

A Study on Investor Objective towards Mutual Fund Products

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Abstract

Mutual fund industry in India is a speedy growth because of infrastructure development, increasing of individual income and foreign investment participation. With the increase of risk taking behavior of investors are prefer to invest in mutual funds. Mutual funds become a preferable investment destination for them compare with other investment options like fixed deposit, postal savings, other government securities. Mutual fund industry is like a service industry in India which is helping to Indian economic development as well as growth. Even though the mutual fund industry is growing, but investors are not confident in investing in mutual funds. In this connection this paper attempts to measure the investor investment pattern, sector preference, expected return from mutual funds investment, mutual investor perception

about AMC entry and exit load, investor risk resistance level and the objectives of investor investing in mutual funds.

INTRODUCTION

A mutual fund is act as investment instrument to the investor. It collect the money from different investor having a common investment goal, after pooling on money from various investors invests in wide variety of investment opportunities. The mutual funds are managed by professional experts they are doing various portfolio activities and investment analysis to select best investment option where the funds are going to invested for maximum return. The returns earned by this way of investment and the capital appreciation realized then shared by its unit holders based on their proportion of units holed by them.

Mutual funds investment is one of the investment option it helps the investors who are not able to participate in the capital market and also to access the stock market through mutual funds investment. All investors may not be in a position to carry out fundamental and technical analysis before they choose investment options; neither do they have the resources nor the expertise to do so. Instead of straight investing, the investors, particularly small investors go for indirect investing through mutual funds. They become unit holders of mutual funds instead of becoming bond holders or share holders of the company. At present volatile market environment, mutual funds are looked upon as a translucent and low cost investment vehicle.

OBJECTIVES

1. To evaluate the investor objectives in mutual fund investments
2. To get insight of the investor expected return on mutual funds investment
3. To identify the investor preference of AMC selection and to analyze the investor choices of mutual fund options
4. To unearth the relation among the investor annual saving to selection of fund, sector preference, expected return, and risk resistance level.

LITERATURE REVIEW

1. Jambodekar (1996) conducted a study to assess the alertness of Mutual funds among investors, the factors influencing the choice for a particular fund and to identify the information sources influencing the buyer's decision. This study revealed that open-ended mutual fund schemes are preferential as compared to the closed- ended schemes and income mutual fund schemes are preferred by investors than growth schemes.[1]
2. Syama Sunder (1998) conducted a survey to get an imminent into mutual fund operations of private institutions with special reference to Kothari Pioneer. Author found that the consciousness about mutual fund as an investment alternative was poor in small cities. Open-ended schemes are preferred by investors and age and income played a very important role in selecting the

- fund schemes. Also brand likeness and return were the prime considerations for the mutual fund investors[2]
3. Panda and Tripathy (2002) conducted investors' perception towards mutual funds and analyzed their preference and importance. They found out that the perception of investors is that the mutual funds have embittered the ordinary investors and were displeased with mutual fund schemes except UTI.[3]
 4. Anand and Murugaiah (2004) studied the tactical issues related to the marketing of financial services. Authors accomplished that today's financial services industry requires new strategy to stay alive and continue to function.[4]
 5. Ramamurthy and Reddy (2005) conducted a study to analyze modern trends in Indian mutual fund industry. Authors found out that major benefits delivered to small investors by mutual funds are proficient management, diversification of investment, return potential, expedient administration, liquidity, transparency, affordability, elasticity, wide choice and suitable regulation.[5]
 6. Desigan et al. (2006) studied women investors' perception towards investment and found that women investors were be indecisive from investing in mutual funds because of be deficient of knowledge regarding investment defense and procedure for building investment. [6]
 7. Parihar et al. (2009) analyzed the impact of different demographic variables on the approach of investors towards mutual funds. Their study revealed that the majority of investors had not formed any attitude towards mutual funds for investments mainly because of the lack of awareness. They also found that respondent's age, gender and income were significantly associated with their attitude towards mutual funds whereas their education and occupation were not associated with the same.[7]
 8. Pandey (2011) analyzed the pattern of investors' behavior and the factors which regulate their decision of investments in mutual funds. He found that lack of knowledge exists about mutual funds as an investment option because investors were not aware about the profit they can reap through mutual funds.[8]
 9. Singh (2012) conducted an observed study of Indian investors and experimented that most of the respondents do not have much alertness about the various role of mutual funds and they are bit bemused regarding investment in mutual funds. The study found that some demographic factors like gender, income and level of education have their considerable impact over the attitude towards mutual funds.[9]
 10. V. Rathnamani (2013) concluded that many investors are chosen to invest in mutual fund in order to have high gain at low level of risk, safety liquidity. It can be said that the Mutual Fund as an investment vehicle is capturing the attention of various segments of the society, like academicians, industrialists, financial intermediaries, investors and regulators for varied reasons and deserves an in depth study.[10]

