



Factors Influencing Investors Preference to Mutual Funds with reference to Indiabulls securities Limited

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Abstract

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. Investing in a mutual fund can be a lot easier than buying and selling individual stocks and bonds on your own. Investors can sell their shares when they want. This paper focuses on market share of mutual fund, performance of mutual fund, future potential of mutual fund industry and emerging trends of mutual fund. The two insurance companies LIC and GIC established mutual funds. Securities Exchange Board of India (SEBI) formulated the Mutual Fund (Regulation) 1993, which for the first time established a comprehensive regulatory framework for the mutual fund industry. The maximum number was of the business-class (43%) as most of the respondents were Bank's customers. 19% were students and 11% of service category as the research was also done in college campus. 14% and 13% being Retired and professionals respectively, as it was an open market operation in High Court area. Hence, most of the professionals are Lawyers and Doctors.

Keywords: Mutual Fund, Market Share, Investors, Open Market Operations.

I. Introduction

Mutual Fund is a body corporate registered with the Securities and Exchange Board of India (SEBI) that pools up the money from individual/corporate investors and invests the same on behalf of the investors/unit holders, in equity shares, Government securities, Bonds, Call Money Markets etc, and distributes the profits. In the other words, a Mutual Fund allows investors to indirectly take a position in a basket of assets. Mutual Fund is a mechanism for pooling the resources by issuing units to the investors and investing funds in securities in accordance with objectives as disclosed in offer document. Investments in securities are spread among a wide cross-section of industries and sectors thus the risk is reduced. Diversification reduces the risk because all stocks may not move in the same direction in the same proportion at same time. Investors of mutual funds are known as unit holders. The investors in proportion to their investments share the profits of losses. The mutual funds normally come out with a number of schemes with different investment objectives which are launched from time to time. A Mutual Fund is required to be registered with Securities Exchange Board of India (SEBI) which regulates securities markets before it can collect funds from the public.

The Indian Mutual Fund has passed through three phases. The first phase was between 1964 and 1987 and the only player was the Unit Trust of India, which had total assets of Rs. 6700 crores at the end of 1988. The second phase is between 1987 and 1993 in which period 8 funds were established (6 by banks and one each by LIC and GIC). The total assets under management had grown to rs. 61028 crores at the end of 1994 and the number of schemes were 167. The third phase began with the entry of private and foreign sectors in the Mutual fund industry in 1993. Kothari Pioneer Mutual Fund was the first fund to be established the private sector in association with a foreign fund.

II. Review of literature

Y. Maheswari (2020) In India capital market blesses with an assortment of venture options in contrast to the investors, to help them to put resources into various venture apparatuses and to make certain the productive return. Alongside different range financial items, mutual fund ensures the greatest return and least dangers to the financial specialists. Improvement of different mutual fund schemes in the Indian capital market has end up being one of the most reactant venture road in producing noteworthy speculation development. The Asset the executives' organizations are taking overwhelming part in financial related abundance and they advance speculation practice among the investors at present there are 44 Asset Management Companies (AMCs) contain the mutual fund industry. In this unique circumstance, close observing and execution assessment of mutual funds has gotten progressively fundamental. This Mutual fund industry has seen brilliant development in recent years. This investigation is planned for assessing execution of mutual funds and furthermore to reviewing the job of advantage the management companies in reference to public and private sector. The primary goal of this investigation work is to contemplate money related execution of selected mutual fund schemes through the factual parameters, for example, (beta, standard deviation, treynor's measure, Sharpe ratio). The findings of this study will supportive to investors for their investment choices in future.

Deepak Adhana (2020) The present paper is based on the study of comparing and analyzing the equity fund schemes in respect of bare risk and return. Further the paper compares and analyzes the mutual fund schemes in respect of bare risk and return. The research also studies the average risk and average return of selected companies of Mutual Funds as well as of Equity Shares. The paper in the end, studies the relationship between the risk and return of Equity Shares and Mutual Funds.

