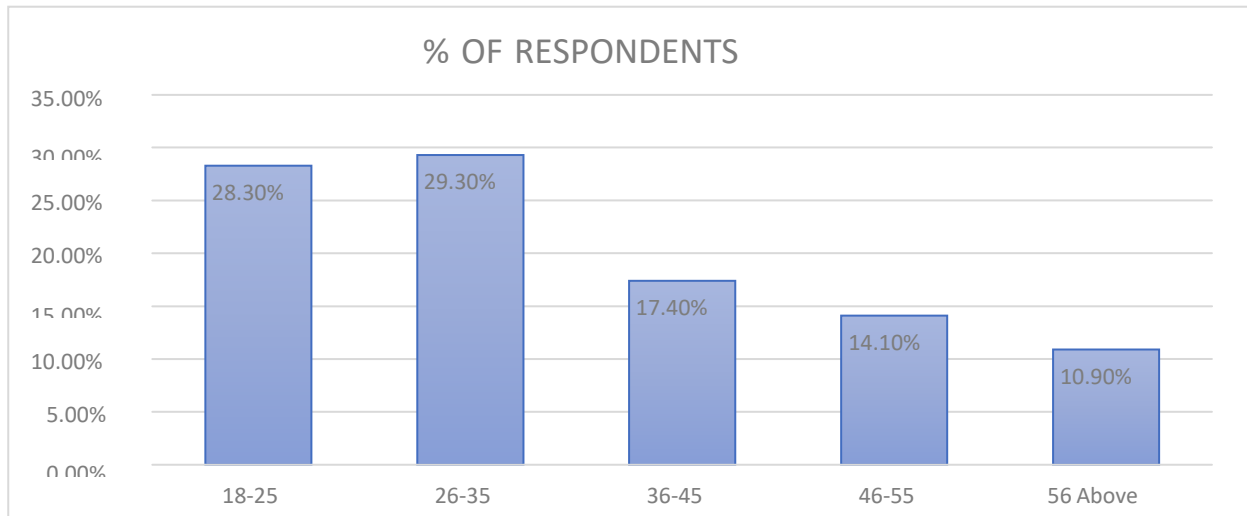
**CORRELATION:** Correlation Analysis is statistical method that is used to discover if there is a relationship between two variables/datasets, and how strong that relationship may be.

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### ANALYSIS AND INTERPRETATION DATA

TABLE NO.: 1 AGE WISE CLASSIFICATION

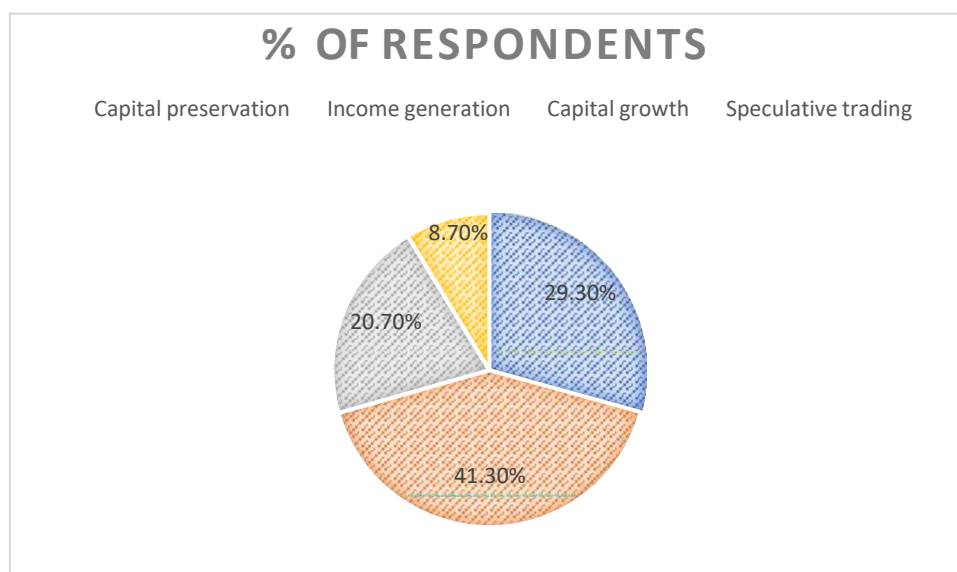
PARTICULARS	NO OF RESPONDENTS	% OF RESPONDENTS
18-25	26	28.3%
26-35	27	29.3%
36-45	16	17.4%
46-55	13	14.1%
56 Above	10	10.9%

**INTERPRETATION:**

From the above table, Respondents aged 18-25 constitute 28.3% of the total respondents, 26-35 constitute 29.3% of the total respondents, 36-45 constitute 17.4% of the total respondents, 46-55 constitute 14.1% of the total respondents and 56 and above constitute 10.9% of the total respondents.

