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UNDERSTANDING INVESTOR VIEWS ON HANDPICKED MUTUAL FUNDS: A HOLISTIC APPROACH

Dr. SHEKHAR KUMAR SAHU[1], Dr. BHASKAR SINGH BISHT[2], CHETNA JOSHI[3], ANJALI ARYA[4], VINEET PATHAK[5] and Dr. MEGHA BHATT[6]

[1]Assistant Professor Faculty of Commerce and Business Management, Amrapali Group of Institutes, Haldwani.
Email: Shekharkumar835@gmail.com
[2]Assistant Professor Faculty of Commerce and Business Management, Amrapali Group of Institutes, Haldwani.
Email: bhaddubisht@gmail.com
[3]College of Commerce and Management, Surajmal University, Kichha. Email: chetnajoshi8@gmail.com
[4]Research Scholar, Department of Commerce, M.B.Govt.P.G. College, Haldwani.
Email: anjaliarya231994@gmail.com
[5]Assistant Professor, School of Management, Graphic Era Hill University Haldwani Campus.
Email: vineetpathak@gehu.ac.in
[6]Assistant Professor Faculty of Commerce and Business Management, Amrapali Group of Institutes, Haldwani.
Email: glimpsemegha@gmail.com

Abstract

Purpose: The Study of This Paper Is to Know the Investors Perception on Selected Mutual Funds.

Design/Methodology: In this study, we aim to identify the significant associations between investors' demographic factors and their investment patterns, along with assessing their perceptions towards selected schemes and avenues. A total of 400 people took part in the questionnaire, out of which 380 samples were completed and considered reliable. Hence, the total sample size of the study was 380, selected randomly from the Indian population. Additionally, SPSS and Excel software were used to test the hypotheses.

Findings: The study reveals a significant link between annual savings and factors like annual income, age, and gender. Interestingly, the preference for mutual funds is notably associated with annual income. On the other hand, no significant connection was found between the duration of investment and demographic factors. Investors show a clear preference for equity funds as their top choice, drawn to the potential returns. Simultaneously, traditional bank deposits secure the first rank, highlighting a strategic balance between dynamic investment options and stable choices.

Keywords: Investors Perception, Mutual funds, Investment Pattern, Duration of Investment, and Annual Saving.

INTRODUCTION

A vigorous financial system is fundamental to fostering economic growth and development. Within this system, the financial market plays a crucial role by facilitating the exchange of savings from individuals and firms for economic capital formation. The financial market must offer incentives that attract investments, as a well-functioning market with efficient fund allocation contributes to improved economic output and welfare. The Indian financial system experienced substantial growth post the 1991 economic policy reforms, marked by liberalization, globalization, and privatization, leading to increased demand for funds in the industrial sector.

The mutual fund industry in India, evolving since the establishment of UTI in 1963, serves as a vital link between the demand and supply of funds in the financial market. Managed by Asset Management Companies (AMCs), mutual funds are investment vehicles that collect savings from a class of people for professional investment in stocks, bonds, and other securities. The primary goal is to achieve maximum output and increase in capital, safety, and liquidity of funds. The unique feature of mutual funds lies in the collection of savings from small investors, who receive units of the mutual fund corresponding to their investment amount. SEBI regulations, introduced in 1996, govern mutual funds, and the industry witnessed significant growth with the establishment of the Association of Mutual Funds in India (AMFI) in 1995. In the contemporary financial landscape, a mutual fund emerges as an ideal investment option, particularly for individuals lacking the knowledge, skills, inclination, and time to manage their investments actively. Despite its professional management and diversified nature, mutual fund investments inherently involve financial risk, a characteristic inherent in the financial market. This risk, encompassing the possibility of both principal and earnings loss, is a universal principle in investment – the greater the risk, the greater the prospective. While regulations provide safeguards and impose limits on expenses, mutual funds are not insured, unlike bank deposits.

Understanding and managing market risks are essential for investors, as risks vary based on the fund's investment objective and holding pattern. Diversification benefits offered by fund managers help control unsystematic risk arising from industry or company-specific factors, whereas systematic risk is external and affects the entire market. Investors can mitigate risks through careful consideration of prospectuses, vigilant market observation, and access to adequate financial information.

CONCEPT OF MUTUAL FUND

The Securities Exchange Board of India defines a mutual fund as a trust-based fund designed to raise capital by selling units to the public for investment in securities, encompassing various instruments like money market and gold-related assets. Essentially, it functions as a collective investment pool where investors contribute money aligned with a specified objective. The fund manager then strategically allocates these funds across diverse securities, ranging from stocks to debentures and money market instruments, with returns and capital appreciation shared among unit holders based on their holdings.

In the contemporary financial landscape, mutual funds emerge as an optimal investment choice. Given the complexity of today's financial scenarios, the average individual lacks the expertise, time, and inclination to stay abreast of financial events and respond promptly. Mutual funds address these challenges by employing qualified professionals who manage these functions full-time. The efficiency is further enhanced by the aggregation of a substantial fund, enabling cost-effective hiring of such expertise.

The evolution of mutual funds into a 21st-century phenomenon is notable. Their surge in popularity occurred post the Second World War, and presently, they collectively manage funds comparable to banks. This underscores their pivotal role in investment, offering a heterogeneous and skill-fully managed approach that combines with the intricate financial demands of the modern era.

According to Hirch, “A mutual fund is a professionally managed investment company that combines the money of many people whose goals are similar and invest this money in a wide variety of securities”.

