



A STUDY ON CONSUMER BUYING BEHAVIOUR TOWARDS MUTUAL FUNDS IN INDIA

Dr. Periasamy P¹,² Dr. Dinesh.N

¹ Associate Professor, Finance Area, ² Assistant Professor & Programme co-ordinator, MBA Finance Department,

¹ CMS Business School, Jain Deemed to be University, Bangalore, India.

Abstract: In this study, an attempt is made to know the Performance and Preference of the Mutual funds products/services in India and analyzed it from the Marketing and Finance perspective. Hence, the analysis includes tools and techniques of promoting research to know the client preference and financial analysis to know the varied Mutual Funds Performance. The study from the survey found that the awareness of the Mutual funds has increase over a period of time. This can be additionally confirmed by the progress of the industry overall and emergence of range of schemes. The people that influence the investors in finance in mutual funds are agents, relatives and folks.

Index Terms - Mutual Funds, Risk, Returns, Equity funds, Debt funds, Hybrid funds and portfolio.

I. INTRODUCTION

A mutual fund is an open-end investment fund that is managed professionally that pools money from many investors to purchase securities. Mutual funds are the major proportion of equity in U.S. corporations. The term is mostly used in the United States of America, Canada, and India, while similar structures like SICAV which is an investment company with variable capital in Europe and open-ended investment company (OEIC) in the UK are found. Mutual fund investors are retail or may be institutional in nature. Primary structures of mutual funds are open-end funds, unit investment trusts, closed-end funds and exchange-traded funds (ETFs) Mutual funds are often categorized by their principal investments as money market funds, bond or fixed income funds, stock or equity funds, hybrid funds, or other. Mutual funds can also be categorized as index funds, which are actively managed funds or passively managed funds that match the performance of an index. Hedge funds are not classified as mutual funds because hedge funds cannot be sold to the general public. Mutual funds have advantages and disadvantages compared to direct investing in individual securities.

II. OBJECTIVE:

- This study is conducted to analyze the study and performance of various mutual funds in the industry and also to analyze the preference and awareness of the customer about the mutual funds.

III. RESEARCH METHODOLOGY:

Research design

With respect to the research objectives mentioned the following research design has been adopted.

Sampling design:

Secondary data sources were used of the analysis of the Mutual fund schemes performance.

The sample size taken is of 50 people from the 3 cities of India viz Bangalore, kolar and tirupati. 21 respondents are from kolar, 13 from Bangalore and remaining 16 from tirupati

Sampling technique: Random sampling technique.

Sample size: 50

Sampling unit: Individual investors who have already invested their money into mutual funds and are willing to invest their funds in various mutual fund schemes are considered as sampling unit

Sampling area: Karnataka and Andhra Pradesh

Methods of data collection

A detailed structured questionnaire was prepared and distributed among the respondents (investors), from the selected cities of Agra, Mathura and Mumbai. Structured questionnaire was utilized for data collection. With the help of questionnaire and face to face interaction with the respondents were performed. Sometimes many respondents were facing the various kinds of difficulties for filling the questionnaire so the face to face interaction was involved.

In order to understand this study analyzed, the investors preference for investing in mutual fund or schemes.

- The various trends and regulatory measures governing the mutual fund companies.
- Evaluated the performance of mutual fund schemes of selected companies. T

IV. Review of literature

Rasheed Haroon, Qadeer Abdul (2012) in their study investigates the performance of survivorship biased twenty five open ended mutual fund schemes in Pakistan and managers ability of stock selection and also measured the diversification. The study revealed that overall performance of the funds remains best as compare to market but mismanagement observed in mutual fund industry during the study period. Further study also revealed that portfolio was not completely diversified and contains unsystematic risk.

(Chaubey, 2015) Friend, et al., (1962) made an extensive and systematic study of 152 mutual funds in USA and found that mutual fund schemes earned an average annual return of 12.4 percent, while their composite benchmark earned a return of 12.6 percent. Their alpha was negative with 20 basis points. Overall results did not suggest widespread inefficiency in the industry. Comparison of fund returns with turnover and expense categories did not reveal a strong relationship.

Nishant Patel (2011) in his study examined fund sensitivity to the market fluctuations in term of Beta and found that the risk and return of mutual funds schemes were not in conformity with their stated investment objectives (tariq zafar, 2012). Further sample schemes were not found to be adequately diversified; Kundu Abhijit (2009) In his study examines the fund manager's ability to outperform the market and to appraise the schemes in india. The study finds that in the context of ex-post risk, return and diversification and found that over 'the period' mutual fund schemes on an average have failed to outperform the market even after taking a risk higher than that of the market and concluded that fund manager though has succeeded to some extent on the diversification front, but failed to earn significant positive returns by selecting miss-valued securities in their portfolios.

Irwin, Brown, FE (1965) analyzed issues relating to investment policy, portfolio turnover rate, performance of mutual funds and its impact on the stock markets in New york. They identified that mutual funds had a significant impact on the price movement in the stock market. They concluded that, on an average, funds did not perform better than the composite markets and there was no persistent relationship between portfolio turnover and fund performance (brown, 1965).

Treynor and Mazuy (1966) evaluated the performance of 57 fund managers in New York in terms of their market timing abilities and found that, fund managers had not successfully outguessed the market. The results suggested that, investors were completely dependent on fluctuations in the market. Improvement in the rates of return was due to the fund managers' ability to identify underpriced industries and companies. The study adopted Treynor's (1965) methodology for reviewing the performance of mutual fund (Treynor, 1966).

