



A STUDY ON INVESTORS INCLINATION TOWARDS UTILIZING MUTUAL FUNDS AS A PREFERRED INVESTMENT CHOICE IN THE CITY OF COIMBATORE.

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Abstract

The mutual fund industry in India has witnessed rapid growth and substantial popularity over the past few decades, particularly following the establishment of the Unit Trust of India in 1964. Consequently, a diverse and extensive academic literature has emerged, covering various topics related to mutual funds. Among the recurrent themes in current literature, investor perception and preferences regarding different mutual fund schemes, as well as the factors influencing various classes of investors to engage in mutual fund investments, have been extensively explored. The primary objective of investing in mutual funds is to achieve a favorable return with comparatively lower risk. This research aims to discern investors' preferences regarding mutual funds in Coimbatore city. Employing a structured questionnaire and utilizing descriptive statistical tools such as the chi-square test, the data has been analyzed. The research findings indicate that a significant number of investors harbor reservations about venturing into new-age investments like mutual funds.

Key words: Mutual funds, Financial market, Savings, Investments

I.Introduction

A Mutual Fund is initiated by a sponsor and managed by a trust, gathering the savings of numerous retail investors who share a common financial objective. The growth of the Indian mutual funds industry was initially slow, taking many years to evolve into the modern-day mutual funds landscape. In recent years, the Indian money and capital market have experienced remarkable expansion, reaching wider geographical limits. Regulators in the Indian money and capital market have played an active role in formulating regulations, instilling confidence in both individuals and institutions to participate. Significant progressive reforms have been implemented, spearheaded by SEBI, the capital market regulator in India, facilitating savings.

Over time, India has witnessed the emergence of many new and innovative mutual funds. Notably, there has been a paradigm shift in the methods and approaches to selling these funds, adapting to the evolving landscape. The industry is continually evolving, offering investors new opportunities in this era of globalization and competition. The success of the mutual funds industry is closely tied to the market performance of its stocks.

II. REVIEW OF LITERATURE

Dr. Suman Kalyan Chaudhury & Mr. C. S. Pattnaik (2014) an attempt was made to review and assess the preference of the investors for investment in mutual funds. From the study it is observed that many people have fear of Mutual Fund. They think their money will not be secure in Mutual Fund. They need the knowledge of Mutual Fund and its related terms. Many of people do not have invested in mutual fund due to lack of awareness although they have money to invest. Further, it intends to throw light in improving the efficiency of investing surplus money by the investors towards mutual funds.

Nikita Gupta (2016) has made an attempt to find out preferences of investors towards mutual fund and to understand the financial behaviors of mutual fund investors and also tell them “mutual fund is the better investment plan. From the its is observed that the Investors think their money will not be secure in mutual funds. They need the knowledge of mutual fund and its related terms.

Rajan Bilas Bajracharya and Sushil Bhakta Mathema (2017) has carried out to to identify investors ‘preference towards mutual fund in Kathmandu metropolitan city. By using in structured questionnaire, Description statistical tools like chi-square test have been used for analyzing the data. They have concluded that the most of the investors are doubtful to invest the new age investment like mutual funds.

Dr. Somabhusana Janakiballav Mishra (2019) an analysis has been made to know the preferences towards mutual fund and to know the importance of demographic factors that influence the decision of investor towards making investments. From the study it is observed that though the number of male investors is more, the difference is not significant from the female investors. They conclude that gender is not a criteria that affect investment decision in mutual funds and People who are more educated have more knowledge in mutual fund and tend to invest in mutual fund more than any other avenues of investment.

Dr. Neelam Dhall1 , Dr. S.K. Khandelwal1 , Ms. Rashika Malik2 and Ms. Nitya Chawla3 (2021) the study has been examined to know the investor's awareness and perception towards mutual fund as a means of investment. The study is based on primary data collected through a questionnaire from 105 respondents residing in Delhi-NCR. From the study it is observed that Major reasons for investor's preference for mutual fund investment were found to be tax benefit, security, liquidity, return and reliability. It is concluded that there is a significant relationship exists between age and investor's perception with regard to higher tax shield provided by mutual funds.

III. RESEARCH OBJECTIVE

The main objective of this paper is to determine the relationship between investor's preference and their satisfaction level towards Mutual funds.

IV. RESEARCH METHODOLOGY

The study is both descriptive and analytical in nature. The sampling technique used for the research is convenient sampling method. The area of the study would be confined to only Coimbatore city in Tamilnadu. The present study is based on primary as well as secondary data. Primary data has been collected through a structured questionnaire and the data is collected from 50 Mutual fund investors interested in mutual funds scheme and other investment option. Secondary data has been collected from articles published by national and international journals. The data has been analyzed by using different statistical tools like percentages, ANOVA and Chi-Square test by using IBM SPSS software version 20. The tests were carried out at 5% level of significance at required analysis.

