



Investor's preference towards mutual fund-A comparative study on private and public sector mutual fund investment in Chennai city

KEYWORDS

Mutual fund, Demographic profile, investor's preference, Rick factor.

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ABSTRACT *Indian Mutual Fund (MF) industry provides reasonable options for an ordinary man to invest in the market. The plethora of schemes provides variety of options to suit the individual objectives whatever their age, financial position, risk tolerance and return expectations. In the past few years, we had seen a dramatic growth of the Indian MF industry with many private players bringing global expertise to the Indian MF industry. Investment in mutual funds is effected by the perception of the investors. The study at first tests whether there is any relation between demographic profiles. The study helps to understand the role of investment pattern and preferences of investors behind investing in mutual fund.*

Introduction

Mutual funds are recognized as a mechanism of pooling together the investment of unsophisticated investors and turn in the hands of professionally managed fund managers for consistent return along-with capital appreciation. Money collected in this process is then invested in capital market instrument such as shares, debentures and other securities. Finally, unit holders in proportion of units owned by them share the income earned through these investments and capital appreciation. Mutual funds put forward a way out to investors to approach most schemes and get well-diversified portfolio because investors with small savings neither have sufficient expertise nor have access to required diversification. Mutual funds have already entered into a world of exciting innovative products. These products are now tailor made to suit specific needs of investors. Intensified competition and involvement of private players in the race of mutual funds have forced professional managers to bring innovation in mutual funds. Thus, mutual funds industry has moved from offering a handful of schemes like equity, debt or balanced funds to liquid, money market, sector specific funds, index funds and gilt edged funds. Beside this recently mutual funds have also introduced some special specific funds like children plans, education plans, insurance linked plans, and exchange traded funds. The result is that over the time Indian investors have started shifting towards mutual funds instead of traditional financial avenues. With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry giving the Indian investors a wider choice of fund families. Also, 1993 was the year in which the first Mutual Fund Regulations came into being, under which all mutual funds, except UTI were to be registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993. 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. The entry of commercial banks and private players in the MF industry coupled with the rapid growth of the Indian capital markets during the past couple of years has fostered an impressive growth in the Mutual Funds. The Indian mutual funds business is expected to grow significantly in the coming years due to a high degree of transparency and disclosure standards comparable to anywhere in the world, though there are many challenges that need to be addressed to increase net mobilization of funds in the sector

Review of Literature

Gupta (1994)⁵ made a household investor survey with the objective to provide data on the investor preferences on MFs and other financial assets. The findings of the study were more appropriate, at that time, to the policy makers and

mutual funds to design the financial products for the future. Ippolito (1992) says that fund/scheme selection by investors is based on past performance of the funds and money flows into winning funds more rapidly than they flow out of losing funds. Kulshreshta (1994) offers certain guidelines to the investors in selecting the mutual fund schemes. De Bondt and Thaler (1985) while investigating the possible psychological basis for investor behavior, argue that mean reversion in stock prices is an evidence of investor over reaction where investors over emphasize recent firm performance in forming future expectations. Anjan Chakarabarti and Harsh Rungta (2000) Their study reveals that brand image factor, though cannot be easily captured by computable performance measures, influences the investor's perception and hence his fund/scheme selection. Shanmugham (2000) conducted a survey of 201 individual investors to study the information sourcing by investors, their perceptions of various investments

Research aims

The main focus of research is to analysis the meticulous investors' preference in mutual fund on the aspect of Long, short term and Medium. Then to identify investor's knowledge about mutual fund these empirical paper also analysis significant difference between investor perception and risk factor.

Research Methodology

This part explain the methodology used in this study. The study is based on primary and secondary data. Primary data have been collected from 100 respondents through a questionnaire covering different groups of peoples in Chennai city area. For analyzing primary data percentage method, Pearson correlation, and Chi-Square test analysis were used. The secondary data have been collected from various books, journals. The respondents are segregated on the basis of different variables such as social factors like Gender, Age, Educational Qualification, Marital Status, Occupation and Level of income. Hence an attempt is made to study the impact of demographic profile of the investor on the choice of investment in public and Private sectors mutual funds.

Investor demographic profile

Particulars	Variables	No. of respondent	Percentage
Gender	Male	63	63%
	Female	37	37
Age	Less than 30	9	9%
	31 to 40	35	39%
	41 to 50	20	22%
	Above 50	27	30%

Education level	School	21	23%
	UG	25	28%
	PG	20	22%
	Professional	14	16%
	Others	11	11%
Annual income	Less than 2 lakh	42	47%
	2 to 5 lakh	28	31%
	5 to 10 lakh	15	17%
	10 to 20lakh	4	4%
	Above 20 lakh	2	2%
Investment percentage	1 to 10%	44	49%
	11 to 30%	31	34%
	31 to 50 %	10	11%
	Above 50%	6	6%

The above table shows that Out of 100 respondents, the age group of investors 39% comes under 31 to 40 years and 30% respondents for above 55 years. The highest literacy rate (28%) of the respondents is U.G level. 33% and 22% of the respondents have school and P.G qualifications respectively. 16% of the respondents are having Professional level and 11% for other level. In the case of annual income variables 47% for less than 2 lakh , 31% respondents comes under 2 to 5 lakh remaining 17%,4%and 2% respectively 5 to 10 lakh,10 to 20 lakh and above 20 lakh. In the result Investment percentage variables 49% of respondents comes under 1 to 10% then 11 to 30% of investment accepted for 34% of respondents. 11% of respondents agree 11 to 50 % further6% respondents comes under above 50% of investment.

