

Research Papers (2019-20)



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12/13/22, 06:07

PRINT ISSN
2277 - 8160

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GLOBAL JOURNAL FOR RESEARCH ANALYSIS

A Peer Reviewed, Referred, Refereed & Indexed International Journal

Title "A study on investors' attitude towards mutual funds as an investment option"

and has got published in volume **08**, Issue **08**, **AUGUST-2019**

The Editor in Chief & The Editorial Board appreciate the
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A STUDY ON INVESTORS' ATTITUDE TOWARDS MUTUAL FUNDS AS AN INVESTMENT OPTION

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ABSTRACT

In this paper, structure of mutual fund, operations of mutual fund, comparison between investment in mutual fund and bank and calculation of NAV etc. have been considered. In this paper, the impacts of various demographic factors on investors' attitude towards mutual fund have been studied. For measuring various phenomena and analyzing the collected data effectively and efficiently for drawing sound conclusions, Chi-square (χ^2) test has been used and for analyzing the various factors responsible for investment in mutual funds, ranking was done on the basis of weighted scores and scoring was also done on the basis of scale.

KEYWORDS : Hypothesis, Chi-square (χ^2) test, Rank, Weighted score and Scaling.

INTRODUCTION

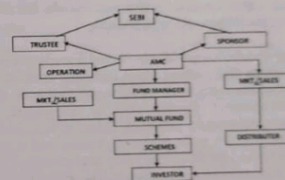
A Mutual Fund pools the money of people with certain investment goals. The money invested in various securities depending on the objectives of the mutual fund scheme and the profits (or loss) are shared among investors in proportion to their investment. Investments in securities are spread across a wide cross-section of industries and sectors. Diversification reduces the risk because all stocks may not move in the same direction in the same proportion at the same time. Mutual fund issues units to the investors in accordance with quantum of money invested by them. Investors of mutual funds are known as unit holders. The profits or losses are shared by the investors in proportion to their investment. The mutual funds normally come out with a number of schemes with different investment objectives which are launched from time to time. A mutual fund is required to be registered with Securities and Exchange Board of India (SEBI) which regulates securities markets before it can collect funds from the public.

A mutual fund is a trust that pools the savings of a number of investors who share a common financial goal. The money collected from investors' is invested in capital market instrument such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized are shared by its unit holder in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment to the common man as it offers an opportunity, to invest in a diversified, professionally managed basket of securities at relatively low cost.

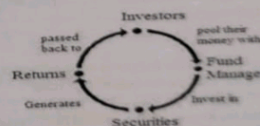
A mutual is a set up in the form of trust, which has sponsor, trustee, assets management company (AMC) and custodian. Sponsor is the person who acts alone or in combination with another body corporate and establishes a mutual fund. Sponsor must contribute at least 40% of the net worth of the investment managed and meet the eligibility criteria prescribed under the Securities and Exchange Board of India (Mutual Funds) regulations, 1996. The sponsor is not responsible or liable for any loss or shortfall resulting from the operation of the schemes beyond the initial contribution made towards setting up of Mutual Fund. The Mutual Fund is constituted as a trust in accordance with the provisions of the Indian Trusts Act, 1882 by the Sponsor. Trustee is usually a company (corporate body) or a board of trustees (body of individuals). The main responsibility of the trustee is to safeguard the interest of the unit holders and also ensure that the AMC functions in the interest of investors and in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996 the provisions of the Trust deed and the offer Document of the respective schemes. The AMC is

appointed by the Trustees as the investment Manager of the Mutual Fund. The AMC is required to be approved by SEBI to act as an asset management company of the Mutual Fund. The AMC if so authorized by the Trust Deed appoints the Registrar and Transfer Agent to agent the mutual fund. The registrar processes the application form, redemption requests and dispatches account statements to the unit holders. The Registrar and Transfer agent also handles communications with investors and updates investor records.

STRUCTURE OF MUTUAL FUND



MUTUAL FUND OPERATION FLOW CHART



NET ASSET VALUE

The net asset value, or NAV, is the current market value of a fund's holdings, usually expressed as a per-share amount. For most funds, the NAV is determined daily, after the close of trading on some specified financial exchange, but some funds update their NAV multiple times during the trading day. Open-end funds sell and redeem their shares at the NAV, and so process orders only after the NAV are determined. Closed-end funds (the shares of which are traded by investors) may trade at a higher or lower price than their NAV; this is known as a premium or discount, respectively. If a fund is divided into multiple classes of shares, each class will typically have its own NAV, reflecting differences in fees and expenses paid by the different classes. Some mutual funds own securities which are not regularly traded on any formal exchange. These may be shares in very small or bankrupt companies; they may be derivatives; or they may be private investments in unregistered financial instruments (such as stock in a non-public company). In the absence of a public market for these

securities, it is the responsibility of the fund manager to form an estimate of their value when computing the NAV. How much of a fund's assets may be invested in such securities is stated in the fund's prospectus.

