

# International Journal of Advance Research in Computer Science and Management Studies

Research Article / Paper / Case Study

Available online at: [www.ijarcsms.com](http://www.ijarcsms.com)

## *Mutual Funds – MIDAS Touch*

**R Karthikeyan<sup>1</sup>**

B.Tech, MBA, M.Phil, (Ph.D)

Assistant Professor

Dept of Management Studies and Research

Karpagam University

Coimbatore – India

**R Preetha<sup>2</sup>**

MBA, M.Phil, PGDCA, (Ph.D)

Assistant Professor

Dept of Management Studies and Research

Karpagam University

Coimbatore – India

*Abstract: Mutual Fund is considered as one of the investment avenue which is more common now days. 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.*

*Keywords: Diversification, Investment Option, Capital Appreciation, Future Investments, Professional Management.*

### I. INTRODUCTION

Savings form an important part of the economy of any nation. With the savings invested in various options available to the people, the money acts as the driver for growth of the country. Indian financial scene too presents a plethora of avenues to the investors. Though certainly not the best or deepest of markets in the world, it has reasonable options for an ordinary man to invest his savings.

The money you earn is partly spent and the rest saved for meeting future expenses. Instead of keeping the savings idle you may like to use savings in order to get return on it in the future. This is called investment.

### II. MUTUAL FUNDS

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.

### III. REVIEW OF LITERATURE

#### Studies abroad

**Gupta (1994)** made a study on market and asset performance. The main objective of the study was to provide data on the investor performance on market and other financial assets. The study concluded that more appropriate to the policy makers and market design financial products.

**Malhotra and Robert (1997)** examine the preoccupation of market investors and there by how investors make use of performance evaluation. Performance evaluation was considered to be a selection criterion is misguided because of volatility of returns which may be due to superior management or just luck is difficult to determine. Findings of Ferri's and Chance (1987 and 1991) are consistent with the findings of Malhotra and Robert (1997).

**Shu, Yeh and Yamala(2002)** made a study on "The behavior of Taiwan mutual fund investor performance and fund flows. The prime objectives of the study are different patterns in buying and selling behavior of market. The data of the open end equity market from Taiwan was taken up for their study. The results showed that there is a stack difference between investors investing small amount of money and those investing large amount in mutual funds and also suggested that searching cost might be an important factor that effects investor decision. Small investor are more likely to be small house hold investor are prone to buy large mutual funds. That all well known, by large investors tend to buy small funds that might require a costly search.

**Kozup, John, Howlett, ElizabethPageno Michael (2008)** conducted a study entitled "The effect of summary information on consumer perception on market characteristics". They examine investors decision, how to best invest especially for retirement. They found that while investor continues to place much emphasis on prior performance, the provision for supplementary information and investment knowledge influence perception and evaluation of markets.

### Studies in India

**Qamae (2003)** made a study on "saving behavior and investment preferences among average urban households". A sample of 300 average urban middle class households where taken from Delhi. The aim of the study is to identify the factors influencing saving behavior and investment behavior. The study concluded that level of literacy, education achievements, occupation distribution and income play a vital role in choosing the saving and investment pattern by the market investors.

**Dake, Lorance, Upadhyay, Arun (2006)** published a work entitled "Drivers of mutual funds investment and marketing performance in a changing regulating environment". The main aim of the study was to analyze the factors that affect the demand from investors in market industry. They found that the reduction of factors would attract new investment capital leading to increase in fund size.

**GautamBharadwaj (2007)** a study entitled "How to create mass market for market" It is taken for analyzes based on the invest India incomes and saving survey 2007. In terms of money, retail investment flow in market penetration of active work force of less than 2%. If the market industry manages to mobilize the necessary effect to being the large number of potential investors for which market investment are not yet on the radar. The study could literally be the limit.

**Kurian (2008)** particularly in a continue on" The evolution of India market industry" in Mentrial, Canada, examined the competition from assured return production from government like government of India bonds, post office monthly income schemes, senior citizens savings schemes, national saving certificates etc. They concluded that the lack of awareness and knowledge about market only about eight percentages of household savings are invested in market and also revealed that investor is unwilling to undertake even minimal risk.

### IV. OBJECTIVES OF THE STUDY

1. To find out the factors that guides the choice of investment avenues for people.
2. To check the basic awareness level of people regarding mutual funds as an investment option.
3. To study the perception of people regarding mutual funds as an investment option
4. To know the saving behavior of the respondents.