PrateekKhanna (2020) Mutual fund industry has experienced a drastic growth within the past twenty years. Increase within the number of schemes with increased mobilization of funds in the past few years provide benefits to the importance of Indian mutual funds industry. To satisfy the expectations of many retail investors, the mutual funds are required to function as successful institutional investors. Proper assessment of varied fund performance and their comparison with other funds helps retail investors for creating investment decisions. This paper examines the performance of mutual fund schemes ranked 1 by CRISIL and compares these returns with SBI domestic term deposit rates. While considering the interest of retail investors simple statistical techniques like averages and rate of returns are used. The results obtained from the study clearly depicts that, in most of the cases the mutual fund schemes have failed even to supply the return of SBI domestic term deposits.

GuruprasadMuthusehan (2020) In this study, an attempt is made to understand the Performance and Preference of the Mutual funds products/services in India and analyzed it from the Marketing and Finance perspective. Hence, the research analysis consists of tools and techniques of marketing



research to understand the customer preference and financial analysis to understand the various Mutual Funds Performance. The study from the survey found that the awareness of the Mutual funds has increase over a period of time. This is also confirmed by the progress of the industry overall and emergence of number of schemes. The people who influence the investors in investing in mutual funds are agents, relatives and people.

Muhammad SaliMaheen (2021) the purpose of this paper is to examine the widely believed beating capacity of actively managed funds during the market downturn. This popular hypothesis has been tested with the performance of Indian Equity Mutual Funds during the pandemic period. The conditional alphas are estimated using lagged instrumental variables with the fixed effect/LSDV estimator and the sys-GMM estimator in contrast to the OLS estimation from a sample of 1271 schemes for 5 months from 1st March 2020 to 31st July 2020. The study's findings indicate that the actively managed Indian mutual fund co-moves with the market and does not possess the ability to beat the market. The major implication comes from the application of fixed effect and GMM estimators for the performance evaluation of Indian Mutual Funds' during the crisis period, and it serves the investors in deciding the profitable investment opportunities.

Sachin Kumar Rohatgi (2020) Investment is necessary for saving and mutual fund can be treated as a vehicle of investment which is liked by all the ages of investors who want to take a ride on it. For doing so, they contribute in this vehicle depending on their risk and return appetite. The fund is invested in the vehicle is driven, controlled and managed by a fund manager. This investment fund uses capital market, money market and debt market to park its funds and get a return on the same. This investment opportunity is best suited for the investor's class who wants a more diversified investment portfolio. In the modern times mutual fund is a big industry in which many private players are coming and trying to capture the growth. There are many schemes launched by the private players which are creating super normal growth for its investors. The various options in the mutual funds schemes have increased their acceptance to a large investor base. Therefore, it is imperative to identify and select those schemes of mutual fund which are best in the lot and can offer better returns to the investors. This research paper has put an effort on validating the selection techniques of mutual fund in India on the basis of return and risk frontier. Paper discussed the basis of selection of all mutual fund schemes based upon highest net asset and ranking. The ranking of these mutual fund schemes is validated by calculating the monthly returns of the funds. Researchers considered data from different sources like yahoo finance, value research online, RBI, NSE etc for this study. After this study, researchers will try to help the investors to identify and select the mutual fund schemes carefully in their portfolio as all the mutual fund schemes even if they are on higher ranking may not perform well in the short run. This will help the investors in maximizing their returns.

M. Blair Vorsatz (2020) we present a comprehensive analysis of the performance and flows of U.S. actively-managed equity mutual funds during the COVID-19 crisis of 2020. We find that most active funds underperform passive benchmarks during the crisis, contradicting a popular hypothesis. Funds with high sustainability ratings perform well, as do funds with high star ratings. Fund out flows surpass pre-crisis trends, but not dramatically. Investors favor funds that apply exclusion criteria and funds with high sustainability ratings, especially environmental ones. Our finding that investors remain focused on sustainability during this major crisis suggests they view sustainability as a necessity rather than a luxury good.