V.ANALYSIS AND INTERPRETATION

5.1 Personal Factors of the Respondents

The following table 1 shows the respondents personal profile such as gender, age, income, marital status, occupation and residing place.

Table 1
Percentage Analysis on Personal Factors of the Respondents

Personal Factors	Factors	Frequency	Percentage (%)
Gender of the Respondents	Female	26	52.0
	Male	24	48.0
	Total	50	100
Age of the Respondents	31 - 45 years	16	32.0
	46 - 60 years	7	14.0
	Below 30 years	27	54.0
	Total	50	100.0
Marital Status	Married	13	26.0
	Unmarried	37	74.0
	Total	50	100.0
Occupation	Self Employed Professional	19	38.0
	Entrepreneurs	10	20.0
	Salaried Employees	21	42.0
	Total	50	100.0
Income	Rs. 20,000 – 30,000	10	20
	Rs. 30,000 – 40,000	15	30
	Rs. 40,000 – 50,000	16	32
	Above Rs. 50,000	09	18
	Total	50	100.0
Residing Place	Rural		20
	Urban		80
	Total	50	100.0

Source: Primary Data

From Table 1 it is concluded that 52% of the female respondents do investing in mutual funds where there is almost equal representation on investment pattern in mutual funds, 54% of the respondents belongs to the age group of below 30 years who have invested in various mutual fund schemes, 74% of the respondents are unmarried and 42% of the respondents are salaried employees, 32% the distribution of income shows that most people who have reasonable good monthly income of Rs.40, 000-50,000 are maximum investors on mutual fund schemes from the earning group and the respondents from urban area were 80% who are all aware about mutual funds investing pattern.

Table No. 2
The percentage of fund investment in Mutual Funds in a Year

Percentage of fund investment in Mutual Funds	Frequency	Percentage (%)
11% to 15%	3	6.0
16% to 20%	1	2.0
6% to 10 %	18	36.0
Less than 5 %	28	56.0
Total	50	100.0

Source: Primary Data

From the table 2 it reveals the following results relating to customer's percentage of interest in mutual funds. The investors do invest in mutual funds in a year is less than 5% from the income they earned in a year.

Table No. 3**Preference in Mutual Fund as an Investment Option for savings for wealth creation**

Preference in Mutual Fund	Frequency	Percentage (%)
May be	21	42.0
No	5	10.0
Yes	24	48.0
Total	50	100.0

Source: Primary Data

From table 3 it shows 48% of the investors choose mutual funds as an investment option for their wealth creation.

Table No. 4**Investment towards various Mutual Funds Schemes**

Mutual Funds Schemes	Frequency	Percentage (%)
Growth Scheme	22	44.0
Balanced Schemes	6	12.0
Income Schemes	4	8.0
Money Market scheme(short term debt) Schemes	5	10.0
Tax saving Schemes(ELSS, ULIP)	9	18.0
Index Schemes	4	8.0
Total	50	100.0

Source: Primary Data

From table 4 it shows that mostly 44% of the investors prefer to choose growth scheme as the best investment pattern in mutual funds.

Table No. 5**Mutual fund Scheme suits you for making Investment**

Mutual fund Scheme Investments	Frequency	Percentage (%)
Open-ended Fund/ Scheme	28	56.0
Close-ended Fund/ Scheme	9	18.0
Interval Schemes	13	26.0
Total	50	100.0

Source: Primary Data

From table 5 it reveals that 56% of the investors select open-ended fund scheme as the greatest option for making investment in mutual funds.

Analysis of Variance

H₀: There is no significant difference between customers' occupation and the factors influencing in taking investment decision in mutual funds.

The table was analyzed by framing an above hypothesis and the Analysis of Variance was used to prove the hypothesis. The following table 6 depicts the result of ANOVA in terms of customers' occupation, source of variation, the sum of squares, degree of freedom, means square, t-value, F values, p values and their significance difference on the factors influencing in taking Investment decision in Mutual funds.

Table No. 6

ANOVA – Comparison between Selected Personal Factor and the factors influencing in taking investment decision in mutual funds.

