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A Study On Awareness Of Mutual Fund And Hedge Fund.

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Abstract:

This research paper aims to investigate the level of awareness and understanding among investors about mutual funds and hedge funds. The study involved conducting a survey of 101 investors using a structured questionnaire to collect data. The results showed that most respondents had heard of mutual funds, but few had knowledge of hedge funds. In addition, the study found that investors who were knowledgeable about hedge funds had higher levels of financial literacy and investment experience. The study also found that financial advisors, family and friends, and online sources were the main sources of information about mutual funds and hedge funds. The findings suggest that more education and awareness about hedge funds is needed, especially among investors who are less financially literate or inexperienced in investing. The research paper concludes that educating investors about mutual funds and hedge funds will help them make informed investment decisions and achieve their financial goals.

Keywords:

Mutual fund, Hedge fund, Risk, Security, Investment

Introduction:

Introduction to Mutual Fund and Hedge Fund:

Mutual fund:

Mutual fund is considered to be the fastest growing sector and plays the most important role in the country's financial market. A mutual fund is a special type of financial instrument that pools the funds of investors who seek to maximize investment returns. Mutual funds play an active role in organizing savings by issuing unit certificates and channeling capital market funds into dynamic investing. Investors share profits or losses in direct proportion to their investments. Professional investment managers manage and help thousands of investors conserve their funds through proportional ownership of diversified portfolios. Mutual fund is one of the good investment avenues available for investors. Investors should compare the risk and expected returns of different instruments when making investment decisions. Investors can seek advice from experts and consultants, including agents.

Hedge Fund:

A hedge fund is an investment fund that pools capital from accredited individuals or institutional investors and invests in a variety of assets, often using complex portfolio construction and risk management techniques. It is managed by a professional investment management company and is often structured as a limited partnership, limited liability company or similar vehicle. Hedge funds generally differ from mutual funds because their use of leverage is not restricted by regulators, and they differ from private equity funds because most hedge funds invest in relatively liquid assets. The term "hedge fund" originated from the paired long and short positions that the first of these funds used to hedge market risk. Over time, the types and nature of hedging concepts have expanded, as have the different types of investment instruments. Today, hedge funds engage in a variety of markets and strategies and use a wide range of financial instruments and risk management techniques.

Major companies in the mutual fund

1. BlackRock Funds
2. Vanguard groups
3. Karel Schwab

Major Companies in the Hedge Fund

1. Bridgewater Associates
2. Men Group
3. Renaissance technology

I. Objective of the study:

- Study goals for investments.
- To study customer awareness of mutual funds and hedge funds.
- To examine the return on the customer's funds, expect.
- The study of the investor comes across problems in investing money.
- To study the current attitude of the investor towards the financial instrument.

II. Scope of the study:

Overall, the scope of the study should focus on exploring the level of awareness and understanding among investors about mutual funds and hedge funds. The aim of the study should be to identify the factors that influence the behavior of investors towards these investment instruments and to assess the impact of financial literacy and education on investment decisions. A research paper should be written clearly and concisely and should provide valuable insights into the topic of mutual funds and hedge funds.

III. Research methodology

A research methodology is an outline of how the research is conducted. It defines the techniques or procedures that are used to identify and analyze information related to a specific research topic. Thus, research methodology is related to how the researcher designs his study in a way that allows him to obtain valid and reliable results and meet his research objectives.

3.1 Population size:

In this study, the entire set of respondents is considered as the population size of this research. It targets new investors who want to invest their savings and get more returns from other schemes and the main challenges they face.

3.2 Sample methods:

We selected a sample of 101 respondents who invest in Mutual Fund or Hedge Fund for investment with good return. We have created a questionnaire that contains questions related to the objectives of this paper, such as expected return, problems, risk, etc... In this research, we have used a simple random sampling method to study the problems and issues faced by the respondent.

3.3 Method of data collection

This study is based on primary data.

Primary Data: The primary data is collected by circulating the google form questionnaire. The questionnaire includes different questions from Likert Scale, and close-ended questions, ranking, scale questions.