**TABLE NO : 2 PRIMARY INVESTMENT OBJECTIVE.**

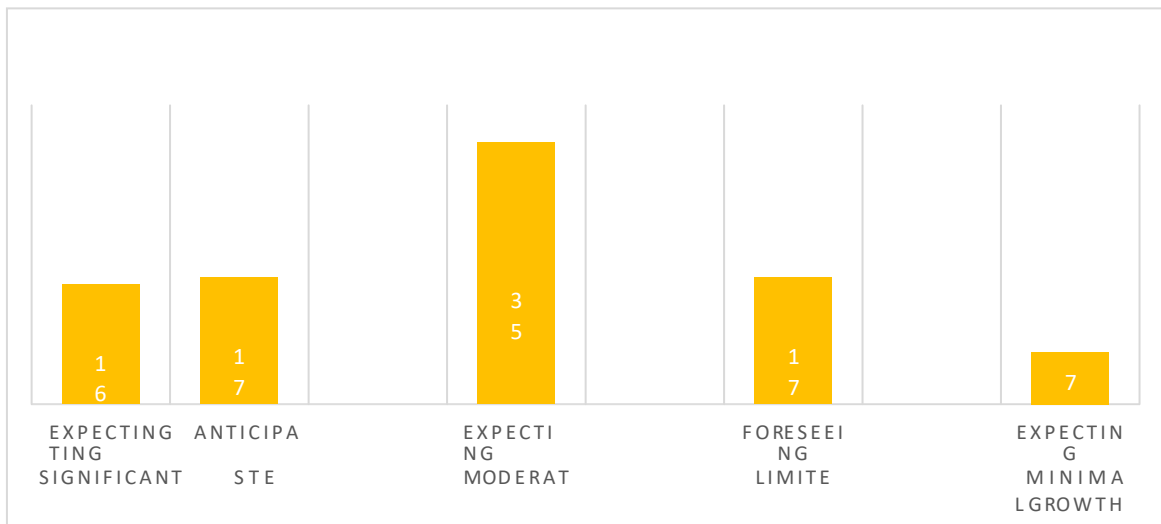
PARTICULARS	NO OF RESPONDENTS	% OF RESPONDENTS
Capital preservation	27	29.3%
Income generation	38	41.3%
Capital growth	19	20.7%
Speculative trading	8	8.7%

**INTERPRETATION:**

From the above table (41.3%) want their investments to generate regular income, the next significant group (29.3%) aims for capital preservation, (20.7%) expressed their objective as capital growth, A minority of respondents (8.7%) identified speculative trading as their investment objective.

**TABLE NO: 3 GROWTH POTENTIAL OF MUTUAL FUNDS OVER THE NEXT FIVE YEARS.**

PARTICULARS	NO OF RESPONDENTS	% OF RESPONDENTS
Expecting significant growth	16	17.4%
Anticipating steady growth	17	18.5%
Expecting moderate growth	35	38%
Foreseeing limited growth	17	18.5%
Expecting minimal growth or decline	7	7.6%

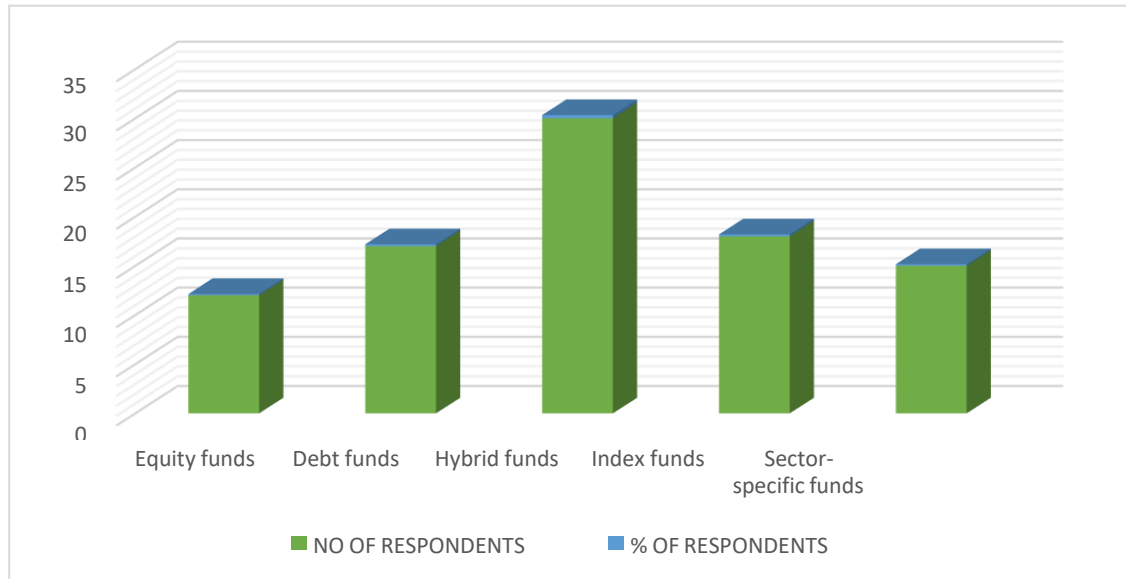


**INTERPRETATION:**

From the above table 16 respondents accounting for 17.4% of the total respondents anticipate significant growth, 17 respondents making up 18.5% of the total respondents anticipate steady growth, 35 respondents comprising 38% of the total respondents expect moderate growth, 17 respondents also comprising 18.5% of the total respondents foresee limited growth, 7 respondents accounting for 7.6% of the total respondents expect minimal growth or even a decline.

