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A Study On Preference of Mutual Funds of Investors in Chennai City

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***Abstract*: The present paper measures the preference of the investors for investment in mutual fund. Mutual funds have a mutual investment forum to engage in qualified asset management in the Indian stock market independent of the amount invested. The Indian mutual fund market expands fast and this is evidenced by the growth in investments under the control of different investment firms. Trading in mutual funds is less costly than investing in bonds, and thus better for risk-averse buyers. A mutual fund is an investment mechanism that collects and invest funds from different investors into commodities, Share, Short - term monetary instrument, other instruments, reserves. The primary objective of mutual fund is to earn a relatively low risk return of goods. This work is primarily aimed to define investor interest for the mutual fund in Chennai.**

***Keywords*: Customer perception, Features of mutual fund, Investors, Mutual fund, Mutual fund scheme.**

1. Introduction

Mutual fund is financial management institution which collects and invest money from the public Capital market e.g. Stocks, bonds, etc. There are schemes, Run by various funded Asset Management Companies (AMC). Economic or corporate bodies. The investors receive units from the mutual funds, which constitutes a fair right in the mutual fund assets. The Unit It has a value called the Net Asset Value (NAV). This is determined by subtracting on responsibilities from the valuation of shares of the company and other items of interest and Dividing that by the amount of shares outstanding.

2. Types of Mutual Fund Scheme

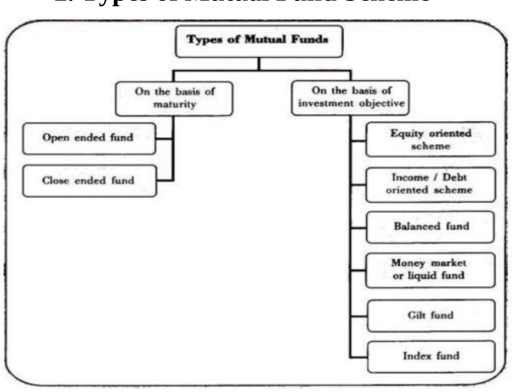


Fig. 1. Classification of mutual funds

A. On the basis of maturity

1) Open-ended fund

Funds that will offer and lease units at any point are known as Open-end Funds. The value of the open-end investment is volatile (keeps changing) due to constant selling (to investors) and repurchases (from investors) from the company. The open-ended investment is not forced to keep selling fresh units to buyers at all times, but will also be repurchased if a buyer decides to sell his units. The open-end fund NAV is determined on a regular basis.

2) Close – ended fund

Closed end funds are considered to offer shares and can only offer a set amount of units over a time with the New Fund Offer (NFO). The Closed-End Fund Corpus is still the same. Once the deal has been taken down, the buyers are not permitted to purchase and redeem units directly from the assets.

B. On the Basis of Investment Objectives

Usually, these schemes spend a substantial portion of their portion companies. The chance is relatively small for these assets. Such schemes give investors different options, such as dividends, growth, opportunities, the appreciation of capital, etc. And investors can choose a choice according to their preferences. On the application form, investors must indicate the open. The mutual fund investors may also change options at a later date.

Equity funds can also be further classified into:

(a) Sector Based Equity Funds:

These are funds that limit their investment to a certain segment or segment. The commercial market. These funds, also known as subject funds, focus on Infrastructure, Banking, Technology, Energy and Immobilize, Heath Control treatment, FMCG, medications and so on. The intention is to enable investors Put bets on specific sectors or industries with strong growth possibility.

(b) Medium and Small Cap Equity Based Funds:

These funds invest in medium-sized and small-scale firms. Market Mid-Cap companies' capitalization is lower than that of large blue chip companies. Small-Cap (less than Rs. 2500 but more than Rs. 500 crores) and Companies have less than Rs. 500 crores market capitalization. The company's market capitalization will be determined by raising the share price the total number of its outstanding shares in the Company the market. Market Mid-Cap or Small-Cap companies' shares are not as liquid as Large-Cap companies that cause share price volatility Investment becomes risky, and consequently, companies.

(c) Large Capitalization Funds:

These funds invest in large-scale companies. Large cap firms with more market capitalization than Rs. 2500 crores.

