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Investment Decision - Comparative Study Between Equity And Mutual Fund

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ABSTRACT

This study consists two main variables or factors of the stock market i.e., Equity stock and Mutual funds. Stock or share is a security that represents ownership in a company. Here money that is invested in a firm by its owner/s or holder/s of common stock (ordinary shares) is recovered when they sell their shareholdings to other investors. Mutual fund is a professionally managed investment scheme, usually run by an asset management company that brings together a group of people and invests their money in stocks, bonds and other securities depending on the underlying objective of the scheme. The objective of the study is to identify the reasons for preferring equity and mutual fund and also know about the factor which affecting the behaviour of the investors while they invest into mutual fund and equity market. This study includes all the Asset Management Companies with short description about them and also describe different types of trading including arbitrage trading. This study is in descriptive nature since it is based on primary data's facts and findings of investigation in a structured manner. It also consists association between demographic factors with various variables like savings, investment pattern, expected rate of return and frequency of changing Portfolio of the investors. People need a systematic way of investing should go for mutual fund investing. Investing with a fixed income strategy, should choose mutual fund as an investment choice. Short term as well as medium term investors should choose direct equity investing as an investment choice. Mutual fund investing is termed as a long-term horizon of getting a good return, as the fund is going in a systematic way. If an investor has got time in making a market study and managing his/her portfolio, should invest in equity shares directly, otherwise go for mutual fund investing. If an investor like in buying and selling stocks, managing the stocks in his portfolio should choose direct investing in equity stocks.

Key Words- Asset Management Company (AMC), Demographic Factors, Portfolio, Common stock, Arbitrage.

INTRODUCTION

The history of the share market of India dates back to 1875. The name of the first share trading association in India was “Native hares and Stock Broker’s Association” which later came to be known as ‘Bombay Stock Exchange’. Equity is something which represents individual ownership and allows to earn dividend on the capital invested by the individuals as and when the company enjoy profits. However, it is to be noted that it is solely on the company either pay dividend or retain it with themselves for unforeseen future contingencies, such decision is called dividend decision. In India, merely 10% of the total population investing in equity. After becoming the world’s fifth-largest economy, India is now fifth-biggest equity market as well. Mutual fund industry in India started in 1963 with formation of UTI in 1963 by an act of parliament and functioned under the regulatory and administrative control of the Reserve Bank of India. People invest either in equity or mutual funds or both as the case maybe, only 31% people investing in mutual fund out of the total population. Mutual Fund is nothing but a trust that collects money from a number of investors who share a common investment objective. Mutual fund invests the pooled money in bonds, money market instruments and other securities and apart from it in equity too.

INVESTMENT

Below is the list of companies in which non-resident Indians, Foreign Institutional Investors and Person of India Origins investment is allowed up to 24% of their paid-up capital:

- Alembic Chemical Works Co. Ltd
- Amar Investment Ltd, Calcutta.
- Arvind Mills, Ahmedabad.
- Ashima Syntex Ltd, Ahmedabad.
- Ashoka Viniyoga Ltd.
- CPPL Ltd, (Reliance Ind. Infrastructure Ltd), Mumbai.
- Hindustan Nitroproducts (Gujrat) Ltd.
- Hindustan Development Corp Ltd, Calcutta.
- Jindal Iron & Steel Co. Ltd.
- Jindal Strips Ltd

LITERATURE REVIEW

Prafulla kumar swami & Manoranjan dash: This study focuses on the need of financial market and also the purpose of the investment by the investors. The deep study of the research provides an insight into the risk associated with the investment’s opportunity, higher the risk higher will be the profit and vice versa. Due to the devastating population of India, the financial market becomes competitive and hence the supply of the financial instrument needs to be in equilibrium to the demand in order to keep the money circulated in the market and maintains liquidity. The prime purpose of any investment is to get maximum return with minimum risk, with the help of research it is found that mutual fund provides the opportunity for the investors. Another focus of this research on the relationship between investment decision and factors like liquidity, financial awareness and demography.