**TABLE NO: 4 MUTUAL FUNDS WHICH ARE LIKELY TO PERFORM WELL IN THE FUTURE**

PARTICULARS	NO OF RESPONDENTS	% OF RESPONDENTS
Equity funds	12	13%
Debt funds	17	18.5%
Hybrid funds	30	32.6%
Index funds	18	19.6%
Sector- specific funds	15	16.3%

**INTERPRETATION:**

From the above table, 12 respondents constituting 13% of the total prefer equity funds for investment, 17 respondents comprising 18.5% of the total Prefer debt funds as their investment choice, The highest percentage of respondents with 30 individuals representing 32.6% of the total prefer hybrid funds, 18 respondents accounting for 19.6% of the total opt for index funds for investment, 15 respondents making up 16.3% of the total prefer sector-specific funds.

**CHI-SQUARE:**

OBSERVED VALUE(O)	EXPECTED VALUE(E)	O - E	(O - E) <sup>2</sup>	(O - E) <sup>2</sup> /E
13	7.63	5.37	28.84	3.78
9	7.92	1.08	1.17	0.15
4	4.69	-0.69	0.48	0.10
1	3.82	-2.82	7.95	2.08
8	10.73	-2.73	7.45	0.69
11	11.15	-0.15	0.02	0.002
7	6.61	0.39	0.15	0.023
6	5.37	0.63	0.39	0.073
6	4.13	1.87	3.49	0.85
3	5.37	2.37	5.61	1.04
5	5.58	-0.48	0.23	0.04
4	3.30	0.7	0.49	0.15
4	2.68	1.32	1.74	0.65
3	2.07	0.93	0.86	0.42

2	2.26	-0.26	0.07	0.03
2	2.35	-0.35	0.12	0.05
1	1.39	-0.39	0.15	0.11
2	1.13	0.87	0.76	0.67
1	0.87	0.13	0.02	0.02
<b>Calculated Value</b>				<b>10.928</b>

**INFERENCE**

Therefore, calculated value is 10.928 is less than the table value 21.03. So accept H<sub>0</sub>. Hence proved that there is no significant relationship between age of the respondents and the factors influencing the investment preference of the investors in relation to mutual funds.

**CORRELATION**

X	Y	X <sup>2</sup>	Y <sup>2</sup>	XY
16	12	256	144	192
17	17	289	289	289
35	30	1225	900	1050
17	18	289	324	306
7	15	49	225	105
<b>92</b>	<b>92</b>	<b>2108</b>	<b>1882</b>	<b>1942</b>

$$r = \frac{N \sum xy - \sum x \sum y}{\sqrt{N \sum x^2 - (\sum x)^2} \sqrt{N \sum y^2 - (\sum y)^2}}$$

$$r = \frac{(5 \times 1942) - (92 \times 92)}{\sqrt{5(2108) - (92)^2} \sqrt{5(1882) - (92)^2}}$$

$$r = \frac{9710 - 8464}{\sqrt{10540 - 8464} \sqrt{9410 - 8464}}$$

$$r = \frac{1242}{\sqrt{2076} \sqrt{946}}$$

$$r = \frac{1242}{45.56 \times 30.76}$$

$$r = \frac{1242}{1401.43}$$

$$r = 0.886$$

**INFERENCE**

1 indicates a perfect positive correlation, (-1) indicates a perfect negative correlation, and 0 indicates no correlation.

That is, if the correlation coefficient is greater than zero, it is a positive relationship. Conversely, if the value is less than zero, it is a negative relationship.

Therefore, a correlation coefficient of 0.886 indicates a positive correlation between the growth potential of mutual funds over the next five year and the types of mutual fund which are likely to perform well in the future.

**KEY FINDINGS**

- 41.3% of the respondents primary investment objective is income generation.
- 38% of the respondents are expecting moderate growth.
- 32.6% of the respondents from hybrid fund are likely to perform well in future.

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## CONCLUSION

The present study on investors' perceptions towards mutual fund schemes investment covers only Chennai city only. The results of the present study shows that majority of investors on mutual fund schemes eager to know the important information related to mutual must schemes, mutual fund company and investors' services hence the mutual fund companies try to provide all those information's transparently to investors. Success of any mutual fund scheme depends upon the how the mobilized fund is effectively managed and utilized. Asset Management Company plays the pivotal role in fund management hence the sponsored of the mutual fund company should select the good asset management company in order to attract the more investors. In order to attract more investors towards mutual fund schemes the mutual fund companies should provided more investors' services.

## REFERENCE :

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1. [https://shodhgangotri.inflibnet.ac.in/bitstream/20.500.14146/8453/2/02\\_synopsis.pdf](https://shodhgangotri.inflibnet.ac.in/bitstream/20.500.14146/8453/2/02_synopsis.pdf)
2. <https://journal.ijresm.com/index.php/ijresm/article/download/157/140>