



## To Study on Investors' Preference Mutual Fund as an Investment Option Against Stock Market

Dr. Nikhil Ranjan  
Agarwal

Associate Professor, Department of management Studies., SSIM, Moradabad

### ABSTRACT

*Mutual funds pool together money from many investors can invest it on their behalf, in accordance with a stated set of objectives. A mutual fund's portfolio is organized and maintained to mimic the investment objectives defined in its catalogue. The study is based on investors' preference the mutual fund as an investment option against stock Market.*

*The Data is gathered by way of personal interviews and discussions with 250 respondents in Moradabad District of Uttar Pradesh. Data is collected from March' 2014 to May' 2014.*

### KEYWORDS :

#### Introduction

Mutual is a kind of investment-company that combines money from many investors and backers and invests the money in bonds, money-market instruments, stocks, other securities and sometimes even cash. A mutual fund in basic terms is a large group of people who lump their money together for management companies to invest. Mutual funds pool together money from many investors can invest it on their behalf, in accordance with a stated set of objectives. And, like most things in the world, there are fees and commissions involved. Mutual funds are managed by money managers, who capitalize the fund's capital and try to produce capital gains and revenue for the fund's investors. A mutual fund's portfolio is organized and maintained to mimic the investment objectives defined in its catalogue. The amount that investors purchase their mutual funds shares for is the estimated Net Asset Value (NAV) per share in addition to any fees that the fund may charge at the time of purpose, such as sales charges, also known as sales loads. Mutual fund units are convertible, meaning when an investor wants to sale their units, they sell them back to the mutual fund or to a broker working for the fund at the net asset value less any fees the mutual fund may charge, such as deferred sales loads or reclamation fees. Mutual funds commonly sell their units on a continuous basis, although some funds will stop selling when, for instance, they reach a certain level of assets under management. The investment portfolio of a mutual fund is typically managed by separate entities known as investment advisors that are registered with the Securities and Exchange Board of India (SEBI). Furthermore mutual funds themselves are registered with the SEBI and subject to SEBI regulation. There are many forms of mutual funds, which include index funds, stock funds and bond funds. The mutual fund industry in India started in 1963 with the formation of Unit trust of India (UTI), at the initiative of the Government of India and Reserve Bank of India. The 1993 SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEBI (Mutual Fund) Regulations 1996. The number of mutual fund houses went on increasing, with many foreign mutual funds setting up funds in India and also the industry has witnessed several mergers and acquisitions.

#### NAV and its Calculation

The net asset value of a mutual fund indicates the price at which the units of that mutual fund are bought or sold. It represents the fund's market value after subtracting the liabilities.

NAV of a Mutual Fund = (Assets of the fund – Liabilities of the fund) / Number of outstanding units of the fund

#### Which Option to Choose Stock Market or Mutual Fund?

Each of the option has got its own pros and cons, depending upon investors' preferences, requirement and situation; investors' need to choose the right option. Equity markets had a good year in 2013-14 with sensex and nifty return in the range of 17.98% to 18.85%. But investors pumped in various mutual funds. The following point will enlighten investor on both the options and will also help investors understand and check the factors to be considered before choosing the right option.

Factors	Stock Market	Mutual Fund
Returns	High	Lower
Administrative Exp.	High	Low
Risk	High	Moderate
Investment Options	More than Mutual Fund	More
Network	Low but Improving	Moderate
Liquidity	At a cost	Better
Quality of Assets	Not transparent	Transparent
Trading / Dispose	Everyday	Everyday
Guarantee	None	None
Time Frame	Long Investment	Moderate or Long Term
Diversification	a single stock or bunch of stocks (3-5 scrips)	very large and at a time 50-100 stocks are covered
Self Monitoring	personal affair and depends on your own the decision	relatively low because monitoring is anyways done by the fund manager

#### OBJECTIVES:

- To study on investors' preference the mutual fund as an investment option against stock market
- To study the ranking of various factors responsible for the selection of mutual funds as an investment option against stock Market

#### RESEARCH METHODOLOGY

The research design was a master plan specifying the procedure for collecting and analyzing the needed information. The sources were used for the collection of data and information mainly problem reference books, journals, magazines, business newspapers and other published sources. The primary data was collected from representative samples using the non-probability sampling methods. The research was based on 250 respondents in Moradabad District of Uttar Pradesh. The data collected from March' 2014 to May' 2014 and collected data was scrutinized, analyzed, edited and validated. Further, additional information has also been gathered by way of personal interviews and discussions with concern officials of the selected Mutual Funds. The hypothesis has been tested with the help of chi-square analysis.

