CUSTOMER PREFERENCE FOR MUTUAL FUND SCHEMES AS AN AVENUE OF INVESTMENT

Imran Basha K
Asst. Prof., Department of Corporate Secretaryship, Quaide Milleth College for Men, Chennai

Abstract

A Mutual Fund is a popular pool of funds in which participants with similar investment target position their investments to be spent in accordance with the scheme's specified investment target. The investment manager would invest the money the investor has collected into assets defined / allowed by the scheme's stated objective.   There are different investment methods. Mutual funds are one among them. An investment program funded by shareholders that trade in diversified holdings and is professionally managed. The mutual fund companies appoint efficient and professional fund managers but the selection for the scheme lies in the hands of the investors himself. It requires adequate skills here comes role of financial firms. The objective of this study is to obtain investor feedback on mutual funds and to identify the factors which influence investors to invest in mutual fund schemes.

Keywords: Mutual fund schemes, preference, return, principal and risk

INTRODUCTION

Securities investing is carried out through a wide cross-section of industries and sectors, thus reducing the risk. Diversification reduces the risk, because at the same time all stocks may not move in the same direction. The mutual fund issues units to investors according to the amount of money they invest. Mutual-fund creditors are classified as unit holders.

The investors share the profits or losses proportionally to their investments. The Mutual Funds normally come out with a number of schemes that have different investment goals that are launched occasionally.

In India, A Mutual Fund is required to register with the Indian Securities and Exchange Board (SEBI), which regulates securities markets before it can collect public funds. In short, a Mutual Fund is a popular pool of funds in which participants with similar investment target position their investments to be spent in accordance with the scheme's specified investment target. The investment manager would invest the money the investor has collected into assets defined / allowed by the scheme's stated objective.

For examples, an equity fund would invest instruments related to stock and stock and a debt fund would invest in shares, debentures, gilts etc. Mutual fund is an acceptable choice for the average man, because it provides the potential to invest at a fairly low cost in a diversified, professionally run stock basket.

SCOPE OF THE STUDY

The scope of this study is to analyze investors' preference and reason for investing in mutual funds. In short, the results of this study would help investors to know how to invest in the various schemes of mutual funds by identifying factors or criteria that determine their performance in the market place. This study has been conducted in Chennai and is limited to people employed in the IT sector.

REVIEW OF LITERTURE

Siva Ram et al., (2017) researched and found that mutual funds have emerged as one of the significant alternative investments among numerous investment alternatives. While selecting a mutual fund business, investors perceive big fund houses perform better than small ones, so they prefer to invest in big funds. The present study focused on variables including investment managers' willingness to risk, return, and market timing, when analyzing the success of select mutual fund schemes.

A paper written by Vidal (2016) explores the use of mutual funds of private knowledge using unconditional and conditional success models. Using daily data for 35 countries over the period 1990-2015, we find evidence that using the information on conditioning provides a more accurate estimate of fund performance. The use of knowledge on the conditioning in the success assessment of mutual funds is statistically and economically important. We demonstrate that unconditional alphas and betas are somewhat smaller than the average conditional estimates. However, in the performance of the mutual fund, we do not find solid evidence of private information.

According to Bhagyasree (2016), transition economy performance of open-ended, growth-oriented equity schemes for the period April 2011 through March 2015. Daily closing of NAV of various schemes was used to calculate the returns from the schemes of the funds. BSE-Sensex was used for equity markets. The historical performance of the chosen schemes was measured on the basis of the test taken by Sharpe, Treynor, and Jensen whose findings would be useful for investors to make smarter investment decisions. The study revealed 14 out of 30 mutual fund schemes had outperformed the return on the benchmark.

OBJECTIVES OF THE STUDY

- To obtain investor feedback on mutual funds
- To identify the factors which influence investors to invest in mutual fund schemes.