CALCULATION OF NAV

The most important of the calculation is the valuation of the assets owed by the funds. Once it is calculated, the NAV is simply the net value of assets divided by the number of units outstanding. The detailed methodology for the calculation of the asset value is given below. Net Asset value = Sum of market value of shares/debentures + Liquid assets/cash held (if any) + Dividends/interest accrued - Amount due on unpaid assets - Expenses accrued but not paid

REVIEW OF LITERATURE

Singh and Jha (2009) conducted a study on awareness & acceptability of mutual funds and found that consumers basically prefer mutual fund due to return potential, liquidity and safety and they were not totally aware about the systematic investment plan. The investors will also consider various factors before investing in mutual fund and found that women investors' are basically are indecisive in investing in mutual funds 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. Savings is a habit specially embodied into women. Even in the past, when women mainly depended on their spouses' income, they used to save to meet emergencies as well as for future activities. In those days, women did not have any awareness about various investment outlets. But as time passed, the scenario has totally changed.

Ramamurthy and Reddy (2005) conducted a study to analyze recent trends in the mutual fund industry and draw a conclusion that the main benefits for small investors' due to efficient management, diversification of investment, easy administration, nice return potential, liquidity, transparency, flexibility, affordability, wide range of choices and a proper regulation governed by SEBI. The study also analyzed about recent trends in mutual fund industry like various exit and entry policies of mutual fund companies, various schemes related to real estate, commodity, bullion and precious metals, entering of banking sector in mutual fund, buying and selling of mutual funds through online.

OBJECTIVES

1. To study and analyze the impact of various demographic factors on investors' attitude towards mutual fund.
2. To study about the factors (on the basis of rank) responsible for the selection of mutual funds as an investment option.

RESEARCH METHODOLOGY

The study is basically an analytical study based on primary research as well as also related to the analysis of the attitude of investors' towards mutual funds. In order to conduct this study, 250 investors in Bangalore region have been selected by sampling method and mainly questionnaire has been used for collecting the data.

All the data required for this analytical study has been obtained mainly from primary sources, but at times, secondary sources of data have also been considered.

The data collection method used to obtain the desired information from primary sources has been through direct interview and questionnaire has been used as an instrument.

Basically, targeted populations belong to the Bangalore region and considering an individual investor as a sampling

unit. Judgment sampling has been used in selecting the sample.

For measuring various phenomena and analyzing the collected data effectively and efficiently to draw sound conclusions, a number of statistical techniques basically Chi-square test for testing of hypothesis has been used and for square test for testing of hypothesis responsible for investment in analyzing the various factors responsible for investment in mutual funds, ranking was done on the basis of scale. Chi-scores and scoring was done on the basis of scale. Chi-Square test of goodness of fit has been used. It is a powerful test for testing the significance of the discrepancy between theory and experiment as given by Karl Pearson. It enables us to find if the deviation of the experiment from theory is just by chance or it is really due to the inadequacy of the theory to fit the observed data. If O_i , ($i=1, 2, \dots, n$) is a set of observed (experimental) frequencies and E_i ($i=1, 2, \dots, n$) is the corresponding set of expected (theoretical or hypothetical) frequencies, then Karl Pearson's Chi-Square is given by

$$\chi^2 = \sum_{i=1}^n \frac{(O_i - E_i)^2}{E_i} \quad \text{where } \sum_{i=1}^n E_i = \sum_{i=1}^n O_i \text{ follow Chi-Square distribution with } (n-1) \text{ d. f.}$$

This is an approximate test for large values of n .

APPENDIX: TABLES

Table I. Association between age and attitude towards the mutual fund

Age	Attitude Level			Total
	Positive	Neutral	Negative	
25-35	35	62	22	119
35-45	28	42	28	98
Above 45	08	13	12	33
Total	71	117	62	250

Source: Primary Data

The table-I explains the association between age and attitude towards the mutual funds. The calculated value of chi-square is less than tabulated value of chi-square at 5% level of significance. Hence it is not significant and the null hypothesis is accepted at 5% level of significance. Hence there is no association between age and the attitude towards mutual funds. About 35 respondents having age group (25-35), 28 respondents having age group (35-45) and 8 respondents have age above 45 have a positive attitude towards the mutual funds. There is a highest positive attitude towards the mutual funds in the age group (25-35) against the others.