Hypothesis

1. There is no relationship between age and investors preference of investment.
2. There is no significant relationship between age and investors perception towards risk factors.
3. There is no relationship between investors education and preference of investment.

Findings

1. Table (I) explains about the age of respondents and their Preference of investment. In this long term investment accept for 8 respondents belong to less than30 yrs and 24 respondents belong to 31 to 40 yrs. In Medium term investment 13 respondents belong to 31-40 yrs, 20 respondents belong to 41 -54 yrs, 11 respondents belong Above 50 yr. In a short term investment only 15 respondents belong to above 55 yrs. Table (II) explains about correlation between age and Preferences of investment and .803 there was positive correlation between them at 0.01significance level. Table (III) says about chi-test between two variables at 2% and 3% degree of freedom and there was a significant relationship between age and investor preferences of investment.
2. Table (I) a shows about the age and I risk factor the investors willing to take will invest in mutual fund. Investors under 30 yrs are willing to take (65respondents) extremely high risk . Investors under 31 to 40yrs are willing to take (12 respondents) high level risk and (18 respondents) moderate level risk. Investors under 41 to 54 yrs are willing to take only (5 respondents) moderate level risk. Above 50 (9 respondents) will take low risk and (16respondents) were willing to take only extremely low risk. Table (II) explains about the correlation between age range and risk factor. And there was .875 correlations at 0.00 significance level. Table (III) says about the chi-test between two variables at 3% and 4% degree of freedom and there was no significant relationship between these two variables
3. Table (I) Above table shows that Preference of vestment

and the educational qualification of the investor. In Long term of investment there were 21 respondents belong to school level and 9 respondents belong to UG. In medium term vestment style they have 16 respondents in UG 20 respondents were in PG and 9 respondents in professional level. In short term investment they have 5 respondents have professional and 10 respondents belong to other category of educational. Table (II) b says about the correlation between educational level and type of investment style. .880 have positive correlations between them at 0.000 significant level.

Conclusion

Mutual Funds have emerged as an important segment of financial markets and so far have delivered value to the investors. The study reveals that the investors' perception is dependent on the demographic profile and assesses that the investors Age, Marital status and occupation has direct impact on the investors' choice of investment. In the demographic profile most of the investors are willing to invest only 10% in their annual personal income, around 39% of investors belongs to age range of 31 to 40 years. In this study investors are willing to take moderate and low level risk, most of the investors belong to moderate investment style. In order to have more investors to invest in mutual funds, mutual fund companies have to bring some awareness program about the benefits of investing in mutual funds, and the safety and security provided by mutual fund companies in this changing stock market situation.

Data Analysis

Age and investors Preference of investment

Age	Long term	Medium term	Short Term
Less than 30	8	1	1
31 to 40	24	13	1
41 to 50	1	20	1
Above 50	1	11	15
Total	36	46	18

Variable	Chi-square
Age Approx.chi-square Df Sig.	17.467 3 .000
Preference of investment Approx.chi-square Df Sig.	15.000 2 .000

**Table-I
Table-III chi-square**

Table II – Correlations	Age	Preference of investment
Age Pearson correlation	1	.803**
Sig.(2 Tailed)		.000
N	100	100
Preference of Pearson correlation investment Sig.(2 Tailed)	.803**	1
	.000	
N	100	100

** Correlation is significant at the 0.01 level (2-tailed).

Age and Risk factor

Table-I

Table-III chi-square

Age	Extremely high risk	High risk	Moderate risk	Low risk	Extremely low risk
Less than 30	0	0	0	0	5
31 to 40	0	12	18	0	25
41 to 50	0	0	5	0	13
Above 50	0	0	0	9	16
Total	0	12	23	9	59

Variable	Chi-square
Age	
Approx.chi-square	17.467
Df	3
Sig.	.001
Rick factor	
Approx.chi-square	49.333
Df	4
Sig.	.000

Table-II Correlation	Age	Rick factor
Age Pearson correlation Sig.(2 Tailed)	1	.875**
N	100	100
Pearson		
Rick factor Sig.(2 Tailed)	.875**	1
correlation N	100	100

** Correlation is significant at the 0.01 level (2-tailed).

Education and investors preference of investment

Table-I

Education	Long term	Medium	Short term
School	21	1	1
UG	9	16	1
PG	0	20	1
Professional	2	9	5
Others	0	4	10
Total	32	50	18

ble-II Correlation	Age	Preference of investment
Age Pearson correlation	1	.880**
Sig.(2 Tailed)		.000
N	100	100
Preference of Pearson correlation	.880**	1
investment Sig.(2 Tailed)	.000	
N	100	100

** Correlation is significant at the 0.01 level (2-tailed).

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