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Study on Mutual Fund Good Investment Avenue for Common People in India

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Abstract - Mutual funds in India now provide a wide range of specialised "schemes," or investment options, to meet the needs of a broad spectrum of investors with varying risk tolerances and return expectations. Lack of financial knowledge and a lack of time to research investment alternatives are two of the most common reasons. Moreover, certain financial markets have a high barrier to entry, making it difficult for a low-volume investor to take part in the market's expansion. Not all investors have the same requirements from their investments. Some investors may be content with money preservation, while others will always be on the lookout for profitable opportunities. Others may want a more constant rate of return on their investments, while others aim to put money away for things like retirement or their children's college tuition. Investors have a wide range of needs and goals, making it impossible for a single financial product to meet all of them. Mutual funds have been more popular over the last decade because they can accommodate many different types of participants via their many different investment strategies.

Keywords - Mutual Fund, Good Investment, People in India, Avenue

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1. INTRODUCTION

Due to their low entry barriers, low maintenance requirements, and lack of complexity, mutual funds should be the preferred form of investing in the stock market. You might simply say that a mutual fund is a financial vehicle that a group of people use to pool their resources and increase their wealth via predetermined investing. The mutual fund's CEO is responsible for directing the pooled money into designated investment vehicles. Buying shares of a mutual fund signifies ownership in that fund and makes the buyer an investor in that fund. When investors combine their money in a mutual fund, they are able to purchase assets at considerably cheaper trading costs than they would be able to get on their own. Whatever the case may be, mutual funds' greatest flexibility lies in their ability to diversify, or allow the investor to put his money to work in a variety of different ways. The risk-to-reward ratio may be adjusted and the overall investment can be fully covered by diversifying into other areas when one area isn't performing so well. As opposed to putting all of your eggs in one basket, diversifying your investment portfolio among a number of different assets is the most effective strategy for growing your money. The purpose of a mutual fund is to pool investor capital and invest it in a variety of securities, which may number in the hundreds. Due diligence on such a large scale might take a long time, but with mutual funds, it should be doable fairly rapidly.[1]

Mutual funds, according to the Encyclopedia Americana, "are open end investment firms that invest shareholders' money in portfolios or assets." They are open ended in the sense that they may issue new shares to the public at any time and promise to repurchase existing shares on any business day. Mutual funds are defined by the Securities and Exchange Board of India Regulations, 1996 as "a fund established in the form of trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities, including money market instruments." [2]

1.1 Mutual Fund Investor

An investor is any gathering that makes an investment. Expansive of talking, an individual can utilize his pay in three other options. They are saving, investment and consumption. On the off chance that he saves more, at that point he should lessen on his costs and the other way around. To meet the current and future monetary prerequisite of the individual, a correct blend of these is fundamental. This is the thing that we mean by investor investment example and accordingly comes the need of mindfulness activities for this idea. Same pay and age bunch individuals follow distinctive example of investment and to comprehend this example is extremely perplexing. The choices for contributing our investment funds are persistently expanding, yet each and every investment vehicle can be effortlessly arranged by three fundamental qualities - security, pay and development - which likewise compare to kinds of investor goals. While it is feasible for an investor to have more than one of these destinations, the accomplishment of one should come to the detriment of others.[3]

1.2 Advantages of Mutual Funds

Mutual funds are pools of money from several investors that are managed by a financial expert and used to buy stocks, shares, derivatives, and other assets. The following are some of the benefits that investors may get by putting their money into mutual funds:-[4]

i. Professional Management

In order to accomplish the goals of the scheme, the investor makes use of the expertise of experts who are supported by a specialised investment research team that evaluates the past and future of businesses in order to choose investments best suited to those goals.

ii. Diversification

Mutual funds often own shares in a diverse group of firms operating in a variety of markets. Because it is very rare for all stocks to fall at the same moment and in the same percentage, diversification helps mitigate losses. For this purpose, a Mutual Fund is used for diversification.[5]

iii. Convenient Administration

When you invest in a mutual fund, you may skip the hassle of dealing with brokers and corporations directly and lessen the amount of paperwork you have to deal with. Mutual funds simplify investing and cut down on wasted time.

iv. Return Potential

Mutual funds, which invest in a variety of assets, might potentially increase returns over the long run.

v. Low Costs

Because of economies of scale in brokerage, custodial, and other fees, investment via a mutual fund may be cheaper than investing directly in the capital markets.[6]

