

# Investor's Behaviour towards Open Ended Mutual Fund Schemes in Haryana

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**Abstract –** *The mutual fund sectors are one of the fastest growing sectors in Indian Economy and have awesome potential for sustained future growth. Mutual funds make saving and investing simple, accessible, and affordable. The advantages of mutual funds include professional management, diversification, variety, liquidity, affordability, convenience, and ease of recordkeeping as well as strict government regulation and full disclosure. Financial markets are becoming more extensive with wide-ranging financial products trying innovations in designing mutual funds portfolio but these changes need unification in correspondence with investor's expectations. Thus, it has become imperative to study mutual funds from a different angle, which is to focus on investor's perception and expectations. This research paper focused attention on number of factors that highlights investors' perception about mutual funds.*

**Keywords:** *Mutual Funds, Investors, Attitude, Preferences and Factors.*

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## INTRODUCTION

Mutual funds have been a noteworthy wellspring of investment in both government and corporate protections. It has been for quite a long time the imposing business model of the state with UTI being the key player, with contributed funds surpassing Rs.300 bn. The state-claimed insurance agencies likewise hold an arrangement of stocks. By and by, various mutual funds exist, including private and outside organizations. Banks mostly state-claimed, too have set up Mutual Funds. Outside interest in mutual funds and resource management organizations is allowed dependent upon the situation.

## MEANING AND HISTORY OF MUTUAL FUND

A mutual fund is a typical pool of cash where investors with basic investment target place their commitments that are to be put resources into agreement with the expressed investment goal of the plan. The investment supervisor would put away the cash gathered from the investor in assets that are characterized/allowed by the expressed target of the plan. For instance, a value fund would put resources into value and value related instruments and an obligation fund would put resources into securities, debentures, gilts and so forth. A Mutual Fund is a trust that pools the reserve funds of various investors who share a typical money related objective. The cash accordingly gathered is then put resources into

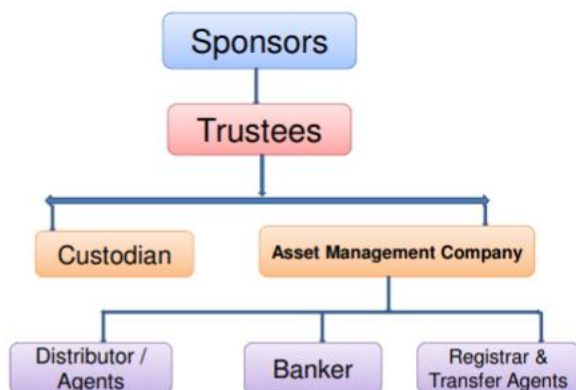
capital market instruments, for example, offers, debentures and different protections. The pay earned through these investments and the capital gratefulness acknowledged is shared by its unit holders in relation to the quantity of units possessed by them. Consequently a Mutual Fund is the most reasonable investment for the regular man as it offers a chance to put resources into a broadened, expertly oversaw bushel of protections at a moderately minimal effort.

Every Mutual Fund are permitted to apply for firm allocation in broad daylight issues. SEBI directs the working of mutual funds and it necessitates that every Mutual Fund ought to be set up as trusts under the Indian Trusts Act. The real fund management movement will be directed from a different Asset Management Company (AMC). The base total assets of an AMC or its subsidiary must be Rs. 50 million to go about as a supervisor in any fund. Mutual Funds can be punished for defaults including no enlistment and inability to watch rules set by their AMCs. Mutual Funds managing currency advertise instruments must be enlisted with RBI. Every other plan skimmed by Mutual Funds are required to be enlisted with SEBI.

