

A Study of Investor's Behaviour towards Mutual Fund with reference to District Moga (Punjab)

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ABSTRACT

Mutual fund sector is growing very fast in India. It contributes to large extent in the development of Indian economy. It is a pool that collects money from its subscribers and invest money in equity, bonds and other securities. Mutual fund is managed by fund house managers who are professionally qualified. Subscriber or investors holds units in proportion to their investment amount. Each unit has NAV(Net asset value). The money can be invested in lump sum or through systematic investment plan. Investment in mutual is simple and may earn higher returns in longer period of time. Mutual funds provide diversification, economy, liquidity, higher returns and professional managers. Mutual funds are regulated by government bodies. The assets under management of mutual fund houses have been increased many times. This shows the faith of investors in mutual funds. In this paper I shall highlight the investor's behaviour towards mutual fund with a special reference to Moga district of Punjab.

1. Introduction

A solid monetary market with wider contribution is compulsory for a developed nation. The concept of mutual fund came into existence in 1924. Mutual fund in India was introduced in the year of 1963 with the launching of UTI at the proposal of Reserve bank of India. The objective was to encourage saving and investment habit among the people of India. Thereafter many other financial institutions like State bank of India, Punjab National banks and Canara bank started their mutual funds. All these institutions were controlled by Government. In the year 1993, during the time of liberalization and privatization, private fund houses were emerged. In India, Kothari Pioneer launched first private fund which was amalgamated with Franklin Templeton, later on. Mutual fund Industry expanded many folds with the establishment of many mutual fund houses both in PSU and private sectors. The asset under management has been increasing with the passage of time. More and more people are investing in mutual funds with their different objectives. Investors are now participating in mutual funds from all urban areas, small or big, thanks to regulatory steps taken by SEBI. Systematic investment plan (SIP) is the most popular way of investment in mutual funds. There are more than 40 mutual funds houses having more than 11000 mutual schemes are operating in India.

2. Types of Mutual Funds

Equity Funds: Under these funds, Investment is made in equity capital of different organisations with a objective of capital appreciation or wealth creation. Money is invested with a long term period. It may provide high return with high risk.

Equity Funds are of following types:

- Large Cap Funds: These funds invest in equity companies having large market capitalization like TCS, Infosys, L&T, SBI, ITC, Reliance etc.

- Mid Cap Funds: These funds invest in companies having medium market capitalization like MCX, BSE, Canfin home, Asian Paints, Havels etc.
- Small Cap Funds: These funds invest in companies having small market capitalisation like Mirza international, Nocil, etc.
- Tax Saving Funds: These funds are also known as Equity linked saving schemes (ELSS). Money invested in these funds are qualifying for deduction under section 80C. Money deposited in these schemes have a lock in period of three years.

Apart from these funds there are other funds as given below are available:

- ✓ Debt Funds
- ✓ Balanced Funds
- ✓ Sector Funds
- ✓ Diversified Funds
- ✓ Arbitrage Funds
- ✓ Open Ended Funds
- ✓ Close Ended Funds

The selection of funds differs from person to person because everybody has different objectives, time horizon, risk taking ability.

3. Advantages of Mutual Fund

- Managed by Experts
- Possibility of High Returns
- Liquidity
- Cheap Cost
- Tax Benefits
- Variety of Funds
- Facility of online Transactions

4. Disadvantages of Mutual Funds

- High Risk
- Return unpredictable
- Management Cost
- No full knowledge of fund functioning
- Dependent on fund manager capability

Different Mutual Funds Houses(Asset Management Company) and their Total Schemes in India