3.4 Hypothesis:

A hypothesis is considered the main tool of research. It allows making probabilistic statements about population parameters. It may be defined as a proposition or set of propositions construed as explaining the occurrence of some specific group of phenomena, which are either merely asserted, or as a provisional conjecture intended to lead to some investigation, or accepted as highly probable in the light of established facts.

The hypotheses developed in the study are:

Hypothesis 1: Mutual fund awareness is more than hedge fund awareness.

Hypothesis 2: It is associated with income level and investment decisions (age, gender, income)

3.5 Review of the literature

Baboo Ram (1996) in his research work examined the growth and development of mutual funds in India. The study aimed to evaluate the performance of different types of mutual fund schemes, i.e. growth, income, growth with income and tax planning schemes. The study revealed that most of the mutual fund schemes examined are trading at a discount during the research period. Private sector mutual funds have performed very well, probably due to a better investment strategy in company selection. These private sector mutual funds run by Taurus and Morgan Stanley have not fared well.

Liang (1999) and Koh et al. (2003) study the effect of HF size, as approximated by the value of HF assets under management, on HFP, and both conclude that the larger the HF size, the better the performance. Larger size HFs appear to benefit from economies of scale and are more likely to attract new investors. However, Getmansky (2004) found that there is a concave negative relationship between HFP and size of assets under management. This finding suggests that there is an optimal asset value size for maximizing returns.

Rama Devi and Lenin Kumar (2011) conducted a study on "Performance Evaluation of Private and Public Sponsored Mutual Funds in India".

The study analyzed 340 mutual funds belonging to the category of money market, debt, balanced and equity funds of the private and public sectors. The study concluded that there is no significant difference between the returns of private and public sector mutual funds, i.e. the returns of private and public sector mutual fund schemes are not significantly different from each other.

Boyson and Cooper (2004) developed a regression model that identifies quarterly performance persistence over the HFM tenure. Their results show that over a quarterly period, the best young manager outperforms the annual return of the worst old managers by 9 percent. Capocci (2009) also analyzes the persistence of

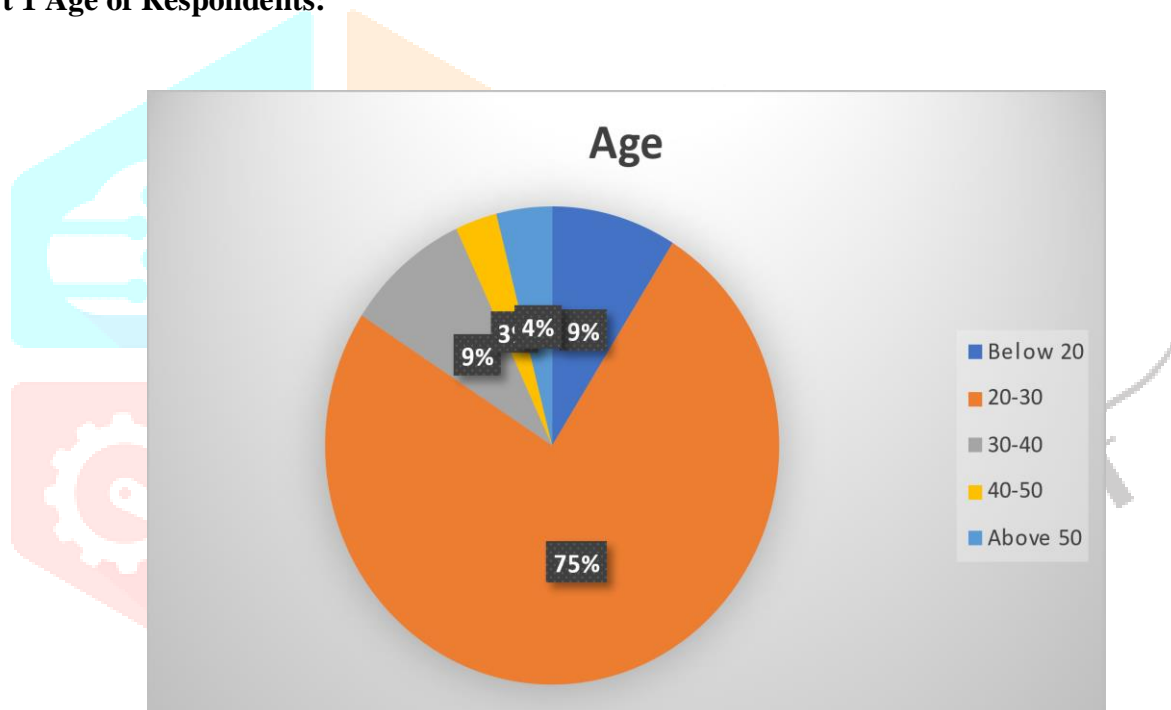
performance in HF returns and finds that there is a consistent and systematic way to generate pure alpha using risk-return trade-off measures (via the Sharpe score).

