

Analysis of Investment Strategies of Investors towards Mutual Funds

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Abstract: Mutual fund is a collective savings scheme. Mutual funds play a prominent role in mobilizing the savings of investors and segregating the same for productive ventures in the Indian economy. In the present era people thought that mutual funds is safest mode of investment. Hence, while investing their into these funds, what kind of strategies are going to be used is play a vital role in the growth of the fund. Even mutual fund is having risk factor because where individual investor willing to invest in both debt and equity, when entire amount invested in equity its net asset value (NAV) will fluctuates according to the market swing. Therefore investor is going face different risks in their investment. Hence, the study focuses on investors strategies towards investment in mutual funds.

Keywords: Mutual funds, Investment, Strategies, Risk and return.

Introduction

Mutual fund could be a professionally managed investment fund that profit cash from several investors to get securities. These investors may also be retail or institutional in nature.

Mutual funds have advantage and disadvantage compared to direct investment in individual securities. The first advantages of mutual funds are they provided economies of scale, the next level of diversification, they supply liquidity, and that they are managed by skilled investors. On the negative aspect, investors in a very open-end investment company should pay numerous fees and expenses.

Primary structure of mutual funds embraces open-end funds, unit non depository financial institution, and closed –end funds. Exchange-traded funds (ETFs), open-end funds or unit non depository financial institution that trade on associate exchange. Mutual funds also are classified by their principal investment as market funds, bond or mounted financial gain funds, stock or equity funds, hybrid funds or alternative. Funds may additionally be categorized as index funds, which are passively managed funds that match the performance of associate index, or actively managed funds. Hedge funds don't seem to be mutual funds; hedge funds can not be sold to the overall public and are subject to totally different government laws.

An open-end investment company could be monetary intermediates that pool the savings of investors for collective investment in a very wide-ranging portfolio of securities. A fund is “mutual” as all of its returns, minus its expenses, are shared by the fund’s investors. The securities and exchange Board of Asian country (mutual fund) Regulation, 1996 defines a open-end investment company as a fund established within the type of a trust to lift cash through the sale of unit to the general public or an area of the beneath one or additional schemes for investment in securities ,including market instruments”.

According to the higher than definition, a open-end investment company in Asian country will raise resources through sale of unit to the general public. It is setup within the type of a trust beneath the Indian Trust Act. The definition has been any extended by permitting mutual funds to diversify their activities within the following areas;

- Portfolio management services.
- Management of offshore funds.
- Providing recommendation to offshore funds.
- Management of pension or provident funds.
- Management of capital funds.
- Management of cash market funds.
- Management of realty funds.

An open-end investment company is a link between the capitalist and also the exchange by mobilizing savings from the capitalist and investment them within the exchange to get come.

Thus, an open-end investment company is appreciate portfolio management services (PMS), although, each conceptually same, they totally different from one another. Portfolio management services are offered to high web price individual; taking into consideration their risk profile, their investment are managed one by one. Within the case of mutual funds, savings of tiny investors

are pooled beneath a theme and also the returns are distributed within the same proportion during which the investment are created by the investor/unit holders.

Open-end investment company could be a collective savings theme. Mutual funds play a vital role in mobilizing the savings of tiny investors and channelizing an equivalent for productive ventures within the Indian economy.

An open-end investment company could be a type of collective investment. It's pool of cash collected from numerous investors that is endowed in step with the expressed investment objective. The fund manager is that the one who invests cash in numerous kinds of securities in step with the planned objective. The portfolio of an open-end investment company set taking into thought this investment objective. Open-end investment company investors are like stockholder and that they own the fund. The financial gain earned through these investments and also the capital appreciation accomplished by them. The theme is shared by its unit holders in proportion to the quantity of units in hand by them. The worth of the investments will go up or down, dynamical the worth of the capitalist holding. Mutual funds are one amongst the most effective investment ever created as a result of they are terribly value economical and extremely simple to speculate. The investment in securities through mutual funds is unfolded across big selection of industries and sectors and therefore the danger is reduced. Diversification reduces the danger as a result of all stocks might not move within the same direction at an equivalent time. Numerous fund houses issue units to the investors in accordance with the quantum of cash endowed by them. Investors of mutual funds are referred to as unit holders.