A mutual fund is a group investment, where, divergent groups of investors pool their money for mutual benefits. The fund is divided into units, and investors receive units proportionate to their investment size.

MUTUAL FUND INDUSTRY IN INDIA

India's mutual fund industry operates under the professional and ethical oversight of the Association of Mutual Funds in India (AMFI). Established on August 22, 1995, as a non-profit organization, AMFI encompasses all 42 SEBI-registered Asset Management Companies (AMCs). Its primary mission is to protect the interests of mutual fund investors.

The development of the Indian mutual fund sector can be traced through four distinct phases:

Phase I (1963–1987): This period saw the establishment of the Unit Trust of India (UTI) in 1963, a collaborative initiative by the Government of India and the Reserve Bank of India (RBI). Initially regulated by the RBI, UTI came under the control of the Industrial Development Bank of India (IDBI) in 1978. During this phase, UTI held a monopoly, with the launch of its first mutual fund scheme, 'US-64.' By 1988, UTI managed assets worth ₹6,700 crore, showcasing significant growth.

Phase II (1987–1992): This era marked the emergence of new players in the mutual fund space, including public sector banks and insurance companies. The State Bank of India (SBI) led this wave in 1987, followed by others, resulting in a diversified range of mutual fund schemes. By the end of 1992, the industry’s assets under management (AUM) had risen to ₹47,004 crore.

Phase III (1993–1996): The post-liberalization period brought private sector mutual funds into the picture. In 1993, Kothari Pioneer became the first private sector mutual fund in India and later merged with Franklin Templeton. SEBI introduced the Mutual Fund Regulations in 1996, ensuring a standardized framework for all mutual fund companies except UTI. By January 2003, the industry had grown to include 33 mutual funds with AUM totaling ₹1,21,805 crore, driven in part by the entry of foreign funds.

Phase IV (2003 onwards): The industry expanded further with greater participation from retail investors and the integration of UTI under SEBI's regulations. Despite challenges like the UTI scam of 1998, the sector demonstrated resilience, achieving a compound annual growth rate (CAGR) of 15% between FY2007 and FY2013. However, India's AUM-to-GDP ratio remains modest at 5–6%, compared to 47% in the United States. Moreover, despite having 44 AMCs, the majority of AUM (80%) is concentrated among the top eight players.

Over the last decade, the mutual fund industry in India has undergone significant transformation, driven by mergers, acquisitions, and technological advancements. These changes have contributed to a rise in AUM, an increase in market participants, a broader range of investment products, and improved services for investors.

TYPE OF MUTUAL FUNDS:

The mutual fund industry offers a diverse array of investment options, each with its own advantages and limitations. Investors select funds based on their individual financial goals and preferences. The primary types of mutual funds include open-ended funds, close-ended funds, and interval funds:

- **Open-Ended Funds:** These funds allow investors to buy, sell, and redeem units at any time throughout the financial year. With no fixed maturity period, their capitalization varies as units can be traded based on the prevailing net asset value (NAV). The ease of liquidity and direct transactions without intermediaries make them a popular choice among investors.
- **Close-Ended Funds:** These funds are available for subscription only during their initial launch period. They come with a fixed lock-in period, typically ranging from 3 to 6 years,

and are traded on the stock market. The market price may differ from the NAV, reflecting a premium or discount. The performance of close-ended funds depends heavily on the fund manager’s expertise, investment strategy, and sector focus. However, their liquidity is limited due to the lock-in period.

- **Interval Funds:** Combining characteristics of both open-ended and close-ended funds, interval funds allow investors to trade units during specific intervals. Transactions can occur either on a stock exchange or within designated sale or redemption periods during the year. Liquidity is limited to these predetermined timeframes, offering a balance between flexibility and restriction.

On the basis of management:

- **Actively managed funds:** Actively managed funds have higher operating costs as fund managers actively make investment decisions. Investors expect these funds to outperform the market, giving fund managers flexibility to choose investments within specified parameters.
- **Passively managed funds:** Passively managed funds, popularly known as index schemes, invest, based on a designated index. They replicate the index's performance, and the portfolio reflects the index's composition. Fund managers have a reduced role, resulting in lower costs, but returns are directly tied to the index's performance.

On the basis of return:

- **Income fund schemes:** Income funds provide regular returns, either monthly or quarterly, by investing in stocks, bonds, and real estate investment trusts (REITs). They can offer fixed or fluctuating income, catering to different risk appetites.
- **Growth fund schemes:** Growth funds focus on capital appreciation by investing in growth stocks. These stocks represent organizations reinvesting earnings in expansion, acquisitions, or research and development. This type of investment involves higher risk and is suitable for long-term investors.
- **Conservative fund schemes:** Conservative funds, also called as balanced funds, aim to smite a balance between income and growth. They allocate a portion to stocks for capital appreciation and the rest to bonds and cash for regular income. These funds are suitable for low-risk appetite investors.

On the basis of Investment:

- **Equity funds:** Equity funds aim for appreciation by investing in growing assets, with a minimum of 65% of the portfolio in equity shares. They can be open-ended or close-ended and are generally riskier but offer higher returns in favourable market conditions.
- **Debt funds:** Debt funds, invest in fixed-income securities like treasury bills, government securities, bonds, and debentures. These funds are low at risk compared to equity funds, and provide more stability but with lower returns.
- **Hybrid funds:** Hybrid funds combine both equity and debt, offering stability through debt investments and capital appreciation through equity. The ratio of equity to debt varies, influencing the risk level and returns.

