



ATTITUDE OF INVESTORS TOWARD INVESTMENT IN MUTUAL FUNDS

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Abstract

A Mutual Fund is an investment vehicle that collects funds from investors and invest into equities, bonds, government securities, gold and other investment avenues. Through digital media and other traditional media, the awareness about Mutual Funds has drastically raised among the investors. The present study aims to find out the preferred method through which investment is done into Mutual funds and the preferred type of investment into Mutual Funds of the investors. Also to know the factors that are considered while investing into it. The study concludes that SIP (Systematic Investment Plan) is the most preferred method of investing into Mutual Funds. Equity funds is the most preferred type of investing into Mutual funds. The most important criteria while investing into Mutual Funds is higher returns followed by creating corpus and tax savings.

Key Words: *Individual Investors, Mutual Funds, Investment Behaviour, Investment Attitude*

1. INTRODUCTION

Mutual Fund is a company which pools money from investors and invests into various securities such as equity, bonds, money market instruments and/or other securities. This fund is managed by the professional fund managers. The fund managers do the research while investing funds. They select the securities to invest the funds and monitor it. The mutual fund investors can easily redeem their holdings at the current Net Asset Value (NAV).

NAV is the market value of securities held by the scheme. The performance of a particular

Mutual Fund scheme is denoted by NAV.

The Security and Exchange Board of India (SEBI) regulates all aspects of Mutual Funds in India. It has laid down strict rules and regulations to ensure transparency, fairness and investor protection in Mutual Fund industry.

In a Mutual Funds, a portfolio holds many securities, thus offering 'diversification of investment'. Diversification of funds is the biggest benefit of investing into Mutual Funds. Diversification helps to lower the risk due to spread over effect i.e. drop in price of one or even a few securities does not affect to the portfolio performance.

Another benefit of investing into mutual fund is that it offers liquidity. Liquidity means there is no lock in period (except few). The investor can easily convert investment into cash. Portfolio are designed to offer an investor, ease of investing and redemption.

One can directly invest into Mutual Fund without any intermediary in between. Both online and offline investment options are available to invest into Mutual Funds. It also saves on the commission to be paid to broker / financial advisor. But for this one needs to have enough knowledge of Mutual Funds. Otherwise, it is advisable to invest through distributor for those with insufficient mutual fund knowledge. While choosing Mutual Funds one need to find out their financial goals and risk appetite. (<https://www.mutualfundssahihai.com/>)

2. REVIEW OF LITERATURE

A paper titled "**A study on investor's attitude towards Mutual Fund Investments**" studied comparison between investment in bank and Mutual Funds. The study reveals that investors find bank investment less risky; it has more penetration and offers guarantee about principal amount. On the other hand, about Mutual Funds they say it provides better returns, administrative expenses are low, risk is moderate, more investment options are available, it has low penetration but improving and its liquidity is better. (**Pandian & P. Kannadas, 2015**)

A study titled "**Analysis of Investment Pattern of Mutual Funds Investors – An empirical study in Orissa**" aims to evaluate fund qualities that affects the selection of Mutual Funds. It is been observed in the study that safety and liquidity are the most influencing factors to invest into Mutual Funds. Professional management and reputation of the fund also influencing factor while investing into Mutual Funds. (**Chakraborty & Digal, 2013**)

A paper titled “**A study on factors affecting investment on Mutual Funds and its preference of retail investors**” aims to study factors influencing investment decisions of retail investors in Mutual Funds and investor’s preference towards Mutual Funds. The study shows that tax benefits, high returns and capital appreciation are some of the factors influencing the investors to invest in Mutual Funds. About preference of investment in Mutual Funds, it is found that even though the total money invested in Mutual Funds is small, but the number of investors are large and they would like to invest more in future. (Arathy B & et.al, 2015)

A paper titled “**A study on Investor’s attitude towards mutual funds as an investment option**” aims to study the impact of various demographic factors on investors’ attitude towards mutual funds. The study findings state that most of the respondents have neutral attitude towards investment in Mutual Funds. Further it is found that age and occupation does not affect attitude towards investment in mutual fund. Whereas, gender, income and level of education affects attitude towards investment in Mutual Funds. Male are having positive attitude towards investment in Mutual Funds as compared to females. Monthly income above Rs.25000/- having highest positive attitude towards investment in Mutual Funds. Graduates are having highest positive attitude towards investment in Mutual Funds. (Singh, 2012)

A paper titled “**Factors affecting investment in Mutual Funds**” aims to find out factors affecting investment decision on Mutual Funds and impact of behavioural factors on an investor. The findings of the study shows that investors analyse past performance (NAV) of the fund before purchasing units in the fund. They gather information about Mutual Funds mainly from brokers, financial consultants, financial institutions, internet, TV channels, newspaper / journals and friends / relatives. Tax benefit, return potential, liquidity, low cost and transparency are the major factors that motivate a retail investor to invest in Mutual Funds. Factors which prevent investors to invest in Mutual Funds is mostly bitter experience and difficulty in selection of schemes to some extent. (Singal & Manrai, 2018)

3. OBJECTIVES OF THE STUDY

- 1) To find out preferred Mutual Fund investment method of the investors.
- 2) To find out preferred type of Mutual Fund of the investors.
- 3) To find out criteria considered while investing into Mutual Funds by the investors.
- 4) To know the opinion of individual investors about investment in Mutual Funds.

