A STUDY OF MUTUAL FUNDS AS AN INVESTMENT AVENUE

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ABSTRACT

Mutual funds have emerged as a prominent investment avenue, offering individuals and institutional investors a diversified and professionally managed portfolio. This research paper aims to comprehensively analyze the characteristics, benefits, risks, and performance of mutual funds as an investment avenue. By examining various types of mutual funds, historical returns, risk factors, and the impact of market trends, this paper seeks to provide investors with a comprehensive understanding of the potential of mutual funds within their investment portfolios.

Keywords: AMC, Mutual funds, NAV, UIT

INTRODUCTION

The mutual fund industry in India began with setting up of the Unit Trust of India (UTI) in 1964 by the Government of India. During last 36 years, UTI has grown to be a dominant player in the industry with assets of over Rs. 52000 crores (Rs.520 billion) as of December 2001. In 1987 public sector banks and two Insurance companies (Life Insurance Company and General insurance company) were allowed to launch mutual funds. Securities and Exchange Board of India (SEBI), regulatory body for Indian capital market, formulated comprehensive regulatory framework for Mutual Funds in 1993 and allowed private corporate bodies to launch mutual fund schemes. Since then several mutual funds have been set up by the private and joint sectors. As on March 2002, there were 35 mutual fund companies with 433 schemes and assets under management were Rs. 100594 (Rs.1005 billion). It has been about a decade of competition for Indian mutual fund industry.

The history of mutual funds in India traces a fascinating journey of growth and evolution. Here's a brief overview:

1963: The concept of mutual funds in India was first introduced with the establishment of the Unit Trust of India (UTI). It focused on mobilizing small savings from individuals and investing them in a diversified portfolio of securities.

1987: SBI Mutual Fund became the first non-UTI mutual fund in India. This marked the beginning of diversification and competition in the mutual fund industry.

1991: Economic liberalization reforms were introduced in India, opening the economy to foreign investments and capital flows. Thereby positively impacting the mutual fund industry as it led to increased interest from both domestic and international investors.

1993: The Securities and Exchange Board of India (SEBI) Act was passed, leading to the establishment of SEBI as the regulatory body for the securities market, including mutual funds. SEBI's regulations brought transparency, standardization, and investor protection to the mutual fund industry.

1996: With the SEBI (Mutual Funds) Regulations, the industry underwent a major transformation. Private-sector mutual funds were allowed to enter the market, leading to the establishment of numerous asset management companies (AMCs) and the expansion of mutual fund offerings.

2003: The introduction of Systematic Investment Plans (SIPs) made investing in mutual funds more accessible to retail investors by allowing them to invest small amounts regularly. This approach promoted disciplined investing and long-term wealth creation.

2009: The Association of Mutual Funds in India (AMFI) was established to promote the interests of the mutual fund industry in India. AMFI plays a vital role in investor education, industry research, and maintaining ethical standards.

2010: The mutual fund industry in India witnessed rapid growth, driven by investor awareness, regulatory reforms, and increasing disposable incomes. The introduction of regulations like the Total Expense Ratio (TER) and categorization and rationalization of mutual fund schemes further improved transparency and simplified investor choices. Top of Form Top of Form

Mutual funds are essentially investment vehicles made up of the money of several individuals who have a similar financial objective. A fund manager oversees the money gathered from different investors and invests it in a range of financial instruments, including business stocks, bonds, and shares. The Securities and Exchange Board of India (SEBI), which regulates mutual funds in India, thinks that investing in mutual funds is the simplest way to accumulate wealth. The fund management business issues and redeems mutual fund units

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based on the fund's net asset value (NAV), which is calculated at the conclusion of each trading session. NAV is computed by dividing the total value of the fund's shares, less expenditures, by the total number of units issued.

LITERATURE REVIEW

Dhandyayuthapan & pratheep (2018) in their researchpaper which is analyzed by secondary data having objective to study the performance of selected Mutual fund schemes in HDFC and to examine the performance of selected schemes by using the performance evaluation models namely Sharpe, Treynor and Jensen ratio. And they investigated the performance of 30 open ended, diversified equity schemes with daily closing NAV of different schemes have been used to calculate the returns from the fund schemes.

Kumar (2018) There are several aspects and dimensions in evaluating the performance of mutual funds, but this study focused on five aspects: namely 22 Sharpe measure; Jensen differential measure; Treynor measure; Sortino measure and Information measure. Correlation coefficients between allthe parameters were computed to assess the degree of relationship between fund size and performance of mutual funds. The findings highlighted no significant relationship between fund size and performance.