3.6 Problem Statement:

The objective of this research paper is to examine the level of awareness and understanding among investors about mutual funds and hedge funds. The study focuses on a sample of 100 investors who have experience investing in financial markets. The research paper aims to explore the sources of information about mutual funds and hedge funds as well as the factors that influence investor awareness and understanding of these investment vehicles. The work also tries to analyze the relationship between financial literacy and investment experience and the level of awareness of hedge funds among investors. The study uses a structured questionnaire to collect data, which includes questions about investors' investment experience, financial literacy, and awareness of mutual funds and hedge funds. The collected data will be analyzed using statistical tools to identify patterns and trends that could help in drawing meaningful conclusions.

3.7 Data Analysis and Interpretation:

Chart 1 Age of Respondents:

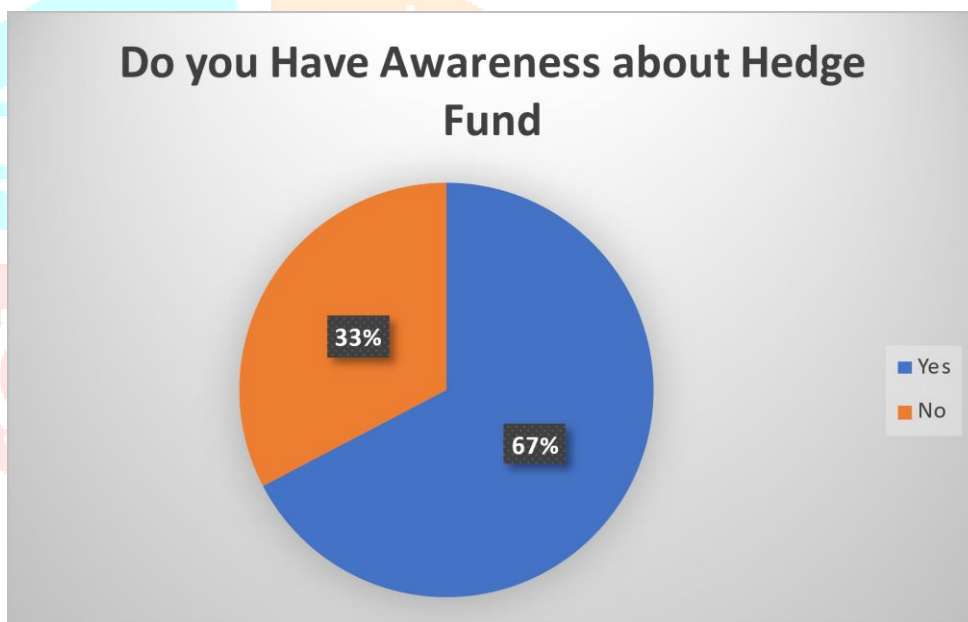


Source: Primary Survey, 2023

We have taken 101 responses randomly from relatives, students, other persons. Respondents are divided into five age groups, From where 9 respondents belonging from below 20, 76 respondents are from 20-30 age group, 9 respondents are from 30-40 age group, 3 respondents are from 40-50 age group, 4 respondents are from above-50 age group. From where we take 20-30 age group respondents' awareness or perception towards this fund.