In 1995, RBI allowed private part establishments to set up Money Market Mutual Funds. They can put resources into Treasury Bills, Call and Notice cash, Commercial Papers, Commercial Bills acknowledged/co acknowledged by banks,

Certificates of Deposit and Dated Government Securities having unexpired development upto one year. There are numerous elements engaged with a mutual fund. The substances who put resources into Mutual Funds for the most part incorporate individual, HUF (Hindu Undivided Family), Corporates and Trusts (Societies, Associations and so forth.). Different substances incorporate the backer of a fund, Asset Management Company (AMC), Board of Trustees, Custodians, Transfer operators and so forth.

## ORGANISATIONAL STRUCTURE OF MUTUAL FUNDS



**Fig 1.1 - Organizational structure of mutual funds**

The job of Sponsors in Mutual Fund is like that of advertisers in a business entity. The notoriety of the fund likewise relies on the Sponsors. They build up the fund and get it enrolled with Securities and Exchange Board of India (SEBI). Sponsors structure the trust and select a leading group of trustees.

### Trustees:

Trustees are selected by Sponsors. Trustees hold the assets in the interest of the investors/unit holders in the trust shaped by the Sponsors. They designate the advantage management company and guarantee that all the exercises of the benefit management company are according to the SEBI Regulations. They delegate the overseer of the fund.

### Custodian:

Custodians are delegated by trustees. They hold the fund's protections in their sheltered authority. They settle protections exchanges for the benefit of the fund. They gather premiums and profits earned on protections of the fund. They likewise record data in regards to stocks parts and keep a watch on other corporate activities. Resource Management Company (AMC): Asset Management Company is delegated by trustees. It drifts and oversees Mutual Fund schemes as per the guidelines of SEBI. It charges expense for the schemes oversaw by it, the charges are according to the guidelines.

### Distributors or Agents:

Distributors or Agents are designated by the benefit management company. They sell the units of the schemes in the interest of the Mutual fund. These agents go about as a connection between the investor and the Mutual Fund. Agents should disclose to the investors different schemes accessible at their circumspection subsequent to understanding the investors' profile. While assessing the investors' profile agent should consider investors age, salary, life organize, work profile, investment potential, motivation behind investment and so forth. In view of investors' profile, the agent should offer reasonable and fair input/guidance to the investor. The agent is qualified for get commission from the investor.

### Banker:

Banker is appointed by the benefit management company. They encourage monetary exchanges and give settlement offices.

### Registrar and Transfer Agent (RTA):

Registrar and Transfer Agent are selected by the advantage management company. They keep up the records of the investors' records and exchanges. They dispense and get funds for investors' exchanges, get ready and convey explanation of record and assessment related data of the investors. They handle correspondence with the investors and give them exchange administrations.

## IMPORTANCE (BENEFITS) OF MUTUAL FUNDS:

Small investors face a great deal of issues in the financial exchange, restricted assets, absence of expert exhortation, absence of data, and so forth. Mutual funds help the investors regarding above issues. Mutual funds pool the reserve funds of the investors and contribute these funds under the direction of a group of specialists in an expanded arrangement of protections. In his manner they attempt to limit the hazard and guarantee consistent profits for investments. They structure a significant piece of the capital market. They give the advantages of an enhanced portfolio and master fund management to countless small investors.

The significance of mutual funds emerges in light of the fact that they have numerous points of interest or advantages. These are clarified beneath.

### Tap vast potential of domestic savings:

The significant purpose of monetary sector changes was to activate local assets and in this

manner to diminish the reliance on outside funds. Mutual funds are equipped for meeting this test. They can assist with tapping the immense capability of local reserve funds and channelize them for productive investments. Mutual fund is an uncommon kind of institutional gadget or an investment vehicle through which the investor's pool their reserve funds.

#### **Professional management:**

A normal investor comes up short on the information on aptitude, experience and resources for straightforwardly receiving the rewards of investments in financial exchange. He requires the assistance of a specialist. It isn't just costly to get the: administrations of a specialist yet additionally hard to recognize a decent master. Mutual funds are overseen by proficient supervisors who have essential information and ability to make sorted out investment system. Small investors can profit by this by putting resources into mutual funds.