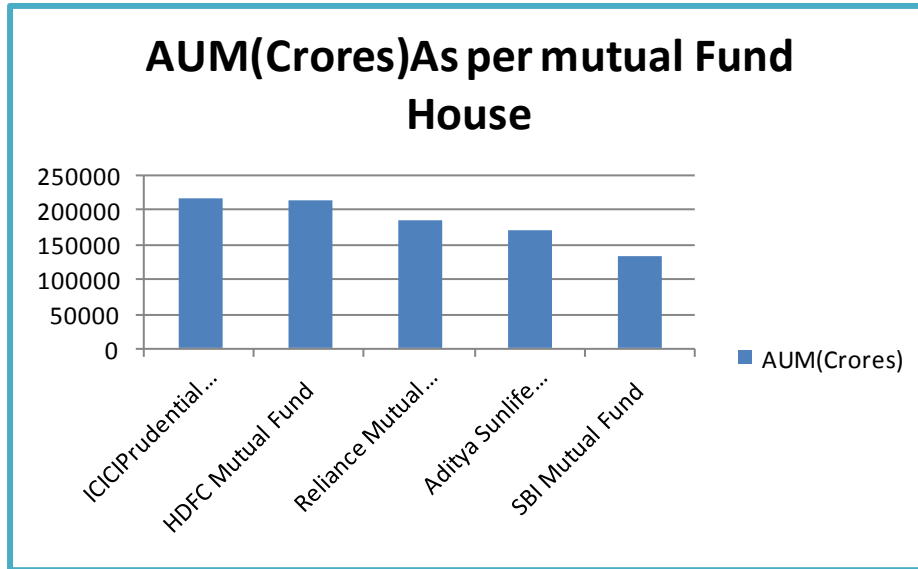
| Sr No | Mutual Fund Name | Total Schemes |
|-------|---|---------------|
| 1 | Axis Asset Management Company | 263 |
| 2 | Baroda Pioneer Asset Management Company | 111 |
| 3 | Birla Sun Life Asset Management Company | 806 |
| 4 | BNP Paribas Asset Management Company | 114 |
| 5 | BOI AXA Asset Management Company | 76 |
| 6 | Canara Robeco Asset Management Company | 142 |
| 7 | Deutsche Asset Management Company | 8 |
| 8 | DHFL Pramerica Asset Management Company | 491 |
| 9 | DSP BlackRock Asset Management Company | 398 |
| 10 | Edelweiss Asset Management Company | 70 |
| 11 | Escorts Asset Management Company | 60 |
| 12 | Franklin Templeton Asset Management Company | 200 |
| 13 | Goldman Sachs Asset Management Company | 18 |
| 14 | HDFC Asset Management Company | 1173 |
| 15 | HSBC Global Asset Management Company | 155 |
| 16 | ICICI Prudential Asset Management Company | 1529 |
| 17 | IDBI Asset Management Company | 92 |
| 18 | IDFC Asset Management Company | 453 |
| 19 | IIFCL Asset Management Asset | 1 |
| 20 | IIFL Asset Management Company | 18 |
| 21 | IL & FS Infra Asset Management Company | 12 |
| 22 | Indiabulls Asset Management Company | 56 |
| 23 | JM Financial Asset Management | 179 |
| 24 | J.P. Morgan Asset Management Company | 141 |
| 25 | Kotak Mahindra Asset Management Company | 431 |
| 26 | L&T Asset Management Company | 246 |
| 27 | LIC Nomura Mutual Fund Asset Management Company | 176 |
| 28 | Mirae Asset Management Company | 55 |
| 29 | Motilal Oswal Asset Management Company | 31 |
| 30 | Peerless Asset Management Company | 57 |
| 31 | PPFAS Asset Management Company | 1 |
| 32 | Principal Asset Management Company | 123 |
| 33 | Quantum Asset Management Company | 15 |
| 34 | Reliance Asset Management Company | 1015 |
| 35 | Religare Global Asset Management Company | 267 |
| 36 | Sahara Asset Management Company | 68 |
| 37 | SBI Asset Management Company | 652 |
| 38 | Shriram Asset Management Company | 4 |
| 39 | Sundaram Asset Management Company | 479 |
| 40 | Tata Asset Management Company | 324 |
| 41 | Taurus Asset Management Company | 65 |
| 42 | Union KBC Asset Management Company | 60 |
| 43 | UTI Asset Management Company | 1220 |
| | Gross | 11856 |

Source:www.wikipedia.org) as on 31-03-2016

The above table shows that ICICI Prudential mutual fund is on top as per operation of mutual fund schemes followed by HDFC, Reliance, Aditya Birla Sun Life and SBI Mutual Fund.

