

A study of Investment Preferences of Individual Investors towards Mutual Funds with reference to Kolhapur City

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Abstract: Indian economy has been rapidly changing since last two decades and with the development of the economy earning capacity of the people has increased. So people are investing their money for their future obligations. Since 1991 Indian capital market has developed tremendously and provides variety of investment options to the investors. There are various investment options available to individual investors like bank fixed deposits, post office schemes, government bonds, debentures, life insurance, shares, mutual funds, real estate, precious metals, commodity market and currency. Single investment option does not suffice the investment motives of the investors because there are various risks associated with each investment avenues. Among the available investment avenues, mutual fund is the best option of investment because it is less risky and gives professionally managed funds at a minimum cost. The main focus of the study is to know the awareness, preferences & motives of mutual fund investors. For the purpose of the study primary data was collected from 100 respondents. Samples were selected on the basis of non probability convenient sampling method. The findings of the study shows majority of the investors are aware about mutual funds and they become aware through internet, television & financial advisor. The data further reveals that investors' shows positive approach for investment in mutual funds and they invest through systematic investment plan for the purpose of diversification and hedge against inflation. Present study will be useful for asset management companies, brokers, academicians and investors.

Keywords — Awareness, Financial Assets, Individual Investors, Investment, Preferences, Mutual funds, Objectives, Savings

I. INTRODUCTION

Every person tries to save or invest money for his/her future obligations; it may be higher education, marriage, buy a new house, buy a new car, child education or retirement. So he/she has to invest money in various investment options. With the rapid changing technology, there are various sources of awareness for the investors to get the required information for investment. In today's competitive edge, various investment options are available to the individual investors. Each investment avenue has advantages & disadvantages. Investor tries to balance the benefits & shortcomings of different investment avenues before investing in them. Among various investment avenues mutual fund is the most favorable investment option of common investor because it gives better returns as compared to other investment options at a lesser cost. Mutual funds give an opportunity to the individual investor to invest his/her money in diversified portfolio with professionally managed funds. Present study tries to study

the awareness & preferences of mutual fund investors. The study will be helpful for the asset management companies, brokers, investors & academicians.

II. LITERATURE REVIEW

Y Prabhavathi and N T Krishna Kishore (2013) in their research entitled 'Investors preferences towards Mutual Fund and Future Investments: A Case study of India carried out in three different areas concluded that open ended scheme & equity fund scheme is mostly preferred by investors. Investors also prefer SIP as mode of investment for better returns. In terms of future investment the study shows that investor prefer gold as an investment option following shares, real estate and then mutual funds.

Priti Mane (2016) The researcher carried out the study with the aim to know the investors view towards mutual fund, awareness of mutual fund and to know the preference of investors towards investment. The data was collected from primary sources using questionnaire method. The study shows that investor mostly rely on bank deposit rather than mutual fund as investment in mutual fund is risky than

other investment option. The awareness level of mutual fund various schemes among the investors is very low due to less knowledge of mutual fund which prevent them to invest in mutual fund to avoid risk.

Dr. N. M. Vechalekar and Gauri Prabhu (2013) conducted a survey in Pune city to study the perception of Indian investor and to determine the awareness level of investor towards mutual funds. This research concludes that investors prefer mutual fund as an investment avenue as they are totally aware about the benefits of investing in mutual fund. The study shows that investors are giving more importance to higher return, less risk and reputation of the company before investing in any mutual fund. Most of the investors find relevance in investing diversified mutual fund scheme and diversified factor of mutual fund attracts mostly to the investor for investing in mutual fund. The study concludes that investors are aware about the monthly income plan of mutual funds and preferred reason to invest in mutual funds is the consistent returns on investment.

Ms. Avani Shah and Dr. Narayan Baser (2012) conducted a survey in Ahmadabad city with an objective of study the investor's preference in selection of mutual funds. Researcher has taken two variables i. e. age and occupation and tried to find the impact of these two variables on investors preference towards mutual funds. The study concludes that occupation is a variable that affect the investors preference but age does not play any vital role while investing in mutual funds.

Soumyasaha and Munmun Day (2011) carried out the survey on "Analysis of Factors affecting investors perception of Mutual fund investment". Researcher had focused on investors expectation with respect to various investment alternatives available to the investors. The study finds that the mutual fund is very popular means of investment option & it meets the investors expectations.

Dr. Ravi Vyas, The study was conducted in Indore city on investor's behavior & perception towards mutual funds. The study shows the results that investors were not so much aware towards mutual funds & they prefer to invest in bank FD's, post office deposits. Very few investors invest in mutual funds for the duration of 3 years. Investors consider risk factor while investing in mutual funds & they prefer to invest through SIP.