(d) Diversified Funds:

These funds primarily invest in equity without any emphasis on a single market. The portfolios are well diversified and raising industry-specific or business threats. Nevertheless, bond securities, such as many other assets, are diversified stock securities as well. Equity Linked Savings Schemes (ELSS) is a popular diversified equity fund form in India. Under the terms of the mandate, ELSS will still have at least 90% of the assets in bonds. ELSS holders shall apply at the time of filing the income tax return for a deduction from taxable earnings (up to Rs1 lakh). ELSS typically has a term for lock-in that makes it eligible to pay earnings tax on the income(s) on which it may have received certain tax deductions in the past, in the event of a redemption by the creditor before the end of that period.

(e) Value Funds:

This fund's investment in firms whose share values are actually inflated and whose fundamental concepts are sound. This funds' portfolio contains securities that transact at a low cost to profits (market price per share and profit per share) and a higher book value market (fundamental interest).

Debt Oriented Schemes:

The funds invested by private companies, banks, financial institutions, government and other entities of various industries (like infrastructure companies, etc.) Are known as the debt fund in medium- to long-term debt instruments. Debt funds are risk-low funds aimed at generating investors' current fixed incomes (and not capital appreciation). To guarantee creditors' daily profits, debt (or revenue) funds allocate a large portion of their surplus to investors. While bonds are normally less volatile than stock, at the point of interest or principal payments, they are subject to a credit danger (default risk) of the borrower.

Balance fund:

In general, these funds invest between 40% and 60% in equities and bond instruments. Such assets are also influenced by stock market price volatility. But, But NAVs of such funds are potentially less risky than plain equity Funds. The goal of structured funds is to produce productivity as well as daily profits These schemes participate in equities as well as shares with fixed income Proportion shown in the documents of their offer. This is suitable for Moderate growth-seeking creditors.

Liquid or money market fund:

These funds invest mainly in healthier short-term items, such as bills for treasury, Deposit certificates, exchange paper and inter-bank call capital, government Insurance etc. Insurance Compared with other system returns is much less fluctuating Funds. These funds are suitable for both business and individual investor means for short periods of time to park their surplus funds.

Gilt Funds:

These funds invested in medium to long-term government documents (named dated securities). These investments, issued by the Government of India, carry little credit risk (default risks) and provide investors with the security of the principal.

Index Fund:

These funds invest in firms that are the index and are the same Index percentage. Equity index funds which follow broad indicators (such as Nifty S&P CNX, Sensex)

On the Basis of Load:

Load Funds:

Mutual funds incur various costs for commercialization, distribution, publicity, portfolio churning, the salary of the fund manager etc. Many funds raise certain costs in the form of loads from the creditors. The funds are referred to as load funds.

The following costs will be levied on creditors through a load fund:

1. Entry Load:

It applies to the pressure on an individual as he joins a system. The load of admission is excluded from the donation of the donor to the investment.

2. Exit Load:

This fee is extended to an investor if his units are redeemed (out of the plan). The production load would be removed from the bill to an outgoing investor

3. No-load Funds:

All funds without payment are known as No Load Funds

C. On the Basis of Tax:

Tax-exempt Funds:

Tax-exempt assets are classified as funds that invest in tax-free shares. The sales charge (charge on the allocation of income to investors) is excluded from all open-ended equity funds. Investors are free of taxation of long-term capital gains and dividend income.

Non-Tax-Exempt Funds:

Taxable stock assets are referred to as Non-Tax-Avoidable Accounts. Both securities, with the exception of open end equity funds, are subject to tax in India Profit from sale. Profits gained from the selling of creditors 12 months of purchasing was known as short-term capital gains tax. Taxable Shares in equity-based investment products are related to securities Tax on Sale (TTT). STT is removed from the amount of repayment to a developer.

Mutual fund offer scheme

Dividend payout option

This option provides for timely dividends (whether by checks or ECS credits) for distributed surpluses / profits for investors, thus facilitating the liquidation of profit by the investor. Via the contribution, the dividend alternative will not recover the income of the company. Rather, the investor is occasionally given.

Growth Option:

The investor earns no dividends under this option. Rather, he carries on compounded capital development under the structure of the mutual fund The portfolio manager's savings investments. Everything is gained under the development scheme The Trust is brought into the system again. It contributes to a rise in NAV Over money. Through energy.

The Mutual Fund is therefore the most appropriate investment of the general public, as it offers the chance for investments in a diversified, professionally managed securities basket at relatively low costs. Research is being carried out extensively with regard to mutual funds investment. Nevertheless, there has been relatively little work on how investors view mutual fund investing.

