

ANALYSIS OF INVESTMENT PATTERN AND INVESTOR ATTITUDE TOWARDS MUTUAL FUND IN INDIA

Umang Jain*
Dr. LC. Panjabi**

ABSTRACT

Mutual fund Industry in India is growing year to year. The AUM of the Indian MF Industry has grown from Rs. 8.09 trillion as on 30th April, 2010 to Rs. 23.93 trillion as on 30th April, 2020 about 3 fold increase in a span of 10 years. The growth of the mutual fund industry is evident that now investors believe in the mutual fund investment and investing more in mutual funds. But still the ratio of GDP/AUM is very low in India in comparison to other countries this makes us to conduct a research to know the actual reasons of low investment in mutual fund and to understand the future potential of mutual fund industry. This research is based on the empirical data collected from investors to understand their views about mutual fund.

Keywords: *Mutual Fund, Asset Management Company, AUM, GDP, AMC.*

Introduction

A mutual fund is a trust or a pool of investments by investors who share a common financial goal. This pool is invested in several financial instruments such as shares, debt instruments, bonds etc. by the company managing that trust. This company is called an Asset Management Company. Returns so generated are later distributed among the members of the pool in the ratio of their investments. The AMC invests its money in a manner that while the returns are maximized, the risks are kept to a minimum level. In India, it is mandatory for every Asset Management Firm to be registered with the Securities and Exchange Board of India (SEBI), a body that regulates all securities instruments. The first company that dealt in mutual funds was the Unit Trust of India. It was set up in 1963 as a joint venture of the Reserve Bank of India and the Government of India. The objective of the UTI was to guide small and uninformed investors who wanted to buy shares and other financial products in larger firms. The UTI was a monopoly in those days. One of its mutual fund products that ran for several years was the Unit Scheme 1964. Today there are more than 100 Mutual Fund Companies offering different types of fund for the investments to the investors.

Literature Review

Bal and Paul (2012)¹ stated that the growth of mutual fund industry was hit hurted several times. He stated that the fiscal year 2008-09 was a challenging year for mutual fund industry in India as it passed through the financial Tsunami caused by world economy meltdown. But the study shows that the industry witnessed a robust growth in the fiscal year 2009-10 and thereafter due to strong governmental effort and SEBIs supportive regulations.

Singh (2012)² analyzed the role of SEBI in regulating mutual funds in India and concluded that the existing sets of regulations should be further strengthened in order to make the functioning of mutual funds more transparent, to win investors confidence and better performance of the funds.

Jain (2012)³ made a study of 45 equity based mutual fund schemes offered by 2 public sector companies and 2 private sector companies in India during the period April 1997 to April 2012 on the basis of risk-return analysis. The study concluded that the private sector mutual funds performed better than the public sector mutual funds during the study period.

* Ph.D Scholar, Career Point University, Kota, Rajasthan, India.

** Ph.D Guide, Career Point University, Kota, Rajasthan, India.

Thakkar (2012)⁴ pointed out that during the period 2006-2012, the growth of Gold ETFs schemes was noticeable and the private sector mutual funds dominated the industry and UTI Mutual Fund was the least preferred ones.

Zaheeruddin, Sivakumar & Reddy (2013)⁵ analyzed the performance of three mutual funds from the financial services sector. They considered HDFC Mutual Fund, Birla Sunlife Mutual Fund and ICICI Prudential Mutual Fund for the purpose during the period July 2009 to April 2012. They concluded that ICICI Prudential Mutual Fund performed better under Sharpe, Treynor and Jensen measures than HDFC and Birla Sunlife Mutual Fund.

Research Methodology

The research entitled "Analysis of investment pattern and investor attitude towards mutual fund in India" is basically a **descriptive type** of research where hypothesis is set and tested through the data which is to be collected using the primary method through questionnaire.

Objectives of the Study

- To understand the concept of mutual fund and the structure of Indian mutual fund market.
- To analyse the investment pattern of the investors and their attitude towards mutual fund.
- To study the recent developments and growth in the Indian mutual fund market.
- To analyze the factors which influence the investment in the mutual fund.
- To understand the norms and policies of government regulatory bodies towards mutual fund in India.

Sampling Procedure

Research Area (Location)

The research area includes Kota district and nearby regions which includes Jhalawar, Bundi, Barah cities. This region falls in north east region of Rajasthan.

Universe

The investors either invest in Mutual Funds or having knowledge of Mutual Fund. There are more than 10000 mutual fund investors in Kota region. Since Universe is very large the sampling method is used for conducting this research.

Sampling Method & Sample Size

Those employees were selected who were conveniently found for filling up the questionnaire, Thus for this research the convenience sampling method was used. About 400 investors was interviewed.

Data Collection Method

- **Primary Data of Data Collection:** For the purpose of this study, the survey method is adopted for collection of data. The data collection instrument used is structured questionnaire. The sampling technique used is Simple Random Sampling and sample size is 400 Mutual Fund investors and 200 investors not investing in Mutual Fund and sampling units include businessmen, professionals and salaried employees. Another structured questionnaire is prepared for the brokers & investment guides to understand their perceptions about the investors' awareness about mutual fund investment. 50 such brokers and investment guides from Kota district and in near by region are selected by using the random sampling technique.
- **Secondary Method of Data Collection :** For research data was collected from related books, publications, annual reports, records of the organizations under study, magazines, thesis reports, seminars and conference papers, articles, websites, unpublished data, published books, journals, and newspapers etc.

Data Analysis and Interpretation

The data collected was analysed using the following statistical tools and techniques. Graphical Analysis: Data in percentage is presented using Pi-Charts & Bar Charts and data in numbers is presented using bar charts.