#### **Low transaction cost:**

The expense of investment through mutual funds will in general be lower than that of direct investment all alone. The retail commission or financier costs are commonly extremely high. In examination, yearly management and financier costs at mutual funds are low. Investments of enormous measure of funds by mutual funds get the advantages of economies of scale. Since these advantages are given to the investors in funds it diminishes the exchange expenses to the investors in mutual funds.

### **OPEN ENDED MUTUAL FUND SCHEMES**

Open-ended funds are what you know as a mutual fund. These funds don't exchange the open market. They don't have a limit regarding what number of units they can issue. The NAV changes each day on account of the offer/financial exchange vacillations and security costs of the fund. Open-ended mutual fund units are purchased and sold on request at their Net Asset Value or NAV, which is reliant on the estimation of the fund's basic protections and is determined toward the finish of each exchanging day. Investors purchase units straightforwardly from a fund. The investments in open-ended funds are esteemed at the honest assessment, which is likewise the end advertise estimation of recorded open protections. These funds additionally don't have a fixed development period.

#### **Advantages of Open-Ended Funds**

##### **a. Liquidity**

Open-ended funds offer high liquidity because of which you can reclaim your units whenever the timing is ideal. When contrasted with different kinds of long haul investments, open-ended funds give the

adaptability to recovery at the predominant Net Asset Value (NAV).

##### **b. Availability of Track Record**

In the event of a closed-ended fund, you can't audit the exhibition of the fund over various market cycles because of non-accessibility of reputation. Notwithstanding, on account of open ended funds, the chronicled presentation of the fund is accessible. Subsequently, putting resources into an open-ended fund is a very much educated choice.

##### **c. Systematic Investment Form**

Closed-ended funds expect investors to contribute a single amount to purchase the units of the fund at the hour of their dispatch. This can be a dangerous way to deal with manage your investments. It opens you to take greater wagers than in any case justified. In any case, open ended funds is an appropriate investment alternative for an enormous number of salaried class of investors.

It is on the grounds that they can contribute by means of systematic investment plans (SIP).

#### **Disadvantages of Open-Ended Funds**

##### **a. Suffers from Market Risk**

Despite the fact that the fund supervisor of open-ended funds keeps up a profoundly enhanced portfolio, they are liable to showcase hazard. The NAV of the fund continues fluctuating as per the developments of the hidden benchmark.

##### **b. No Say in Asset Composition**

Open-ended funds designate fund supervisors who are very much qualified and have involvement with the field of fund management. They take all the choices identified with the choice of protections for the fund. Subsequently, the investors don't have a state in choosing the advantage organization of the fund.

### **OBJECTIVES OF THE STUDY**

1. To find Preference of investor about different investment avenues.
2. To find investors' Preference over nature of fund holding, and finally.
3. To find investors' Preference upon time of holding of fund and preferred information mode for investing in mutual fund or scheme

## RESEARCH METHODOLOGY

Descriptive research design has been utilized and 100 investors of Haryana has been chosen for the review. Information gathered through comfort testing technique and broke down with the assistance of SPSS most recent adaptation. The study has suggested that investor's conduct towards mutual fund decided inside the setting of mindfulness and view of a mutual fund. For research purpose built up a Likert scales identified with chance recognition and mindfulness about a mutual fund.

## DATA ANALYSIS

### Cross Sectional Analysis

#### Relationship between Age and Preference of Mutual Funds Scheme to Use/Invest in a Mutual Fund

		Age				Total
		18-25	26-33	34-41	41 & above	
Which mutual funds scheme do you prefer to use/invest in a mutual fund?	Open Ended	39	17	11	3	70
	Close Ended	26	2	0	2	30
	Total	65	19	11	5	100

Larger part of the respondents, i.e., 39 from the Age Bracket of 18-25 Preferred to put resources into Open-Ended Mutual Funds Scheme, trailed by 26 from the Age Bracket of 18-25 Preferred to put resources into Close Ended Mutual Funds Scheme, there was none reaction from the Age Bracket of 34-41 for Close Ended Mutual Funds Scheme. 70 were the most noteworthy reaction from the whole four Age Brackets for Open-Ended Mutual Funds Scheme to contribute. There is no relationship among Income and Reasons for Investing in SIP Funds.