Gupta & Jain (2008) discovered the preferences of investors among the major categories of financial assets, such as investment in shares, indirect investment through various types of mutual fund schemes, other investment types like exchange-traded gold funds, bank fixed deposits, and government savings schemes. This information was based on a survey of 1463 households across all of India. The study provides interesting information about how investors' attitudes towards different investment types are related to their income and age, portfolio diversification practices and the general quality of market regulation of investors themselves.

Jasmeen (2009) in his research "Investment Choice of Individual Investors" found that a majority of investors prefer low-risk investments, but a considerable number chose high-risk investments. This may be possible because the awareness among individual investors in India about the investment climate and ethics and transparency will increase investor confidence. The study also showed that the relationship between the age, gender, religion, qualification, income and professional profile of respondents and risk taken in relation to investment is not significant.

Bhurghate (2012) conducted a study to understand the investment behavior of middle-class investors in Nagpur. The study examined the preference of middle-class households in terms of investment instruments and investment models and 52 investment objectives. The investment options for the study were bank deposits, shares, mutual funds, real estate, Kisan Vikas Patrika and postal deposits. The study used a sample size of 300 households. Statistical tools such as percentage and mean were used to conduct the analysis. The survey found that the most popular investment choice was a bank deposit, followed by life insurance. Investing in an insurance fund and postal savings were in third and fourth places. This is similar to the findings of Nupur Gupta and Vijay Agarwal (2013). Real estate was found to be the least recommended investment channel. Stock investments were not the most popular form of investment among all age groups.

Joseph and Prakash (2014) published in their paper "A Study on Preferred Investment Options Among People and Factors for Investment" (Study on Preferred Investment Options and Factors Considered While Investing) to get an idea of the various investment options available and to understand the preferred investment option among people Bangalore City. In today's world, new financial products are available. Choosing the best options has become difficult and confusing because the common man does not have enough financial knowledge to decide what factors should be considered to make sound investment decisions. It is further analyzed that investors are not very aware of investing in stock market and shares and are more inclined towards traditional investments like bank deposits, insurance, postal deposits etc. aware of investment opportunities and their advantages and disadvantages make the right decisions for your personal finances.

OBJECTIVES OF THE STUDY

a) To study the market trends of mutual fund investment in India.

b) To find out the customer's perception of mutual funds as an investment option compared to the various available investment avenues.

SCOPE OF THE STUDY

The study is not limited to equity mutual funds it is somehow related to all the aspects related to investment.

RESEARCH METHODOLOGY

This research is a descriptive type of research study. It is related to the analysis of the perception of consumers of Delhi towards mutual funds. 112 consumers were surveyed withthe help of a structured questionnaire.