In India an open-end investment company is needed to be registered with securities exchange board of India (SEBI) that regulates the exchange.

Review of Literature

Simran Saini; Dr Bimal anjum; Ramandeep Saini (2011) From the fast few year Indian mutual fund as gained lot of popularity. Earlier only UTI enjoyed monopoly in this industry after some of the year other player has enter the market. At the present if studies about the mutual fund investment relation to investor behaviour. It mainly concentrate on the deficiencies in working of mutual fund he take suggestion from the investor to overcome from the deficiencies the investor have wide variety of investment pattern but now a days the investor opt for portfolio managers to invest the money in mutual fund the investors get minimum assured returns.

Dr.Ravi Vyas (2012) It is a general belief that mutual fund is a retail product which is so designed for those who do not directly invest in share market because of its unpredictable and volatility nature. By the growth and return gives by market it is timed to understand and analysis investor's perception and expectation and risk return analysis. They used primary and secondary data. Mutual fund companies should come forward with full support for the investor of advisory services.

Arathy B, Aswathy A Nair, Anju Sai P, Pravitha N R (2015) The Indian mutual fund industry is growing rapidly and this is reflected in the increasing assets under management of various fund houses. It preference over retail investor it will help the MF companies to create new and innovative product on the orientation of investors equity based schemes are most preferred.

Mrs. B. Kishori (2016) In this paper researcher obtained that performance of open ended growth oriented equity schemes for the period from April 2011 to march 2015 of transaction economy. The objective of the study is to know the various factors consider by the customer the study related that is out of 30 mutual fund schemes had outperformed the bench mark return in this study evaluating the performance of researcher use many tools like sharp ratio, trainer ratio, beta, so that it gives the better idea to select mutual fund. And also helpful for the customer and the study showed that 30 sample mutual fund schemes had outperformed the benchmark return all the schemes have represented positive return's.

Bilal Pandow (2017) In this topic made on affected to the industry witnessed sufficient growth on all parameter it is for behind the developed economics and even most emerging economics of the world. The industry faces number of challenges like low penetration ratio, lack product differentiation, lack of investor awareness and ability to communicate value to customers this evaluating nature of the industry this requires the fund managers on the one hand to exhibit superior stock selectivity and market timing performance to keep the fund cost under check

Chaitra S.B, Suman Chakraborty (2017) In this topic a researcher made on affected to this assemblage of review research paper will be useful to the academic and researcher fraternity as well as asswt management company to know the investor behaviour regarding investing in mutual fund schemes to as certain the gap in the existing scholarly work and suggest future scope of research worth in the area.

R.Udhayasankar, K. Maran (2018) It was started UPI during the year 1964 with few scheme's small investor. Within a short period of time it has made huge growth in Indian small investor in this it is going to identify various factor affecting perception of investor. The finding will helpful to identify the investors interest base and factors clearly among small investor it understands the customer requirements can help to services and sustain in the long run.

Statement of the problem

Different type of scheme have been offered by the mutual fund sector, which provided various benefits depends upon schemes but at the same time investor facing the same problem like limited awareness market risk and uncertainty risk. Investors have made different strategies according to the fluctuation in the market. Hence project aims at analysis and understanding strategies of investor towards investment in mutual fund.

Objectives of the study

1. To analyze the investors awareness and perception regarding investing in mutual fund.
2. To know investment preference and knowledge level of investors.
3. To evaluate fund qualities that affects the selection of mutual fund.

Scope of the study

A big boom has been witnessed in mutual fund industry in recent times. A large number of new players have entered the market trying to gain market share in this rapidly improving market.