ANOVA						
		Sum Squares	df	Mean Square	F	Sig.
Safety of Capital	Between Groups	.813	2	.407	.187	.830
	Within Groups	102.467	47	2.180		
	Total	103.280	49			
Liquidity	Between Groups	5.120	2	2.560	1.788	.179
	Within Groups	67.300	47	1.432		
	Total	72.420	49			
Flexibility	Between Groups	3.942	2	1.971	.993	.378
	Within Groups	93.278	47	1.985		
	Total	97.220	49			
Past good returns	Between Groups	6.086	2	3.043	1.768	.182
	Within Groups	80.894	47	1.721		
	Total	86.980	49			
Capital appreciation	Between Groups	.569	2	.284	.156	.856
	Within Groups	85.911	47	1.828		
	Total	86.480	49			
Professional Management	Between Groups	6.786	2	3.393	1.688	.196
	Within Groups	94.494	47	2.011		
	Total	101.280	49			
Diversification benefits	Between Groups	.253	2	.127	.072	.931
	Within Groups	82.867	47	1.763		
	Total	83.120	49			
Reputation of the sponsor	Between Groups	5.120	2	2.560	1.517	.230
	Within Groups	79.300	47	1.687		
	Total	84.420	49			

From the above table 6 revealed the results of analysis of variance along with the significant level. It is observed that there exists a significant relationship between the variables i.e. the calculated value is less than the significant values ($p > 0.05$) for aforementioned personal factors namely customer's occupation and the factors influencing in taking investment decision in mutual funds in a year. Hence the null hypothesis is accepted (not significant) and there is a significant relationship between the customer's occupation and the factors influencing in taking investment decision in mutual funds.

Therefore, it is concluded that customers occupation has a significant relationship with the factors influencing in taking investment decision in mutual funds.

Chi-Square

The Table 7 describes the result of Chi-square in terms of customers age along with the study variable of customer's percentage of investment in mutual funds in a year. The result of the table explores the chi-square test value, p-value, and their significance level in customer's investment towards mutual funds in a year.

H₀: There is no significant relationship between customers age and their percentage of investment in mutual funds in a year.

Table No. 7

Chi-Square Analysis – Relationship between Customers Age and percentage of investment in mutual funds in a year

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.201 ^a	4	.525
Likelihood Ratio	3.458	4	.484
Linear-by-Linear Association	1.076	1	.299
N of Valid Cases	50		

From the above table 7 revealed the results of chi-square at 5 % level of significance. P value is greater than 0.05, hence it is observed that there exists a significant relationship between the variables i.e. the calculated value is less than the significant values ($p > 0.05$) for afore mentioned personal factors namely customers age and percentage of investment in mutual funds in a year. Hence the null hypothesis is accepted (not significant) and there is a significant relationship between the customers age and percentage of investment in mutual funds in a year.

Therefore, it is concluded that percentage of investment in mutual funds in a year is not dependent on customer's age.

Analysis of Variance

The table 8 was analyzed by framing an above hypothesis and the Analysis of Variance was used to prove the hypothesis. The following table 8 depicts the result of ANOVA in terms of customers' income, source of variation, the sum of squares, degree of freedom, means square, t-value, F values, p values and their significance difference on the satisfaction level towards mutual funds.

H₀: There is no significant difference between customers' income and the towards mutual funds.

Table No. 8

ANOVA – Comparison between Selected Personal Factor and the Satisfaction level towards Mutual Funds.

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Wealth Creation	Between Groups	4.809	3	1.603	.800	.500
	Within Groups	92.171	46	2.004		
	Total	96.980	49			
Tax Saving	Between Groups	10.860	3	3.620	2.195	.101
	Within Groups	75.860	46	1.649		
	Total	86.720	49			
Savings	Between Groups	6.420	3	2.140	1.481	.232
	Within Groups	66.460	46	1.445		
	Total	72.880	49			
Regular Income	Between Groups	1.760	3	.587	.513	.676
	Within Groups	52.660	46	1.145		
	Total	54.420	49			

From the above table 8 revealed the results of analysis of variance along with the significant level. It is observed that there exists a significant relationship between the variables i.e. the calculated value is less than the significant values ($p > 0.05$) for aforementioned personal factors namely customer's income and the satisfaction level in the investment on mutual funds in a year. Hence the null hypothesis is accepted (not

significant) and there is a significant relationship between the customers occupation and satisfaction level in the investment on mutual funds.

Therefore, it is concluded that customer's income has a significant relationship with the customers' satisfaction level in the investment on mutual funds.

Conclusion

A mutual fund operates as a trust, pooling the savings of numerous investors with a shared financial objective. The study reveals that investors emphasize the importance of thorough analysis by companies before investing in specific mutual fund schemes. These companies should prioritize delivering significant benefits across various schemes, including balance schemes, income schemes, money market schemes, and tax savings schemes. Findings from the study indicate that investors in mutual funds seek essential information about commitment schemes, mutual fund companies, and investor services. Therefore, mutual fund companies should adopt transparency in providing comprehensive information to investors. To attract more investors to mutual fund schemes, companies should go beyond and offer additional investor services.

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