DATA ANALYSIS AND INTERPRETATION

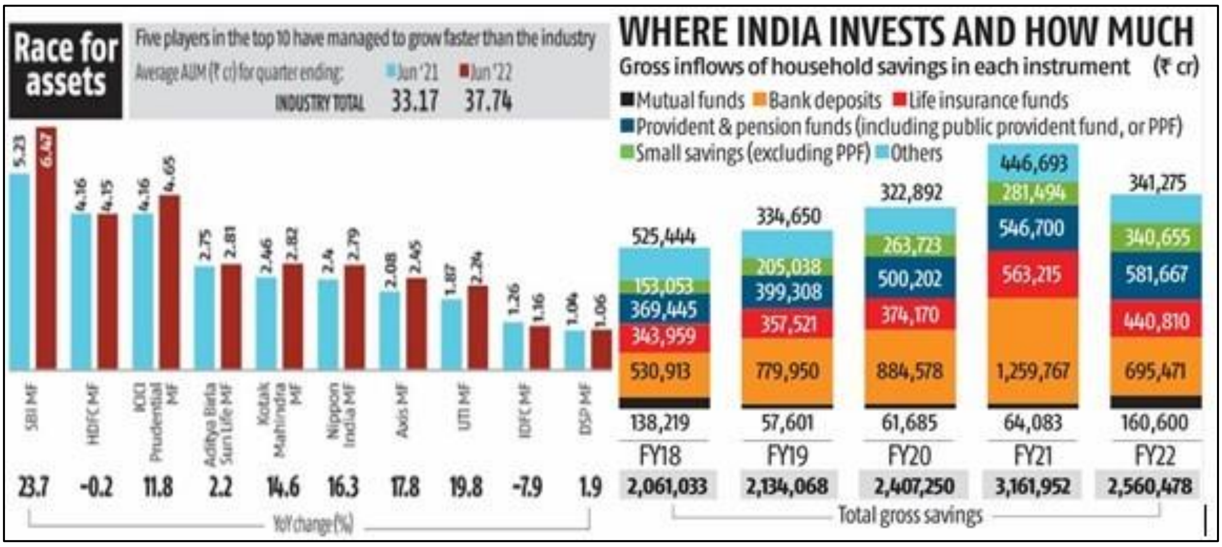

Figure 1 Market Trends of Mutual Fund Investments

Source: AMFI and Business Standard Sep 28, 2022

According to information provided by the Association of Mutual Funds in India (AMFI, the average assets under management (AUM) for the domestic mutual fund (MF) industry increased 13.8% year over year to Rs 37.74 trillion for the quarter ending June 2022. The increase in assets was caused by increased equity scheme investment. The largest participant, State Bank of India MF, solidified its position with a 23.7 percent increase in AUM to Rs 6.47 trillion, above the industry average. ICICI Prudential MF, ranked No. 2, had a growth in AUM of 11.8% to Rs 4.65 trillion. The largest listed MF, HDFC MF, had a slight decline in AUM to Rs. 4.15 trillion during the past year. Kotak MF increased its average AUM by 14.6%, moving it up to fourth place. It surpassed Aditya Birla Sun Life MF, which had only a 2.2% increase in AUM. The Sensex plummeted 9.5% for the three months ending in June, while the BSE Mid Cap and BSE Small Cap indices fell 10% and 12.2%, respectively. Equity funds have received net inflows of Rs 97,476 crore in the first five months of calendar year 2022.

The Other article from Business standard dated 28 September 2022 Mutual funds (MFs) had a 150% increase in gross inflows from retail investors in 2021–2022 (FY22), despite a 19% fall in overall household savings year over year. According to Reserve Bank of India (RBI) figures, domestic MFs got Rs 1.6 trillion in gross inflows from households in FY22. In light of the fact that households saved a total of Rs 25 trillion in the most recent fiscal year, the percentage of MFs in total gross savings was 6.3%, the highest in the previous four fiscal years. In fact, MFs had their highest level of gross inflows in at least ten years. Data from the Association of Mutual Funds in India show that the sector welcomed more than 10 million new investors and collected Rs 1.2 trillion in total. As flows into MFs continue to be strong even during periods of increased volatility, the industry has come to appreciate that investors are becoming more mature. Even though bank deposits by retail investors fell by 45% year over year in FY22, they still made up 26% of total household savings, or Rs 6.9 trillion. According to RBI data, small savings programs (13%) and provident and pension funds (including public provident fund) had the second-highest shares, each with a 23 percent total. This indicates that despite their share of total household savings expanding from 2% to 6% in just a year, MFs are still only retail investors' sixth preferred investment option.

CUSTOMER'S PERCEPTION OF MUTUAL FUNDS AS AN INVESTMENT OPTION

1. Respondents Gender

Table 1 Gender of Respondents

Gender	No. of respondents	percentage
Male	36	33
Female	74	67
Total	110	100

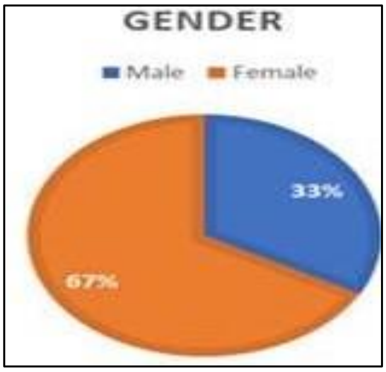

Figure2 Gender

Figure 2 Gender

Interpretation: Out of a total 110 sample size, 33 percent are males and 67percent are females

2. Age of Respondents:

Table 2 Age of Respondents

Age Group	No. of Respondents	Percentage
18-24 years	42	38.2
25-34 years	24	21.8
35-44 years	34	30.9
Above 45 years	10	9.1
Total	110	100

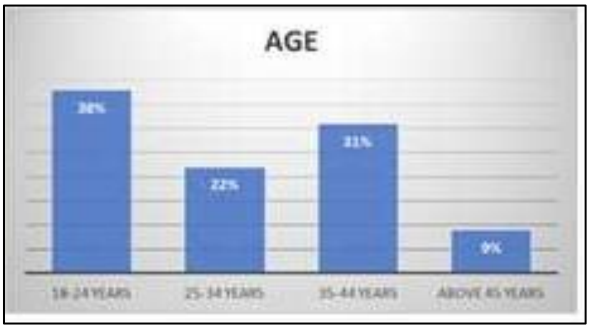

Figure 3 Age

Interpretation: The respondents are spread out throughout all age groups in terms of their age group. Most respondents, however, are between the ages of 18 and 24 (42 respondents), followed by 35 and 44 (34 respondents), 25 and 34 (24 respondents), and over 45 (10 respondents).

