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# Mutual Fund Investor Preference and its Performance

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**Abstract:** Investors in general have appetite to invest in that instrument which may generate maximum return with minimum risk. Mutual fund are aforesaid to be the most effective channels for mobilizing the funds of the tiny investors and contribute considerably to the capital markets. The present study is to highlight the level of interest, awareness, risk tolerance and preferences of investors towards mutual funds. The study also attempts to identify the attitudes of the investors regarding the quantum of risk and expectancy of return towards the schemes of mutual fund. A comparative study of select mutual fund schemes is also made. The study helps to know the role of investment pattern and preferences of investors behind finance in investment firm.

**Keywords:** Mutual funds, Investors preference, Performance evaluation.

## I. INTRODUCTION

The Investment purposes are varies from many investors. Many investors are prefer capital appreciation, some investors are interest in getting tax concessions and other investors try to take the risks like this. Mutual Fund is a collection of money from varies investors to pool their money for the purpose of investment in securities like share, bond, money market and etc., and generates the returns and passes back to the investors. The combined holding of the mutual fund are known as portfolio. Mutual funds are a popular choice among investors because they generally offer the following features such as professional management, diversification, affordability, liquidity. Even though it has this types of features it is not popular among rural and semi urban investors. Most mutual funds constitute one in all four main classes – securities industry funds, bond funds, stock funds, and target date funds. Each type has different features, risks, and rewards. Mutual funds supply skilled investment management and potential diversification. They also offer three ways to earn money. They are dividend payments, capital gains distribution, increased NAV. Investors get investment firm shares from the fund itself or through a broker for the fund, rather than from other investors. The price that investors get hold of the investment firm is that the funds per share internet quality price and any fees charged at the time of purchase, such as sales loads. Mutual fund shares square measure “redeemable,” meaning investors can sell the shares back to the fund at any time. The fund typically should send you the payment among seven days. Before shopping for shares during a investment firm, read the prospectus carefully. The prospectus contains information regarding the mutual fund’s investment objectives, risks, performance, and expenses.

### A. Background of the Study

Binod kumar singh in Jan 2011 publish an article in the title of “A Study on Investors Attitude towards Mutual Funds as an Investment Option”

In this paper, structure of investment firm, operations of mutual fund, comparison between investment in mutual fund and bank and calculation of NAV etc. have been considered. In this paper, the impacts of various demographic factors on investors’ attitude towards mutual fund have been studied.

Vanipriya, Dr. D. venkatamaraju has analyze the Investor’s preference towards mutual fund-A comparative study on private and public sector mutual fund investment in Chennai city Indian Journal of Applied Research, Vol.III, Issue.IX September 2013

The study is about plethora of schemes provides variety of options to suit the individual objectives whatever their age, financial position, risk tolerance and return expectations. The study initially tests whether or not there's any relation between demographic profiles. The study helps to know the role of investment pattern and preferences of investors behind finance in investment firm.

V. Rathnamani publish an article in the title of “Investor’s Preferences towards Mutual Fund Industry in Trichy”

In this study, Mutual fund are said to be the best channels for mobilizing the funds of the small investors and contribute significantly to the capital markets. The present study explains briefly about the mutual fund industry, The study also helps to understand the role of investment pattern and preferences of investors behind investing in mutual fund

Jay R. Joshi publish a research paper in the title of Mutual Funds: An investment option from investors' point of view

The main focus of the study is to know investor's view about the investment preference and motivational factors, especially for mutual funds. The study will try to identify the consumers' preference for various mutual funds and the main reasons for investment in mutual fund schemes. The study will also try to investigate various factors that investor is thinking before selecting a mutual fund company. Overall, the study is focusing on the behavior of individual investors

Dr S.M.Tariq Zafar; Dr Adeel Maqbool; S.M.Khalid in 2013 publish a journal paper in the title of "A Strategic Study on Investors Preference of Mutual Fund in INDIA"

In this study, Investors in general have appetite to invest in that instrument which may generate maximum return with minimum risk. To avail the advantage of economic process sizable amount of hybrid monetary product came into existence and investment firm is one in all them. Thus within the light-weight of those ever-growing developments a careful analysis of the investment firm

Dr.Shantanu Mehta, Charmi Shah are analysis the Preference of Investors for Indian Mutual Funds and its Performance Evaluation

In this study, Mutual funds have opened new vistas to millions of small investors by virtually taking investment to their doorstep. In India, a little capitalist usually goes for such reasonably data, which do not provide hedge against inflation and often have negative real returns. He finds himself to be associate odd man go into the investment game. Mutual funds have come back, as a far required facilitate to those investors.