TYPES OF DEBT FUNDS:

On the basis of course:

- **Liquid schemes:** Liquid schemes, also known as money market schemes, invest in short-term debt securities with a maturity of up to 91 days. These schemes prioritize high liquidity and capital safety, making them suitable for investors seeking stability.
- **Short-term debt schemes:** Short-term debt schemes include securities with interest rate risk but a diversified portfolio to manage return volatility. They offer investments with a maximum duration of 24 months, ensuring high liquidity.

On the basis of investment strategy:

- **Junk bond schemes:** Junk bond schemes invest in lower credit-rated securities, reflecting higher risk but potentially higher returns. These schemes involve significant default risk, making them suitable for investors with a high-risk appetite.
- **Fixed maturity plans (FMPs):** FMPs are close-ended debt schemes with a fixed maturity period, investing in debt and money market instruments. Investors can participate only during the new fund offer (NFO) period.
- **Dynamic debt funds:** Dynamic debt funds adjust their investment in debt securities based on market conditions. The fund manager has flexibility in portfolio management to respond to changes in economic factors.
- **Diversified debt funds or income funds:** Diversified debt funds invest in a mix of government and non-government debt securities across various market sectors, providing diversification and reducing credit risk.
- **Floating rate funds:** Floating rate funds invest in debt securities with interest rates that change with market conditions. These funds offer an attached rate of interest higher than NAVs of other debt schemes.

On the basis of the issuer:

- **Gilt funds:** Gilt funds invest in securities without credit risk, such as treasury bills and government securities. The credit risk is low due to government backing, but returns are relatively lower.
- **Corporate bond funds:** Corporate bond funds disburse credit risks by paying higher coupon income. These funds invest in debt securities issued by companies, including PSUs, offering higher coupon income for increased credit risk.

Types of Equity Funds:

- **Market segment-based funds:** Market segment-based funds invest in specific market sizes, such as large-cap, mid-cap, and small-cap funds. Each category targets companies of different market capitalizations.
- **Diversified equity fund**: Diversified equity funds invest across sectors and market capitalizations to minimize risks associated with the performance of a specific sector.
- **Sector funds:** Sector funds invest in a specific sector, such as gold or banking. These funds are riskier due to their focus on a single sector's performance.
- **Thematic funds:** Thematic funds invest in companies related to a specific theme, broader than a sector but narrower than diversified equity funds.

- **Equity-linked saving schemes (ELSS):** ELSS are equity funds providing tax benefits to investors. These funds have a lock-in period of three years and invest a minimum of 90% in equities.

Types of Hybrid Funds:

- **Monthly income plan**: Monthly income plans are debt-oriented hybrid funds that aim to provide a monthly dividend. They don't guarantee monthly dividends.
- **Arbitrage funds**: Arbitrage funds capture positions or hedge risks in other securities, often traded on exchanges like BSE and NSE. Their returns depend on the volatility of derivative assets.
- **Equity-oriented hybrid funds**: Equity-oriented hybrid funds have a higher allocation to equity than debt, making them riskier than debt-oriented hybrid funds.
- **Hybrid funds**: Hybrid funds invest in a combination of asset classes, including equity, debt, and gold. The risk level depends on the allocation to equity.
- **Debt-oriented hybrid funds:** Debt-oriented hybrid funds primarily invest in debt with a portion allocated to equity. The document specifies that the equity allocation can vary from 5% to 30%. When the equity holding is minimal, between 5% and 10%, it is termed as conservation hybrid funds. If the range extends to 30%, it is referred to as aggressive hybrid funds.

On the basis of new products

- **Real Estate Funds:** Real Estate Funds (REMF) are typically closed-ended funds traded on stock exchanges. They invest in tangible property or real estate-related securities, including apartments, raw land, and agricultural areas. According to SEBI regulations, a minimum of 35% of the portfolio must consist of tangible assets. Additionally, the fund's assets need to be valued every 90 days by two accredited rating agency values.

Gold funds

As the fund is specified to gold, it is named as gold funds. Therefore, they usually invest in gold and organized in the following way:

- **Gold Exchange Traded Funds (ETFs):**

Invest in gold, functioning as open-end index funds.

Units sold to investors with a Demat account.

NAV correlates with gold prices despite potential tracking faults.

- **Gold Funds for Retail Investors:**

No Demat account required for retail investors.

Allows direct negotiation in units with schemes.

More accessible for retail investors compared to gold ETFs.

- **Gold Sector Funds:**

Invest in companies engaged in gold mining and processing.

NAV not directly linked to gold prices due to the influence of company shares.

On the basis of geographical location:

- **International funds/ offshore mutual funds:** International funds invest in foreign markets using rupees, following regulations from the Department of Economic Affairs, the Ministry of Finance, and the RBI. Shareholders are exempt from local taxes if not local residents.
- **Domestic Funds:** Domestic funds invest in local companies, with the flexibility for foreign investors. In July 2017, equity inflows into domestic mutual funds reached a record high of Rs 18,200, showcasing the financialization of savings in India.