4. HYPOTHESIS STATEMENTS

H₀ = There is no significant relation between educational qualification and criteria considered while investing into Mutual Funds.

H₀ = There is no significant relation between gender and opinion about investment into Mutual Funds.

5. RESEARCH METHODOLOGY

5.1 Type of Research:

The study makes use of descriptive research design which describes characteristics of the individual investors about their investment behaviour into the Mutual Funds.

5.2 Study Area:

The research is conducted in Mumbai suburban from Borivali to Andheri area.

5.3 Sampling method

The sampling method followed in the study is convenient sampling method.

5.4 Target Population and Sample size:

The target population is individual investors. Sample size is 52 individual investors

5.5 Type and Source of Data:

The present study is based on primary data and it is collected through Google form. Secondary data is collected through internet and research papers.

5.6 Statistical Tools Use:

Tables and graphs are used for organizing the data for decision making. Kruskal Wallis test and Mann-Whitney U test are used for hypothesis testing.

6. LIMITATIONS

- 1) Sample size of 52 is a limitation; the findings may differ with higher sample size.
- 2) The study is limited to Mumbai suburban areas i.e. Borivali to Andheri. Other area is not considered.

7. DATA ANALYSIS AND FINDINGS OF THE STUDY

7.1 Investment in Mutual Funds across different demographic factors

Demographic Variables		Count
Gender	Female	27
	Male	25
Annual Income	₹0 - ₹2,50,000	6
	₹2,50,000 - ₹5,00,000	7
	₹5,00,000 - ₹7,50,000	10
	₹7,50,000 - ₹10,00,000	11
	₹10,00,000 - ₹12,50,000	9
	₹12,50,000 - ₹15,00,000	1
	More than ₹15,00,000	8
Occupation	Salaried	33
	Professional	9
	Housewife	5
	Retired	5
Educational Qualification	SSC	8
	HSC	0
	Graduation	11
	Post Graduation	33

Source: Primary Data

7.2 Do you invest in Mutual Funds

Particulars	Count
No	14
Yes	38
Total	52

Source: Primary Data

The table shows that 38 respondents do invest in the Mutual Funds whereas 14 respondents said they do not invest into Mutual Funds.

Objective 1: To find out and preferred mutual fund investment method of the investors

7.3 Preferred Mutual Fund Investment Method

The table shows that 38 respondents invest through SIP method in the Mutual Funds, 2 said through STP method and 5 respondents said through SWP method.

Particulars	Count
SIP (Systematic Investment Plan)	38
STP (Systematic Transfer Plan)	2
SWP (Systematic Withdrawal Plan)	5

Source: Primary Data

Objective 2: To find out preferred type of mutual fund of the investors

7.4 Type of Mutual Fund you prefer to invest in

Particulars	Count
Close ended scheme	0
Debt funds	5
Equity funds	25
Growth funds	16
Hybrid funds	14
Pension funds	7
Liquid funds	2
Money market funds	0
Open-end fund	1
ELSS	7
Other	0

The table shows that most of the respondents invest into equity funds (16) followed by growth fund (16), hybrid funds (14), pension funds (07), ELSS (07), Debt fund (05), liquid funds (02) and open-end fund (01). There is no respondent investing into money market fund and close ended scheme.

Source: Primary Data

Note: In the Table No. 7.3 and 7.4 the question was checkbox format where respondents could tick mark more than 1 option.

Objective 3 : To find out consideration relevant criteria while investing into Mutual Funds by the investors

7.5 Relevance of the following criteria when investing in Mutual Funds

Particulars	Most important	Important	Neutral	Somewhat important	Not important
Tax saving	18	7	7	2	3
Retirement planning	14	12	8	2	1
Future Consumption	12	15	9	0	1
Regular Returns	12	10	11	2	2
Higher returns	24	7	6	0	0
Creating corpus	20	13	3	0	1

Source: Primary Data

The above graph shows tax saving, retirement planning, future consumption, higher returns and creating corpus are important factors considered while investing into Mutual funds.

In case of regular return most of the respondent found it important but equal number of respondents said they are neutral about this factor considered while making investment in mutual funds.