Prashanta Athma, Raj Kumar are analyze the Selection of Mutual Fund Schemes: An Analysis of Investors Preferences

This study is undertaken to analyze the socio-economic conditions of the Mutual Fund investors, their perceptions relating to the Fund Related Qualities and Sponsor Related Qualities, and to compare the satisfaction of the Investors relating to the services of both, the Public Sector and Private Sector Mutual Funds

**B. Objectives**

The present study has following objectives;

To study about growth and current situation of mutual fund market in India.

To study the factors influencing the investor's investment purpose and pattern.

To study the sense of investors on various investment opportunities

**II. DISCUSSION AND FINDING**

**A. Clusters Of Investors Based On Elements Of Mutual Funds**

In this study, investment in the mutual funds are classified into 5 elements, via, general investment, primary investment, secondary investment, Instruments and their changes and return on investments. Based on these elements, the investors were requested to express their opinion about capital investment and the scores are taken to perform cluster analysis by k-means method. By trial and error method, it has been identified that 2 clusters are suitable for the study. The cluster classification based on the investments are presented in table 1

Table 1

Factors	Cluster of mean sources	
	1	2
General investment	3.76	4.47
Public sector mutual fund investment	3.88	4.50
Secondary investment	3.74	4.42
Instruments and their changes	3.71	4.44
Return on investments	3.66	4.47

*B. Number Of Cases In Each Cluster Of Mutual Funds*

Table 2

Clusters	Frequency
1	183.000
2	229.000
Valid	412.000
Missing	.000

The 412 samples of investors are classified into two clusters. The first cluster has 183 frequencies, in which all investors express the opinion that they moderately agree on all the elements of capital investment. The second cluster has 229 frequencies, in which the investors strongly agree with the investment in capital market. No one expressed any disagreement on mutual funds. So, it is concluded that investors awareness ranges from moderate to high.

*C. Paired Samples Statistics for the Elements of Mutual funds*

Paired t-test is exploited here to find the significant difference in the means of the different elements of mutual funds. The mean Scores of the elements of mutual funds for comparison are presented in table 3

Table 3

Pair	Variables	Mean	N	Standard Deviation	Standard Error Mean
Pair 1	General investment	4.1552	412	.48908	.01704
	Public sector mutual funds investment	4.2266	412	.50512	.01760
Pair 2	General investment	4.1552	412	.58644	.01704
	Private sector mutual funds investment	4.1210	412	.48908	.02043
Pair 3	General investment	4.1552	412	.48908	.01704
	Changes and their instruments	4.1141	412	.55972	.01950
Pair 4	General investment	4.1552	412	.48908	.01704
	Return on investment	4.1138	412	.54601	.01902
Pair 5	Public sector mutual funds investment	4.2266	412	.50512	.01760
	Private sector mutual funds investment	4.1210	412	.58644	.02043
Pair 6	Public sector mutual funds investment	4.2266	412	.50512	.01760
	Changes and their instruments	4.1141	412	.55972	.01950
Pair 7	Public sector mutual funds investment	4.2266	412	.50512	.01760
	Return on investment	4.1138	412	.54601	.01902
Pair 8	Private sector mutual funds investment	4.1210	412	.58644	.02043
	Changes and their instruments	4.1138	412	.55972	.01950
Pair 9	Private sector mutual funds investment	4.4210	412	.58644	.02043
	Return on investment	4.1138	412	.54601	.01902
Pair 10	Changes and their instruments	4.1141	412	.55972	.01950
	Return on investment	4.1138	412	.54601	.01902

The above table reveals that the mean scores of elements of Mutual funds range with their respective standard errors. The relationship among the elements of mutual funds is presented in table 3