5. Top Mutual Fund Houses in terms of Asset Under Management

In India, more than 40 mutual fund houses are operating these days. Following chart depicts the top five funds in terms of Assets Under Management (AUM) held by them.



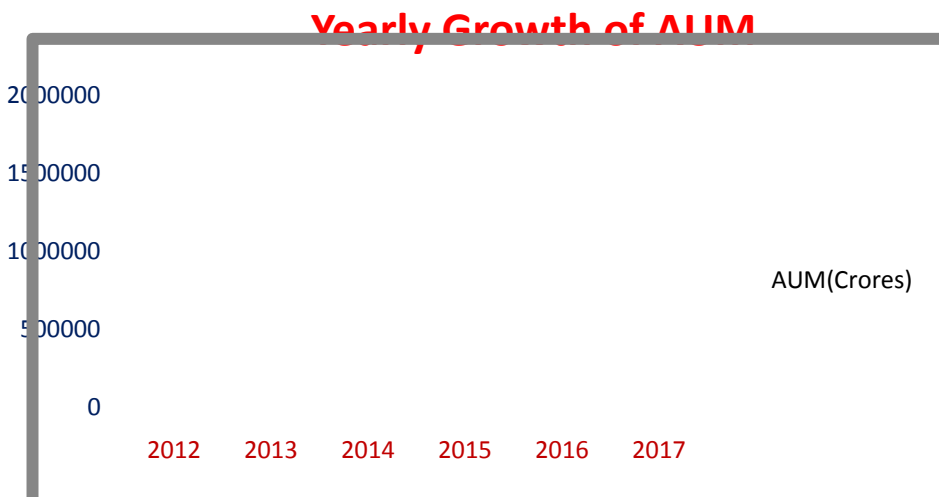
(As on 30-09-2016)
Source: www.business-standard.com

The above table shows that ICICI Prudential Mutual Fund is on the top among the all mutual fund houses in relation to assets under management followed by HDFC, Reliance, Aditya Sun life and SBI Mutual fund.

Yearly Growth of Assets Under Management(AUM)(In Crores)

| Month | AUM |
|------------|-----------|
| March 2012 | 6,35,120 |
| March 2013 | 7,88,725 |
| March 2014 | 8,78,194 |
| March 2015 | 11,57,012 |
| March 2016 | 13,53,447 |
| March 2017 | 18,28,151 |

Source : www.moneycontrol.com and www.morningstar.in



The above table shows increase in Asset under management of different Mutual Funds in India. The AUM

figures have been increased about three times in last five years. This exhibits the confidence of investors in mutual funds.

6. Objectives of Research

1. To study the Investors' preference towards mutual funds
2. To Analyse the factors that persuade the investor's behaviour towards mutual funds
3. To study the risk bearing capacity of investor while making investment in mutual fund

7. Literature Review:

Ravi Vyas (2012) In this paper, he focused on number of factors that reveals the investors perception about mutual funds. Investors do not rely on mutual funds, they still rest on banks deposits and post office saving schemes. Most of the investors do not rely on brokers, financial advisors etc. for taking investment decisions. Some investors invest in ELSS scheme of mutual funds for tax saving for three years.

Y Prabhavathi, N T Krishna Kishore (2013) In their paper "Investor's preferences towards Mutual Fund and future investments" They conclude that mutual funds play a vital role in this volatile market conditions. They provide liquidity in the financial market. They contribute in increasing the market prices of securities. The investors should be cautious in selecting the schemes. Mutual funds should be managed effectively by the regulators to have complete benefits of the mutual fund industry.

Vipin kumar, Preeti Bansal(2014) In their paper title "A Study of on investor's behaviour towards mutual funds in Rohtak, Haryana, they conclude that investment in mutual funds provides higher returns to middle income persons. Mutual funds have potential to create wealth over a longer period of time. Investors should have done through study and research before investing in mutual funds. They should diversify their capital to different mutual funds but not many. Periodical review of investment must be done. Different organisations like SEBI and AMFI should take steps to safeguard the interest of investors.