Rakesh H M: This research focuses on the behaviour and attitude of the investors in making investment decisions. On what basis they take decisions for investments e.g., income, references, performance, maximum return, liquidity, long term goal etc are the centre points in order to draw conclusion. This research observes that regulators of the stock market never can ignore the behaviour of individual investor because of their big shares of savings in the country. A survey is conducted and respondents were classified into different categories like income, profession, education status, sex and age. Another attempt of this research is to find the factor affecting the investment behaviour of individual investors such as their awareness level, duration of investment etc.

Pritam P. kothari & Shivganga C. Mindargi: The main focus of the research is to get the insight of the Mutual Fund industry in India, what made the people to investment in mutual fund is the centre in which the whole research roam around. The role of Indian mutual fund industry as significant financial service in financial market has really been noteworthy. In fact, the mutual fund industry has emerged as an important segment of financial market of India, especially in channelizing the savings of millions of individuals into the investment in equity and debt instruments. The research also studies about any preferred company in which investors desire to invest in like small or big or reputed mutual fund organizations. Mutual funds are financial intermediaries concerned with mobilizing savings of those who have surplus and the channelization of these savings in those avenues where there is a demand for funds. These intermediaries employ their resources in such a manner as to provide combined benefits of low risk, steady return, high liquidity and capital appreciation through diversification and expert management. This research also gives an information that the tremendous growth in the Indian capital market happened because of reforms in the India economic system. The study also reveals that the majority of investors have still not formed any attitude towards mutual fund investments, they simply invest.

Mr. Vikash kumar: This study focuses on the preferences of investors for investment in mutual funds for the SBI mutual funds and also to know the preference among equity, debt and balanced scheme of mutual fund. Mr. Vikash Kumar concludes that non awareness is the reason why people don't want to invest. He adds that most of the investors invest in Reliance, UTI and ICICI mutual fund. The respondents of Mr. Vikash kumar ranks SBI mutual Fund after ICICI mutual fund. He concludes that most portfolios are equity second most is balance and least prefer portfolio was debts portfolio.

Noronha: This research evaluated the performance of 11 equity schemes of three asset management companies. The study found that equity, tax plan and index funds offer diversification and are able to earn better returns as compared to sector specific funds. The study is a commendable work on performance of mutual funds highlighting the better earning capacity of equity, tax plans and index funds.

Objectives of the study

Objective of the research is to know which is the most sought test investment in equity and mutual fund.

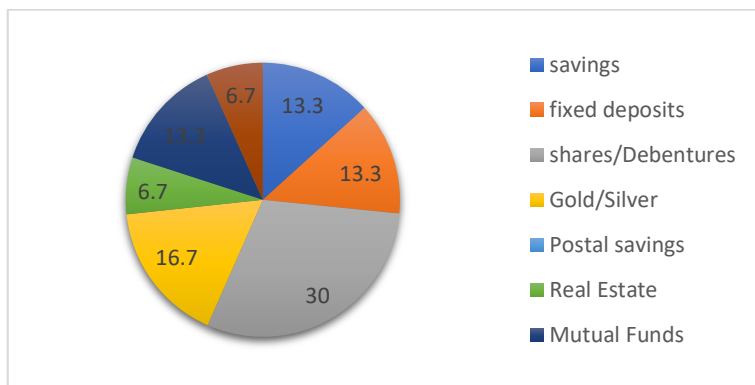
- I. To know in which type of investment people want to invest for long period.
- II. To know which investment has the maximum return when it compares to risk associated with it.
- III. To know about whether people invest fully in equity or mutual fund or believed in diversification of investment.
- IV. To identify reasons for preferring mutual funds and direct equity investment.
- V. To identify factors considered while investing in mutual funds.
- VI. To identify the investment objective while investing in equity stock.
- VII. To find out the most preferred channel.
- VIII. To know the preferences for the portfolios.

RESEARCH METHODOLOGY

Research data refers to the collection of files that support research project, study or publication such as documents. The findings used for this study is of primary data nature. The research method used is descriptive methodology.

