

# Investor's attitude towards mutual fund in Coimbatore city

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## Abstract

Today the field of investment is even more dynamic than it was a decade ago. World events are rapidly growing that alter the values of specific assets. The investors have many assets to choose from, and the amount of information available to the investors is staggering and continually growing<sup>5</sup>. The key to a successful financial plan is to keep apart a larger amount of savings and invest it intelligently. These investments are not totally safe from risks, so one should try to understand what kind of risks are related to them before taking action<sup>6</sup>. Mutual Fund has emerged as a tool for ensuring one's financial wellbeing. As information and awareness is rising more and more people are enjoying the benefits of investing in mutual funds. Investment in mutual funds is effected by the attitude of the investors<sup>7</sup>.

The objectives of the study are to identify the investor's attitude on mutual funds and to analyze the factors affecting investor's attitude towards mutual fund. The study aims at finding out the attitude of the small investors towards investment in mutual funds in Coimbatore City. The present investigation outlined that the investors have positive approach towards investing in mutual funds. The investors choose Mutual fund for safety and investors collect the information from expert advisors then only invest the money. Mainly investors select the income, growth and equity fund for their investment in Mutual fund<sup>8</sup>. The findings from this research is that most of the people are hesitant in going for new age investments like mutual funds and prefer to avert risks by investing in

less riskier investment options like recurring deposits and so.

**Keywords:** *Investors, Investment, Investor Attitude, Mutual Fund, Influencing factors etc.*

## 1. Introduction

The mutual fund is a type of professionally-managed collective investment scheme which pools money from many investors. The profit gained from investments is shared to unit holders in proportion to the number of units owned by them. Thus, a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. There are a lot of investment avenues available today in the financial market for an investor with an investable surplus<sup>1</sup>.

Investor can invest in Bank deposits, Corporate Debentures and Bonds where there is low risk but low return. He may invest in Stock of companies where the risk is high and the returns are also proportionately high<sup>2</sup>. Hence these investors found a good shelter with the mutual fund. A mutual fund is a financial intermediary that pools the savings of investors for collective investment in a diversified portfolio of securities. A fund is "mutual" as all of its returns, minus its expenses, are shared by the fund's investors. The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 defines a mutual fund as "a fund established in the form of a trust to raise money through the sale of units to the

public or a section of the public under one or more schemes for investing in securities, including money market instruments<sup>3</sup>.

The investor plays an important role in the stock market because of their big share of savings in the country corporate world achieves predetermined growth and overall development in terms of growth in GDP, employment etc. are closely associated with investors attitude, perceptions regarding investment. The investment decision process is closely associated with behavioral science<sup>4</sup>. Hence this paper aims is to identify the key factors which motivate and investors attitude to invest in mutual funds.

## 2. Review Literature

[1]. **Sikidar and Singh** (1996) carried out a survey with an objective to understand the behavioral aspects of the investors of the North Eastern Region towards equity and MF's investment portfolio. The survey revealed that the salaried and self-employed formed the major investors in MF primarily due to tax concessions.

[2]. **Jambodekar** (1996) conducted a study to assess the awareness of MF's among investors, to identify the information sources influencing the buying decision and the factors influencing the choice of a particular fund. The study reveals among other things that Income Schemes and Open Ended Schemes are more preferred than Growth Schemes and Close Ended Schemes during the then prevalent market conditions. Investors look for safety of Principal, Liquidity and Capital appreciation in the order of importance;

Newspapers and Magazines are the first source of information through which investors get to know about MF's/Schemes and investor service is a major differentiating factor in the selection of MF Schemes.

[3]. **Rajeswari and Ramamoorthy** (2001) have conducted a study to understand the factors influencing the fund selection behaviour of 350 MF investors in order to provide some meaningful inferences for Asset Management Companies (AMC) to innovatively design the products.

[4]. **King** (2002) has highlighted the emergence of products like exchange traded funds, hedge funds, managed accounts etc. which offer competition to MF's.

[5]. **Sankaran** (2004) proposes the future direction for investors will be to invest in pension funds, as government is envisaging a policy to cover all kinds of investors. He further opined that MF industry will continue to grow in spite of competition and will be

propelled in the right direction because of the investor friendly financial markets.

[6]. **Singh** (2004) has established that middle class salaried investors and professionals preferred to have disclosure of net asset value on a day today basis and wanted to invest in MF's in order to get higher tax rebates. Further, it is observed that small investors perceived MF's to be better investment alternative and public sector investments to be less risky.

[7]. **Sondhi and Jain** (2005) have examined the performance of equity MF's classified on the basis of public sector and private sector.

[8]. **Desigan et al.** (2006) conducted a study on women investor's perception towards investment and found that women investor's basically are indecisive in investing in MF's due to various reasons like lack of knowledge about the investment protection and their various investment procedures, market fluctuations, various risks associated with investment, assessment of investment and redressal of grievances regarding their various investment related problems.

[9]. **Badla and Garg** (2007) observed that most of the schemes outperformed the market and the risk undertaken in the schemes is more than the market risk.