Priti Mane(2016). The author in her paper titled "A study of Investors perception towards Mutual Funds in the city of Aurungabad has suggested that investor should have full knowledge of risk in mutual funds. They should keep detailed study before taking investment decision. They should invest systematically and for long period of time. The fund house should avoid too many risks to safeguard the interest of investors. The author further suggests that the main reason for avoiding the mutual funds is risk involved in it.

Arathy B, Aswathy A Nair, Anju Sai P,Pravitha N. R.(2015) The authors in their research paper having title "A Study on Factors Affecting Investment on Mutual Funds and Its Preference of Retail Investors" have found that liquidity, high

returns, tax benefits and wealth creation are the main aspects which influence investors to invest in mutual funds. Equity funds have edge over debt fund due to high returns. The factors responsible for preventing investors from investment in mutual funds are bitter past experience, difficulty in choosing the scheme and less knowledge about mutual funds schemes.

Prof Gauri Prabhu, Dr N.M. Vechalekar. The authors have published their research paper on the topic "Perception of Indian Investor towards investment in mutual funds with special reference to MIP Funds" and found that most of the people are aware of mutual fund schemes. The majority of the investors belong to the age group of 19 years and 55 years. They fall in the income group of Rs. 30,000 to 70,000 P.M. Tax benefits and regular returns are the main factors to invest in mutual funds. People prefer MIP scheme because of regular returns.

8. Research methodology

In this paper, descriptive research methodology is used. Data is collected from primary as well as secondary sources. Primary data collection was collected through well-structured questionnaire. Data was collected from the investors through survey method. Secondary data was gathered from various sources such as journals, web sites, books and research articles fact sheets, published research papers etc.

Population

This study is conducted by taking sample of investors in Moga city in Punjab.

Sample size The survey was carried among 250 investors in the city. Of the 250 questionnaires, 200 filled forms were returned, representing 80% response rate that is considered an acceptable level of response rate in this type of research.

Sampling procedure

In this study, convenient sampling procedure is followed. While selecting the respondents, factors, such as age, educational qualification, and professional background of the respondents were considered.

Data Processing

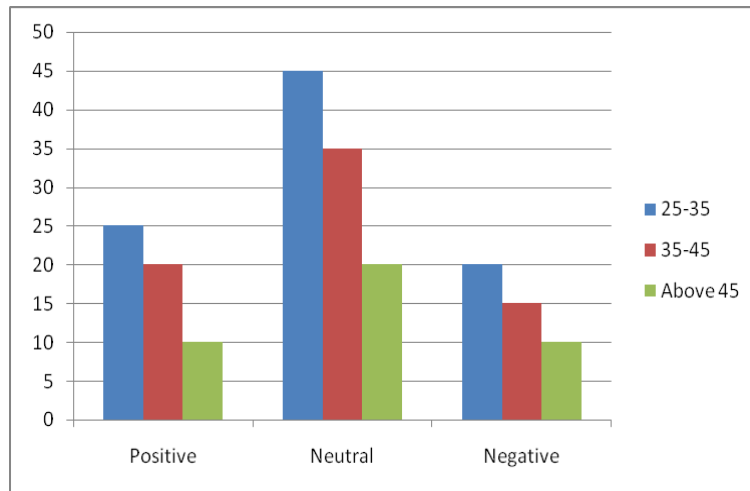
Collected data was properly edited. Different tables were prepared according to age group, gender, qualifications, income and occupation were taken for further analysis. Factor analysis was also made. In order to find out significance of differences between the averages, chi square test has been applied.

(Table- 1)
Association between age and their attitude towards the Mutual Fund

| Age | Positive | Neutral | Negative | Total |
|--------------|-----------|------------|-----------|------------|
| 25-35 | 25(24.75) | 45(45) | 20(20.25) | 90 |
| 35-45 | 20(19.25) | 35(35) | 15(15.75) | 70 |
| Above 45 | 10(11) | 20(20) | 10(18) | 40 |
| Total | 55 | 100 | 45 | 200 |

(Source Primary data)

(Figures in brackets show the expected frequency)



In table 1, Attitude of respondents of different age group towards investment in mutual fund is shown. It is distributed in positive , neutral and negative attitude. 25 respondents of 25-35 age group have positive attitude towards investment in mutual fund,45 respondents of this age group have neutral and 20 have negative attitude. Similarly 20 are positive, 35 are neutral and 15 are negative in 35-45 age group. In above 45 age group 10 respondents are positive,20 are neutral and 10 are negative.