The calculated value of $\chi^2 = 5.924$ and tabulated value of $\chi^2 = 9.488$ at 5% level of significance

Table II. Association between gender and attitude towards the mutual fund

Gender	Attitude Level			Total
	Positive	Neutral	Negative	
Male	61	69	46	176
Female	10	48	16	74
Total	71	117	62	250

Source: Primary Data

The table-II explains the association between gender and attitude towards the mutual funds. The calculated value of chi-square is greater than tabulated value of chi-square at 5% level of significance. Hence it is highly significant and the null hypothesis is rejected at 5% level of significance. Hence there is association between gender and the attitude towards mutual funds. About 61 male respondents and 10 female respondents have a positive attitude towards the mutual funds. There is a highest positive attitude towards the mutual

colleting the
The calculated value of $\chi^2 = 15.959$ and tabulated value of $\chi^2 = 5.991$ at 5% level of significance

Table III. Association between income and attitude towards the mutual fund

Income (Monthly)	Attitude Level			
	Positive	Neutral	Negative	Total
upto 15,000	12	31	15	58
15000-25000	36	79	29	144
Above 25,000	23	07	18	48
Total	71	117	62	250

Source: Primary Data

The table-III explains the association between income and attitude towards the mutual funds. The calculated value of chi-square is greater than tabulated value of chi-square at 5% level of significance. Hence it is highly significant and the null hypothesis is rejected at 5% level of significance. Hence there is association between income and the attitude towards mutual funds. About 12 respondents have monthly income upto 15,000, 36 respondents having monthly income between 15,000-25,000 and 23 respondents having monthly income above 25,000 have a positive attitude towards the mutual funds. There is a highest positive attitude towards the mutual funds having monthly income above 25,000 against the others.

The calculated value of $\chi^2 = 25.839$ and tabulated value of $\chi^2 = 8.488$ at 5% level of significance

Table IV. Association between level of education and attitude towards the mutual fund

Education	Attitude Level			
	Positive	Neutral	Negative	Total
Matric	06	20	11	37
Inter(12)	12	20	26	58
Graduate	33	42	20	95
P.G.	20	35	05	60
Total	71	117	62	250

Source: Primary Data

The table-IV explains the association between level of education and attitude towards the mutual funds. The calculated value of chi-square is greater than tabulated value of chi-square at 5% level of significance. Hence it is highly significant and the null hypothesis is rejected at 5% level of significance. Hence there is association between level of education and the attitude towards mutual funds. About 6 respondents having qualification upto matric, 12 respondents having qualification upto intermediate, 33 respondents having qualification upto graduate and 20 respondents having qualification upto post-graduate have a positive attitude towards the mutual funds. There is a highest positive attitude towards the mutual funds among the graduate respondents against the others.

The calculated value of $\chi^2 = 25.963$ and tabulated value of $\chi^2 = 12.592$ at 5% level of significance

Table V. Association between occupation and attitude towards the mutual fund

Occupation	Attitude Level			
	Positive	Neutral	Negative	Total
Service	36	39	20	95

VOLUME-8, ISSUE-8, AUGUST-2019 • PRINT ISSN No. 2277-8160

Business	13	23	15	51
Professional	14	22	12	48
Others	8	33	15	56
Total	71	117	62	250

Source: Primary Data

The table-V explains the association between occupation and attitude towards the mutual funds. The calculated value of chi-square is less than tabulated value of chi-square at 5% level of significance. Hence it is not significant and the null hypothesis is accepted at 5% level of significance. Hence there is no association between occupation and the attitude towards mutual funds. There is a highest positive attitude towards the mutual funds among the respondents whose occupation is service against the others. About 36 respondents whose occupation is service, 13 respondents whose occupation is business and 14 respondents whose occupation is professional were positive attitude towards the mutual funds.