SharazSaleem (2021) This paper aimed to provide empirical evidence on the behavior of the investor toward mutual funds by considering its relationship with risk perception (RP), return perception (Return P), investment criteria (IC), mutual fund awareness (MFA), and financial literacy (FL). Data were collected using a questionnaire from 500 mutual fund investors, from

which 460 questionnaires were used for the analysis. In addition, the snowball sampling technique was used to collect data from different cities in Pakistan. The result showed that RP, Return P, and MFA are insignificant and negatively affect the behavior of mutual fund investors. Investment criteria have a negative and significant effect on the behavior of mutual fund investors. Financial literacy has a positive and insignificant effect on the behavior of mutual fund investors. The results provide better information and guidance to investors and policymakers on the factors that affect the behavior of mutual fund investors.

Ahmed K Elnagar (2020) The purpose of this paper is to compare the performance of prominent multi capital and large capital funds. We examine the performance of 10 prominent funds under both the selected categories has been analyzed during the period of study from 2013 to 2018. Their performance has also been compared against the two most diversified benchmark indices of India such as BSE 200 and Nifty 500. We have also attempted to find out whether there is any considerable difference in the performance of the two categories of funds or not. To do so, we employ a One-way Analysis of Variance (ANOVA) for the comparison of mutual funds as an econometric methodology for a period of study from 2013 to 2018 for a sample of 20 Indian mutual funds. From the empirical findings, we find that the mutual fund schemes under both the categories such as Multi Capital Funds and Large Cap Funds have generated good returns over the period and that too with reasonable risk. Therefore, it is very safe to conclude that they are a good investment option for an investor. In terms of the performance of these mutual funds, the average monthly returns generated by the funds in each category are numerically different, but this difference has not been found statistically significant. At the same time, there is no significant difference between these funds and NIFTY 500 as well as these funds and BSE 200 in terms of their returns.

ReshmaRaju (2020) Investment is done with the motive of earning a regular return, risk-free. In our country, a number of investment measures can be seen ranging from insurance policies to shares or debentures. The type of investment chosen depends upon the income level and the risk taking ability of the investor. Mutual Funds are an emerging mode of investment with great potential as it's got diverging investing modes with regular return and minimized risk. But the awareness level it has with respect to the citizens of our country is really low. The vague knowledge on the same has forced many to stay away or even opt out from such mode of investment.

This study has been adopted with the aim to study the awareness level mutual funds have among the investing population in India and to suggest better remedies to familiarize them among the population.

III. Need for the study

- The project's idea is to project Mutual Fund as a better avenue for investment on a long-term or short-term basis.
- Further Mutual Funds are perceived as productive package for a lay-investor with limited finances, thus this project intends to create awareness to mutual Fund investors.
- Mutual Funds are "Unit Trust" as it is called in some parts of the world has a long and successful history, of late Mutual Funds have become a hot favorite of millions of people all over the world.
- The driving force of Mutual Funds is the 'safety of the principal' guaranteed, plus the added advantage of capital appreciation together with the income earned in the form of interest or dividend.
- Mutual Funds schemes are managed by respective asset managed companies sponsored by financial institutions, banks, private companies or international firms.



IV. Scope of the study

- The study is conducted in India Bulls Finance Company Private limited located in Hyderabad.
- The study covers the randomly selected three companies' growth funds for the period of four years.
- The study here has been limited to analyze open-ended equity schemes of different Asset Management Companies.
- The AMCs SBI, UTI Franklin and ICICI each scheme is analyzed according to its performance against the other, based on factors.

V. Objectives of the study

- To understand the recent trends in Mutual Funds industry.
- To analyze the risk and returns analysis of selected mutual funds
- To help an investor make a right choice of investment, while considering the statistical view of the funds.
- To construct optimal portfolio of selected mutual funds.

VI. Research methodology

My research project has a specified framework for collecting the data in an effective manner. Such framework is called "RESEARCH DESIGN". The problem at hand was to study and measure the awareness level of people regarding mutual funds in the city.

SOURCES OF DATA

Data we collected based on two sources.

- (i) Primary Data: Direct collection of data from the source of information, technology including personal interviewing, survey etc.

VII. Limitations Of the Study

- The study is limited to four years only.
- Information is restricted to India Bulls Finance Private Limited only.
- The study here has been limited to analyze open-ended equity schemes of different Asset Management Companies namely Reliance Capital, Franklin Templeton, HDFC Mutual Fund.