Chi-square value is calculated, which is 1.05. It is less than table value (9.49) at 5%

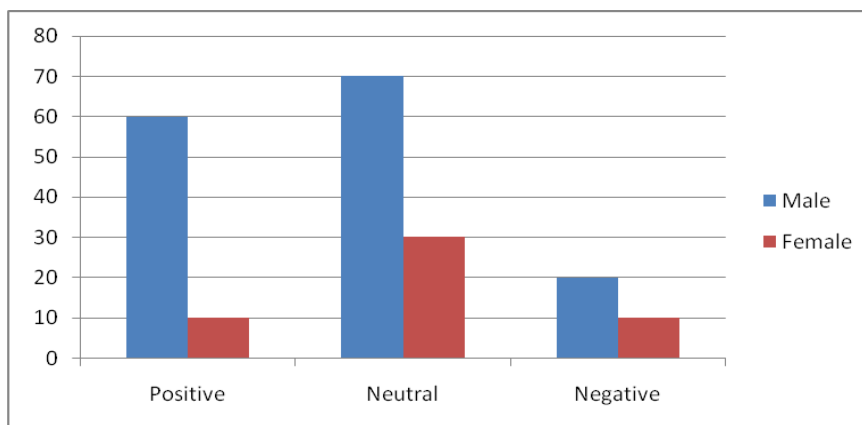
level of significance for 4 degree of freedom. The null hypothesis is accepted and it could be concluded that the association between age of respondents and opinion of respondents towards mutual fund is significant.

Null Hypothesis-The association between the age of respondents and opinion of the respondents towards investment in mutual fund is significant.

(Table-2)
Association between Gender and their Attitude towards the Mutual Fund

| Gender | Positive | Neutral | Negative | Total |
|--------------|-----------|------------|-----------|------------|
| Male | 60(52.50) | 70(75) | 20(22.5) | 150 |
| Female | 10(17.50) | 30(25) | 10(7.50) | 50 |
| Total | 70 | 100 | 30 | 200 |

(Source: primary data)
(Figures in brackets show the expected frequency)



In table 2, Attitude of different Gender towards mutual fund is shown. It is distributed in positive , neutral and negative attitude. 60 male respondents have positive attitude towards investment in mutual fund,70 male respondents have neutral attitude and 20 are negative. Similarly 10 female respondents are positive, 30 are neutral and 10 are negative .

Null Hypothesis-The association between gender of respondents and opinion of the respondents towards investment in mutual fund is not significant.

Chi-square value is calculated, which is 6.72. It is greater than table value (5.99) at 5%

level of significance for 2 degree of freedom. The null hypothesis is rejected and it could be concluded that the

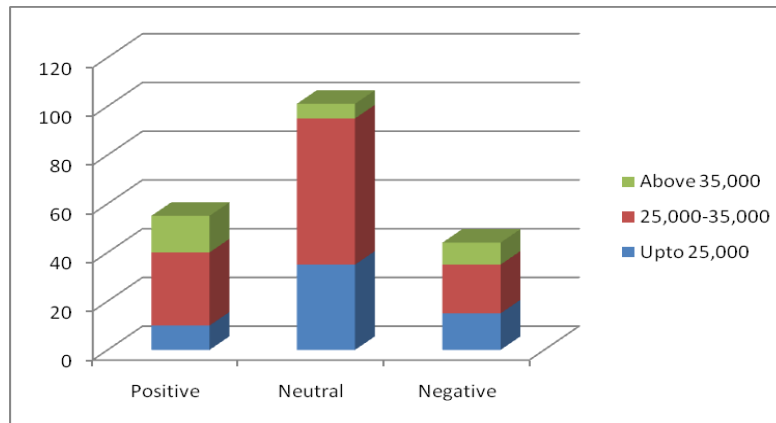
association between age of respondents and opinion of respondents towards mutual fund is significant.