3. Review of Literature

De Bondt and Thaler (1985) concluded that the turnaround of stock price is driven by an investor 's psychological retrogression, which overestimates recent success by investors in shaping potential predicted outcomes, also known as the dowry effect. Gupta (1994) surveyed household investors to identify desires from investors to invest in mutual funds and other financial assets available. Around the moment, the findings of the analysis were more important for politicians and mutual funds to establish financial goods for the future. In his report, Kulshreshta (1994) proposed some guidelines for investors to help them select the mutual fund schemes required.

A research on the behavioral dimensions of the investors in the North-Eastern zone, undertaken by Sujit Sikidar and Amrit Pal Singh (1996), aimed at investing in equity and mutual funds. The study shows that the employers and self-employed citizens favor mutual funds due to tax benefits. In this area of the country, UTI and SBI schemes were most favored over every other fund; during the survey period, other funds were seen to be obsolete.

Rathnamani (2013) explained that many investors would rather invest in mutual funds to achieve a high return on low-risk liquidity, security. The investment world is changing day by day, so that preferences for investors have also changed towards investment patterns.

With regard to demographic conditions, most investors are only 10% willing to invest in personal income annually; approximately 39% of investors are 31-40 years of age. In this study investors are prepared to take high and low-risk; most investors are mild.

Ippolito (1992) states that an investor is ready to invest in those funds or schemes that have generated good rewards and attract most investors with the funds or schemes that work better.

Goetzman (1997) said investor psychological influences the collection and withdrawal of mutual funds for investments Investing in speculative investments like mutual funds, people seek to manage losses and returns (Fischer & Jordan, 2006). In fact, people are attempting to reduce probability of return at the same point (Kahneman & Tversky, 1979). Understanding of people's interest in mutual funds is quite nuanced. Also specialist investors fail in the assessment of mutual fund and shareholdings

(Qaeda et al. 2009). 2010. Person risk assessment affects their equity investment (Singh & Bhowal, 2009). Mutual fund holding is secondary financial contributions. Investment in mutual funds is also therefore likely to be influenced by the understanding of danger of individuals. Singh and Bhowal (2010a) find that mutual funds are comparatively less volatile than shareholdings.

The brand 's value for assessing the integrity of asset management companies was stressed by Anjan Chakarabarti and Harsh Rungta (2000). Shankar (1996) proposed that the marketing paradigm for consumer goods would be focused on and guided in order to infiltrate the ideology of mutual funds profoundly into society. Raja Rajan (1997) stressed that investor segmentation and mutual fund goods have increased mutual fund popularity.

4. Objectives of Study

- To study Indian Investor investment pattern.
- To find out about investors' awareness of mutual funds.
- Finding the type of mutual fund scheme preferred by the investor.
- To assess the value of factors such as liquidity, Higher returns, the prestige of the firm and other factors that affect the investment decision of the owners of the mutual fund.

5. Research Methodology

Source of Data:

The present study is based on the primary data which was collected using the questionnaire method using google forms.

Sample Size:

In this study 280 investors had been considered by the Chennai metropolitan city.

Data Collection:

The details were gathered using an investor questionnaire such as anyone involved in the mutual fund system and other opportunities for investing.

Sample Unit:

The research was conducted in Chennai city.

Statistical Tools:

In this study, the hypotheses were made and then analyzed with the help of statistical techniques of Chi-Square test for relationship using IBM SPSS software version 20. Both hypotheses were tested with 95 percent confidence level i.e. at 5 percent significant levels.

6. Data Analysis and Interpretation

Table 1 reveals that most of the people 43.4 % are in the age group of 36-50 years and 42.3% of people are in the age group of 19-35 years and 13.6 % people in the range of 51-60 years and 0.4% people are either 18 years below nor 60 years above.

Table 1
Frequency distribution of responders on age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 years below	1	.4	.4	.4
	19-35 years	118	42.3	42.3	42.7
	36-50 years	121	43.4	43.4	86.0
	51-60 years	38	13.6	13.6	99.6
	Greater than 60 Years	1	.4	.4	100.0
	Total	279	100.0	100.0	

Table 2
Frequency distribution of respondents on occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Business	70	25.1	25.1	25.1
	Govt. Sec	24	8.6	8.6	33.7
	Other	70	25.1	25.1	58.8
	Pvt. Sec	115	41.2	41.2	100.0
	Total	279	100.0	100.0	

Table 2 reveals that most of the people about 41.2 % belong to the private sector and 25.1 % belongs to the Business sector along with others category and 8.6% belong to Govt. sector.