#### TESTING OF HYPOTHOSIS

The following hypotheses were taken for the study of investors' preference the mutual fund as an investment option against stock market

- There is no association between age and preference the mutual fund

2. There is no association between income and preference the mutual fund
3. There is no association between education level and preference the mutual fund
4. There is no association between occupation and preference the mutual fund

**DATA ANALYSIS AND FINDINGS**

The Study was aimed at identifying the level of preferences between mutual fund and stock market. The study showed that out of 250 respondents, 71 respondents had a positive attitude, 117 respondents had a neutral attitude and 62 respondents had a negative attitude towards the mutual funds.

**Table 1: Association between age and preference the mutual fund**

Age (years)	Positive	Neutral	Negative	Total
18-35	35	62	22	119
36-50	28	42	28	98
50+	8	13	12	33
Total	71	117	62	250

The calculated value of  $\chi^2 = 5.924$  and tabulated value of  $\chi^2 = 9.488$  at 5% level of Significance with degree of freedom is 4.

The calculated value of chi-square was less than tabulated value of chi-square at 5% level of significance. Hence it was not significant and the null hypothesis is accepted at 5% level of significance. Hence there was no association between age and the attitude towards mutual funds. About 35 respondents had age group (18-35), 28 respondents had age group (36-50) and 8 respondents had age above 50 had a positive attitude towards the mutual funds. There was a highest positive attitude towards the mutual funds in the age group (18-35) against the others.

**Table 2: Association between income and preference the mutual fund**

Income per annum	Positive	Neutral	Negative	Total
upto 3,00,000	12	31	15	58
3,00,001-5,00,000	36	79	29	144
Above 5,00,000	23	07	18	48
Total	71	117	62	250

The calculated value of  $\chi^2 = 25.839$  and tabulated value of  $\chi^2 = 9.488$  at 5% level of significance with degree of freedom is 4.

The calculated value of chi-square was greater than tabulated value of chi-square at 5% level of significance. Hence it was highly significant and the null hypothesis is rejected at 5% level of significance. Hence there was association between income and the attitude towards mutual funds. About 12 respondents had annual income up-to 300000, 36 respondents had annual income between 300001-500000 and 23 respondents had annual income above 500000 had a positive attitude towards the mutual funds. There was a highest positive preference the mutual fund against stock Market had annual income above 500000 against the others.

**Table 3: Association between education level and preference the mutual fund**

Education Level	Positive	Neutral	Negative	Total
Under Graduate	06	20	11	37
Graduate	12	20	26	58
Postgraduate	33	42	20	95
Professionals	20	35	05	60
Total	71	117	62	250

The calculated value of  $\chi^2 = 25.963$  and tabulated value of  $\chi^2 = 12.592$  at 5% level of significance with degree of freedom is 6.

The calculated value of chi-square was greater than tabulated value of chi-square at 5% level of significance. Hence it was highly significant and the null hypothesis is rejected at 5% level of significance. Hence there was association between level of education and the attitude towards mutual funds. About 6 respondents had qualification under graduate, 12 respondents had qualification graduation, 33 respondents had qualification postgraduate and 20 respondents had qualification of professional and had positive preferences between mutual fund and stock market. There was a highest positive preference the mutual funds against stock market among the postgraduate respondents against the others.

**Table 4: Association between occupation and preference the mutual fund**

The occupations were classified in four categories. Those who were employed with public or private sector enterprises were classified as service category. Professional such as doctor, lawyers, chartered accountants, professors/teachers constitute the profession category. Those who run their own business were classified under self-employed including business women. Retired persons and housewives etc. were classified as others.

Occupation	Positive	Neutral	Negative	Total
Services	36	39	20	95
Professional	13	23	15	51
Self-employed	14	22	12	48
Others	08	33	15	56
Total	71	117	62	250

The calculated value of  $\chi^2 = 10.638$  and tabulated value of  $\chi^2 = 12.592$  at 5% level of significance with degree of freedom is 6.

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

**Table 5: Ranking of various factors preference the mutual fund**

During the study, it was found that the investors' basically invested in mutual funds due to high return potential, transparency, liquidity, flexibility and affordability. Respondents were asked to rank these factors according to the preference as an investment against stock market and assigned ranked from 1 to 5.

Factor	Rank
Return potential	3
Transparency	4
Liquidity	5
Affordability	1
Flexibility	2

**CONCLUSION**

Mutual funds are actually collection of stocks only but just because it's a group of stocks the characteristics are not very similar to that of stocks. An Investor should be clear about all the points of difference and only after that investor should decide whether to invest in stocks directly or take the mutual fund route. In our country there is a lot of scope for the growth of mutual funds provided that the funds satisfy investors' needs and improvements in service standards and disclosure.

## REFERENCES

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