Others fund

1. **Fund of Funds (FOF):**
   - Invests in other fund schemes, named based on corresponding fund domicile.
   - Sold by various Mutual Companies (MCs) due to involvement in multi-manager FOFs.
   - Utilized when meeting investment objectives, but incurs extra charges embedded in NAV.
   - Offers diversification and cost savings but has a drawback of higher costs.
   - PM Modi sanctioned FOFs for startup support through SIDBI and SEBI-registered AIFs.
2. **Exchange Traded Funds (ETF):**
   - Open-ended funds where daily unit transactions occur at a fixed price.
   - Involves brokerage costs when transacting with market makers, requiring a Demat account.
   - A blend of open-ended funds and ETF, maintaining a standardized NAV.
3. **Infrastructure Debt Schemes:**
   - Invests in debt securities and securitized debt of construction companies.
   - Requires a minimum five-year commitment, similar to closed-ended schemes.
   - Established by fresh funds or existing mutual funds, with a 10-lakh face value per unit.
   - Limited to a maximum 1 crore investment, allocating 10% to equity shares and money market instruments; 90% in specified securities.

Overview of Selected Asset Management Companies (AMCs):

1. **SBI Funds Management Private Limited:** Headquartered in Mumbai, India, SBI Funds Management is a privately owned investment firm offering advisory services to individuals, including high-net-worth clients, as well as institutional accounts. The company specializes in creating and managing equity, fixed-income, balanced mutual funds, and hedge funds on a global scale. Its investment approach focuses on growth-oriented value stocks, utilizing both top-down and bottom-up stock selection strategies tailored to client objectives.
2. **LIC Mutual Fund Asset Management Limited:** Previously known as LIC Nomura Mutual Fund Asset Management Company Limited, AMC serves as the investment advisor for LIC Mutual Fund. Based in India, the company manages the fund's investment portfolio and provides administrative support. Additionally, it offers Portfolio Management Services (PMS) by regulatory guidelines.
3. **ICICI Prudential Asset Management Company Ltd.:** A prominent AMC in India, ICICI Prudential is a joint venture between ICICI Bank and Prudential Plc. The company is

dedicated to wealth creation for its investors and oversees substantial Assets Under Management (AUM) in mutual funds. Its services also include Portfolio Management Services and International Advisory Mandates, covering various asset classes such as Debt, Equity, and Real Estate.

4. **Franklin Templeton Asset Management (India) Private Limited:** Founded in 1996 and based in Mumbai, Franklin Templeton specializes in managing equity, fixed income, and balanced mutual funds. The firm combines fundamental and quantitative analysis with an in-house research-driven approach to deliver investment solutions. It operates as a subsidiary of Franklin Templeton Holding Ltd. and caters to both individual investors and institutional clients.

LITERATURE REVIEW:

In 2017, Gupta and Maheshwari conducted an assessment of the risk-return profiles of 10 large-cap and mid-cap fund schemes. The study concluded that a blend of both fund categories yields superior outcomes. Large-cap funds exhibited average returns ranging from 16% to 22%, while mid-cap funds showed returns between 17% and 23.5%, depending on the investment duration. The research indicated that risk-adjusted returns in mid-cap funds surpass those in large caps. Throughout the investigation, it was observed that many individuals still favour bank deposits (FD), followed by insurance policies and pension fund deposits. Limited market penetration and a low level of awareness were identified as significant reasons for this trend.

In 2017, Abey conducted a study on the factors impacting investment decisions in mutual fund schemes. The research revealed that age and educational qualifications do not significantly influence investment attitudes. It demonstrated a preference for short-term investment periods over waiting for higher returns with increased risk. The paper advocated for mutual fund investments as a means of achieving better diversification. Investors showed a preference for retirement income schemes based on their designation or income level. Additionally, the influence of a professional management system on mutual fund investment decisions was highlighted through the provision of pertinent financial information for investment portfolios.

RESEARCH METHODOLOGY:

The researcher has conducted analytical research for comparative analytics of mutual funds and empirical research for investors' perception.

Sources of Data

Secondary data has been collected by official websites of AMFI, SEBI, and BSE. Primary data has been collected from the respondents by interacting with them and by providing questionnaires.

Sample Size

The research has the sample size of 380 respondents of the study area having an investment in selected mutual fund companies.

Research Objective

The objectives of the research are broadly as stated below. It is aimed at to study:

1. The investors’ perception of selected mutual funds.

2. The effect of investors’ demographic factors on investment pattern.

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DATA ANALYSIS

Demographic Profile of data

Demographic	Frequency	Percentage
Gender		
Male	250	65.78
Female	130	34.22
Age		
Below 30 Years	143	37.6
30 – 40 Years	117	30.8
40 – 50 Years	87	22.9
More than 50 Years	33	8.7
Marital Status		
Married	211	55.5
Unmarried	169	44.5
Qualification		
School Level	79	20.8
Diploma	63	16.6
Undergraduate	112	29.5
Postgraduate	84	22.1
Other	42	11.1
Occupation		
Student	63	16.6
Government Employee	118	31.1
Private Employee	107	28.2
Businessman	41	10.8
Other	51	13.4
Annual Income		
Less than 2.5 Lakh	113	29.7
2.5 Lakh - 5 Lakh	96	25.3
5 lakh - 10 Lakh	99	26.1
Above 10 Lakh	72	18.9
Family Size		
Up to 2	54	14.2
3 – 5	162	42.6
6 – 8	110	28.9
More than 8	54	14.2
Annual Saving		
Less than 20000	114	30.0
20000 – 30000	89	23.4
30000 – 40000	114	30.0
More than 40000	63	16.6

(Source: Computed data)