#### Age and Preference Investing in Mutual Fund from Total Income Cross Tabulation

		Age				Total
		18-25	26-33	34-41	41 & above	
Percentage of savings do you prefer investing in mutual funds from your total income	<=25 %	55	12	8	2	77
	<= 50 %	8	6	2	1	17
	<= 75 %	2	1	1	2	6
Total		65	19	11	5	100

Respondent's behaviour with setting to inclination for putting resources into mutual funds from absolute pay and from above table it indicated that Majority of the respondents i.e., 55 from the Age Bracket of 18-25 Preferred to contribute <=25 %of investment funds from their complete pay in mutual funds. Followed by 12 respondents from age section of 26-33 wanted to contribute <=25 %of reserve funds from their absolute salary in mutual funds.

ONE WAY ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Preferred Reason you agree for SIP Funds-- 'You want to start early with your investing, and you want to start small.'	Between Groups	3.920	3	1.307	2.708	.049
	Within Groups	46.320	96	.482		
	Total	50.240	99			
Preferred Reason you agree for SIP Funds - 'You want to build the saving and investing habit.'	Between Groups	1.009	3	.336	.631	.597
	Within Groups	51.151	96	.533		
	Total	52.160	99			
Preferred Reason you agree for SIP Funds-- 'You do not have lump sum amounts to invest.'	Between Groups	2.951	3	.984	.790	.502
	Within Groups	119.489	96	1.245		
	Total	122.440	99			
Preferred Reason you agree for SIP Funds-- 'You want to have convenience and less risk.'	Between Groups	.768	3	.256	.316	.814
	Within Groups	77.742	96	.810		
	Total	78.510	99			
Preferred Reason you agree for SIP Funds-- 'They average the cost of your investments and deliver superior returns with fewer shocks over the long term.'	Between Groups	1.441	3	.480	.521	.669
	Within Groups	88.559	96	.922		
	Total	90.000	99			

From above table it demonstrated that huge incentive for Reason 'You need to begin right on time with your contributing and you need to begin small' is 0.049 which is under 0.05, Investment Behavior of Investors towards Mutual Funds 115 i.e.,  $0.049 < 0.05$ . Along these lines, Null Hypothesis is that there is no association among Income and Investors need to begin early and small with their contributing is dismissed. Though other four reasons which are 'You need to construct the sparing and contributing propensity', 'You don't have singular amount adds up to contribute', 'You need to have accommodation and less hazard', 'They normal the expense of your investments and convey better comes back with less stuns over the long haul' indicated the noteworthy qualities more prominent than 0.05 which are  $0.597 > 0.05$ ,  $0.502 > 0.05$ ,  $0.814 > 0.05$ ,  $0.669 > 0.05$ . So, Null Hypothesis is that there is no association among Income or more Reason for Investing in SIP Funds are Accepted. There is no association among Age and Factors Investors saw during Promotional Activities of Mutual Funds Investment.

## CONCLUSION

Older schemes and schemes with high resource proportion are performing wastefully. Be that as it may, mutual funds which had great execution in past are bound to perform well in future.

The number of investors and the amount put resources into mutual funds is very low. Investors consider mutual funds as low return and high hazard investment road. Its liquidity is seen as high yet tax reductions and procedural comprehension are low for these. Likewise, investors judge mutual fund schemes for investment based on their structure, size, execution, status and expert ability. Further, investors anticipate great guidelines, master exhortation and solid complaint component from mutual fund organizations. The greater part of the investors have been putting resources into Growth, Income and Balanced mutual fund schemes.

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