The calculated value of $\chi^2 = 10.638$ and tabulated value of $\chi^2 = 12.592$ at 5% level of significance

Table VI. Various factors responsible for investment in mutual funds

	No. of respondents					
Rank factors	1	2	3	4	5	Total
Return potential	146	59	17	22	6	250
Transparency	26	36	35	71	82	250
Liquidity	41	52	68	42	47	250
Flexibility	20	71	78	46	35	250
Affordability	17	32	52	69	80	250
Total	250	250	250	250	250	-

Table VII. Ranking of various factors

Factors	Weighted	Percentage	Rank
Return potential	1065	28.41	1
Transparency	603	16.09	4
Liquidity	748	19.96	2
Flexibility	745	19.87	3
Affordability	587	15.67	5
Total	3748	100	-

TESTING OF HYPOTHOSIS

The following hypotheses have been taken for the study of investors' attitude mutual funds.

- There is no association between age and the attitude towards mutual funds.
- There is no association between sex and the attitude towards mutual funds.
- There is no association between income and the attitude towards mutual funds.
- There is no association between educational qualification and the attitude towards mutual funds.
- There is no association between occupation and the attitude towards mutual funds.

FINDINGS

The Study was aimed at identifying the level of attitude towards the mutual funds. The study shows that out of 250 respondents 71 respondents have a positive attitude, 117 respondents have a neutral attitude and 62 respondents have a negative attitude towards the mutual funds.

During the study, it was found that the investors' basically invested in mutual funds due to high return potential,



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transparency, liquidity, flexibility and affordability (see table -VI). Respondents were asked to rank these factors according to the preference and assigned ranked from 1 to 5(see table-VII).For analyzing the various factors responsible for investment in mutual funds, ranking is done on the basis of weighted scores is done as given below :

During the study, it was found that the investors' basically invested in mutual funds due to high return potential, transparency, liquidity, flexibility and affordability (see table -VI). Respondents were asked to rank these factors according to the preference and assigned ranked from 1 to 5(see table-VII).For analyzing the various factors responsible for investment in mutual funds, ranking is done on the basis of weighted scores is done as given below :

Rank	Weight assigned
1	5
2	4
3	3
4	2
5	1

In case of the factors responsible for investing in mutual funds is concerned return potential has got first rank, liquidity has got second rank, flexibility, transparency and affordability have been ranked third, fourth and fifth respectively.

CONCLUSION

The study shows that most of respondents are still confused about the mutual funds and have not formed any attitude towards the mutual fund for investment purpose. It has been observed that most of the respondents having lack of awareness about the various function of mutual funds. Moreover, as far as the demographic factors are concerned, gender, income and level of education have significantly influence the investors' attitude towards mutual funds. On the other hand the other two demographic factors like age and occupation have not been found influencing the attitude of investors' towards mutual funds. As far as the benefits provided by mutual funds are concerned, return potential and liquidity have been perceived to be most attractive by the investors' followed by flexibility, transparency and affordability. Apart from the above, in India there is a lot of scope for the growth of mutual fund companies provided that the funds satisfy everybody's needs and sharp improvements in service standards and disclosure.