(Table-3)
Association between Income and Attitude towards the Mutual Fund

| Income(Monthly) | Positive | Neutral | Negative | Total |
|-----------------|-----------|------------|-----------|------------|
| Upto 25,000 | 10(16.5) | 35(30.3) | 15(13.2) | 60 |
| 25,000-35,000 | 30(30.25) | 60(55.55) | 20(24.2) | 110 |
| Above 35,000 | 15(8.25) | 6(15.15) | 9(6.6) | 30 |
| Total | 55 | 101 | 44 | 200 |

(Source: Primary data)

(Figures in brackets show the expected frequency)



In table 3, Attitude of respondents of different income group is shown. 10 respondents of below 25000 income have positive attitude towards investment in mutual fund, 35 respondents of this group have neutral and 15 are negative. Similarly 30 are positive, 60 are neutral and 20 are negative in 25000-35000 income group. In above 35000 income group 15 respondents are positive, 6 are neutral and 9 are negative.

Chi-square value is calculated, which is 58.1065. It is greater than table value (9.49) at 5%

level of significance for 4 degree of freedom. The null hypothesis is rejected and it could be concluded that the association between income of respondents and opinion of respondents towards mutual fund is significant.

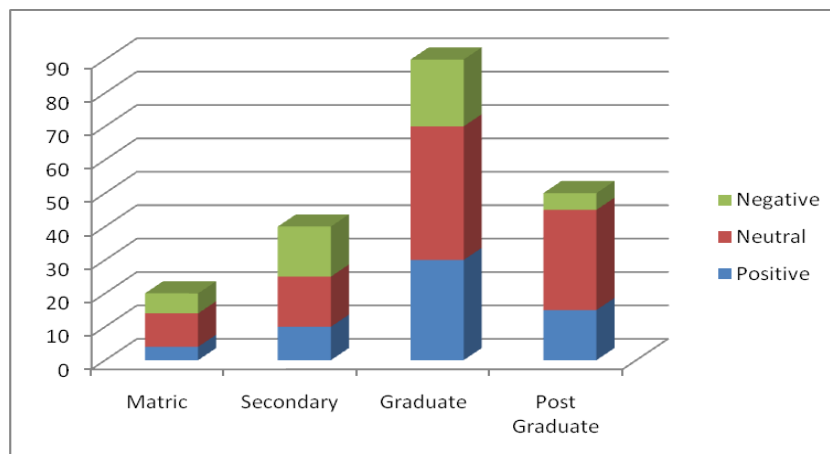
Null Hypothesis-The association between income of respondents and opinion of the respondents towards investment in mutual fund is not significant.

(Table 4)
Association between level of education and attitude towards the mutual fund

| Education | Positive | Neutral | Negative | Total |
|---------------|-----------|-----------|-----------|------------|
| Matric | 04(5.9) | 10(9.5) | 6(4.6) | 20 |
| Secondary | 10(11.8) | 15(19) | 15(9.2) | 40 |
| Graduate | 30(26.55) | 40(42.75) | 20(20.7) | 90 |
| Post Graduate | 15(14.75) | 30(23.75) | 5(11.5) | 50 |
| Total | 59 | 95 | 46 | 200 |

(Source: Primary data)

(Figures in brackets show the expected frequency)



In Table 4, education level of respondents and their attitude towards mutual fund is given. Four matric qualified respondents have positive attitude, Ten have neutral and Six have negative attitude. Ten Secondary educated respondents have positive attitude, 15 have neutral and 15 have negative attitude. Thirty graduate respondents are positive, 40 are neutral and 20 are negative towards mutual fund investment. Fifteen post graduate respondents are positive,30 are neutral and 5 are negative towards mutual fund investment.

Null Hypothesis-The association between Education of respondents and opinion of the respondents towards investment in mutual fund is significant.