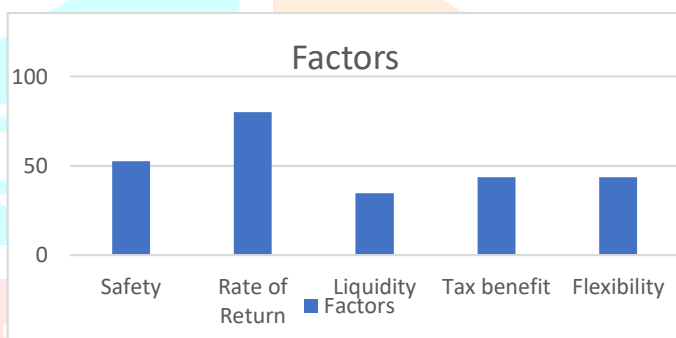
DATA ANALYSIS

Investment:



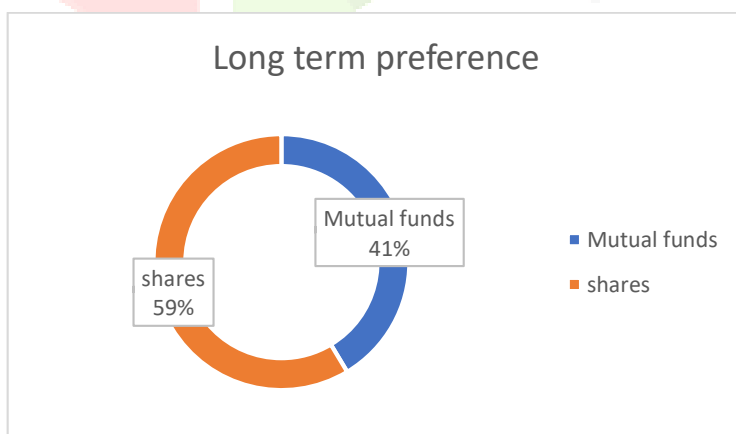
Interpretation: There are numerous means of investing a saving as listed below among which 30% people prefer to invest in shares & debenture followed by gold/silver and mutual fund with 16.7% and 13.3% respectively.

Factors consider in mutual fund by people:

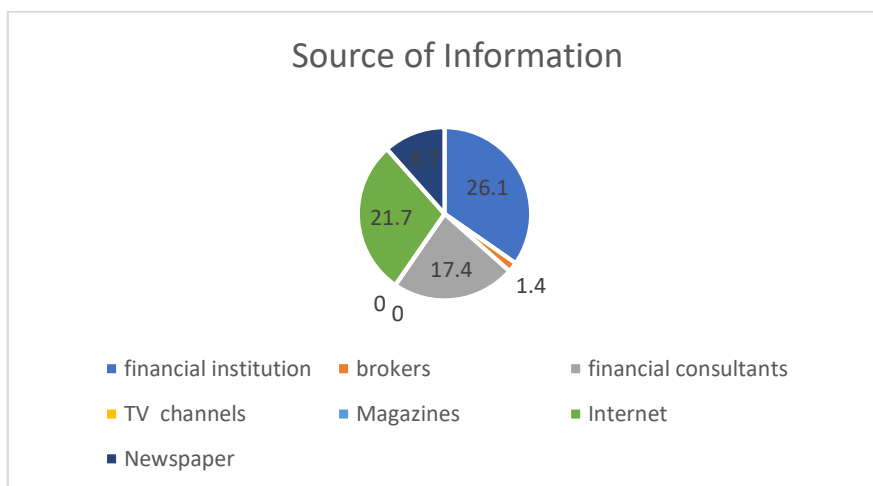


Interpretation: While investing in mutual funds 80% people consider rate of return before making investment decisions followed by tax benefit and flexibility with 43.5% each.

Long term preference:



Interpretation: While asking to the respondents about their long-term investment preference between mutual funds and shares 59% people go with the shares for long term.

Source of information:

Interpretation: 26.1% respondents said that they collect information about performance from financial institution itself followed by internet with 21.7%.

Conclusion

- I. Respondents are more focused on double earning.
- II. Youths are moving toward financial literacy.
- III. Respondents know that saving is not an ideal option in today's era.
- IV. Respondents believed that investment is an integral part of life.
- V. Saving and Investments are two different concept and not the same agreed by the respondents.

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