1.3 Attributes of Mutual Fund

Many factors have been shown to affect a mutual fund's performance, and this has been documented in the academic literature. Mutual funds are defined by these defining features. Financial experts and journalists commonly argue that certain characteristics of funds may be used as filters to help choose the best funds and weed out the worst. We've established why these qualities are so crucial for success and gone through them in detail.[7]

i. Past performance

Mutual funds' historical performance may be gauged by looking at how they fared throughout certain time periods. Return is calculated using the mutual fund's NAV. The Net Asset Value (NAV) and how it is determined are discussed in length below.

ii. Asset size

A mutual fund's asset size is equal to the market value of all the securities in the fund's portfolio. AMFI has categorised it based on the Assets Managed by Mutual Funds.[8]

iii. Expense Ratio

Management fees, marketing and distribution fees, and other expenditures like as securities custodian fees, transfer agent fees, shareholder accounting costs, auditor fees, legal costs, and independent direct fees make up the mutual funds' total operating expenses. The expense ratio of a mutual fund is simply the sum of its annual operating costs as a percentage of its average net assets. According to CRSP (the Centre for Research in Security Prices), it is the proportion of a fund's assets that goes toward covering shareholder-paid operational expenditures.

iv. Load status

Load fees are paid by investors in mutual funds. Two distinct load fees have been outlined by AMFI. There is the incoming load and the outgoing load. A scheme's fee for selling units is known as "entry load." There are a few other names for this concept, but "sales load" and "Front-end load" are the most common. A scheme's exit load is the fee it charges unit holders in exchange for repurchasing their units. The buyback or back-end load is another name for this. As of August 1, 2009, SEBI has banned entry load from all Indian mutual fund programmes.

v. Investment style

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1.4 Current Scenario of Mutual Fund in India

- Equity fund inflows helped push mutual fund investment to about Rs. 2 lakh crore during the first 10 months of the current fiscal year.
- Compared to the same time previous fiscal year, this was an increase above the Rs. 1.6 lakh crore invested then. The Securities and

Exchange Board of India (SEBI) reports that as of December 31st, 2018, a total of Rs. 1,94,820 crore had been invested in different mutual fund schemes.

- Equity mutual fund schemes and liquid or money fund investments are attracting the bulk of the capital. There has been an investment of around Rs. 1.14 lakh crore in liquid or'money market' plans, and another Rs. 56,000 crore invested in equity schemes.
- Since early 2014, equities market sentiment has improved, and we have seen increased interest from FIIs as a result of high hopes placed in the incoming central government. Puneet Chaddha, chief executive officer of HSBC Global Asset Management in India, has indicated that this has encouraged a more optimistic outlook on the stock market.
- We have witnessed month-over-month positive net sales in stock mutual funds since May 2014," he said, "as retail investors have taken note of the increase in equity markets.[10]

2. LITERATURE REVIEW

Vijay Kr. Mishra, (2017), According to "An Analysis of Change in Savings and Savings Determinants," published in The IUP Journal of Bank Management in February 2011, a number of family savings channels have been eliminated in recent years as a result of financial reforms. Despite the shift, the data show that consumers are still preferring to save their money in traditional bank accounts over other potentially lucrative but riskier investments. There is a significant structural difference between the two eras, however, in terms of bank deposit savings (pre- and post-liberalization period). Factors such as income and inflation have been demonstrated to have a substantial impact on the amount of money Indian households save in bank accounts.[11]

Bhalla Surjit S (2015) Financial reforms have, in the recent years, given up a number of channels for the families for saves, as was determined in "An Analysis of Change in Savings and Savings Determinants," published in The IUP Journal of Bank Management in February 2011. According to the research, despite the change, people are still putting their money in banks rather than investing in more high-yield but hazardous avenues of savings. However, a major structural shift in savings in bank deposits is seen between the two periods (pre- and post-liberalization period). Savings in bank deposits among Indian families are shown to be significantly affected by factors like income and inflation. Do Individuals Still Favor Bank Deposits?,"[12]

Harsh Roongta (2016) appreciated the performance of various funds in terms of return and funds mobilized. UTI, LIC and SBI Mutual Fund are in the capital market for many years declaring dividends ranging from 11 percent to 16 percent. The performance of Canbank Mutual Fund, Indian Bank Mutual Fund and PNB Mutual Fund were highly commendable. The performance of many schemes was equally good compared to industrial securities. Gupta L C (1992)20 attempted a household survey of investors with the objective of identifying investors‟ preferences for mutual funds so as to help policy makers and mutual funds in designing mutual fund products and in shaping the mutual fund industry.[13]

