TECH-CHRONICLE
AN INTERNATIONAL E-JOURNAL ON
EMERGING TRENDS IN SCIENCE, TECHNOLOGY AND MANAGEMENT

A Study on Factors Influencing Mutual Fund Investment

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Abstract: At present there has been growing importance of Mutual Fund Investment in India. When compared with other financial instruments, investments in Mutual funds are safer and also yields more returns on the portfolio investment. The focus of the study is to explore the factors that are responsible in increasing the Mutual Fund investment in India. The study also helps to understand the role of demographics in Mutual funds in India. This enables the fund managers to understand investment pattern and preferences of investor's behind investing in Mutual Funds. Further analysis of the study reveals that financial literacy of respondents is very important for making investment in Mutual funds. Therefore Mutual fund companies should promote financial awareness amongst the respondents so as to channelize their income and savings towards Mutual Funds.

***Keywords:* Mutual Funds, Investment, Preferences, Companies, Awareness**

I. INTRODUCTION

Mutual Funds entered the Indian Capital Market in 1964 with a view to provide the retail investors the benefit of diversification of risk, assured returns, and professional management. Since then they have grown phenomenally in terms of number, size of operation, investor base and scope. Being a part of financial markets although Mutual Funds industry is responding very fast by understanding the dynamics of investor's perceptions towards rewards, still they are continuously following this race in their endeavor to differentiate their products responding to sudden changes in the economy. Every type of investment, including Mutual Funds, involves risk. Risk refers to the possibility that investors will lose money (both principal and any earnings) or fail to make money on an investment. A Fund's investment objective and its holdings are influential factors in determining how risky a fund is. Reading the prospectus will help the investors to understand the risks associated with that particular Fund. Thus, it is time to understand and analyze investor's perceptions of such risks and expectations, and unveil some extremely valuable information to support financial decision making of Mutual Funds.

II. REVIEW OF LITERATURE

Singh (2012) conducted an empirical study of Indian investors and observed that most of the respondents do not have much awareness about the various function of mutual funds and they are bit confused regarding investment in mutual funds. The study found that some demographic factors like gender, income and level of education have their significant impact over the attitude towards mutual funds. On the contrary age and occupation have not been found influencing the investor's attitude. The study noticed that return potential and liquidity have been perceived to be most lucrative benefits of investment in mutual funds and the same are followed by flexibility, transparency and affordability.

III. OBJECTIVES OF THE STUDY

The primary objective of the present study is to analyze the investors' perceptions of the Mutual Fund Risks. The following are the specific objectives of the study.
1) To study the investors' perceptions of risk;
2) To study the investors' perceptions of Mutual Fund risks: and
3) To study the investors' satisfaction over return on Mutual Funds.

IV. HYPOTHESIS

The following are the hypotheses set for the study:
1) The age of the investors and their perception of risk are independent.
2) The marital status of the investors and their opinion on risks associated with Mutual Funds are independent and
3) The annual income of the investors and their opinion on risks associated with Mutual Funds
are independent.

V. RESEARCH METHODOLOGY

Database - The present study was conducted by gathering both Primary and Secondary data. The primary data was collected through a questionnaire and the Secondary data was collected from Journals, Books, Magazines, News Papers, and websites of various statutory and non-statutory organizations such as Association of Mutual Funds in India, Securities and Exchange Board of India.

Sample size - A survey was undertaken through questionnaires for the purpose of studying the above objectives. Investors who invested in Mutual Funds constitute the universe of the study. The Survey was conducted among 100 geographically dispersed investors spread over 3 areas in chittoor district of Andhra Pradesh in India.

Period of the Study - The survey was conducted for the period of six months i.e. from July 2015 to December 2015.

VI. FINDINGS OF THE STUDY

- Most of the investors opined that risk is under performance (53 per cent)
- 57 per cent of the investors felt that the risks in Mutual Funds are medium (57 per cent).
- Most of the unmarried investors stated that the risks in Mutual Funds are low (63.48 per cent).
- In contrast to unmarried investors, 65.82 per cent of married investors said that the risks in
- Mutual Funds are medium.
- Majority of the investors whose age is 40 to 50 years (52.5 per cent) opined that risk refers to
- both loss of principal and as well as income.
- All the investors whose annual income is above Rs. 6 lakhs felt that the risks in Mutual Funds
- are low.
- Majority of the investors whose annual income is less than Rs. 1 lakh said that the risks in
- Mutual Funds are medium.
- Most of the investors were just satisfied with respect to the return on Funds.

VII. SUGGESTIONS

As majority of the investors are much more anxious with the prior information pertaining to risks in investing, the Mutual Fund companies (MFCs) have to think about higher levels of disclosures in this regard.

As majority of the investors feel the risk as under performance, Mutual Fund companies may work hard to offer the returns as expected by them.

VIII. CONCLUSION

The present study endeavored to throw a light on the investors' perceptions of Mutual Fund risks. Understanding the requirements of investors by the Mutual Fund Companies has become necessary to accelerate the required pace of growth. A detailed analysis of risk perceptions of the investors was made in this study. Survey findings of this study have got significant implications that can be adopted by the Fund companies either by adding to the existing practices or by replacing.

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