VIII. Empirical Results

In this section the representative Data analysis performed on the collected data and the results of the analysis are presented at length.

a. Which factor influence you most to invest through India Bulls

FACTORS	PERCENTAGE
Bank Services	20%
Safety	42%
Word Of Mouth	14%
Advertisement	6%
Past Experience	18%

Table No: 1.1 Factors influencing to invest through India Bulls

Source:

Author's

Compilation

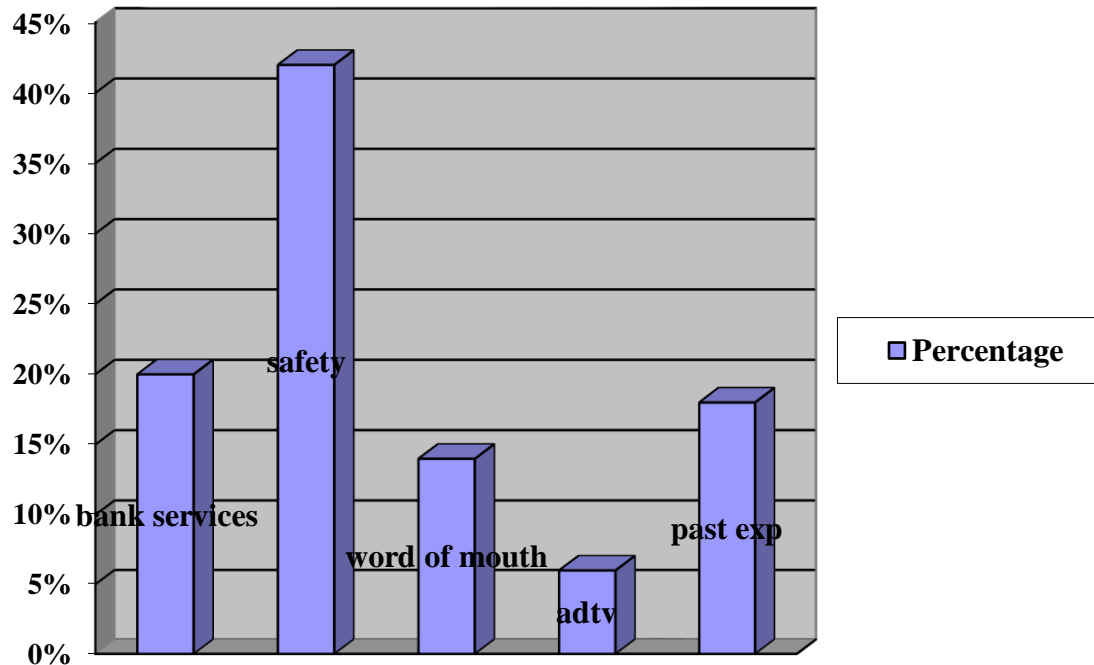


Figure: 1.1.a Factors influence to invest through India Bulls

Source: Author's Compilation

When asked what element influences the most when investing in mutual funds through India Bulls, safety is given a high priority. 42% of investors prefer safety. Bank services account for 20%, previous experience accounts for 18%, word of mouth accounts for 14%, and advertising accounts for 6%. Out of the respondents 80% are extremely satisfied with the services offered by India Bulls 10% are satisfied to lesser extent, 5% are extremely dissatisfied. The maximum number was of the business-class (43%) as most of the respondents were Bank's customers. 19% were students and 11% of service category as the research was also done in college campus. Annual income analysis resulted that 38% of the respondents were of income group between Rs.2-3 Lakhs, 35% of the respondents were of the income group between Rs.1-2 Lakhs, 17% of the respondents were of the income group above Rs.3 Lakhs and 10% of the respondents were of the income group of less than Rs.1Lakh.

Savings analysis of the respondents resulted that around 33%, save Rs.25-30,000 annually. Individuals who save between Rs.50,000-1,00,000 are about 30% and those who save above Rs.1,00,000 are about 25%. The least category being of the respondents, who save below Rs.25,000 annually. Most of the individuals i.e., about 80% are of the opinion that Mutual Fund is a good investment option as it is less risky, and the rest i.e., 20% think that investing in Mutual Funds is as speculative as that of Stock Market.