Subash Chander, (2018) This is mostly attributable to investors' unfamiliarity with mutual funds and how they function as a financial tool. Moreover, when looking at demographic characteristics, it has been discovered that investors' attitudes towards mutual funds are highly influenced by their age, gender, and income. However, surprisingly, neither education nor employment have been proven to affect investors' preferences with regard to mutual funds. When asked what motivates people to invest in mutual funds, they rated "return potential," "liquidity," "flexibility," "affordability," and "transparency" in that order.[14]

Balanaga Gurunathan.K. (2007) The home group, according to an article published in southern economist on February 1, 2003, provides most of the capital, constituting the lifeblood for the economy. His research indicates that the mutual fund industry in India is in its infancy, with just 15% of market capitalization now being held by mutual funds. Innovation in products, marketing, customer service, fund management, and dedicated employees are crucial to the success of the mutual funds industry. Analysis of investor preferences suggests that real estate is the most popular investment vehicle, followed by mutual fund schemes, gold, and other precious metals.[15]

3. METHODOLOGY

In general, rational and internally consistent behaviour is assumed in investment guidelines, analysis of investment, and discussion of financial behaviour. Investor behaviour, however, does not seem to consistently adhere to such expectations. Much of mainstream economic and financial theory rests on the premise that people make decisions after carefully weighing all relevant factors. However, there are no concrete models that explain the impact of "perception" and "beliefs" on "expectations" and "decision making" in the academic literature of finance. It's safe to say that it's hard to simulate individual investor behaviour due to the complexity of the actual world. Even if all other factors that influence investors' actions remain the same from period to period, their behaviour may still shift.

4. RESULT

4.1 Demographic variable

i. Gender of respondents

There are 120 females and 30 males as respondents. This shows that females are higher than males.

Table 4.1: Gender of respondents

Gender	N
Male	30
Female	120

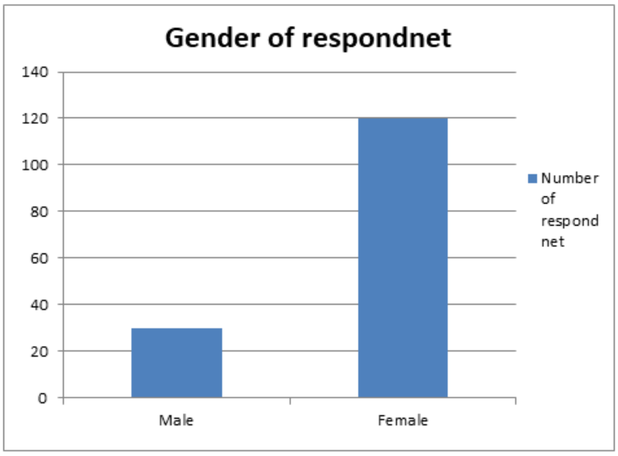

Figure 4.1: Gender of respondents

ii. Age of respondents

From the below table we can say that awareness for investment in youngster has been increased & that's why out of 150, 40 are youngster who do investment and they come in the age group of 20-30, then comes age group of 30-40 from which 50 people do investment and other age group are 40-50 where they do investment of 26, 20 belongs to age group of 50-60 they do the investment, and 4 belongs to the age group of60-above they do their investment. We can say that youngsters are more careful for their investment.

Table 4.2: Age of respondents

Age	Number of respondent
20-30	40
30-40	50
40-50	26
50-60	20
60 above	4

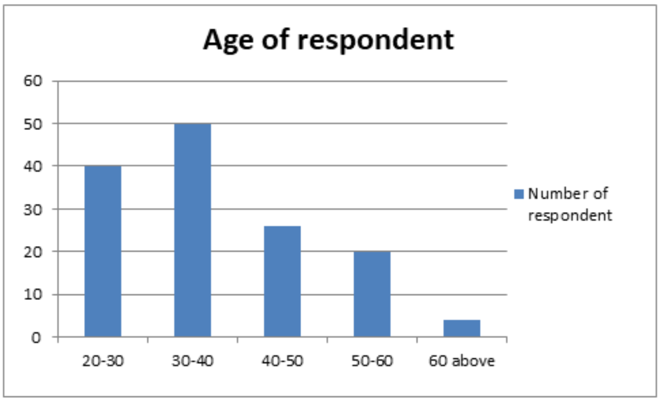

Figure 4.2: Age of respondents

4.2 Investor's behavior regarding mutual fund as an investment avenue

i. Invest in mutual fund

From 150 respondents 51 of them are doing investment in mutual fund and 99 of them are not investing in mutual. This indicates that higher numbers of respondents were investing in mutual fund.