RESEARCH METHODOLOGY

The research design is descriptive in nature and the research tool used to collect primary data has been a structured, non-disguised questionnaire. The sampling technique was convenience sampling and the sampling frame included employees working with various IT firms in Chennai. The sample size was limited to 250 respondents drawn from ten mid-cap IT firms operating in Chennai. The sample included respondents belonging to various age groups.

DATA ANALYSIS

Table 1 : Basic details about investment in Mutual Fund Schemes

Reason for investing in MFs	Percent	Preferred MF schemes	Percent
Higher returns	30.0	Equity funds	26.8
Liquidity	34.8	Income funds	54.8
Tax benefits	18.4	Balanced funds	22.8
Risk Reduction	41.2	Gilt funds	59.2
No. of years	**Percent**	Tax saving funds	33.6
Less than 3 years	25.5	Sector specific funds	21.6

3- 5 years	50.5	Technology funds	19.2
More than 5 years	24.0		

Most of the investors prefer to invest in mutual fund schemes followed by liquidity and higher returns. Most of them have been investing in the same for more than 3 period time and the most preferred mutual fund scheme seen to be gilt funds followed by income funds.

Table 2 : Expectations regarding returns on Mutual Fund Schemes

Mutual funds	Expected Return	Frequency	Percentage
Income funds	<10%	-	0
	10% to 20%	31	22.63
	>20%	106	77.37
Equity funds	<10%	3	44.47
	10% to 15%	6	98.95
	>15%	58	86.57
Balanced funds	<5%	-	0
	5% to 8%	3	4.84
	>8%	59	95.16
Gilt funds	<5%	-	0
	5% to 7%	19	12.84
	>7%	129	87.16

77.37 % Of the investors expect >20 % return for the Income funds, 98.95 % expect 10% to 15% return for the Equity funds and 95.16 % expect more than 8 % return out of balanced funds.

Table 3 : Reasons for preferring a particular Mutual Fund Scheme

Reasons	Growth funds	%	Income funds	%	Balanced funds	%
Liquidity	12	17.91	25	18.25	9	14.52
Safety	13	19.4	22	16.06	7	11.29
Tax benefits	5	7.46	18	13.14	6	9.68
Volatility	8	11.94	12	8.76	12	19.35
ROI	15	22.39	43	31.38	14	22.58
Track Record	7	10.45	8	5.84	5	8.06
Past Performance	4	5.97	5	3.65	6	9.68
Professional Mgt.	3	4.48	4	2.92	3	4.84
Total	67	100	137	100	62	100

Return on investment is the most important attribute considered by the investors while investing in any kind of mutual fund scheme.

Hypothesis I:

Null Hypothesis: There is no association between age and the past investing experience of the investor with respect to returns earned on mutual funds schemes

Table 4 : Chi Square Test for association between age and the past investing experience of the investor with respect to returns earned on mutual funds schemes

Age	Experience with respect to returns on MF	Total	Chi Square Value	P Value

	Safe	Erratic	Unsafe			
Less than 25 years	14	3	7	24		
26 to 35 years	5	2	6	16		
36 to 45 years	26	19	59	104	2.398	<0.001**
46 to 55 years	34	13	10	57		
More than 55 years	29	15	5	49		
Total	111	52	87	250		

P value being <0.0, null hypothesis is rejected. Hence there is association between age and the past investing experience of the investor with respect to returns earned on mutual funds schemes.

Hypothesis II:

Null Hypothesis: There is no association between age and the past investing experience of the investor with respect to protection of principal

Table 5 : Chi Square Test for association between age and the past investing experience of the investor with respect to protection of principal

Age	Experience with respect to principal			Total	Chi Square Value	P Value
	Safe	Erratic	Unsafe			
Less than 25 years	13	5	6	24		
26 to 35 years	8	5	3	16		
36 to 45 years	29	19	56	104	2.431	<0.001**
46 to 55 years	30	11	16	57		
More than 55 years	31	124	6	49		
Total	111	52	87	250		

P value being <0.0, null hypothesis is rejected. Hence there is association between age and the past investing experience of the investor with respect to protection of principal.