The study will help to know the performance of the customer which company portfolio made of investment options for getting returns and as on they prefer. The study conducted in Shivamogga district which include Shivamogga city.

Data and Methodology

Primary data is done by the survey method with the help of structured questioners. This is distributed to mutual fund investors in Shimoga city. Secondary data is collected from book, journals, and magazines, internet report and website and news paper.

Sampling includes those who are investing in mutual fund. The selection of samples not restricted to invest in one particular type of mutual fund. It includes different types and different companies. The sample are collected for the purpose of analysis the strategies used by the investors while investing in a mutual fund. The study is mainly based on primary data. Hence for the study sample size is 100 responded who are invested in mutual fund in different sector, in shimoga city. It is ensured to get the exact number of sample size is determined as per scientific method. The convenience sampling technique is used for sample collection. The data was processed with the help of computer using a standard statistical package various tabular and graphical representations were towards meaningful interpretation of the facts and figures.

Results and Discussion

Mutual funds in India provide linkage among various financial institutions operating in the money and capital markets with which the household and corporate sectors are closely linked. They mobilize personal savings and enable small and medium investors to reap benefits of their investments.

Investors having the different level of income level, dependence and proportion of investment, selection of investment sectors, risk tolerance levels hence its depending more on the investment strategies of the investors and it is differ from each individuals therefore the present study is focusing more on the strategies used by the investors in the investment of mutual fund.

Table - 1: Most preferable Investment Sector of Investors

Sectors	No. of Respondents	Percentage
Private sector	49	49
Public sector	16	16
Both	35	35
Total	100	100

(Source- Survey data)

From the above table, it can be noted that, out of 100 respondents 49% of the respondents preferred to invest in private sector and 16% of the respondents prefer to invest in public sector. The remaining 35% of the respondents preferring to invest in both private and government sector. Hence majority of the respondents prefer to invest in private sector.

Table 2: Preferred mode of Investment

Mode of Investment	No. of Respondents	Percentage
One time investment	21	21
Systematic investment plan	79	79
Total	100	100

(Source- Survey data)

With reference to table it shows the investment pattern of the investors hence out of 100 respondents 79% of the investors preferred to invest in systematic investment plan and 21% of the respondents investing in the scheme of one time investment under mutual fund. Hence majority of the respondents prefer to invest in Systematic investment plan.

Table 3: Classification on the basis of investor's awareness towards Mutual Fund

Mode of Awareness	No. of Respondents	Percentage
Advertisement	26	26
Banks	22	22
Peer group	14	14
Financial advisor	38	38
Total	100	100

(Source- Survey data)

From the table, it can be analyzed that out of 100 respondents 38% of the respondent can come to know the investment in mutual fund from financial advisor. 26% from advertisement and 22% from Bank side. The remaining 14% of the respondents from peer groups. Majority of the respondents through Financial Advisor they can come to know the Mutual Fund investment.

Table – 4: Investment in Mutual Fund is Safety and Liquidity

Mutual Fund is Safety and Liquidity	No. of Respondents	Percentage
Agree	32	32
Disagree	2	2
Strongly agree	66	66
Strongly disagree	-	-
Total	100	100

(Source- Survey data)

From the above table, it can understand that, 66% of the respondents strongly agree that investment in Mutual Fund is Safety and Liquidity. 32% of the respondents are agreed the statement, only 2% disagree the statement. Majority of the respondents strongly agreed that investment in Mutual Fund is safety and more liquidity.

Table – 5: Proportion in Investment

Proportion in Investment	Rank			Total
	1	2	3	
Only Equity	20	50	30	100
Only Debt	30	45	25	100
Equity and Debt	60	25	15	100

(Source- Survey data)

From the above table, it can be analyzed that 60% of the respondents first preference for investment in both equity and debt. Less preference for only investment in equity and average preference for investment in only debt. Majority of the respondents pattern of investment is both equity and debt.