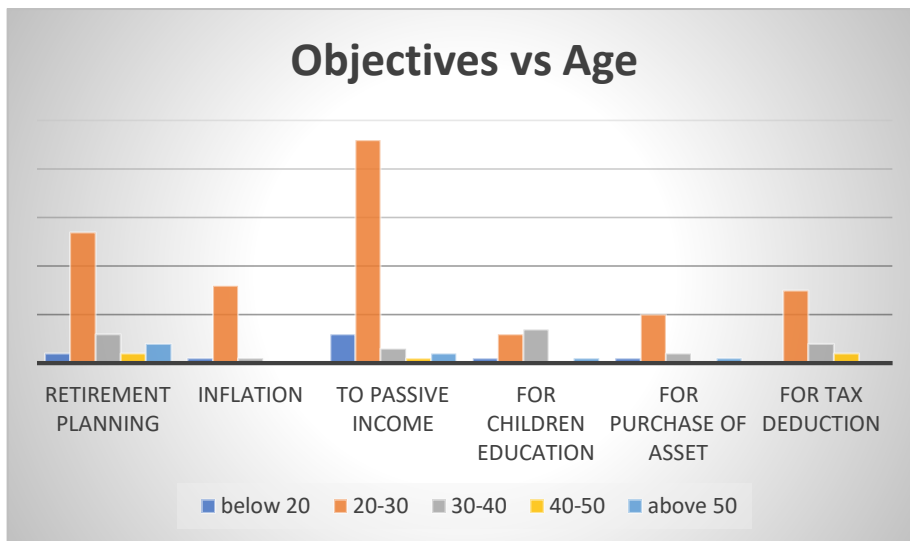
Chart 2 Do you Have Awareness about Mutual Fund from respondent:**Source: Primary Survey, 2023**

In the above chart we show the result of how many respondents are aware about mutual fund, 98% of respondent are aware about mutual fund.

Chart 3 Do you Have Awareness about Hedge fund from respondent:**Source: Primary Survey, 2023**

In the above chart we show the result of how many respondents are aware about hedge fund, 67% of respondent are aware about mutual fund. And 33% are not aware.

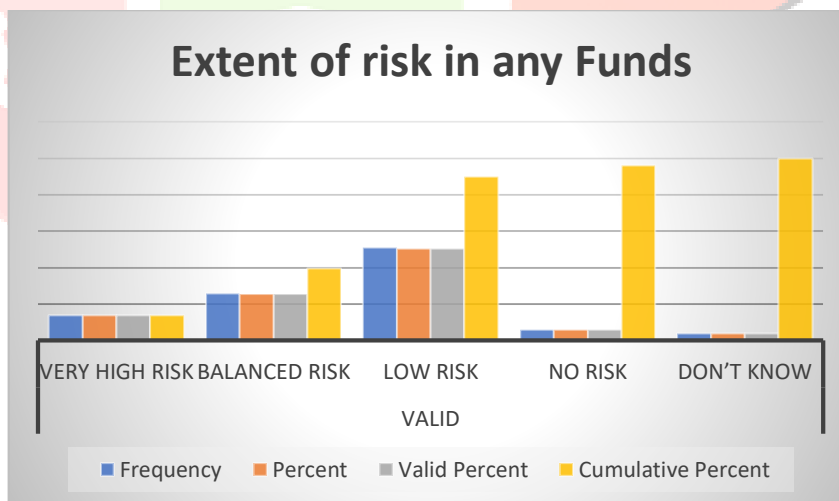
Chart 4 Comparison between Objectives and Age:



Source: Primary Survey, 2023

In this chart we show that we compared two things that is objectives of investment and age of the respondents. Where age of 20-30 are choose passive income than age of 20-30 second choose Retirement planning and then Inflation and Tax deduction. 30-40 age group select Children Education and 40-50 and Above 50 planning for Retirement.