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Media



May 2020



An International Journal

GLOBAL JOURNAL FOR RESEARCH ANALYSIS

PRINT ISSN No. 2277 - 8160

Journal DOI : 10.36106/gjra

A Peer Reviewed, Referred, Refereed &
Indexed International Journal

IMPACT FACTOR : 5.956

UGC Sr. No.49177



Volume-9 | Issue-5 | May-2020

₹ 500



GLOBAL JOURNAL FOR RESEARCH ANALYSIS

PRINT ISSN No. 2277 - 8160

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INDEX

Sr. No.	Title	Page No.
1	Experience of Cutaneous Metastasis at a Tertiary Care Centre - A Very Rare Dermato Histopathological study Dr. B. Swarna B Patil, Dr. Ajay Jungare, Dr. Anup Gosavi, Dr. Swarada V Kangate, Dr. Pradeep S Hingorji, Dr. Shah Nawaz Khan	1-4
2	Wernicke's encephalopathy: a rare complication of hyperemesis gravidarum Dr. Swati M. Sanap, Dr. Rahul V. Thorve	5-6
3	IC-PICA aneurysms: Review of cases. Dr. T. Jinesh Jaluka, Dr. Parthasarathi Datta	7-9
4	Respiratory Dynamics in summer and winter Seasons Dr. Amit R Dedun, Dr. Mina D Varlekar, Dr. Pradip H Damor	10-11
5	A Study To Assess Correlation Of Severity Of Diabetic Retinopathy With Serum Homocysteine Levels In Type2 Dm Dr. Samiksha Agrawal, Dr. Anjul Garg, Dr. U S Tiwari	12-14
6	A Retrospective Comparative study between Tramadol & Pethidine for the control of Shivering during Intraoperative & Postoperative period Dr. Saurabh Bhandge, Dr. Om Prakash Aditya	15-17
7	Serratia Marcescens Spinal Epidural Abscess In A Paediatric Patient: Case Report & Review Dr. R. Babu, Prof. Suresh Babu T, Dr. Sathish Kumar T E	18-20
8	A Review On Remdesivir And Its Significance Vyshnavi V Rao	21-22
9	Distribution Of Abo And Rh Blood Groups With Haemoglobin Concentration Among Medical Students In Shivalik Region Of Himalaya Usharani R, Haroon A S, V S Gusain, M Ghosh, Farhat Jahan, P K Modak	23-26
10	Anaemias in HIV-Infected Individuals during antiretroviral Therapy and its Implications. Sudhakar Merugu, Madhukar Reddy Kadaru	27-28
11	Oesophageal Foreign Body Retrieval by Open Approach : A Clinical Audit Zahid M Khan, Sangeetha Kumari, Hirendra Birua	29-32
12	Study On Usefulness Of Ambulatory Blood Pressure Monitoring In Controlled Office Blood Pressure Recording In Diabetic Patients Dr. Akash Jain, Dr. Lalit Shrimali, Dr. Ramesh Patel	33-35
13	Serum Uric acid : A biomarker for acute exacerbation of COPD Dr. Gulab Kanwer, Dr. Suman Meena, Dr. Hariom Meena	36-38
14	Raoultella ornithinolytica a rare organism as cause of resistant UTI in apparently immunocompetent child: A case report. Nishant Acharya, Priyanka Sharma	39-40
15	A Review -breast Imaging-past To Present Dr. Sushil J. Sikchi	41-44
16	Caesarian scare endometriosis - A rare entity for painful scar: A case series and review of literature Dr. Reena Pal, Dr. Kunwar Singh	45-46
17	Histopathologic Spectrum of Renal tumours: A Retrospective Study Dr. Rosy Khandelia, Dr. Ashim Bhuyan	47-48
18	Spectrum of Non-malignant cystic lesions of the salivary gland - Case series and Review of Literature. Dr. Karpagam Janardhan, Dr. Shilpa Sunil Khanna, Dr. Hana Kareem	49-51
19	Efficacy of epidural steroids for low-back pain and comparison with conservative management : A Prospective Comparative Study Dr. Utsav Katakwar, Dr. Jayanta Kumar Laik	52-54
20	Functional and Radiological outcome in displaced fracture neck of femur amongst senile patients treated by unipolar or bipolar prosthesis - A Prospective Study Dr. Utsav Katakwar, Dr. Jayanta Kumar Laik	55-57

INDEX

Sr. No.	Title	Page No.
21	Determination of Haematological and Biochemical Parameters among Type-2 Diabetic Patients in Garhwal Region of Uttarakhand Deepa Hatwal, P K Modak, Leena Firmal, Usharani R, Farhat Jahan, Haroon Ali S, S Chaudhary, Pallavi Rawat	58-61
22	Mri Evaluation Of Cervical Spine Degenerative Changes In Young Adult Dr. Ramesh U Parate, Dr. Aarti Anand, Dr. Shashank Subhash Durshetwar, Dr. Tilottama Ramesh Parate	62-65
23	Prevalence of overweight and obesity and its association with lifestyle among adult population of Bhuj City, Gujarat Maitri R. Hathi, Dr Rupesh Kumar, Himanshu Nagar	67-70
24	Perception of Indian Investor towards investment in mutual funds with special reference to MIP Funds S.S. Mallikarjuna Prasanna	69-72
25	Work From Home during COVID 19: Employees Perception and Experiences Dr. Shareena P, Mahammad Shahid	72-75
26	Mental Health and Psychological Considerations for Adults during COVID-19 Lockdown Ms. Aanchal Chaudhary, Dr. Ashna Gupta	75-78
27	Smart Meters : Improving the health of Discoms Dr A.K. Tiwari	78-81
28	Health problems of Manganese Mine Workers of Nagpur Region and Health Facilities Made Available to them by Company Dr. Mrs. Mangala D. Tambekar, Mr. Ajit P. Bhisikar	81-84
29	Comprehending Reasons And Coping Mechanism Of Stress Among Adolescents: A Psychosocial Concern Ms Pawandeep Kaur	84-87
30	Corporate Social Responsibility In India And Provisions Of Companies Act-2013 (section 135 Of The 2013 Act) Prof. Dharmendra C. Parmar	86-89