Figure - 5: Proportion in Investment

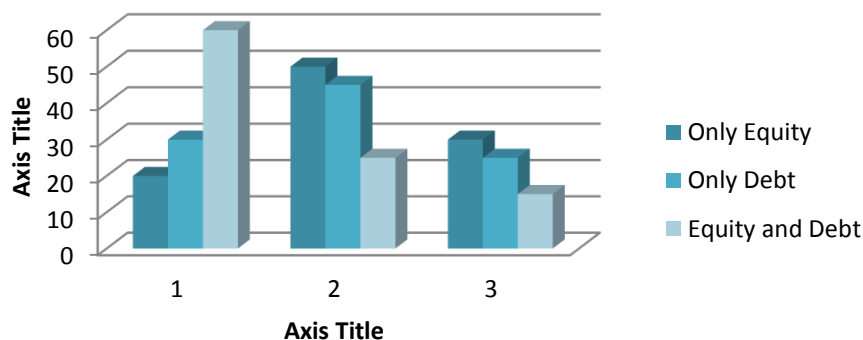


Table – 6: Look before investing in a particular Mutual Fund

Look before investing in a particular Mutual Fund	No. of Respondents	Percentage
Past performance (NAV)	44	44
Asset Management Companies (AMC)	11	11
Rating by CRICIL, ICRA, ETC)	14	14
Expert advice	31	31
Total	100	100

(Source- Survey data)

With reference to the table shows the usually investors what looks before investing in a particular mutual fund. Out of 100 respondents 44% of the respondents use to look Past performance (NAV) before investing in a particular mutual fund. 31% depends on expert advice and 14% are depends on Asset Management Companies (AMC) . The remaining 11% are depending on Rating by CRICIL, ICRA, ETC) for investment in particular mutual fund. Majority of the respondents use to depend on Past performance (NAV) before investing in a particular mutual fund.

Table – 6:: Statement: I would enjoy exploring investment opportunities for my money

Mutual Fund is Safety and Liquidity	No. of Respondents	Percentage
I strongly agree with this statement	53	53
I tend to agree with this statement	8	8
I tend to disagree with this statement	41	41
I strongly agree with this statement	0	0
Total	100	100

(Source- Survey data)

With reference to the table indicates the statement like I would enjoy exploring investment opportunities for my money hence out of 100 respondents 53% of the respondents are strongly agree with this statement. 41% are tend to disagree with this statement and only 8% of the respondents are tend to disagree with this statement. Majority of the respondents are strongly agree with this statement that I would enjoy exploring investment opportunities for my money.

Table 7: Redemption of Mutual Fund

Particulars	Redemption of Mutual Fund	Percentage
Yes	43	43
No	57	57
Total	100	100

If yes reason for the redemption

Redemption of Mutual Fund	No. of Respondents
Non performance of fund	33
Non availability of good service from co.	2
Lack of information about fund performance	1
Difficulty in monitoring fund performance	6
Total	43

(Source- Survey data)

With reference to the table shows the reasons for the redemption of the mutual fund therefore out of 100 respondents only 43 respondents redeemed their investment due to following reasons, hence out of 43 respondents 33 respondents are redeemed their investment because of non performance of fund. 2 are took back the investment due to non availability of good service from co. 1 respondent for the reason of Lack of information about fund performance. The remaining 6 respondents are redeemed due to Difficulty in monitoring fund performance. Majority of the respondents redeemed their investment in mutual fund due to non performance of the fund.