### V. RESEARCH METHODOLOGY

This is a descriptive study based on the primary data collected from 126 respondents who invested in mutual funds in Coimbatore. Data was collected through online using pre-tested, structured questionnaire. The data were collected regarding factors that guide the choice of investment avenues of people, the perception of people regarding mutual funds as an investment option, etc. The article focuses on the perception of people regarding mutual funds as an investment option, the basic awareness level of people regarding mutual funds as an investment option, the saving behavior of the

respondents. Non probability sampling was used for the study and the sample selected was to the convenience of the researcher. Percentage analysis, correlation is used to find out the degree of relationship existing among two variables, chi-square is used by the researcher to analyze significant association between two variables, the one way ANOVA is used by the researcher to analyze the significant difference between groups and within groups.

### REASONS FOR INVESTMENTS IN MUTUAL FUNDS

TABLE - 1

	Fre que ncy	Perce ntage
Best returns when compared to other avenues	34	27.0
Professional management	22	17.5
Consistency of steady returns	12	9.5
Tradeoff between risk and return	1	.8
Diversification	3	2.4
Liquidity	4	3.2
Tax benefits/ implications	50	39.7
<b>Total</b>	126	100.0

### INTERPRETATION

Out of 126 respondents 39.7% of them invested their money in mutual funds because of tax benefits and implications, 27% of respondents invested in mutual funds because of the best returns compared to other avenues. 17.5% of respondents invested in mutual funds because it had more professional management compared to other investment avenues.

### PERCENTAGE OF INCOME INVESTED IN MUTUAL FUNDS

TABLE - 2

	Fre qu ency	Per centa ge
Less than 10%	36	28.6
11-20%	68	54.0
21-30%	16	12.7
31-40%	5	4.0
Above 40%	1	.8
<b>Total</b>	126	100. 0

### INTERPRETATION

Out of 126 respondents, 54% of the respondents invested 11 to 20% of their income in mutual funds, another 28.6% of respondents invested less than 10% of their income in various mutual funds. There were few respondents who invested 21 to 30% of their income in mutual funds, which is 12.7% and four percent of respondents invested 31 to 40% of their income.

### RELATIONSHIP BETWEEN RISK AND CHANGES OF FUTURE INVESTMENTS IN MUTUAL FUNDS

TABLE - 3

**Null hypothesis H0:** There is no significant association between risk and changes of future investments in mutual funds.

**Alternative hypothesis H1:** There is significant association between risk and changes of future investments in mutual funds.

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.431 <sup>a</sup>	6	.208
Likelihood Ratio	11.047	6	.087
Linear-by-Linear Association	3.837	1	.050
N of Valid Cases	126		

a. 0 cells (0%) have expected count less than 5. The minimum expected count is 1.55.

### Interpretation

The chi square(1, N=126) = 8.431, p= .208 which is greater than .05, The null hypothesis is accepted, hence we say that there is no association between risk in mutual funds and changes of future investments in mutual funds.

### CORRELATION BETWEEN ANNUAL INCOME AND PERCENTAGE OF INVESTMENT TABLE - 4

#### Interpretation:

The Pearson correlation  $r = 0.336$ , hence we conclude that there is strong relationship between annual income and percentage of investment in mutual funds. The sig. (2 tailed) is 0.000 which is less than the 0.01, because of this, we conclude that there is statistically significant correlation between annual income and percentage of amount invested in mutual funds, which means, when there is an increase in the annual income there will be increase in the amount invested in mutual funds and vice versa.

### ONE WAY ANOVA FOR LEVEL OF SATISFACTION AND CHANCES OF FUTURE INVESTMENTS IN INDIA TABLE-5

**Null hypothesis H0:** There is no significant relationship between level of satisfaction and chances of future investments in India.

**Alternative hypothesis H1:** There is significant relationship between level of satisfaction and chances of future investments in India.

Anova					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.640	4	.160	.507	.731
Within Groups	38.217	121	.316		
Total	38.857	125			

**Interpretation**

The F ratio for four degrees of freedom is .507 and the  $p = .731$  which is greater than .05, hence the null hypothesis is accepted and says that there is no significant relationship between the level of satisfaction and chances of future investments in India.