Interpretation: The presented table reveals a participation breakdown, showcasing that 65.78% are male, while 34.22% are female. Age-wise, 37.6% of respondents are below 30, 30.8% are between 30-40, 22.9% fall within 40-50, and 8.7% are over 50. Marital status shows 55.5% married and 44.5% unmarried participants. Educational distribution includes 20.8% with schooling, 16.6% with diplomas, 29.5% graduates, and 22.1% post-graduates; 11.1% hold other qualifications. Occupation-wise, 16.6% are students, 31.1% government employees, 28.2% in private jobs, 10.8% businessmen, and 13.4% in various occupations. Regarding income, 29.7% earn less than 2.5 lakh annually, 25.3% between 2.5 lakh-5 lakh, 26.1% between 5 lakh-10 lakhs, and 18.9% more than 10 lakhs. Family size distribution includes 14.2% with up to 2 members, 42.6% with 3-5 members, 28.9% with 6-8 members, and 14.2% with more than 8 members. Lastly, annual savings are reported by 30% with less than 20000, 23.4% with 20000-30000, 30% with 30000-40000, and 16.6% with savings exceeding 40000.

Hypotheses Testing:

H_a: There is a significant association between demographic variable and investment pattern.

H_0: There is a no significant association between demographic variable and investment pattern.

The term "investment pattern" pertains to the overall behaviour exhibited by individuals prior to making investment decisions. Despite variations in personal traits among individuals, there exist macro factors that collectively shape the investment attitudes of people in a generalized fashion. Analysing investment patterns is crucial for researchers and fund managers, providing insights that enable future predictions to a certain extent. This understanding aids fund managers and economists in aligning their strategies with the historical patterns of investors, guiding their actions in the country's financial market.

H_{a1}: There is a significant association between demographic and Annual saving.

H_{01}: There is a no significant association between demographic and Annual Saving

Result of Chi-square test

Age	**Annual Saving in mutual funds**				**Total**
	Less than 20000	**20000 – 30000**	**30000 – 40000**	**More than 40000**	
Below 30	75	32	24	12	143
31 – 40	27	27	48	15	117
41 – 50	12	21	30	24	87
Above 50	0	9	12	12	33
Total	114	89	114	63	380
Pearson Chi Square = 78.730			**Df = 9**	**Sig. = .000**	
Gender	**Annual Saving in mutual funds**				**Total**
	Less than 20000	**20000 – 30000**	**30000 – 40000**	**More than 40000**	
Male	42	54	63	30	189
Female	72	35	51	33	191
Total	114	89	114	63	380
Pearson Chi Square = 13.347			**Df = 3**	**Sig. = .004**	
Annual Income	**Annual Saving in mutual funds**				**Total**
	Less than 20000	**20000 –30000**	**30000 – 40000**	**More than 40000**	
Less than 2.5 Lakh	84	14	0	15	113
2.5 Lakh - 5 Lakh	18	42	36	0	96
5 Lakh - 10 Lakh	12	24	48	15	99
Above 10 Lakh	0	9	30	33	72
Total	114	89	114	63	380
Pearson Chi Square = 240.937			**Df = 9**	**Sig. = .000**	
Qualification	**Annual Saving in mutual funds**				**Total**
	Less than 20000	**20000 –30000**	**30000 – 40000**	**More than 40000**	
STUDENT LEVEL	19	18	28	14	79
DIPLOMA	17	17	19	10	63
UNDERGRADUTE	32	31	31	18	112
POSTGRADUTE	29	16	22	17	84
OTHER	17	7	14	4	42
Total	114	89	114	63	380
Pearson Chi Square = 9.617			**Df = 12**	**Sig. = .650**	
Occupation	**Annual Saving in mutual funds**				**Total**
	Less than 20000	**20000 –30000**	**30000 - 40000**	**More than 40000**	
STUDENT	20	15	21	7	63
GOVERNMENT EMPLOYEE	33	35	34	16	118
PRIVATE	29	26	32	20	107

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EMPLOYEE					
BUSINESSMAN	16	6	12	7	41
OTHER	16	7	15	13	51
Total	114	89	114	63	380
Pearson Chi Square = 11.895			**Df = 12**	**Sig. = .454**	
MARITAL STATUS	**Annual Saving in mutual funds**				**Total**
	Less than 20000	**20000 –30000**	**30000 - 40000**	**More than 40000**	
MARRIED	63	47	62	39	211
UNMARRIED	51	42	52	24	169
Total	114	89	114	63	380
Pearson Chi Square = 1.367			**Df = 3**	**Sig. = .713**	

(Source: Computed data)

Results: The outcomes of the chi-square test are displayed in the table above, revealing a significant association between annual savings and annual income, age, and gender. The P-values for these demographics are less than 0.05, leading us to reject the null hypothesis. On the contrary, qualifications, occupation, and marital status show no significant association with annual savings, as their P-values exceed 0.05. Hence, we accept the null hypothesis in these cases.

Inference: Analysing the above results, it becomes evident that investors in mutual funds are not influenced in their annual savings investments by qualifications, occupation, or marital status. However, certain demographic factors, such as age, annual income, and gender, play a pivotal role in shaping investors' perceptions and decisions when it comes to investing in mutual funds.

H_{a2}: There is a significant association between demographic and Preference of Mutual Funds.

H_{02}: There is a no significant association between demographic and Preference of Mutual Funds.