[10]. **Noronha** (2007) has evaluated the performance of 11 equity schemes of three asset management companies with the help of Sharpe and Treynor measure for a period April 2002 - March 2005. The study found that equity, tax plan and index funds offer diversification and are able to earn better returns as compared to sector specific funds. The study is a commendable work on performance of MF's highlighting the better earning capacity of equity, tax plans and index funds.

[11]. **Singh and Jha** (2009) conducted a study on awareness & acceptability of MF's and found that consumers basically prefer MF's due to return potential, liquidity and safety and they were not totally aware about the systematic investment plan. The investor's will also consider various factors before investing in MF's.

[12]. **Anand and Murugaiah** (2004) had studied various strategic issues related to the marketing of financial services. They found that recently this type of industry requires new strategies to survive and for operation. For surviving they have to adopt new marketing strategies and tactics that enable them to capture maximum opportunities with the lowest risks in order to enable them to survive and meet the competition from various market players globally.

### 3. Statement of the problem

Savings (or) Investments are acknowledged as powerful tools in the alleviation of poverty. Investing even a small amount can produce considerable rewards over the long-term. But there will be confusion among the people for the selection of best investment avenues and this is the major problem of the investors. While investing money, the investors are having a lack of awareness of investment alternatives. When they take investment decisions they have to pay more attention to safety, liquidity, returns, risks, tax benefits and so on in addition to the investments option. The above factors will confuse the investors while investing the money. He should exercise his skill, knowledge and experience in choosing the investment opportunity. In this context, the present study becomes highly essential.

### 4. Scope of the study

The present study was restricted to analysis the investors' attitude towards mutual funds in the area of Coimbatore City only.

### 5. Need for the study

Indian economy is growing significantly. It has various investment options. The study has been undertaken to analyses the preferred investment avenues as well as the factors affecting on investment in mutual funds. Against this back drop of the research, the researcher tries to find out the investment attitude and preference of the respondents in mutual funds in Coimbatore City.

### 6. Objectives of the study

- To study the investor's attitude and interest towards in Mutual fund.
- To analyse the various factors affecting the investors' to invest in mutual funds.
- To know investor view and preferences towards Mutual fund.

### 7. Limitations of the study

- The Study is limited to only 150 investors.
- The survey is conducted only in Coimbatore City.
- The study has also the limitation of time, place and resources.

**8. Data collection:** The present study is based on primary data which was collected using questionnaire method.

**9. Sample size:** 150 investors were selected from Coimbatore City.

**10. Statistical tools:** Simple Percentage and Chi Square.

**11. Area of the study:** Coimbatore City is selected as the study area.

**12. Sampling method:** Random sampling method is used for data collection.

### 13. Results and Discussion

Particulars	Factors	Respondents	%	Total
Gender	<b>Male</b>	<b>90</b>	<b>60</b>	150
	Female	60	40	
Age	Below 25	30	20	150
	<b>26-35</b>	<b>50</b>	<b>33</b>	
	36-45	46	31	
	Above 45	24	16	
Education	Up to 10th	36	24	150
	12th Std	34	23	
	<b>Arts College</b>	<b>50</b>	<b>33</b>	
	Technical & Professionals	30	20	
Income	Up to Rs.10000	45	30	150
	<b>B/W 11000 to 20000</b>	<b>55</b>	<b>37</b>	
	More than 20000	50	33	
Savings	<b>Up to 5000</b>	<b>53</b>	<b>35</b>	150
	B/W 5000 to 15000	51	34	
	More than 15000	46	31	
Occupation	Agriculture	35	23	150
	Self Employed	34	23	
	<b>Private Employee</b>	<b>50</b>	<b>33</b>	
	Government Employee	31	21	
Purpose of Investment	<b>Safety for Principal</b>	<b>50</b>	<b>33</b>	150
	Safety for life	24	16	
	Safety for family	45	30	
	Safety for retirement	31	21	
Secondary Purpose of Investment	<b>Safety</b>	<b>70</b>	<b>47</b>	150
	Tax savings	30	20	
	Growth	23	15	

	High returns	27	18
Investment Avenues	Bank/Post office deposit	65	43
	Gold	34	23
	Mutual Fund/Insurance	26	17
	Share	25	17
Risk Factor	Yes	110	73
	No	40	27
Mobilization of Information	Electronic media	35	23
	Advisors	60	40
	Print media	45	30
	Other sources	10	7
Types of Mutual Fund	Growth fund	35	23
	Tax fund	23	15
	Debt fund	12	8
	Income fund	50	33
	Equity fund	20	13
	Index fund	10	7

Tabulated value the hypothesis is accepted and it is concluded that there is significant association between the income of the respondents and their attitude towards mutual fund.

#### (v) Savings VS Attitude towards Mutual Fund

At 5% level of Significance with Degrees of freedom 4, the tabulated value of is 9.488 with respect to X2 value is 14.81. Since X2 calculated > Tabulated value the hypothesis is rejected and it is concluded that there is a no significant association between the savings of the respondents and their attitude towards mutual fund.