PERCEPTION OF INDIAN INVESTOR TOWARDS INVESTMENT IN MUTUAL FUNDS WITH SPECIAL REFERENCE TO MIP FUNDS

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ABSTRACT

Mutual Funds provide a platform for a common investor to participate in the Indian capital market with professional fund management irrespective of the amount invested. The Indian mutual fund industry is growing rapidly and this is reflected in the increase in Assets under management of various fund houses. Mutual fund investment is less risky than directly investing in stocks and is therefore a safer option for risk averse investors. Monthly Income Plan funds offer monthly returns and invest majorly in debt oriented instruments with little exposure to equity. However it has been observed that most of the investors are not aware of the benefits of investment in mutual funds. This is reflected from the study conducted in this research paper. This paper makes an attempt to identify various factors affecting perception of investors regarding investment in Mutual funds. The findings will help mutual fund companies to identify the areas required for improvement in order to create greater awareness among investors regarding investment in mutual funds.

KEYWORDS :

INTRODUCTION

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money, thus collected, is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized is shared by its 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.

Monthly Income Plans or MIPs invest maximum of their total corpus in debt instruments while they take minimum exposure in equities. It gets benefit of both equity and debt market. These schemes rank slightly high on the risk-return matrix when compared with other debt schemes.

There is considerable amount of research being done regarding investment in mutual funds. However very little research has been done to study the perception of investors regarding investment in mutual funds especially MIP funds.

Literature Review

Ippolito (1992) states that an investor is ready to invest in those fund or schemes which have resulted in good rewards and most investors' are attracted by those funds or schemes that are performing better over the worst. Goetzman (1997) opined that investor's psychology affects mutual fund selection for investment and to withdraw from the fund.

De Bondt and Thaler (1985) submitted that mean reversion in prices of stock is backed by investor's retrogression which is based upon investor's psychology to overvalue firm's recent performance in forming future expected results which is also known as endowment effect. Gupta (1994) surveyed household investor to find investors' preferences to invest in mutual funds and other available financial assets. The findings of the study were more relevant, at that time, to the policy makers and mutual funds to design the financial products for the future. Kulshreshta (1994) in his study suggested some guidelines to the investors' that can help them to select needed mutual fund schemes. Shanmugham (2000) conducted a survey of individual investors with the objective to find out what information source investor depends on. The results explained that they are economical, sociological and psychological factors which control investment decisions.

Jambodekar (1996) conducted his study to size-up the direction of mutual funds in investors and to identify factors that influence mutual fund investment decision. The study tells that open-ended scheme is most favored among other things and that income schemes and open-ended schemes are preferred over closed-ended and growth schemes. News papers are used as information source, safety of principal amount and investor services are priority points for investing in mutual funds.

Sujit Sikidar and Amrit Pal Singh (1996) conducted a survey to peep in to the behavioral aspects of the investors of the North-Eastern region in direction of equity and mutual fund investment. The survey showed that because of tax benefits mutual funds are preferred by the salaried and self-employed individuals. UTI and SBI schemes were most preferred in that region of the country over any other fund and the other funds had been proved archaic during the time of survey.

Syama Sunder (1998) conducted a survey with an objective to get an in-depth view into the operations of private sector mutual fund with special reference to Kothari Pioneer. The survey tells that knowledge about mutual fund concept was unsatisfactory during that time in small cities like Visakapatanam. It also suggested that agents can help to catalyse mutual fund culture, open-ended options are much popular than any other schemes, asset management company's brand is chief consideration to invest in mutual fund.

Anjan Chakarabarti and Harsh Rungta (2000) emphasised the importance of brand in ascertaining competence of asset management companies. Shankar (1996) suggested that for penetrating mutual fund culture deep in to society asset management companies have to work and steer the consumer product distribution model. Raja Rajan (1997) underlined segmentation of investors and mutual fund products to increase popularity of mutual funds.

Objectives of Study

1. To study the investment pattern of Indian Investor.
2. To find out the awareness level of investors regarding mutual funds.
3. To find the type of scheme of mutual fund preferred by investor.
4. To find out the importance of factors like liquidity, higher return, company reputation and other factors that influence investment decision of mutual fund holder.
5. To find out awareness level of investors regarding Monthly Income Plan fund.