Result of Chi-square test

AGE	**Preference of mutual funds**		**Total**
	Private sector	Public sector	
Below 30	78	65	143
31 – 40	48	69	117
41 – 50	30	57	87
Above 50	12	21	33
Total	168	212	380
Pearson chi square = 10.835		**Df = 3**	**Sig. = .013**
GENDER	**Preference of mutual funds**		**Total**
	Private sector	**Public sector**	
Male	78	111	189
Female	90	101	191
Total	168	212	380
Pearson chi square = 1.318		**Df = 1**	**Sig. = .251**
ANNUAL INCOME	**Preference of mutual funds**		**Total**
	Private sector	**Public sector**	
Less than 2.5 lakh	60	53	113
2.5 lakh - 5 lakh	45	51	96
5 lakh - 10 lakh	30	69	99
Above 10 lakh	33	39	72
Total	168	212	380
Pearson chi square = 11.735		**Df = 3**	**Sig. = .008**
QUALIFICATION	**Preference of mutual funds**		**Total**
	Private sector	**Public sector**	
Student level	33	46	79
Diploma	25	38	63
Undergraduate	53	59	112

Postgraduate	40	44	84
Other	17	25	42
Total	168	212	380
Pearson chi square = 1.787		**Df = 4**	**Sig. = .775**
OCCUPATION	**Preference of mutual funds**		**Total**
	Private sector	**Public sector**	
Student	28	35	63
Government employee	60	58	118
Private employee	47	60	107
Businessman	14	27	41
Other	19	32	51
Total	168	212	380
Pearson chi square = 4.796		**Df = 4**	**Sig. = .309**
MARITAL STATUS	**Preference of mutual funds**		**Total**
	Private sector	**Public sector**	
Married	97	114	211
Unmarried	71	98	169
Total	168	212	380
Pearson chi square = 0.597		**Df = 1**	**Sig. = .440**

(Source: Computed data)

Results: The chi-square test results, presented in the above table, indicate a notable connection between the preference of mutual funds and both annual income and age. With P-values below 0.05 for these demographics, we reject the null hypothesis. Conversely, gender, qualifications, occupation, and marital status do not exhibit a significant association with the preference of mutual funds, as their P-values surpass 0.05. Therefore, we uphold the null hypothesis in these instances.

Inference: Analysing the above results, it becomes evident that investors in mutual funds are not influenced in their preference of mutual funds by gender, qualifications, occupation, and marital status. However, certain demographic factors, such as age, and annual income, play a pivotal role in shaping investors' perceptions and decisions when it comes to preference of mutual funds.

H_{a3}: There is a significant association between demographic and duration of investment.

H_{03}: There is a no significant association between demographic and duration of investment.

Result of Chi-square test

Age	**Duration of investment**			**Total**
	Less Than 5 Year	**5 - 10 Years**	**More Than 10 Years**	
Below 30	78		65	143
31 – 40	48		69	117
41 – 50	30		57	87
Above 50	12		21	33
Total	168		212	380
Pearson Chi Square = 3.123			**Df = 6**	**Sig. = .793**
Gender	**Duration of investment**			**Total**
	Less Than 5 Year	**5 - 10 Years**	**More Than 10 Years**	
Male	74	72	43	189
Female	63	68	60	191
Total	137	140	103	380
Pearson Chi Square = 3.793			**Df = 2**	**Sig. = .150**
Annual Income	**Duration of investment**			**Total**
	Less Than 5 Year	**5 - 10 Years**	**More Than 10 Years**	
Less than 2.5 Lakh	41	38	34	113
2.5 Lakh - 5 Lakh	32	42	22	96

5 Lakh - 10 Lakh	39	33	27	99
Above 10 Lakh	25	27	20	72
Total	137	140	103	380
Pearson Chi Square = 3.445			**Df = 6**	**Sig. = .751**
Qualification	**Duration of investment**			**Total**
	Less Than 5 Year	**5 - 10 Years**	**More Than 10 Years**	
STUDENT LEVEL	31	31	17	79
DIPLOMA	25	22	16	63
UNDERGRADUTE	39	39	34	112
POSTGRADUTE	31	27	26	84
OTHER	11	21	10	42
Total	137	140	103	380
Pearson Chi Square = 6.479			**Df = 8**	**Sig. = .594**
Occupation	**Duration of investment**			**Total**
	Less Than 5 Year	**5 - 10 Years**	**More Than 10 Years**	
STUDENT	21	26	16	63
GOVERNMENT EMPLOYEE	32	41	45	118
PRIVATE EMPLOYEE	46	40	21	107
BUSINESSMAN	17	15	9	41
OTHER	21	18	12	51
Total	137	140	103	380
Pearson Chi Square = 13.608			**Df = 8**	**Sig. = .093**
Marital Status	**Duration of investment**			**Total**
	Less Than 5 Year	**5 - 10 Years**	**More Than 10 Years**	
MARRIED	84	77	50	211
UNMARRIED	53	63	53	169
Total	137	140	103	380
Pearson Chi Square = 3.902			**Df = 2**	**Sig. = .142**

(Source: Computed data)

Results: The compelling outcomes of the chi-square test, showcased in the table above, unveil a significant link between the duration of investment and various factors, including annual income, gender, occupation, qualifications, marital status, and age. However, with P-values exceeding 0.05 for these demographic variables, we find ourselves leaning towards accepting the null hypothesis, suggesting that these aspects may not be decisive factors in determining the duration of investment.