From the analysis that 39% of the respondents prefer to invest in the various schemes of Mutual Funds, of Franklin Templeton, such as Flexi-Cap, Prima Fund, Prima Plus, etc., as it offers a higher

rate of returns compared to the other companies. The other companies and the various schemes where the investors prefer to invest their funds are:

- State Bank of India (SBI): Magnum Fund, Blue Chip Fund
- HDFC: Tax Savings, Top 200 Fund, Equity Fund
- Birla: Top 100 Fund, Infrastructure Fund
- Reliance: Equity Fund, Growth Fund
- UTI: Leadership Equity Fund, Contra Fund.

Further from the analysis 45% would prefer to invest in,

- Insurance sector, as it is giving triple benefits i.e., insurance coverage, tax benefits and investment option.
- The next preference i.e., 20% is given to real estates because of capital appreciation.
- Fixed deposit is the next preferred avenue (i.e., 12%), as it offers fixed returns and tax rebates (which is introduced in new budget).
- Stock market was given the next preference i.e., 15%, as it is highly speculative though it also offers high returns.
- The least preference is given to mutual funds i.e., 8%.

From the analysis performed it can be concluded that Real Estate and Fixed Deposits were ranked 1st two times, parameters being Good Rate of Return and Capital Appreciation for Real Estate, and Liquidity and Safety of Schemes for Fixed Deposits. Insurance was for ranked 1st on the basis of tax benefit. Mutual Fund is the next preferred scheme on the basis of Rate of Return, Liquidity and Tax Benefit.

IX. Findings, Suggestions and Conclusion

Findings

- When asked that what factor affect most while investing in Mutual Funds through India Bulls than wide preference is given to safety. 42% investors choose safety. 20% bank services, 18% past experience, 14% word of mouth and 6% advertisement.
- Out of the respondents 80% are extremely satisfied with the services offered by India Bulls 10% are satisfied to lesser extent, 5% are extremely dissatisfied.
- From the above, it can be seen that the respondents were of different occupations. The maximum number was of the business-class (43%) as most of the respondents were Bank's customers. 19% were students and 11% of service category as the research was also done in college campus. 14% and 13% being Retired and professionals respectively, as it was an open market operation in High Court area. Hence, most of the professionals are Lawyers and Doctors.
- The above graph reveals that 38% of the respondents were of income group between Rs.2-3 Lakhs, 35% of the respondents were of the income group between Rs.1-2 Lakhs, 17% of the respondents were of the income group above Rs.3 Lakhs and 10% of the respondents were of the income group of less than Rs.1Lakh.
- From the above, it can be seen that most of the respondents i.e. around 33%, save Rs.25-30,000 annually. Individuals who save between Rs.50, 000-1, 00,000 are about 30% and those who save above Rs.1, 00,000 are about 25%. The least category being of the respondents, who save below Rs.25, 000 annually.

Suggestions

- There should be given more time & concentration on the Tier-3 distributors.
- The resolution of the queries should be fast enough to satisfy the distributors



- Time to time presentation/training classes about the products should be there.
- There should be more number of Relationship Managers in different Regions because one RM can handle a maximum of 125 distributors efficiently and also to cover untapped market.
- Regular activities like canopy should be done so as to get more interaction with the distributors.
- Regular session should be organized on the handling of the India Bulls software so as to resolve the account statement problem.

Conclusion

To get an insight knowledge about mutual funds. Understanding the different ratios & portfolios so as to tell the distributors about these terms, by this, managing the relationship with the distributors. To know the mutual funds performance levels in the present market. To analyze the comparative study between other leading mutual funds in the present market. To know the awareness of mutual funds among different groups of investors. To evaluate consumer feedback on mutual funds. Complete insight knowledge about the mutual funds was mentioned in the project. Different ratios with complete graphical representation were explained in the project

To know the performance levels of the project I have done the comparative analysis of the project using the four major leading mutual fund companies using different parameters. To know the consumer awareness I have done the survey using different customers so as to analyze the views about the mutual funds and perception of the customer in the present scenario. To evaluate the ways and means to improve India Bulls.

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