**ONE WAY ANOVA FOR LEVEL OF SATISFACTION AND FORMALITIES INVOLVED IN MUTUAL FUNDS**

**TABLE - 6**

**Null hypothesis H0:** There is no significant relationship between level of satisfaction and procedures involved to invest in mutual funds.

**Alternative hypothesis H1:** There is significant relationship between level of satisfaction and procedures involved to invest in mutual funds.

ANOVA					
	Sum of squares	d f	Mean square	F	Sig.
Between groups	8.204	2	4.102	16.460	.000
Within groups	30.653	12	.249		
Total	38.857	14			

**Interpretation**

The F ratio for two degrees of freedom is 16.460 and the  $p = .000$  which is less than .05; hence the null hypothesis is rejected and says there is significant relationship between the level of satisfaction and procedures involved in mutual funds investment.

**ONE WAY ANOVA OF INCOME AND PERCENTAGE OF AMOUNT INVESTED IN MUTUAL FUNDS**

**TABLE - 7**

**Null hypothesis H0:** There is no significant relationship between income and percentage of amount invested in mutual funds.

**Alternative hypothesis H1:** There is significant relationship between income and percentage of amount invested in mutual funds.

ANOVA					
	Sum of squares	d f	Mean square	F	Sig.
Between groups	2.823	3	.941	3.185	.026
Within groups	36.035	12	.295		
Total	38.857	15			

**Interpretation**

The F ratio for three degrees of freedom is 3.185 and the  $p = .026$  which is less than .05; hence the null hypothesis is rejected and hence there is significant relationship between income and the percentage of amount invested in mutual funds.

**VI. FINDING****Percentage analysis**

- Out of 126 respondents 39.7% of them invested their money in mutual funds because of tax benefits and implications, 27% of respondents invested in mutual funds because of the best returns compared to other avenues. 17.5% of respondents invested in mutual funds because it had more professional management compared to other investment avenues.
- Out of 126 respondents 54% of the respondents invested 11 to 20% of their income in mutual funds, another 28.6% of respondents invested less than 10% of their income in various mutual funds. There were few respondents who invested 21 to 30% of their income in mutual funds, which is 12.7% and four percent of respondents invested 31 to 40% of their income.

**Chi- square test**

- There is no association between risk in mutual funds and changes of future investments in mutual funds.

**Correlation**

- We can say that there is statistically significant correlation between annual income and percentage of amount invested in mutual funds, which means increase or decrease in annual income will significantly relate to the increase or decrease in percentage of amount invested in mutual funds.

**ANOVA**

- There is no significant relationship between the level of satisfaction and chances of future investments in mutual funds.
- There is significant relationship between the level of satisfaction and procedural formalities involved in mutual funds.
- There is significant relationship between income and the percentage of amount invested in mutual funds.

**VII. CONCLUSION**

Mutual fund is a relatively new investment avenue as compared to other investment avenues. The mutual fund industry is still a growing industry in India; it is far from the level of achieving maturity. A lot of awareness still needs to be created about this to the investors.

As far as the present research is concerned, people of Coimbatore district are investing in mutual funds. They are saving a part of their earnings and investing it in a suitable investment avenue like mutual funds and they are satisfied in it. But the level of awareness regarding mutual fund is low among these investors.

**References**

1. Kothari.C.R (2010), Research methodology (methods & techniques), New age international publishers, New Delhi, pp. 233-279.
2. Murthy S.N, Bhojanna.U (2010), Business research methods, Excel books, New Delhi, pp.45-91.
3. Naresh K. Malhotra. (1999), Marketing Research - An Applied Orientation, Prentice Hall International, USA, 585 -597.
4. Rajeshwari T.R and Rama Moorthy V.E. (2002), Performance Evaluation Of selected Mutual Funds and Investor Behaviour, PhD Thesis, Sri Sathya Sai Institute of Higher Learning, Prasanthinilayam,.
5. Vidya Shankar, S. (1990), Mutual Funds - Emerging Trends in India, Chartered Secretary, Vol.20, No.8, 639-640.
6. <http://www.investorhome.com/psych.htm>

**AUTHOR(S) PROFILE**



**R.Karthikeyan** is currently working as an Assistant Professor in Department of Management Studies and Research, Karpagam University



**R.Preetha** is currently working as an Assistant Professor in Department of Management Studies and Research, Karpagam University