Table 3
Frequency distribution of Respondents of factors for investing money

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Company Reputation	35	12.5	12.5	12.5
	High return	124	44.4	44.4	57.0
	Liquidity	29	10.4	10.4	67.4
	Low risk	91	32.6	32.6	100.0
	Total	279	100.0	100.0	

Table 3 reveals that 44.4 % of people expect high returns over investing money in mutual funds while 32.6% chose low risk option and 12.5% people chose company's reputation and about 10.4 % people selected liquidity cash option.

Table 4 reveals that most of the people (i.e.) 36.6 % people prefers Monthly income PI and 13.6 % prefers liquid fund and 10.4% prefers diversified fund and 6.8% people prefers open ended fund and 1.8% people prefers close ended fund.

Table 6 reveals that most of the people 41.2% prefers to the feature of better return and safety and 29.4 % people prefers in Reduction in risk and transaction cost and 11.5% in regular income and 9% in tax benefits and diversification.

Table 4
Frequency distribution of responders on mutual fund schemes

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Close ended	5	1.8	1.8	1.8
	Diversified Fund	29	10.4	10.4	12.2
	Large cap fund	16	5.7	5.7	17.9
	Liquid fund	38	13.6	13.6	31.5
	Monthly Income PI	102	36.6	36.6	68.1
	Not applicable	70	25.1	25.1	93.2
	Open ended	19	6.8	6.8	100.0
	Total	279	100.0	100.0	

Table 5
Frequency distribution of responders on feature of mutual fund

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Better return and safety	115	41.2	41.2	41.2
	Diversification	25	9.0	9.0	50.2
	Reduction in risk and Transaction cost	82	29.4	29.4	79.6
	Regular income	32	11.5	11.5	91.0
	Tax benefits	25	9.0	9.0	100.0
	Total	279	100.0	100.0	

Table 6
Frequency distribution of responders on mode of investment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	one time investment	116	41.6	41.6	41.6
	Systematic Investment Plan	163	58.4	58.4	100.0
	Total	279	100.0	100.0	

Table 7
Frequency distribution of responders on Asset Management company

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	HDFC	93	33.3	33.3	33.3
	ICICI	38	13.6	13.6	47.0
	Kotack	36	12.9	12.9	59.9
	Other	32	11.5	11.5	71.3
	SBIMF	57	20.4	20.4	91.8
	UTI	23	8.2	8.2	100.0
	Total	279	100.0	100.0	

Table 7 reveals that 58.4 % people prefers on systematic investment plan and 41.6% prefers on one-time investment.

Table 8
Frequency distribution of responders on mutual fund sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Banking fund	53	19.0	19.0	19.0
	Debt fund	59	21.1	21.1	40.1
	Diversified equity fund	93	33.3	33.3	73.5
	Oil and petroleum	24	8.6	8.6	82.1
	Other	24	8.6	8.6	90.7
	Power sector	26	9.3	9.3	100.0
	Total	279	100.0	100.0	

Table 8 reveals that most of the people 33.3% prefers diversified equity fund and 21.1% people prefers debt fund and 19.0 % people prefers banking fund and 9.3% prefers power sector and 8.6 % prefers oil and petroleum and other options.

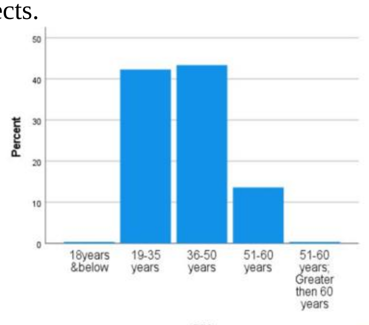
Table 9
Frequency distribution of responders on the return received

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Dividend payout	185	66.3	66.3	66.3
	Dividend re-investment	50	17.9	17.9	84.2
	Growth in Nav	44	15.8	15.8	100.0
	Total	279	100.0	100.0	

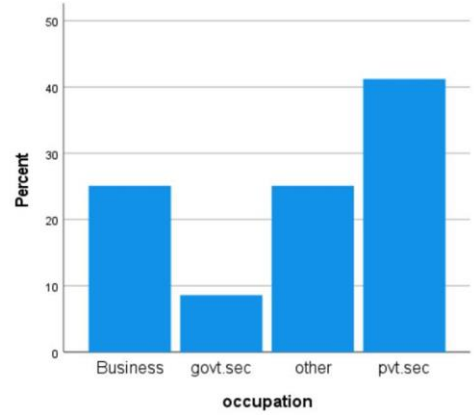
Table 9 reveals that most of the people 66.3% prefers the dividend payout type of return and 17.9% people prefers Dividend re-investment and 15.8 % people prefers Growth in Navigation return type.