Chi-square value is calculated, which is 11.784. It is less than table value (12.6) at 5%

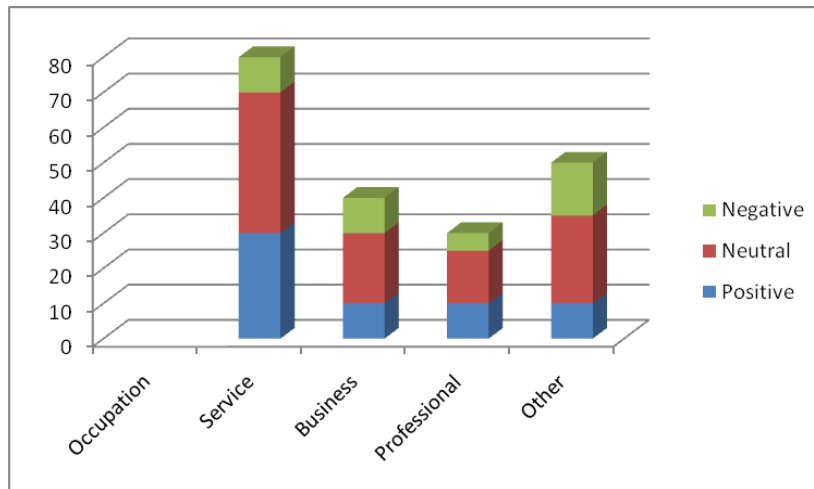
level of significance for 6 degree of freedom. The null hypothesis is accepted and it could be concluded that the association between income of respondents and opinion of respondents towards mutual fund is significant.

(Table 5)
Association between occupation and attitude towards the mutual fund

| Occupation | Positive | Neutral | Negative | Total |
|--------------|-----------|------------|-----------|------------|
| Service | 30(24) | 40(40) | 10(16) | 80 |
| Business | 10(12) | 20(20) | 10(8) | 40 |
| Professional | 10(9) | 15(15) | 5(6) | 30 |
| Other | 10(15) | 25(25) | 15(10) | 50 |
| Total | 60 | 100 | 40 | 200 |

(Source: Primary Data)

(Figures in brackets show the expected frequency)



In table 5, different occupation respondents and their attitude towards mutual fund is given. There is 30 respondents who is in service class and have positive attitude .40respondents have neutral and 10 have negative attitude.10 business class respondents have positive attitude , 20 have neutral and 10 have negative attitude. 10 professional respondents have positive attitude towards mutual fund , 15 have neutral and 5 have negative attitude. 10 respondents who is doing any other occupation have positive attitude towards mutual fund , 25 have neutral and 15 have negative attitude.

9. Suggestions

Retail investors should invest after thorough research and study. They can take help from financial planners, internet, past performance of mutual funds, portfolio, assets under management etc. Everyone should know the risk and reward features of selected mutual fund. The investment in mutual funds should be for long term and with a set goal. Investor should not worry about volatility of equity market. They should have periodical review of investment. The investment should be in liquid securities so that capital can be redeemed in emergency situations. There should be blend of debt as well equity funds in portfolio. Selected mutual funds should have adequate diversification.

10. Conclusion

The analysis of the above study helps us to understand the investors' behaviour towards investment in mutual funds. The qualification level, risk appetite, liquidity requirement, income level, gender etc. are the main factors which influence investors' behaviour towards mutual funds. Mutual funds play a keen role in the field of capital market. The returns in mutual funds are more than other instruments if invested with long time horizon

Null Hypothesis-The association between income of respondents and opinion of the respondents towards investment in mutual fund is significant.

Chi-square value is calculated, which is 10.53. It is less than table value (12.6) at 5%

level of significance for 6 degree of freedom. The null hypothesis is accepted and it could be concluded that the association between occupation of respondents and opinion of respondents towards mutual fund is significant.

and clear cut objective. Investors of mutual fund should not worry about volatility of equity market. The volatility is part and parcel of equity market. The selection of mutual funds category should be rational. It can be done by planned research of capital

market. In India, mutual funds industry has unlimited growth potential if handled with plan. The regulated bodies like SEBI should implement rules and regulations strictly to safeguard the interest of investors.

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