Table 4.3: Contribute to a mutual fund

Invest in Mutual Fund	Number of respondent
Yes	51
No	99

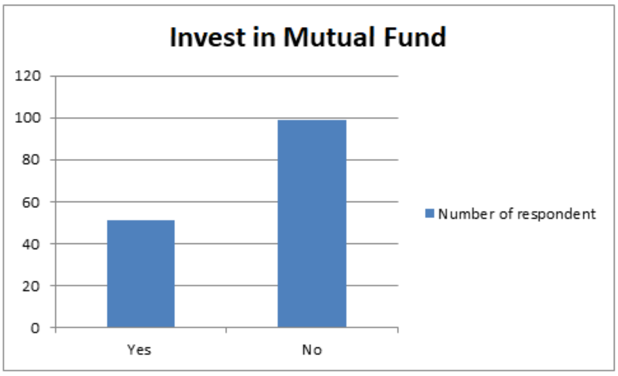

Figure 4.3: Invest in mutual fund

ii. Investment proportion except mutual fund

People who were not investing in mutual fund they do invest in sectors like insurance, equity market, government schemes (includes banks, bonds &other scheme), real estate, commodities even people those who do invest in mutual fund they also invest in different sectors. Out of 150 respondents, 10 respondents do invest in equity market, 80 invest in insurance, 30 in government scheme, 10 do invest in real estate and 20 do invest in commodities. People do invest in insurance due to higher returns available in it.

Table 4.4: Investment proportion except mutual fund

Investment proportion except mutual fund	Number of respondent
INSURANCE	80
EQUIYTY MARKET	10
GOVT. SCHEME	30
REAL ESTATE	10
COMMODITIES	20

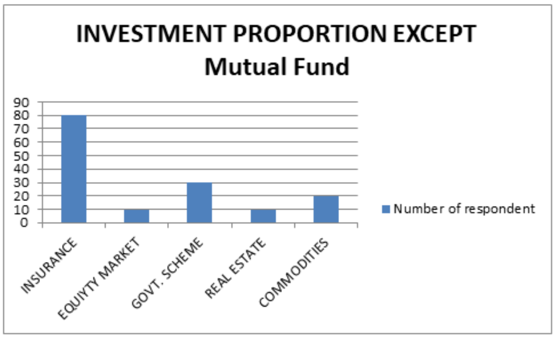

Figure 4.4: Investment proportion except mutual fund

4.3 Mutual fund Scheme is better according to investors

i. Compare the returns or other benefits of mutual fund schemes before investing

It is necessary to compare the returns and other benefits because people do invest in for higher returns so they compare with other companies also. Here 66 people compare the returns and other benefits of mutual fund scheme before as well as after investing to see how their investment is spread over in different segments.

Table 4.5: Annual report checking

Annual report checking	Number of respondent
Yes	66
No	84

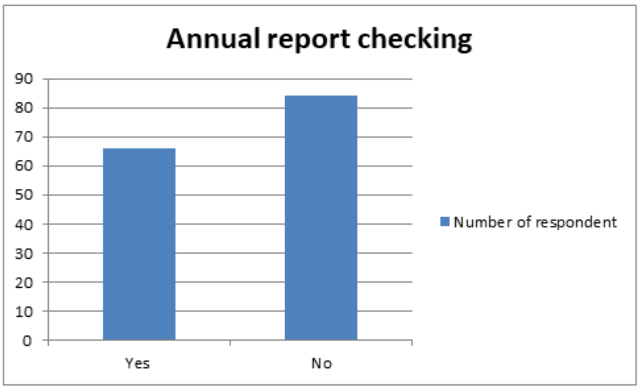

Figure 4.5: Annual report checking

5. CONCLUSION

Mutual funds' primary strength is that they let investors to pool their money together. Small retail investors are able to get access to multiple markets and the advantages of professional money management via mutual funds since the minimum investment is often much smaller than for other investment vehicles. Fund managers are the specialists who invest the scheme's clients' money on their behalf. The managers of these funds decide which securities to buy and how much of each to buy. Yet, the scheme's investment objective(s), the scheme's investment pattern, and regulatory constraints all serve as guiding principles for making these choices. These two factors—the investor's end goal and his typical investing strategy—are what ultimately help him settle on the best fund for his needs.

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