Dr. Shantanu Mehta, Charmi Shah, the study was conducted in Ahmedabad & Baroda City on 100 educated investors. Study finds that various factors influence the behavior of the investor while investing in mutual funds. Most of the investors of Ahmedabad city prefers to invest in mutual funds.

III. OBJECTIVES OF THE STUDY

1. To study the awareness of investors towards mutual funds.
2. To study the sources of awareness of investors towards mutual funds.

3. To study the investment objectives of investors.
4. To study the investment preferences of investors towards various mutual funds.

IV. RESEARCH METHODOLOGY

Research Design

This research is primarily a descriptive in nature & quantitative in approach.

Data Collection

Primary data was collected with the help of structured schedule designed for the study & secondary data was collected with the help of Journals, websites, research papers & magazines.

Sampling Plan

Universe: Investors above 18 years of age.

Targeted Population: Retail Investors (Individual Investors)

Sampling Unit: Individual Investors investing in mutual funds

Sampling Method: Non Probability Convenient Sampling Method

Sample Size: 100

Sampling Area: Kolhapur

V. DATA ANALYSIS & INTERPRETATION

Collected data is classified, tabulated & analyzed with the help of statistical tools & its findings have been presented in systematic manner.

Table No. 1: Distribution of respondents on the basis of their age

Gender	Respondents	Percentage
Male	74	74
Female	26	26
Total	100	100

Interpretation: It is found that 70% respondents are male & rest 30% respondents are female.

Table No. 2: Distribution of respondents on the basis of their Marital Status

Marital Status	Respondents	Percentage
Married	82	82
Unmarried	18	18
Total	100	100

Interpretation: It is found that 80% respondents are married & rest 20% respondents are Unmarried.

Table No. 3: Distribution of respondents on the basis of their age

Age	Respondents	Percentage
18 yrs – 30 yrs	34	34
30 yrs – 45 yrs	47	47

45 yrs – 60 yrs	16	16
60 yrs & above	03	03
Total	100	100

Interpretation: It is observed that majority of the investors i. e. 47% belongs to the age group of 30 yrs – 45 yrs, 34% respondents belongs to the age group of 18 yrs – 30 yrs.

Table No. 4: Distribution of respondents on the basis of their Educational Qualification

Education	Respondents	Percentage
SSC	02	02
HSC	05	05
Graduate	46	46
Post Graduate	37	37
Professional	9	9
Other	01	01
Total	100	100

Interpretation: It is found that 46% respondents are graduates & 37% respondents are having qualification of Post graduate.

Table No. 5: Distribution of respondents on the basis of their Occupation

Occupation	Respondents	Percentage
Businessman	18	18
Govt. Servant	30	30
Pvt. Sector Service	36	36
Farmer	02	02
Professional	09	09
Other	05	05
Total	100	100

Interpretation: It is observed that 36% respondents belong to Pvt. Sector Employees whereas 30% respondents are Govt. Employees.

Table No. 6: Distribution of respondents on the basis of their Income

Income	Respondents	Percentage
Below Rs. 1,00,000/-	01	01
Rs. 1,00,001/- to Rs. 3,00,000/-	34	34
Rs. 3,00,001/- to Rs. 5,00,000/-	42	42
Rs. 5,00,001/- to Rs. 7,00,000/-	11	11
Rs. 7,00,001/- to Rs. 10,00,000/-	07	07
Rs. 10,00,001/- & Above	05	05
Total	100	100

Interpretation: It is observed that 42% respondents belong to Income group of Rs. 3,00,001/- to Rs. 5,00,000/- whereas 34% respondents belongs to the income group of Rs. 1,00,001/- to Rs. 3,00,000/- & only 5% respondents belong to the income above Rs. 10,00,001/-.

Table No. 7: Distribution of respondents on the basis of Perception towards various investment avenues in terms of returns.

Investment Avenues	Rank
Bank Fixed Deposits	7

N.S.C./ N.S.S.	10
Post Office Schemes	9
P. F./ P. P. F.	8
Debentures/ Bonds	4
Life Insurance	6
Land/ Real Estate	1
Gold/ Diamonds	5
Mutual Funds	2
Equity Shares	3

Interpretation: It is observed that majority of the investors invest their hard earn money in real estate, mutual funds & shares respectively for getting better returns as compared to other investment avenues, whereas few investors invest their money in safe invest options like Bank FD, PF, Life Insurance etc for safety purpose.