Graphical Representation:

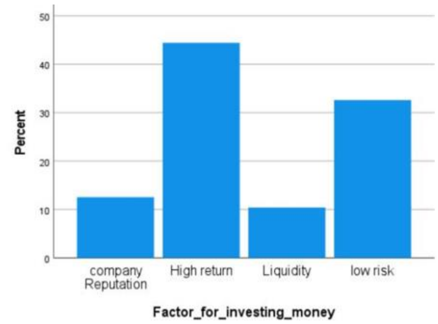
The series of Graphs represents the responders to the desired category of methods and modes of investments and considerations to the mutual fund investments and its outcomes on various aspects.



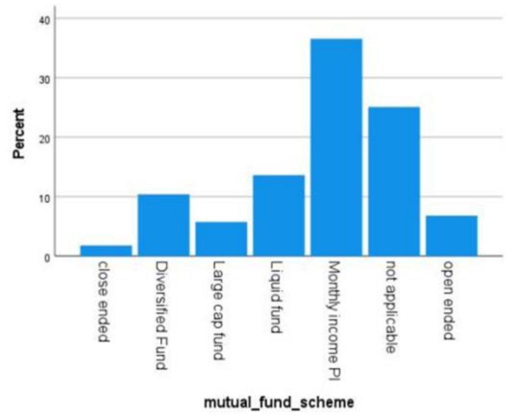
Graph 1: Percentage representation of age



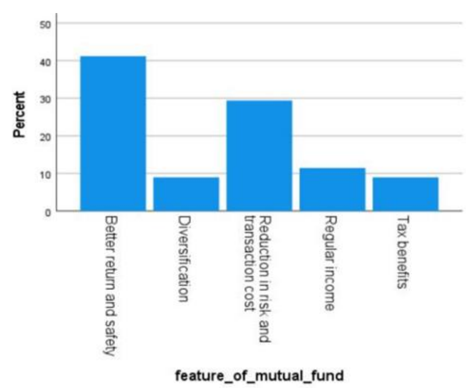
Graph 2: Percentage representation of occupation



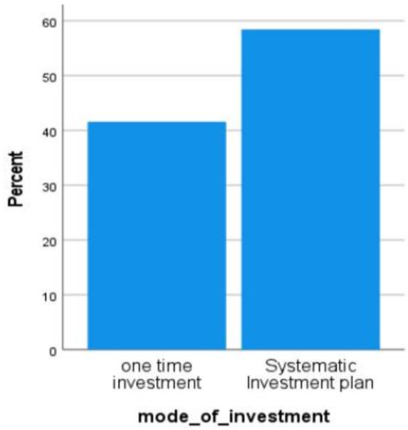
Graph 3: Percentage representation of factors for investing money



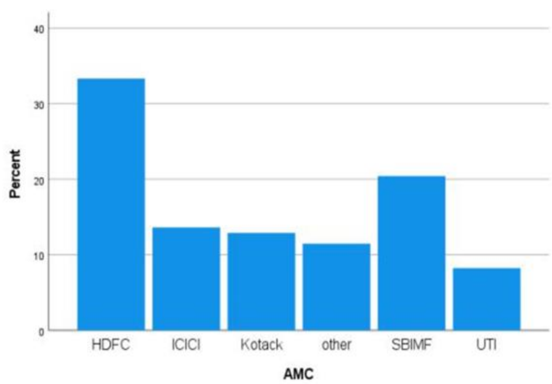
Graph 4: Percentage representation of mutual fund schemes



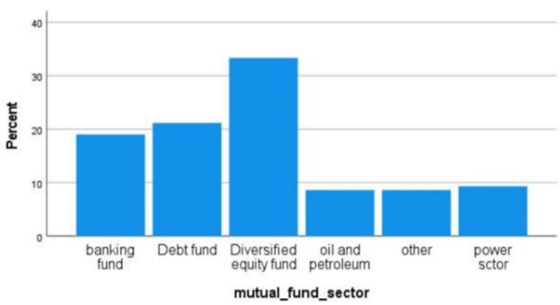
Graph 5: Percentage representation of feature of mutual fund