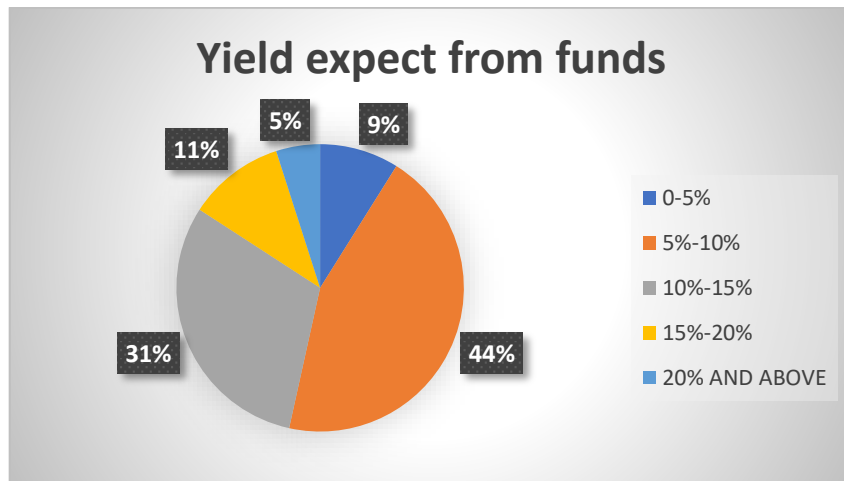
Chart 5 Extented risk taken by respondents:



Source: Primary Survey, 2023

In Above chart we show result of risk taken by respondents by investing in any funds. In these 51 respondents are choose low risk capacity than 26 respondents are choose Balance risk as their risk capacity than 14 are select Very high-risk capacity and 6 are choose no risk capacity.

Chart 6 Yield expect from funds by respondents:

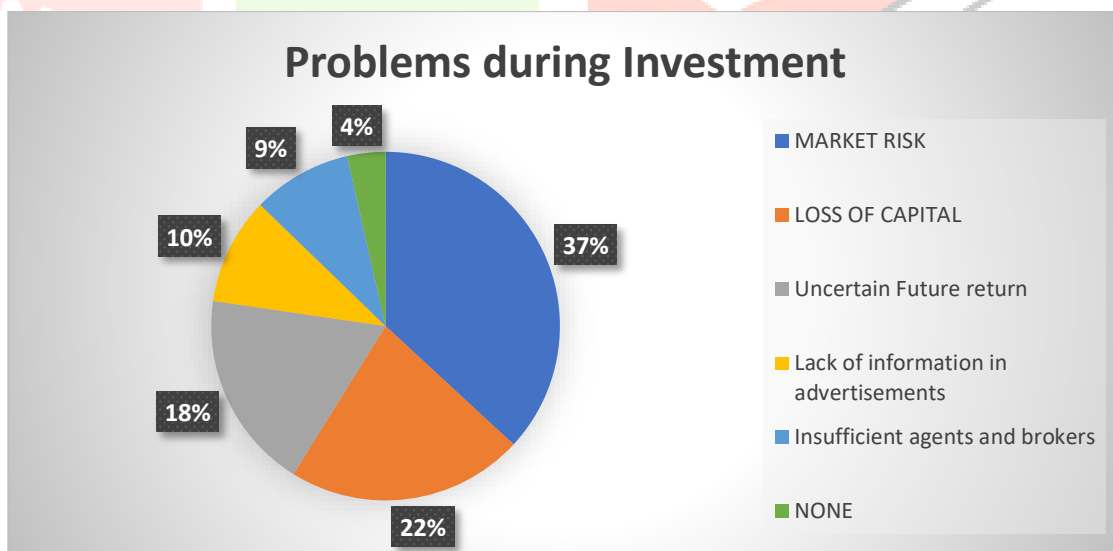


Source: Primary Survey, 2023

In above mention chart we show you yield expected by respondents which is given in percentage. Where 44% respondents are chosen or expect 5-10% return or yield where 31% are chosen or expect 10-15% yield and 11% respondents are expect 15-20% yield and 9% are chosen or expect 0-5% yield lastly 5% are chosen or expect 20% above return from their funds.