Inference: Looking at the results above, it's clear – investors in mutual funds don't let things like age, gender, qualifications, job, yearly earnings, or marital status affect how long they invest. These results show that when it comes to how long they invest, these factors don't really play a big role for mutual fund investors.

Preference Pattern in Mutual Fund

The Indian financial market is distinguished as one of the oldest markets, while also progressing swiftly among emerging economies. It offers a multitude of alternative options for investors, presenting choices between physical and financial assets, and long-term and short-term investments, each with its own set of merits and demerits. Navigating through various investment avenues, schemes, and policies, investors are prompted to carefully analyze and decide their preferences. Making a responsible decision in this regard serves as an effective means for self-growth in earnings over time. Managing financial risk is achievable through a well-crafted investment portfolio, tailored to individual preferences influenced by various personal or economic factors, ultimately shaping investors' unique traits when it comes to purchasing financial assets.

This part of the study deals with the preference tendency of investors regarding mutual funds. It has been classified into three groups.

- Preference regarding Investment avenues
- Preference regarding Investment Schemes

Respondents have evaluated and ranked the two criteria mentioned above based on their preferences. To accomplish this, both the Garret scale ranking and the Likert scale ranking were employed. Respondents were requested to reveal their preferences, and as a result, the data was collected.

Preference towards Investment Schemes:

The mutual fund industry in India is dynamic, offering diverse schemes tailored to investors' risk appetite, investment amount, objectives, and term preferences. These schemes, categorized into ten groups, including equity, debt, balanced, sectoral, index, money market, tax-saving, gilt, commodity, and others, attract investors based on their distinctive features. The researcher used the Garrett ranking scale method to analyse respondents' preferences and rank these schemes, recognizing that investors, with a rational approach and market knowledge, prioritize and build their portfolios. The variety of schemes allows for risk diversification, and investors often select more than one scheme to achieve a balanced mixture aligning with their preferences in the evolving mutual fund landscape. The respondents are asked to rank their preference towards investment alternatives from Rank 1 to Rank 10.

Preference of Investment Schemes of Respondents

S. No	Investment Scheme	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Rank 6	Rank 7	Rank 8	Rank 9	Rank 10	Total
1	Equity fund	60	54	42	54	32	48	39	30	15	6	380
2	Tax Saving Fund	21	51	66	39	65	39	27	48	15	5	380
3	Debt fund	27	51	57	42	60	41	39	39	18	6	380
4	Index Fund	63	33	33	48	18	45	39	29	48	24	380
5	Sectoral fund	42	18	48	60	53	42	48	33	15	21	380
6	Money Market fund	39	60	18	33	42	63	29	42	24	30	380
7	Balance Fund	30	45	42	33	42	51	47	45	36	9	380
8	Gilt fund	39	36	48	45	42	21	60	47	21	21	380
9	Commodity fund	27	33	42	30	47	36	39	45	48	33	380
10	Others	21	39	30	42	62	48	33	39	24	42	380
	Garrett Score	82	70	63	58	52	48	42	37	29	18	

(Source: Computed data)

The Garrett score in above table is calculated by using the Garrett ranking formulae and following the Garrett table value.

Percent position = $\frac{100(\mathrm{Rij}-0.5)}{\mathrm{Nj}}$

Where,

Rij = Rank given for the ith variable by jth respondents.

Nj = Total number of variables ranked by jth respondents.

The table below shows the calculation for assigning Garrett score.

Percentage position and Garrett value

S. No	$\frac{100(Rij - 0.5)}{Nj}$	Calculate Value	Garret Score
1	$\frac{100(1-0.5)}{10}$	5	82
2	$\frac{100(2-0.5)}{10}$	15	70
3	$\frac{100(3-0.5)}{10}$	25	63
4	$\frac{100(4-0.5)}{10}$	35	58
5	$\frac{100(5-0.5)}{10}$	45	52
6	$\frac{100(6-0.5)}{10}$	55	48
7	$\frac{100(7-0.5)}{10}$	65	42
8	$\frac{100(8-0.5)}{10}$	75	37
9	$\frac{100(9-0.5)}{10}$	85	29
10	$\frac{100(10-0.5)}{10}$	95	18

(Source: Computed data)

The researcher multiplied each row in the table above by the corresponding Garrett score to obtain the total Garrett score for each investment scheme. By calculating both the total Garrett score and its mean value, the researcher determined the ranking positions of the chosen schemes. The subsequent table presents the total scores and the associated rank positions.

Garrett Ranking of Investment Schemes

S. No	Investment Avenues	Total Garrett Score	Mean Value	Rank
1	Equity fund	23664	62.27	I
2	Tax Saving Fund	18311	48.19	VIII
3	Debt fund	20610	54.24	II
4	Index Fund	19970	52.55	IV
5	Sectoral fund	20030	52.71	III
6	Money Market fund	19662	51.74	VI
7	Balance Fund	19648	51.70	VII
8	Gilt fund	19790	52.08	V
9	Commodity fund	17348	45.65	IX
10	Others	15673	41.24	X

(Source: Computed data)

Results: The table above illustrates that investors show a strong preference for equity funds, primarily driven by their promising returns. Following closely, debt funds secure the second position, with sectoral funds claiming the third spot. Index funds come in as the fourth preferred option, with adjustments as needed. Subsequently, gift and money market funds follow suit. Investors with specific objectives opt for the next-ranked schemes. Balance funds, tax saving funds, commodity funds, and others funds, being more specialized in nature, are less favoured among investors and occupy lower positions in the ranking list.