Hypothesis III:

Null Hypothesis: There is no association between education and opinion of investors with respect to regulation of mutual funds by SEBI

Table 6 : Chi Square Test for association between education and opinion of investors with respect to regulation of mutual funds by SEBI

Educational Qualification	Very stringent	Stringent	Liberal	Total	Chi Square Value	P Value
Diploma	31	59	6	96		
Graduate	8	18	11	37		
Post graduate	73	27	3	103	1.412	<0.001**
Others	9	0	5	14		
Total	121	104	25	250		

P value being <0.0, null hypothesis is rejected. Hence there is association between *education and opinion of investors with respect to regulation of mutual funds by SEBI*

Hypothesis IV:

Null Hypothesis: The response pattern of response of investors with respect to performance of mutual funds is not uniformly distributed

Table 7 : Kalmograv Smirnov Test for uniform pattern of response pattern of response of investors with respect to performance of mutual funds

Opinion	F (x)	Cumulative	S (x)	Cumulative	F (x) - S(x)	P value
Excellent	0.07	0.07	1/5	0.2		
Good	0.39	0.46	1/5	0.4		
Satisfactory	0.50	0.96	1/5	0.6	0.360	<0.001**
Fair	0.02	0.98	1/5	0.8		
Poor	0.02	1	1/5	1		

P value being <0.0, null hypothesis is rejected. Hence there is response pattern of response of investors with respect to performance of mutual funds is not uniformly distributed.

Table 8 : Weighted Average for Reasons For Preferring a Particular mutual fund

Attributes	Equity Funds	Income Funds	Balanced Funds	Total Score	Average Score
Liquidity	18	18	14	104	17.3
Safety	19	16	11	97	16.2
Tax Benefits	8	13	10	65	10.8
Volatility	12	9	19	70	11.67
ROI	22	31	23	160	26.67
Track Record	10	6	8	46	7.67
Professional Mgt.	6	4	10	34	5.67
Past Performance	5	3	5	24	4
Total				**600**	**100**

The above table reveals that the ROI is given more weightage for preferring a particular mutual fund followed by liquidity and safety.

FINDINGS AND CONCLUSION

The results of the study have shown that most of the investors prefer to invest in mutual funds due to the reduced risk. The most preferred mutual fund scheme by the investors is the gilt funds followed by the income funds. Investors are also aware of other funds but only 19.2 % dare to invest in technology funds and 21.6 % in sector specific funds due to various factors like Risk & return. Apart from this, return over investment is the most important attribute considered by the investors while investing in any kind of mutual fund scheme. 87% of the respondents feel that the principle is unsafe and the returns expected is erratic. 50 % of the respondents feel that the performance of Indian mutual funds is satisfactory. 41.6% of the respondents feel that the regulations imposed by SEBI on mutual funds are stringent and only 10 % feel the regulations are liberal.

CONCLUSION

The primary need of the study is to identify the investors and their investment perspective and guide them to identify their personal needs, and then get details from the professionals. Finally let the distributors get the comparative analysis of the growth mutual

funds' performance of the asset management companies and thus lead them to improve their performance.

REFERENCES

i.   N. Bhagyasree and B.Kishori (2016. A Study on Performance Evaluation of Mutual Funds Schemes in India, International Journal for Innovative Research in Science & Technology, Volume 2, Issue 11, 2016.

ii.   R.Siva Rama Prasad. "A Study on Performance Evaluation of Select Mutual Fund Schemes:An operational Research Approach." IOSR Journal of Bu siness and Management (IOSR-JBM) , vol. 19, no. 12, 2018, pp. 69-72.

iii. Vidal-García, Javier and Vidal, Marta and Boubaker, Sabri and Hassan, Majdi, The Efficiency of Mutual Funds (November 17, 2016). Annals of Operation Research, August 2018, Volume 267, Issue 1–2, pp 555–584.