3. Annual savings of Respondents:

Table 3 Annual savings of Respondents

Annual Savings	No. of Respondents	Percentage
Up to Rs. 10,000	24	21.82
Rs. 10,001 - Rs. 25,000	26	23.64
Rs. 25,001 - Rs. 50,000	41	37.27
Rs. 50,001 - Rs. 1,00,000	15	13.64
Above Rs. 1,00,000	4	3.64
Total	110	100

Figure 4 Average Savings

Interpretation: Around 41 respondents have annual savings of about Rs 25000 to Rs 50000 out of total income which comprises around 37.27 percent of all, followed by 26 percent that is respondents' annual savings is Rs 10000 to Rs 25000. Out of the total income of the respondents, 24 respondents are one whose annual savings is around Rs 10000.

4. Preferred factors while investing

Table 3 Factors preferred while investing

Factors	No. of Respondents	Percentage
Less Risky	16	14.55
Tax Benefits	15	13.64
Good Returns	64	58.18
Liquidity	15	13.64
Total	110	100

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Figure 4 Factors considered while investing

Interpretation: Out of 110 respondents, 58.18% favor receiving strong returns on their investments, 13.64% think about tax benefits before investing, 14.55% prefer lower risk, and 13.64% opt for liquid assets which is the same as of tax benefits.

5. Preference of respondents regarding different investment avenue

Table 5 Preference of respondents regarding different investment avenues

Particulars	Investment Preference	Rank
Mutual Funds	210	I
Fixed Deposit	169	II
Saving Account	95	III
Insurance	92	IV
Shares/Debentures	90	V
Post Office	82	VI
Gold and Silver	80	VII

Interpretation: The data provided represents the investment preferences of respondents across various investment avenues. The preferences are indicated by the number of respondents who chose each investment avenue as their preferred choice. The ranking column represents the corresponding ranking of each investment avenue based on the number of respondents who preferred it. The data suggests that among the given investment avenues, mutual funds are the most favored choice among the respondents with a 210 cumulative score and is ranked as 1, followed by fixed deposits with a cumulative score of 169 ranked II, saving accounts cumulative score of 95 ranked III, insurance cumulative score of 92 ranked IV, shares/ debentures with cumulative score of 90, post office investments with cumulative, and real estate in descending order of preference. Post offices and Real estate are ranked in descending order.

FINDINGS AND CONCLUSIONS

Mutual funds provide an extensive array of advantages that might not be readily available through alternative investment strategies. By selecting the appropriate set of schemes guided by adept fund managers in accordance with their investment objectives, individuals bring their goals within closer reach. An analysis of the data reveals that a significant portion of participants falls within the 18-24 age bracket. These respondents contributed around 10% to 25% of their income, in mutual funds.

Among the factors influencing their investment choices in mutual funds, tax benefits and reduced risk feature prominently. When considering their preferences across various investment avenues, it's discernible that their attention is particularly directed towards mutual funds and fixed deposits, likely due to the moderate level of associated risk. The respondents exhibit a propensity to seek guidance from financial advisors, and their chosen method of investment is predominantly the Systematic Investment Plan (SIP), with an anticipated return rate falling between 10% - 15%.

Among the 110 respondents, a noteworthy subset of 84 respondents invests their earnings into mutual funds, motivated by the relatively moderate risk associated. Nevertheless, the study reveals that these investors possess limited awareness, primarily focusing on the specific schemes in which they are already invested, or possessing partial knowledge about mutual funds. In contrast, the remaining 36 respondents who have abstained from investing display a lesser awareness about mutual funds, often stemming from apprehensions surrounding the heightened risk linked with mutual fund schemes.

CONCLUSION

In recent years, India's mutual fund industry has experienced a tremendous expansion. Only a few years ago, there were 200 or more funds in the business. It now boasts a remarkable total of more than 1000 funds. The increasing demand shown by investors is what has caused this boom in the mutual fund industry. At the same time, the investing landscape has expanded to include industries like real estate, gold, and various commodities. In this changing environment, people have grown more at ease with the idea of allocating their savings to mutual funds.

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