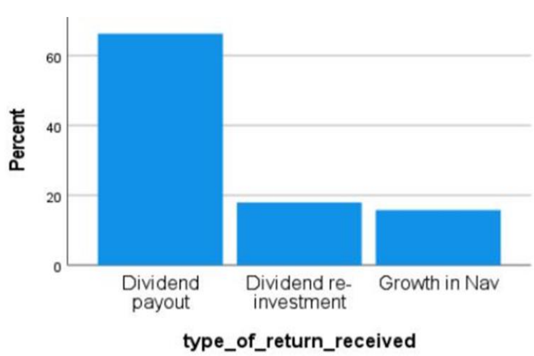
Graph 6: Percentage representation of mode of investment



Graph 7: Percentage representation of AMC



Graph 8: Percentage representation of mutual fund sector



Graph 9: Percentage representation of return type

Categorical variable testing:

Usually the various variables underlying the collected information paves way for statistical analysis of the categorical data and its variables in a broader aspect and hence the categorical variable testing is a must done process in data or statistical analysis

It includes chi-square test, test of correlation, test of significance but most common interesting and advert method of testing is chi-square test

Chi-Square test:

A chi-square test is a statistical hypothesis test and compares two variables belonging to categorical variable and gives the observation of a random set of variables.

Case Processing Summary:

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
V4 * V13	280	100.0%	0	0.0%	280	100.0%

Chi-square is being performed over the total no. Of 280 samples collected from the responders.

V4*V13 Cross tabulation

			V13		
			12.when you Invest in Mutual fund Which mode of Investment will You prefer?	One time Investment	Systematic Investment Plan
V4	4. Occupation	Count	1	0	0
		Expected Count	.0	.4	.6
	Business	Count	0	28	42
		Expected Count	.3	29.0	40.8
	govt. Sec	Count	0	11	13
		Expected Count	.1	9.9	14.0
	Other	Count	0	32	38
		Expected Count	.3	29.0	40.8
	Pvt. Sec	Count	0	45	70
		Expected Count	.4	47.6	66.9
Total		Count	1	116	163
		Expected Count	1.0	116.0	163.0

Here v4*v13 cross tabulation is carried out which is nothing but performing chi-square tests between two random variables.

V4 - Occupation of the responders

V13 - mode of investment of mutual fund

The count value of the variable occupation (V4) and variable mode of investment of mutual fund (v13) is depicted below.

V4 * V13 Cross tabulation

			Total
V4	4. Occupation	Count	1
		Expected Count	1.0
	Business	Count	70
		Expected Count	70.0
	govt. Sec	Count	24
		Expected Count	24.0
	Other	Count	70
		Expected Count	70.0
	Pvt. Sec	Count	115
		Expected Count	115.0
Total		Count	280
		Expected Count	280.0

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	281.031	8	.000
Likelihood Ratio	14.290	8	.075
N of Valid Cases	280		

The results of chi-square test can be seen above where the likelihood ratio of v4*v13 is calculated as 14.290 with asymptotic significance (2-tailed) value of 0.075 % of the validated 280 samples.

Symmetric Measures

		Value	Approximate Significance
Nominal by Nominal	Phi	1.002	.000
	Cramer's V	.708	.000
N of Valid Cases		280	

The various measures derived from the chi-square test is depicted above with phi (x) valued at 1.002 and Cramer’s V value of 0.708 with zero significance of 280 validated samples.

7. Conclusion and Enhancements

Mutual Funds emerged in terms of versatility, variety, diversification, liquidity and tax benefits. The investment opportunities can be acquired through mutual funds Investors who would restrict expertise and resources otherwise engaged because of insufficient capital and information. However, the way to make the proper selection and provide a mechanism for tracking and regulating is to make mutual funds available to solve the requirements of investors. In Chennai, the mutual fund industry is at a steadily growing stage and it is incorporating a higher figure of latest funds every year.

Research has found from the study that investors might or might not feel confident about investing in mutual fund as they think the mutual fund is unsafe than the other possibility of assets. The investors' most preference is the bank deposit, as they assume it is the safest and guaranteed return. Mutual funds are linked to the capital market and investors don't take advice on investing in mutual funds on a larger scale unless with proper introspection. There are a number of problems facing investors in choosing a mutual fund as an investment option as the equity market is extremely uncertain and the associated risk so investors think of various aspects and tend to carefully choose investing in mutual funds or they simply don’t invest in all its a go big or go home kind of take in this situation.

The study shows how appealing the mutual funds are to an investor, and the explanation for investing in mutual funds is the basis for the researcher's personal observation, the following suggestions have made changes in people's mindsets about mutual funds as an investment avenue.

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