6. To ascertain the most preferred factor for investing in MIP fund.

Research Methodology

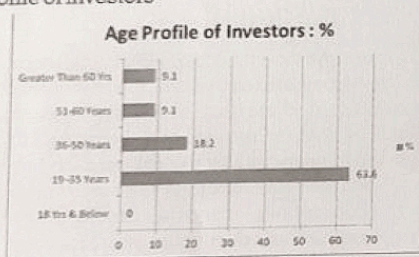
Investor's main objective is to earn higher returns keeping in mind the risk and liquidity factor. With this objective in mind, an investor is looking out for various investment avenues. Mutual funds offer comparatively better returns and have less risk as compared to direct investment in stock market. In this research paper, an attempt has been made to evaluate the perception of investors regarding mutual fund investment with special emphasis on Monthly Income Plan funds.

A survey was conducted in Bangalore city during the period June 2018 to September 2018. A sample of 150 individual mutual fund investors were surveyed through a pre-tested questionnaire. The investors were selected on the basis of those who have made prior investment in mutual funds and have some knowledge about the basic terminologies involved with mutual funds. An attempt has been made to find out the perception of investors regarding mutual fund investment and to identify the factors considered to be important by the investors before investing in any mutual fund. The awareness level of investors regarding Monthly Income Plan funds and their benefits is also studied.

Data Analysis

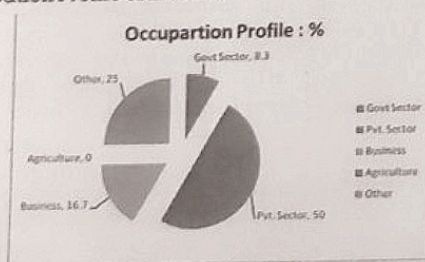
The data collected through the questionnaire is analysed considering each factor and the analysis is presented below.

(a) Age profile of investors



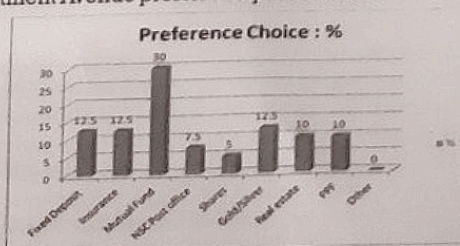
From the above graph, we see that most of the investors belong to the age group of 19 to 35 years followed by those belonging to the age group of 36 to 50 years.

(b) Occupation Profile of Investor



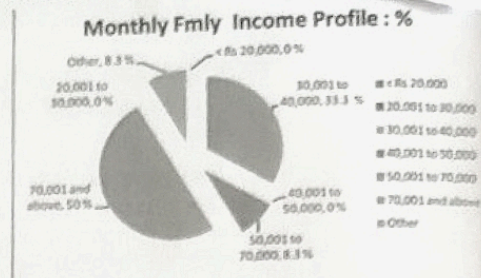
Most of the investors belong to the private sector followed by businessmen and others

(c) Investment Avenue preferred by the investor



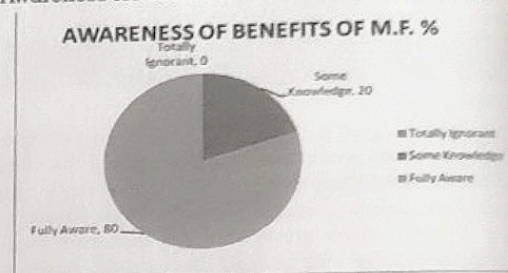
Majority of the investors prefer investing in mutual funds (30%) followed by fixed deposit, gold/silver and insurance. Only 5% prefer direct investment in stock market.

(d) Monthly Income profile of Investor



The monthly income profile of the investor reflects that 50% of the investor belongs to the income level of Rs 70,000/- and above followed by 33.3% of the investors belong to the income group of Rs 30,001 to Rs 40,000.

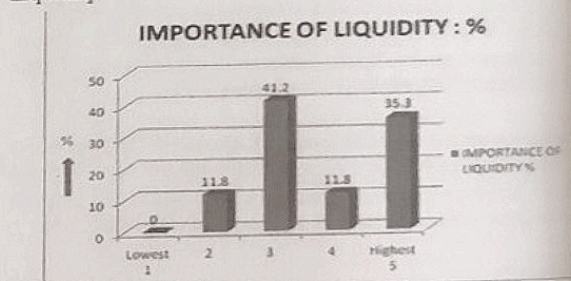
(e) Awareness of Benefits of investment in mutual funds



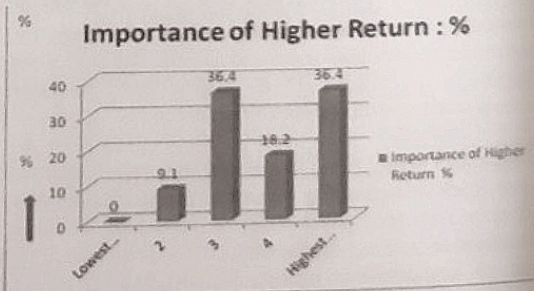
80% of the population is aware of the benefits of investment in mutual funds.