#### (vi) Occupation VS Attitude towards Mutual Fund

At 5% level of Significance with Degrees of freedom 6, the tabulated value of is 12.592 with respect to X2 value is 2.797. Since X2 calculated < Tabulated value the hypothesis is accepted and it is concluded that there is a significant association between the occupation of the respondents and their attitude towards mutual fund.

## HYPOTHESIS

**H0:** Respondents attitude is independent towards mutual fund on the basis of demographic variables.

**H1:** Respondents attitude is dependent towards mutual fund on the basis of demographic variables.

### (i) Gender VS Attitude towards Mutual Fund

At 5% level of Significance with Degrees of freedom 2, the tabulated value of is 5.991 with respect to X2 value is 2.109. Since X2 calculated < Tabulated value the hypothesis is accepted and it is concluded that there is a significant association between the gender of the respondents and their attitude towards mutual fund.

### (ii) Age VS Attitude towards Mutual Fund

At 5% level of Significance with Degrees of freedom 6, the tabulated value of is 12.592 with respect to X2 value is 10.178. Since X2 calculated < Tabulated value the hypothesis is accepted and it is concluded that there is a significant association between the age of the respondents and their attitude towards mutual fund.

### (iii) Education VS Attitude towards Mutual Fund

At 5% level of Significance with Degrees of freedom 6, the tabulated value of is 12.592 with respect to X2 value is 6.068. Since X2 calculated < Tabulated value the hypothesis is accepted and it is concluded that there is a significant association between the education of the respondents and their attitude towards mutual fund.

### (iv) Income VS Attitude towards Mutual Fund

At 5% level of Significance with Degrees of freedom 4, the tabulated value of is 9.488 with respect to X2 value is 9.015. Since X2 calculated <

## 14. Findings

### Simple Percentage

- ✓ Majority 60 % of the investors are Male.
- ✓ Majority 33 % of the investors are in the Age category of 26 -35.
- ✓ Majority 33 % of the investors belongs to Arts College.
- ✓ Majority 37 % of the investors are in the Rs.11000 – Rs.20000 Income group.
- ✓ Majority 35 % of the investors save Rs.5000 from their income.
- ✓ Majority 33 % of the investors are Private employees.
- ✓ Majority 33 % of the investor's purpose of investment choice is Safety for Principal.
- ✓ Majority 47 % of the investor's secondary purpose is also Safety.
- ✓ Majority 43 % of the investors prefer bank and post office deposits.
- ✓ Majority 73 % of the investors agree their risk factor as yes.
- ✓ Majority 40 % of the investors mobilizes information from their Advisors.
- ✓ Majority 23 % of the investors choose Growth fund in mutual funds.

### Chi-Square

**H1:** There is a significant association between the gender of the respondents and their attitude towards mutual fund.

**H1:** There is a significant association between the age of the respondents and their attitude towards mutual fund.

**H1:** There is a significant association between the education of the respondents and their attitude towards mutual fund.

**H1:** There is significant association between the income of the respondents and their attitude towards mutual fund.

**H0:** There is a no significant association between the savings of the respondents and their attitude towards mutual fund.

**H1:** There is a significant association between the occupation of the respondents and their attitude towards mutual fund.

## 15. Suggestions

There are some suggestions for developing good attitude for better investments is that they should keep their investment for long time, keeping in mind that there will be few level of risk involves in their saving pattern, because they are investing for the maximum returns. Once they invested in mutual fund they need returns and if it is not giving proper returns to them again it is affecting the interest of the investors to invest in Mutual Funds.

To keep the interest of the investors in mutual fund the companies will play a vital role to attract the investors to invest in mutual fund so for that companies should bring such plans which is having very low risk. The most preference of the investors are the fixed deposit because they feel it is the safest and returns are fixed and not having fear of losing the money.

As per the study the investors wants safe returns on their investment and all investors know the risk in mutual funds and that is the main reason for avoiding to in mutual fund because of the fear of losing the money. It is also found that there are investors facing various problems in selecting mutual fund as an investment option because of share market uncertainties and risk associated with it so investors avoid the investing in mutual fund.

Mutual fund are link with share market and investors are not taking advice from expert advisor to guide them for their investment in mutual fund so it creates the difficulty to select the mutual fund scheme beneficial for them.

## 16. Conclusion

From the study on “Investors attitude towards Mutual funds”, it is found that the investors have a good and positive attitude towards their investment made in Mutual funds. Most of the investors prefer

Mutual Funds for the high returns and feel that the risk factor is also high in mutual fund investment.

Though the investors are not aware of the risks attached to the investment they have a positive attitude towards the mutual funds. The investors are satisfied with their investment in Mutual Funds. The investors also feel that the annual reports and other publications of the concern help them analyses the performance of their investment. The factors concerned with age, gender, qualification, income and occupation have been encouraging the attitude of investors towards Mutual fund. Investors saving variables are not influencing the attitude of investors.

The organization can educate its investors on the risk and return in order to make their investments more effective. The investor’s education program can be conducted by the organization in order to educate the investors. Finally, the study has helped the researcher gain real time knowledge and will help users to analyses the attitude of the investors.

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