Jensen (1968) developed a composite portfolio evaluation technique concerning risk-adjusted returns. He evaluated the ability of 115 fund managers in selecting securities during the period 1945-66 in New York. Analysis of net returns indicated that, 39 funds had above average returns, while 76 funds yielded abnormally poor returns. Using gross returns, 48 funds showed above average results and 67 funds below average results. Jensen concluded that, there was very little evidence that funds were able to perform significantly better than expected as fund managers were not able to forecast securities price movements (Jensen, 1967).

Fama (1972) developed methods to distinguish observed return due to the ability to pick up the best securities at a given level of risk from that of predictions of price movements in the American market. He introduced a multiperiod model allowing evaluation on a period-by-period and on a cumulative basis. He concluded that, return on a portfolio constitutes of return for security selection and return for bearing risk. His contributions combined the concepts from modern theories of portfolio selection and capital market equilibrium with more traditional concepts of good portfolio management (FAMA, 1972).

Shashikant Uma (1993) critically examined the rationale and relevance of mutual fund operations in Indian Money Markets. She pointed out that money market mutual funds with low-risk and low return offered conservative investors a reliable investment avenue for short-term investment (Shashikant, 1993).

Shukla and Singh (1994) attempted to identify whether portfolio manager's professional education brought out superior performance in India. They found that equity mutual funds managed by professionally qualified managers were riskier but better diversified than the others. Though the performance differences were not statistically significant, the three professionally qualified fund managers reviewed outperformed others (Singh, 1994).

Gupta and Sehgal (1997) evaluated investment performance for the period 1992 to 1996 in Vashi, Mumbai. Aspects of Mutual fund such as fund diversification, consistency of performance, consistency between risk measures, fund objectives and risk return relation in general were studied. For the study 80 mutual fund schemes of private and public sector were taken. Out of 80 schemes, 54 were close-ended and the 26 were open-ended. Results showed that income growth schemes were the best performers with mean weekly returns of .0087 against mean weekly returns from income growth schemes of .0021 and .0023 respectively. LIC Dhansahyog, Reliance growth and Birla Income Plus were the best income growth and growth income schemes respectively (Gupta O P and Sehgal, 1998)

V. Framing of research hypothesis

The hypotheses framed for the study are as follows:

HO1: Occupation and the attitude towards mutual funds do not have any relationship.

HO2: Age and the attitude towards mutual funds do not have any relationship.

HO3: Educational qualification and the attitude towards mutual funds do not have any relationship.

VI. DATA ANALYSIS AND INTERPRETATION:

Data analysis was done with the help of Statistical Package for Social Science and the following are the findings of our research.

VII. FINDINGS

4.1 Research outcome and findings

- 50 % of the respondents have an actual knowledge about mutual funds whereas majority of them have good knowledge.
- The respondents don't know about the technical terms like entry load, open ended but they have a basic understanding of mutual funds.
- Balanced and Dividend Schemes awareness level is less among the respondents as compared to income and growth schemes.
- Investments in mutual funds have some advantages which the respondents are aware of.
- The people who influence the investors in investing in mutual funds are agents, relatives and people.
- People belonging to urban area invest more on mutual funds because of the awareness that they have.
- The preference in the investments of various funds is seen in younger age group.
- Investors irrespective of their qualifications consider many factors while investing in mutual funds.

VIII. SUGGESTIONS:

- An investor should learn to make decisions regarding the monitoring and the selection of the Mutual funds.
- Regardless of whether you are a do-it-yourselfer, utilize a speculation proficient, or are a member in a self-coordinated retirement plan, being sensibly acquainted with the ABCs of a mutual fund is a significant contributing ability.
- Regardless of whether you don't have every one of the responses to the inquiries encompassing effective investing in funds, you ought to in any event be outfitted with adequate expertise to make clever inquiries.
- With the industry of mutual fund developing, there are, for some financial specialists, just an excessive number of decisions.
- The issue of decision is additionally confounded by a data over-burden, which expects financial specialists to deal with what is decent to know and what they have to know.

IX. CONCLUSION:

- UTI still holds the maximum share but since 2021-22, the focus has been shifted to the private mutual funds.
- HDFC mutual fund, Reliance mutual fund and Franklin Templeton India are making their mark in private sector.
- Growth schemes are most popular among other schemes.
- Open ended schemes are more against the various close ended schemes.
- First preference is given to high returns for choosing mutual funds and then safety comes at the second rank and reliability at the third.
- High returns attract the people so they invest in equity schemes and then comes balanced schemes and then finally comes the debt schemes.
- Proper disclosure of information affects the choices of the respondents and the fluctuations in market also affect the investors.
- Return earned and NAV are the best factors for evaluating performance.
- It is not necessary the better performance is given by the funds which are big in sizes.
- Past record of the association is an extremely noteworthy factor for putting resources into mutual fund.
- Development prospects are another factor which is noteworthy for the financial specialists to put resources into open part and private area shared reserve schemes.
- Credit scores by various rating score offices are a critical factor which impacts the view of financial specialists.
- Market vacillations altogether impact the financial specialists for venture choices.
- Portfolio determination and choosing the kinds of securities is an extremely noteworthy foundation for making a decision about the execution of shared assets.
- Small investors are most appropriate for investing in mutual funds.

- Higher duty yields are required for empowering the interest in shared assets

REFERENCES

- [1] FRIEND. (1962), a Study of Mutual Funds, U.S. Securities and Exchange Commission, USA: U.S. Securities and Exchange Commission.
- [2] The Mutual Fund Industry and Its Comparative Performance. Journal of Financial and Quantitative Analysis.
- [3] Brown, i. (1965). A Study of Mutual Funds: Investment Policy and Investment Company Performance. Elements of Investments, 43(1), 63-75