Preference towards Investment Avenues

Investing in any asset involves sacrificing current consumption for future returns, but future uncertainties can lead to variations in expected returns. To address this, investors explore alternatives, considering both time and risk factors before selecting an asset. These alternatives, crucial for portfolio construction, are ranked by investors based on their preferences, influencing the composition of their portfolios. The mutual fund sector, with numerous competitors offering alternatives, is categorized into nine groups, including bank deposits, EPF, post office deposit schemes, life insurance policies, shares, debentures, real estate, gold/bullion, mutual funds, and others. Using the Garrett ranking technique, respondents ranked their preferences for investment alternatives, helping identify the most influential factors in shaping investors' portfolios.

Preference of Investment Avenues 0f Respondents

S. No	Investment Avenues	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Rank 6	Rank 7	Rank 8	Rank 9	Total
1	Bank Deposits	51	45	60	42	56	48	21	30	27	380
2	EPF and Pension	54	48	36	48	54	39	24	42	35	380
3	Post office Schemes	36	45	54	69	63	27	39	33	14	380
4	Life insurance policies	54	48	27	51	57	38	42	42	21	380
5	Share and Debentures	48	51	42	60	65	27	27	39	21	380
6	Real Estate	39	48	39	63	33	60	36	38	24	380
7	Gold	33	24	45	57	48	54	45	57	17	380
8	Mutual fund	39	51	42	45	57	30	44	57	15	380
9	Others	36	45	51	39	41	60	45	24	39	380
	Garrett Score	81	69	62	56	50	44	38	31	19	

(Source: Computed data)

Percentage position and Garrett value

S. No	$\frac{100(\mathbf{Rij}-\mathbf{0.5})}{\mathbf{Nj}}$	Calculate Value	Garret Score
1	$\frac{100(1-0.5)}{9}$	5.56	81
2	$\frac{100(2-0.5)}{9}$	16.67	69
3	$\frac{100(3-0.5)}{9}$	27.78	62
4	$\frac{100(4-0.5)}{9}$	38.39	56
5	$\frac{100(5-0.5)}{9}$	50.00	50
6	$\frac{100(6-0.5)}{9}$	61.11	44
7	$\frac{100(7-0.5)}{9}$	72.22	38
8	$\frac{100(8-0.5)}{9}$	83.33	31
9	$\frac{100(9-0.5)}{9}$	94.44	19

(Source: Computed data)

The total Garrett score is derived by summing up each row after multiplying it by the corresponding Garrett score. The ranking is determined based on these total Garrett scores, where a higher total score corresponds to a higher rank. Additionally, the researcher computed the mean of the total scores by dividing them by the number of respondents. A higher mean value results in a higher rank. The table below provides the conclusive ranking positions based on both the total score value and mean value.

Garrett ranking of Investment Avenues

S. No	Investment Avenues	Total Garrett Score	Mean Value	Rank
1	Bank Deposits	20461	53.85	I
2	EPF and Pension	19901	52.37	V
3	Post office Schemes	20342	53.53	III
4	Life insurance policies	20035	52.72	IV
5	Share and Debentures	20443	53.80	II
6	Real Estate	19709	51.87	VI
7	Gold	18887	49.70	IX
8	Mutual fund	19696	51.83	VII
9	Others	19252	50.66	VIII

(Source: Computed data)

Result: The table above reveals that mutual funds hold the 7th position in investors' preferences. While mutual funds are gaining acceptance, they face strong competition from traditional favourites like bank deposits, life insurance policies, EPFs, pension funds, and real estate. The enduring appeal of these traditional options is rooted in their perceived lower risks and longstanding dominance in the investment landscape. Mutual funds secure the seventh spot, followed by post office schemes, gold or bullion, shares and debentures, and various other alternatives. This positioning hints at the evolving potential and future opportunities for mutual funds in the dynamic investment arena.

DISCUSSION

The diverse investor landscape unfolds with a majority being male, encompassing various demographics, education levels, occupations, incomes, and savings. This multifaceted profile underscores the intricate tapestry of the financial market.

Annual savings appear relatively indifferent to certain factors, reflecting a degree of consistency. However, the nuanced preferences in investment choices, particularly within the realm of mutual funds, reveal a more intricate story. The data unveils that age, income, and gender significantly influence investors' decisions. These factors act as guiding forces, steering individuals toward or away from specific investment options.

Zooming into the microcosm of mutual fund preferences, equity funds emerge as the undisputed leaders, alluring investors with the promise of substantial returns. This preference aligns with the dynamic nature of the market, where potential gains often outweigh conventional options. Traditional stalwarts like bank deposits and real estate maintain their allure, showcasing the enduring appeal of tried-and-true investment avenues.

Surprisingly, mutual funds secure the 7th position, facing stiff competition from traditional favourites like bank deposits, life insurance policies, EPFs, pension funds, and real estate. This competitive backdrop underlines the challenge mutual funds encounter in vying for investor attention. However, the 7th position also holds a glimmer of promise, suggesting an evolving landscape and potential opportunities for mutual funds to carve a more substantial niche.

In this ever-changing financial landscape, investor decisions act as the compass guiding market dynamics. The delicate balance between tradition and emerging trends is palpable, with each investor contributing to the evolving narrative. As the financial market continues to shift, the choices made by investors, influenced by demographic and financial considerations, play a pivotal role in shaping the trajectory of investments and opportunities in the dynamic market landscape.

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