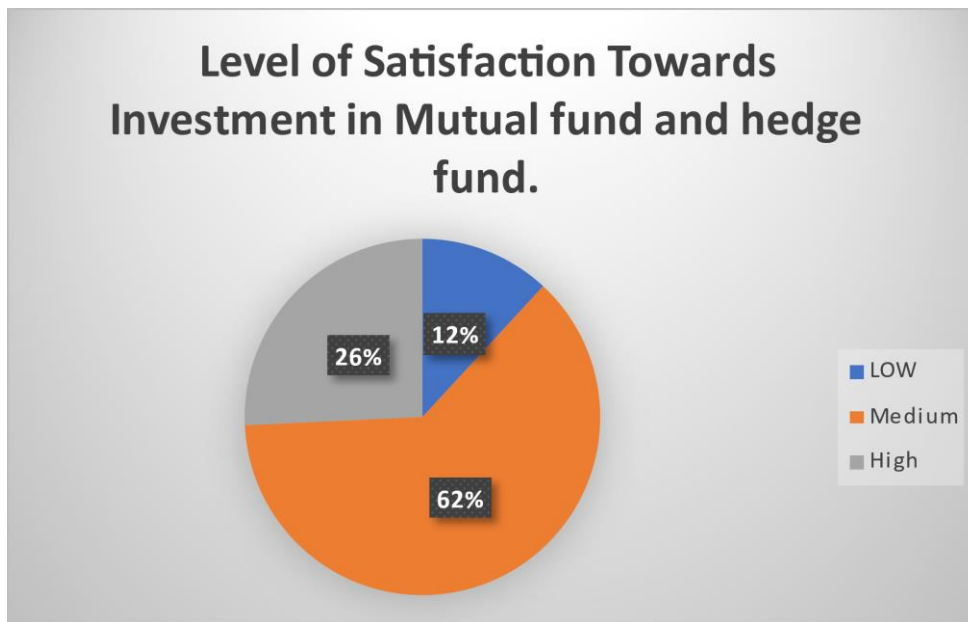


Chart 7 Problems faces during investment by respondents:



Source: Primary Survey, 2023

From the above study we collect responses on problems they face during the investment. Where 37% are face Market risk during their investment than 22% are chosen or expect loss of capital than 18% are chosen or expect uncertain future return than 10% are from lack of information and 9% are from insufficient agents or advisory.

Chart 8 Level of Satisfaction Towards Investment in Mutual fund and hedge fund from respondents

Source: Primary Survey, 2023

From the above study we collect responses on level of satisfaction towards investment in mutual fund and hedge fund were 12% respondents shows low satisfaction, 62% shows medium satisfaction and 26% shows high satisfaction towards investment in mutual fund and hedge fund.

Findings

The survey is based on cumulative data based on 101 respondents from the geographical area of Vadodara based on age, gender, occupation and income to research Awareness towards mutual fund and he in the city i.e. the highest group of respondents is 75.2% between 20-30 years of age and occupation is a student.

Of the total number of respondents, the dominant gender is 60.4% male.

Of the total number of respondents, 98% are aware about mutual fund and 67% are aware about hedge fund. Of the total number of respondents, where age of 20-30 are choose passive income than age of 20-30 second choose Retirement planning and then Inflation and Tax deduction. 30-40 age group select Children Education and 40-50 and Above 50 planning for Retirement.

Where 44% respondents are chosen or expect 5-10% return or yield where 31% are choose 10-15% yield and 11% respondents are expecting 15-20% yield and 9% are choose 0-5% yield lastly 5% are choose 20% above return from their funds.

Where 37% are face Market risk during their investment than 22% are choose loss of capital than 18% are choose uncertain future return than 10% are from lack of information and 9% are from insufficient agents or advisory.

Conclusion:

According to our research or survey we conclude that as compared to awareness on mutual fund is higher than awareness on hedge fund.

Respondents are mostly investing in mutual fund for may be long term or short-term returns which is less risky than other.

Here respondents are choosing low risk for their funds because of their risk capacity is lesser than others. According to this study respondents are more investing for passive income or inflation for their future financial planning.

Most of the people are invest for 5-10% which very normal, there are very less respondents are ready for 20%+ returns.

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