RESEARCH METHODS

The main objectives of the study is to assess the investor objectives towards mutual funds investment and to evaluate their demographic variable how to relate to selection of funds, expectation of return from the mutual funds investment. A sample of investors is obtained by contacting investors; there are about 10 investment consultancy firms which have good investor base. However, all of them refused to provide lists for two reasons (i) confidentiality (ii) inconvenience. Finally, three firms permitted to contact investor who visits their offices. Through their reference personal interview conducted with questionnaire survey out of 110 investor 50 investors are responded satisfactorily. The research focused on both primary and secondary data. Primary data were collected through a well structured close-ended questionnaire which was given to the responded through the direct contact on investor in their office. Moreover, responses were measured by 5-point Likert scale consisting of, strongly disagree, disagree, undecided, agree, strongly agree dimensions.

The secondary data used in the study were also collected from the internet, Business line newspapers. Analyses of data and testing of hypotheses were performed using the Statistical Package for Social Sciences (SPSS) software version 20.

ANALYSIS AND INTERPRETATION

This research was conducted, 50 respondents who were contacted by judgment sampling in Chennai central city. The table below represents the analysis of some of their responses provided.

Question	Description	N=50	%
Age	18-25	1	2.0
	26-33	18	36.0
	34-41	10	20.0
	42-49	5	10.0
	50 above	16	32.0
	Total	50	100.00
Gender	Male	35	70.0
	Female	15	30.0
	Total	50	100.00
Marital status	Married	33	66.0
	Unmarried	17	34.0
	Total	50	100.00
Family members	One	4	8.0
	Two	10	20.0
	Three	20	40.0
	Four	10	20.0
	Five	6	12.0
	More than five		
	Total	50	100.00

Education Level	SSLC/HSC	1	2.0
	Diploma	1	2.0
	UG	12	24.0
	PG	33	66.0
	Others	3	6.0
	Total	50	100.00
Occupation	Govt. Employees	2	4.0
	Pvt. Employees	19	38.0
	Professional	9	18.0
	Self-employed	5	10.0
	Business	6	12.0
	Others	9	18.0
	Total	50	100.00
Annual Income	<100000	7	14.0
	100001-200000	6	12.0
	200001-300000	6	12.0
	300001-400000	16	28.0
	400001above	14	2.0
	Total	50	100.00
Surplus income investing in MF	Yes	26	52.0
	No	24	48.0
	Total	50	100.00
Investment pattern in MF	Monthly	10	20.0
	Once in six months	9	18.0
	Once in year	13	26.0
	Very rare	18	36.0
	Total	50	100.00
Sector Preference	Public sector	23	46.0
	Private sector	23	46.0
	Foreign sector	4	8.0
	Total	50	100.00
Type of fund preferred	Open ended	22	44.0
	Close ended	20	40.0
	Interval fund	8	16.0
	Total	50	100.00
Expected Return	<6%	4	8.0
	7%-12%	22	44.0
	13%-18%	17	34.0
	19%-24%	4	8.0
	25% above	3	6.0
	Total	50	100.00