7.6 Time period preferred for investment in Mutual Funds?

Particulars	Count
Short term (0- 1 year)	1
Medium term (1 - 5 years)	9
Long term (5 years and above)	28

Source: Primary Data

The table shows that 1 respondent said he/she invests for short term (0-1 year), 9 said Medium term (1 - 5 years) and 28 said Long term (5 years and above)

7.7 Approximate average annual investment in Mutual Funds

Particulars	Count
Less than ₹ 10,000	8
₹ 10,000 - ₹ 50,000	15
₹ 50,001 - ₹ 1,00,000	6
₹ 1,00,000 - ₹ 1,50,000	4
₹ 1,50,000 - ₹ 2,00,000	3
More than ₹ 2,00,000	2

The table shows that 15 respondents invest ₹ 10,000 - ₹ 50,000 p.a. in the mutual funds followed by 8 respondents invest Less than ₹ 10,000 and very few invest more than ₹ 50,000.

Source: Primary Data

Objective 4: To know opinion about investment in Mutual funds of individual investors

7.8 State your opinion about investment in mutual fund

Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
It gives higher returns	18	15	3	2	0
It has less transaction cost	10	13	10	5	0
It is more secure	11	8	11	8	0
It provides more liquidity	13	12	11	2	0
It gives tax Benefit	9	9	18	2	0
It inculcates financial discipline	19	15	4	0	0

Source: Primary Data

The above table shows that respondents agree with the factors that Mutual Funds gives higher returns, it has less transaction cost, it is more secure, it provides more liquidity and it inculcates financial discipline.

Most of them they are neutral about the factor that Mutual Funds gives tax benefit. Good number of respondents are also neutral about that Mutual Funds has less transaction cost, it is more secure and it provides more liquidity.

7.9 Would you like to continue investment in Mutual Fund?

Particulars	Count
Yes	36
No	2

The table shows that 36 respondents said they would like to continue investment in Mutual funds whereas 2 said they would not like to continue.

Source: Primary Data

8. HYPOTHESIS TESTING

H_0 = There is no significant relation between educational qualification and criteria considered while investing into Mutual Funds.

Kruskal Wallis Test Statistics ^{a,b}						
	Tax saving	Retirement planning	Future Consumption	Regular Returns	Higher returns	Creating corpus
Chi-Square	.705	5.865	.888	2.821	2.778	.265
df	2	2	2	2	2	2
Asymp. Sig.	.703	.053	.641	.244	.249	.876
a. Kruskal Wallis Test						
b. Grouping Variable: Educational Qualification						

To test above hypothesis Kruskal Wallis Test is used. The p-value for all the factors considered under criteria while investing into Mutual Fund is more than 0.05 therefore, null hypothesis is accepted i.e. there is no relation between educational qualification and criteria considered while investing into Mutual Funds. Therefore, it can be concluded that educational factors do not affect to the above criteria (Tax saving, Retirement planning, Future Consumption, Regular Returns, Higher returns and Creating corpus) while investing into Mutual Funds.

H₀ = There is no significant relation between gender and opinion about investment into Mutual Funds.

Mann-Whitney U Test Statistics^a						
	It gives higher returns	It has less transaction cost	It is more secure	It provides more liquidity	It gives tax Benefit	It inculcates financial discipline
Mann-Whitney U	93.000	106.500	177.000	158.500	168.500	98.000
Wilcoxon W	324.000	337.500	330.000	389.500	399.500	329.000
Z	-2.752	-2.202	-.046	-.617	-.315	-2.621
Asymp. Sig. (2-tailed)	.006	.028	.964	.537	.753	.009
a. Grouping Variable: Gender						

To test above hypothesis Mann-Whitney U Test is used. For the opinion like Mutual Funds is more secured, it provides more liquidity and it gives tax benefit p-value is more than 0.05 therefore, null hypothesis is accepted i.e. both male and female similarity in these opinions while investing into Mutual Funds.

On the other hand, for the opinion like Mutual Funds given higher returns, it has less transaction cost and it inculcate financial discipline p value is less than 0.05 therefore, null hypothesis is rejected i.e. male and females have difference in these opinions while investing into Mutual Funds.

9. CONCLUSION

The study concludes that most of the investors do invest into Mutual Funds. Their preferred method of investment into Mutual Funds is SIP (Systematic Investment Plan). The most preferred type of Mutual fund by the investors is equity funds followed by growth funds and hybrid funds. The most important criteria while investing into Mutual Funds is higher returns followed by creating corpus and tax savings. They prefer to invest in Mutual Funds for long term (5 years and more). Their average annual investment in mutual funds is ₹ 10,000 - ₹ 50,000. They agree with the factors that Mutual Funds gives higher returns, it has less

transaction cost, it is more secure, it provides more liquidity and it inculcates financial discipline. They would like to continue investment in Mutual Funds.

The results of hypothesis testing indicate that educational factors do not influence aspects such as tax savings, retirement planning, future consumption, regular returns, higher returns, and corpus creation when investing in mutual funds. Additionally, both males and females share similar opinions that mutual funds are more secure, provide greater liquidity, and offer tax benefits. However, they differ in their views regarding mutual funds' potential for higher returns, lower transaction costs, and the ability to instill financial discipline.

10. References

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