*D. Paired Samples Correlations For The Elements Of Mutual Fund*

Table 4

Pair	Variable	N	Correlation	Significant
Pair 1	General investment & Public sector mutual funds investment	412	.587	.000
Pair 2	General investment & Secondary market investment	412	.537	.000
Pair3	General investment & Change& their instrument	412	.573	.000
Pair 4	General investment & Return on investment	412	.657	.000
Pair 5	Primary & Private sector mutual funds investment	412	.451	.000
Pair 6	Primary changes and their investment	412	.479	.000
Pair 7	Primary & return on investment	412	.528	.000
Pair 8	Secondary & changes and their instrument	412	.448	.000
Pair 9	Secondary & return on investment	412	.496	.000
Pair 10	Instrument and their changes return on investment	412	.519	.000

The above table indicates that all the correlation co-efficient are significant and elements of mutual funds are deeply related among themselves in the opinion of the investors. The parametric paired sample significant t-test values are presented in table 4

*E. Paired Samples Test Values For The Elements Of Mutual Funds*

Table 5

Pair	Variable	T	Df	Significant(2-tailed)
Pair 1	General investment & Public sector mutual funds investment	4.540	413	.000
Pair 2	General investment & Secondary market investment	1.874	413	.061
Pair 3	General investment & Change and their instrument	2.414	413	.016
Pair 4	General investment & Return on investment	2.749	413	.006
Pair 5	Primary & Private sector mutual funds investment	5.176	413	.000
Pair 6	Primary & instrument and their changes	5.922	413	.000
Pair 7	Primary & return on investment	6.325	413	.000
Pair 8	Secondary & changes and their instrument	.328	413	.743
Pair 9	Secondary & return on investment	.359	413	.720
Pair 10	Instrument and their changes return on investment	.013	413	.990

The paired sample t-test values clearly indicate that, there is a significant difference between general investment and Public sector mutual funds investment (t=4.54), and the investors are confused with, the public sector mutual funds investment (mean=4.23) and then the general, investment (mean=4.16). It is also found that there is no significant difference between general investment and

Private sector mutual funds investment ( $t = 1.874$ ). This implies that the investors have found equal awareness about general capital investment and Private sector mutual funds investment. It is revealed in the analysis that there is a significant difference between general capital investment and changes in instruments

( $t=2.414$ ) and the investors possess their ideas about general investment (mean=4.15) and more changes and their instrument. Similarly, it has been

Identified that the (mean = 4.11) significant difference between general Investment and return on investments ( $t = 2.749$ ). In this pair, the investors are more aware of general investment (mean = 4.15) than ' return on investment (mean = 4.11).

The Public sector mutual funds investments are significantly different from Private sector mutual funds investments ( $t = 5.176$ ), because of change in instruments ( $t = 5.922$ ), and return on investment ( $t = 6.325$ ). Among these, urban investors are very much aware of public sector mutual funds investment (mean = 4.22), than Private sector mutual funds investment (mean = 4.12), change of instruments (mean = 4.114) and return on investments (mean = 4.113). It is also found that the investors accept equally the investment in private sector mutual funds, instruments and their changes, and return on investments. It is concluded that all the investment are important and they reflect the investment in capital market.

### III. CONCLUSION

Indian mutual fund market has now grown into a great material market with a lot of qualitative inputs and emphasis on investor protection and disclosure norms. The market has become automated, transparent and self-driven. It has integrated with global markets, with Indian companies

Seeking listing on foreign mutual funds exchange, off shore investments coming to India and foreign mutual funds floating their schemes and thus bringing expertise in to our markets. Development and reforms in this field are inevitable for the growth of our developing economy. Accordingly, a lot of financial reforms have been made, as and when required, for the welfare of the investors and the institutions. The investors of to-day are well informed than their predecessors of yesterdays. They are better informed and better treated. They want to be secure when they aspire to become rich, want to save while they are tempted to spend, want to feel the joy of pride and avoid the pain of regret. However, every agency in the mutual fund market should plan their strategies for profiting the investors in the long term. The potential investor must be properly educated and guided in a manner that more idle resources and resources invested in other avenues are diverted towards the mutual fund market.

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