Table No. 8: Distribution of respondents on the basis of factors consider while investment in mutual funds

Factors	Respondents	Percentage
Risk	18	18
Returns	38	38
Safety	15	15
Liquidity	08	08
Tax Benefit	20	20
Other	01	01
Total	100	100

Interpretation: It is observed that 38% respondents consider return factor while investment, 20% respondents looking for tax benefits whereas 18% respondents consider risk.

Table No. 9: Distribution of respondents on the basis of motives (Objectives) of their investment

Motives	Respondents	Percentage
Returns	36	36
Capital Appreciation	19	19
Future Obligation	08	08
Security	14	14
Tax Savings	17	17
Hedge Against Inflation	06	06
Total	100	100

Interpretation: It is found that 36% respondents invest their money for the purpose of better returns, 19% respondents invest for capital appreciation whereas 17% respondents invest their money for tax savings & only 6% respondents invest for hedge against inflation.

Table No. 10: Distribution of respondents on the basis of their Awareness towards Mutual Funds

Awareness	Respondents	Percentage
Aware	96	96
Not Aware	04	04
Total	100	100

Interpretation: It is found that 82% respondents having awareness about mutual funds & rest 18% respondents are not aware about mutual funds.

Table No. 11: Distribution of respondents on the basis of

sources of awareness towards mutual funds

Sources of Awareness	Respondents	Percentage
T. V.	22	23
Internet	28	29
News Paper	09	09
Friends	12	13
Magazines	04	04
Financial Advisor	21	22
Total	96	100

Interpretation: It is observed that 29% respondents are aware about mutual funds through internet, 22% respondents having knowledge about mutual funds with the help of financial advisor & 23% respondents are aware about mutual funds through television.

Table No. 12: Distribution of respondents on the basis of preferences of investment towards various mutual funds

Investment Preference	Respondents	Percentage
Reliance Mutual Fund	13	14
SBI Mutual Fund	24	25
ICICI Mutual Fund	17	18
Kotak Mutual Fund	11	11
UTI Mutual Fund	21	22
Franklin India Mutual Fund	07	7
Other	03	3
Total	96	100

Interpretation: It is observed that 25 % respondents invest in SBI Mutual Funds, 22% respondents invest in UTI Mutual Funds whereas 18% respondents invest in ICICI mutual fund.

Table No. 13: Distribution of respondents on the basis of preference for Mutual Fund Schemes

Mutual Fund Schemes	Respondents	Percentage
Equity Schemes	34	35
Debt Schemes	13	14
Hybrid Schemes	28	29
Tax Relief Schemes	17	18
Other	04	04
Total	96	100

Interpretation: It is found that 35% respondents prefer for equity schemes, 29% respondents prefer for Hybrid (Balance) fund whereas 18% respondents prefer for Tax Savings schemes.

Table No. 14: Distribution of respondents on the basis of preferred mode of investment in mutual funds

Mode	Respondents	Percentage
One Time	22	23
SIP	74	77
Total	96	100

Interpretation: It is found that 77% respondents select Systematic Investment plan as a mode of investment in mutual funds whereas 23% respondents preferred for one time investment in mutual funds.

VI. FINDINGS

1. Majority of the respondents are male.
2. Majority of the respondents belongs to the age group of 30 yrs to 45 yrs.
3. Most of the respondents are married.
4. Majority of the respondents having qualification of graduation & post graduation.
5. It is found that Pvt. Sector employees & Govt. employees preferred to invest in mutual funds.
6. Majority of the respondents belong to the income group of Rs. 3,00,001/- to Rs. 5,00,000/-.
7. Respondents prefer to invest their hard earn money in real estate, mutual funds & equity share for return.
8. Respondents consider return factor while investment followed by tax benefit factor.
9. Majority of the investors invest their money for the purpose of returns & capital appreciation.
10. Respondents come to know about mutual funds through internet, T. V. & financial advisor.
11. Most of the respondents prefer to invest in SBI & UTI mutual funds.
12. Majority of the responders prefers for Equity & Hybrid schemes of mutual funds.
13. 77% respondents prefer to invest in mutual fund through Systematic Investment Plan (SIP).

VII. CONCLUSION

This research is made as an attempt to find out the investment preferences, motives of investment of individual investors. As young investors having high risk taking capacity because they have lesser responsibilities & they prefer to invest in equity shares, mutual funds & ULIP Insurance plans whereas older investors invest their money in safe investment options like Bank FD, PF, Post office schemes etc. By understanding the investment preferences of individual investors of mutual funds, it will help to the Asset Management Companies to find business potential & investment pattern of the investors of Kolhapur city.

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