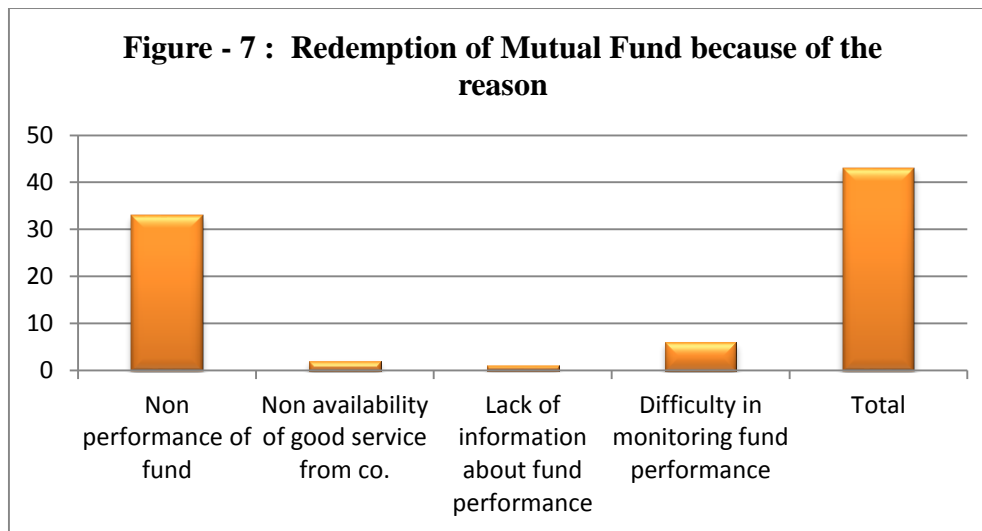


Table - 8: Reasons for investing in Mutual Fund

Reasons for investing in Mutual Fund	Rank								Total
	1	2	3	4	5	6	7	8	
It's better to invest in mutual funds rather than investing directly in share	5	10	18	10	20	17	8	12	100
They give assured and consistent return	30	17	14	10	16	08	06	04	100
They provide high return with low risk	20	23	15	13	10	06	04	09	100
Less calculation required before investing when compare to shares	25	19	16	11	08	07	09	05	100
Very simple to invest and monitor fund performance on a regular basis	05	03	08	11	19	21	06	04	100
Mutual fund provide the benefit of cheap access to expensive stocks	02	16	12	21	26	09	04	10	100
Mutual fund Diversify the risk of the investor by investing in a basket of assets	03	05	11	07	14	13	16	31	100
Professional fund manager manage it with in-depth research from investment analysis	06	07	04	08	14	09	25	27	100

(Source- Survey data)

With reference to the table shows the reasons for investing in mutual fund hence out of 100 respondents 30% of the respondents choosing mutual fund as their investment avenue because of it provides assured and consistent return. Next 20% is for the reason of high return with low risk and the lowest rank given for Mutual fund Diversify the risk of the investor by investing in a basket of assets and Professional fund manager manage it with in-depth research from investment analysis. Average investors prefer mutual fund because of following reasons less calculation required before investing when compare to shares, Very simple to invest and monitor fund performance on a regular basis and Mutual fund provide the benefit of cheap access to expensive stocks. Majority of the respondents investing in the mutual fund or they are considering mutual fund as heir investment avenue.

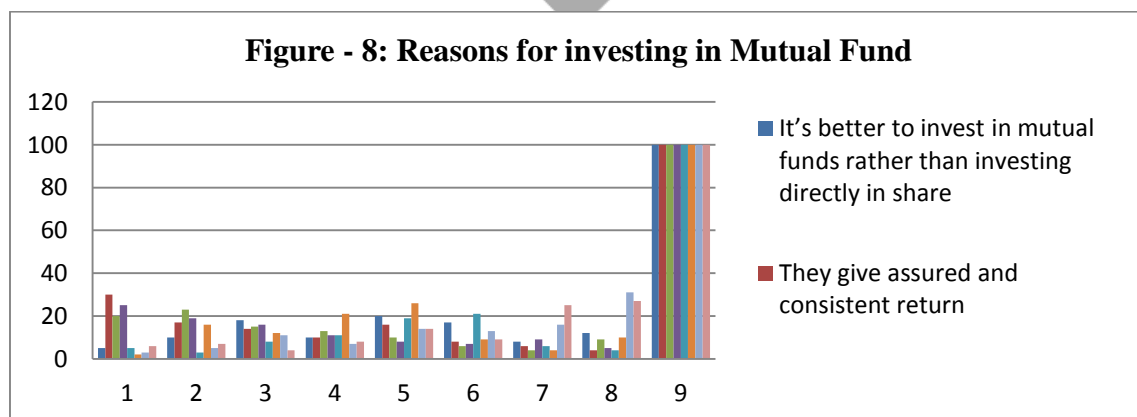


Table – 9: Risk tolerance is the relative ability to accept measurable losses in the short term in exchange for expected higher returns long term