- Measures of Central Tendency: The Mean, Mode and Median values were calculated for analysis.
- Statistical Test: The T-test, Chi-Square test and Anova are used for testing the hypothesis.
- Statistical Software Used: Latest MS-Excel Package and Statistical Package for Social Science (SPSS).

Scope of the Research

- This research can be useful for the mutual fund companies to understand the perception and psychology of the investors.
- This research help the mutual fund sellers to understand the need of the investors and try to find the best suitable scheme as per his investment objectives
- This research results help in analyzing the factors that influence the investment decisions with regards to mutual funds and the retail investors perception and awareness towards Mutual funds.
- This report helps the Asset Management Companies to develop their marketing plan to market their product among the Indian Investor.
- The awareness programs can be formulated by the AMFI & RBI to create awareness and develop the Mutual Fund Market in India.

Conclusion

Mutual fund (MF) industry in India is maturing with broad-basing of investors and increasing geographical spread. MFs in India have become major players in the equity and corporate bond markets and are also providing crucial liquidity support to the money market. Consequently, their influence on price movements in equity and debt markets as also domestic liquidity conditions has increased over time. While the penetration of the MF industry in India, as measured by the Assets under Management (AUM)/GDP ratio, is still low compared with the global average, favorable demographics, a history of high savings propensity and regulatory reforms brighten the outlook for the industry. In India it has been seen that the mutual fund industry is growing year to year and Assets Under Management (AUM) of Indian Mutual Fund Industry as on April 30, 2020 stood at Rs. 23,93,486 crore. The AUM of the Indian MF Industry has grown from Rs. 8.09 trillion as on 30th April, 2010 to Rs. 23.93 trillion as on 30th April, 2020 about 3 fold increase in a span of 10 years. This shows that the investors are positive towards mutual fund.

In Indian mutual fund industry, most of the mutual fund schemes have been performing inefficiently. However, when analyzed within their category as Growth, Income, Balanced and ELSS, situation is much better and approximately half of the schemes in each category have been performing efficiently. Load fee and expense ratio have been found as the major cause of inefficiency in mutual fund and also the downfall in the economical growth rate. For all the inefficient schemes, there are respective peer efficient schemes in particular weights by following which these schemes might attain efficiency level. Thus, for the entire set of inefficient schemes, target values or virtual inputs are there for achieving the efficiency level. These target values shows that expense ratio and load fee should be reduced to achieve efficiency. There are some attributes of mutual fund schemes as their age, asset ratio and past performance that affect their efficiency performance. Older schemes and schemes with high asset ratio are performing inefficiently. However, mutual funds which had good performance in past are more likely to perform well in future. In India investors like to invest in mutual fund as they like to pay less taxes and try to earn more return from their money. So, most of the investors like to choose mutual fund as a tax saving investing tool.

The number of investors and the amount invested in mutual funds is still low. Investors consider mutual funds as low return and high risk Investment Avenue. Its liquidity is perceived as high but tax benefits and procedural understanding are low for these. Also, investors judge mutual fund schemes for investment on the basis of their structure, size, performance, status and professional expertise. Further, investors expect good regulations, expert advice and strong grievance mechanism from mutual fund companies. Most of the investors have been investing in Growth, Income and Balanced mutual fund schemes. There are varieties of mutual fund schemes available in offered both by private as well as by public AMC. Most of the small investors invest in open-ended scheme because in close-ended scheme as most of them have liquidity issues and don't offer SIP. Most of the investors does not know much about this difference as they don't know much about the concept of open ended and close ended scheme. The other type of mutual fund scheme is growth, balanced and debt schemes.

Therefore on the basis of this research conducted there is huge potential in India for the growth of mutual fund industry as youth have a strong faith in mutual fund. The lack of education about mutual fund is the main reason for those who are not investing in Mutual fund.

Suggestions

- Since there is lack of education among investors about mutual fund investors so there should be more seminars on investor awareness should be conducted to create awareness among investors.
- Investors should be taught that they can gather the information about any mutual fund scheme and its past performance from various websites and newspapers.
- Investors should keep track on their investment by registering on the mutual fund website and finding the NAV and total fund value of their investment.
- Investors should go through each and every clause very properly and should understand the charges levied by the company for managing the mutual fund scheme.
- Investors should understand the various types of mutual fund schemes and risk associated with them and then makes their decision of their investments.

References

1. Bal, R.K & Paul, P (2012), Growth of Mutual Fund Industry in India, Contemporary Issues in Accounting and Finance, Rahman A.R.M(ed.), Akansha Publishing House, New Delhi, pp.39-54.
2. Singh, R.K (2012), Role of SEBI in regulating Mutual Funds, International Journal of Trade & Commerce-IIARTC, Vol.1, pp.45-59.
3. Jain, S (2012), Analysis of Equity Based Mutual Funds in India, IOSR Journal of Business & Management, Vol.2, Issue.1, July-August, pp. 01-04.
4. Thakkar, J (2012), Investment in Mutual Funds, Indian Journal of Applied Research, Vol.2, Issue. 1, pp. 21-23.
5. Zaheeruddin, M, Sivakumar, P & Reddy, K.S (2013), Performance Evaluation of Mutual Funds in India with Special Reference to Selected Financial Intermediaries, IOSR Journal of Business & Management, Vol.7, Issue. 2, January-February, pp. 34-40.
6. Smith and Tito , "Risk-Return Measures of Post-Portfolio Performance" Journal of Financial and Quantitative Analysis, Vol. 4, (1969), pp.449-471.
7. Klemosky, "The Bias in Composite Performance Measures", Journal of Financial and Quantitative Analysis, Vol. 8, (1973), pp.505-514.