Risk Resistance Level	High risk	4	8.0
	Balanced risk	34	68.0
	Low risk	12	24.0
	Total	50	100.00
Investment Objectives of Investor in Mutual Funds			
The objective of my investment is to provide for retirement	Strongly Disagree	9	18.0
	Disagree	6	12.0
	Undecided	6	12.0
	Agree	21	42.0
	Strongly Agree	8	16.0
	Total	50	100.00
The objective of my investment is towards Tax Savings	Strongly Disagree	1	2.0
	Disagree	10	20.0
	Undecided	8	16.0
	Agree	19	38.0
	Strongly Agree	12	24.0
	Total	50	100.00
The objective of my investment is towards Purchase of assets	Strongly Disagree	3	6.0
	Disagree	4	8.0
	Undecided	9	18.0
	Agree	19	38.8
	Strongly Agree	15	30.0
	Total	50	100.00
The objective of my investment is to meet Children's Education	Strongly Disagree	3	6.0
	Disagree	5	10.0
	Undecided	8	16.0
	Agree	19	38.0
	Strongly Agree	15	30.0
	Total	50	100.00
The objective of my investment is to meet Son's / Daughter's marriage	Strongly Disagree	1	2.0
	Disagree	7	14.0
	Undecided	11	22.0
	Agree	19	38.0
	Strongly Agree	12	24.0
	Total	50	100.00
The objective of my investment is to make profit motive	Strongly Disagree	1	2.0
	Disagree	1	2.0
	Undecided	7	14.0
	Agree	22	44.0
	Strongly Agree	19	38.0
	Total	50	100.00

The objective of my investment is to provide/enable Liquidity	Strongly Disagree	2	4.0
	Disagree	7	14.0
	Undecided	12	24.0
	Agree	22	44.0
	Strongly Agree	7	14.0
	Total	50	100.00
The objective of my investment is to keep up the time value of Money	Strongly Disagree	3	6.0
	Disagree	-	-
	Undecided	9	18.0
	Agree	24	48.0
	Strongly Agree	14	28.0
	Total	50	100.00
The objective of my investment is to get capital appreciation	Strongly Disagree	1	2.0
	Disagree	1	2.0
	Undecided	2	4.0
	Agree	26	52.0
	Strongly Agree	20	40.0
	Total	50	100.00
The objective of my investment is to meet my future medical expenses	Strongly Disagree	3	6.0
	Disagree	5	10.0
	Undecided	9	18.0
	Agree	19	38.0
	Strongly Agree	14	26.0
	Total	50	100.00

Analysis of the responses given during the conduct of the study is shown in the table above. The age of the respondent is (18%) is highest in the age category of 26-33 years. Investor classification based on gender (70%) of them is Male and (30%) are female. Marital status of the investors (66%) is married and (34%) are female. Investor family size (40%) is the highest of them their family size is three members. Majority of respondent (66%) were postgraduate and second majority is (24%) were under graduate. Private sector employees are investing more in mutual funds (38%) Respondent annual income classification shown that highest percentage (28%) their annual income is 300000 to 400000.

FINDINGS

The study reveals 52% of the investors shown interest towards investing their surplus funds in Mutual funds and the number of times of investment in mutual fund is annual, says 26% of the investor. The expected return on investment of the investor is (44%) of the respondents expectation is (7%-12%) and (34%) of the respondent is (13%-18%). Open ended schemes are mostly preferred by the investor (44%) and

another 40% of the investor prefers to invest in closed ended schemes. Risk appetite of the investor seems to be balanced at 68% and only 8 % of the investor prefers to take high risk.

Investor investing in mutual funds having varied objectives and all the objectives agreed by them are ranked in the order of highest to the lowest. Capital appreciation seems to be one of the top ranked objectives agreed by most of investors (52%), followed by time value of money (48%), Liquidity & profit motive (44%), retirement (42%), Son/Daughter Marriage, Child Education, Medical Expenses, Tax savings & Purchase of assets (38%)

CONCLUSIONS

Though mutual fund investments are subject to market risk, this study reveals Investor appetite of taking risk and predominantly capital appreciation is the main motto of the investors to invest in mutual funds

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