Risk tolerance	No. of Respondents	Percentage
Very high	11	11
Moderately high	12	12
Average	51	51
Moderately low	17	17
Very low	9	9
Total	100	100

(Source- Survey data)

From the above table it can be determined the Risk tolerance is the relative ability to accept measurable losses in the short term in exchange for expected higher returns long term, 11% of the respondents can tolerate very high risk, 12% of the respondents can tolerate moderately high risk, 51% of the respondents can tolerate average risk, 17% of the respondents can tolerate moderately low risk and 9% of the respondents can tolerate very low risk. Majority of the investors can tolerate average risk in the relative ability to accept measurable losses in the short term in exchange for expected higher returns long term.

Findings of the Study

Following are the major findings from the study

- ❖ Investors prefer to invest in both private and public sector. Majority of the respondents prefer to invest in private sector.
- ❖ 79% of the respondents prefer to invest in Systematic investment plan.
- ❖ Majority of the respondents through Financial Advisor they can come to know the Mutual Fund investment.
- ❖ Majority of the respondents investment objective is long term growth
- ❖ 66% of the respondents strongly agreed that investment in Mutual Fund is safety and more liquidity.
- ❖ 53% of the respondents strongly agreed that investment in Mutual fund scheme can recover the value of the money invested from the mutual fund itself.
- ❖ 84% of the respondents strongly agreed that investment in Mutual Fund scheme can give tax benefit.
- ❖ 44% of the respondents use to depend on Past performance (NAV) before investing in a particular mutual fund.
- ❖ Majority of the respondents redeemed their investment in mutual fund due to non performance of the fund.
- ❖ Majority of the investors can tolerate average risk in the relative ability to accept measurable losses in the short term in exchange for expected higher returns long term.

Suggestions of the Study

- ❖ Investment in SIP is more comparing to one time investment. Even one time investment is also give sum assured percentage of return to the investors hence agents promote both.
- ❖ Mutual fund agencies, brokers should give proper details regarding tax benefits from Investment in mutual fund.
- ❖ Purchase or redemption of mutual fund is not only by seeing the past performance of fund. Investors should focus more on its future improvements, rate of units, Rating by CRICIL, ICRA, ETC) and expert advice before making any investment and redemptions.
- ❖ Investors should learn the concept of risk return trade off that is when there is high risk there is high return visa versa.
- ❖ Investors should not depend more on brokers for purchase and redemption matters of your investment.

Conclusion

Mutual funds now represent possibly most suitable investment opportunity for investors. As financial markets becoming more sophisticated and complex, investors need a financial intermediary who provides the required knowledge and professional expertise on successful investing in the investment avenue. The investor always tries to get maximum returns and minimum risk. Mutual fund satisfies these requirements of the investor by providing attractive returns with affordable risks. The fund industry has already taken the place like banking sector

There are some attribute of mutual fund schemes as their age, asset ratio and past performance that affect their efficiency performance. Older schemes and schemes with high asset ratio are performing inefficiently. However, mutual funds which had good performance in past are more likely to perform well in future.

The number of investors and the amount invested in mutual funds is quite low. Investors consider mutual funds as low return and high risk Investment Avenue. Its liquidity perceived as high but tax benefits and procedure understanding are low for

these. Also, investors judge mutual fund schemes for investment on the basis of their structure, size, performance, status and professional expertise.

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