20% have some knowledge of investment in mutual funds.

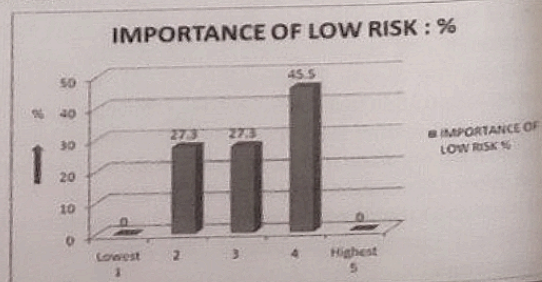
(f) Factors considered while investing in Mutual funds

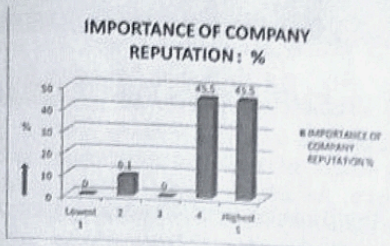


Higher Return



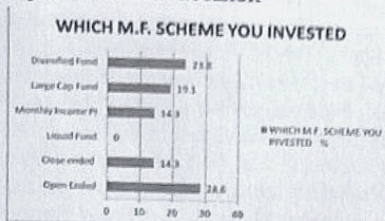
Low Risk





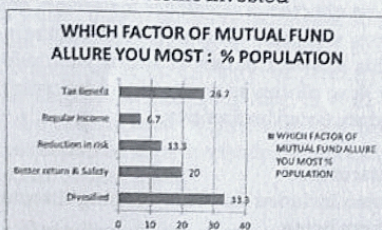
Investors are giving more importance to higher return, less risk and reputation of the company before investing in any mutual fund.

(g) Frequency of investment decision

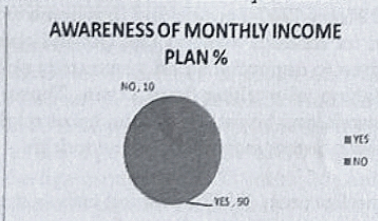


Around 28% of the population make investment decision once in a year

(h) Type of Mutual Fund scheme invested

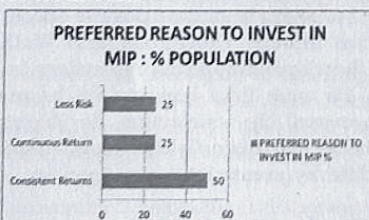


(I) Which factor of mutual fund allure you most ?



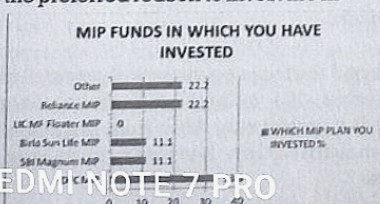
Diversification of portfolio and tax benefit are the main factors of mutual fund that allure the investors.

(k) Awareness of MIP Plan



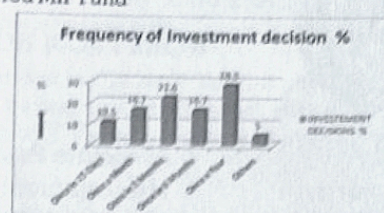
90% of the population are aware of Monthly Income Plan of Mutual Funds

(l) What is the preferred reason to invest in MIP



investing in MIP Fund.

(m) Preferred MIP Fund



HDFC MIP is the most preferred MIP fund followed by Reliance MIP

CONCLUSION

The study conducted shows that most of the investors are aware of various schemes of mutual funds. The Mutual Fund investors mainly belong to the age group from 19 years to 55 years and fall in the income group of Rs 30,000 to Rs 70,000 and above. Diversification of portfolio and tax benefit are the main factors of mutual fund that allure the investors. Most of the investors are aware of MIP Funds and the preferred reason for investing in MIP fund is consistent returns given by these funds.

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