

A Study of Investors Preference towards Mutual Funds in Ludhiana Stock and Capital Limited

Nikita Gupta*

Pehowa

Abstract – This paper has been attempted to know preferences of investors towards mutual fund. All such investors buy units in a fund that best suit their needs be it growth in capital, regular returns or safety of capital. For achieving the objectives primary data has been collected by the researcher through structured questionnaire.

Keywords: Awareness Level of Investors, Perception of Investors, Types of Mutual Fund.

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INTRODUCTION TO MUTUAL FUNDS

Mutual fund in India is occurred in 1963. UTI enjoyed a monopoly in the Indian mutual fund market until 1987, when a host of other government-controlled Indian financial companies established their own funds, including State Bank of India, Canara Bank, and Punjab National Bank. Mutual fund is that pools the funds of investors who seek the same general investment objectives. These pooled funds provide many investors with proportional investment managers. In other words 'mutual' is used in the sense that all its returns, minus its expenses, are shared by the funds unit holders.

HISTORY OF MUTUAL FUND INDUSTRY IN INDIA

In India, mutual fund industry started in 1963 with the formation of Unit Trust of India with the initiative of the Reserve Bank of India (RBI) and the Government of India. The main objective was to attract small investors and encourage them to market investments. It has been divided in many phases like:

1st Phase (1964-87): Growth of UTI

2nd Phase (1987-93): Entry of Public Sector Funds

3rd Phase (1993-96): Emergence of Private Funds

4th Phase (1996-99): Growth and SEBI Regulation

5th Phase (1999-2004): Emergence of a Large and Uniform Industry

6th Phase (From 2004 Onwards): Consolidation and Growth

TYPES OF FUNDS

Schemes According to Maturity Period

On the basis of maturity period, mutual funds can be either open-ended or close-ended.

Open-Ended Funds

An open-ended fund is that which available for subscription and repurchase on a continuous basis and which do not have a fixed-maturity period.

Closed-Ended Funds

Closed-ended fund is that which have stipulated maturity period. Closed-ended funds are open for subscription only during a specific period at the time of launch of the scheme. Generally the transaction takes place at the net asset value which is calculated on a weekly basis. These shares of such mutual funds are traded in the secondary markets. The closed-ended funds are more like equity shares.

Ludhiana Stock and Capital Limited

Formerly Ludhiana Stock Exchange Limited was opened in 1981, by Sh. S.P. Oswal of Vardhman Group and Sh. B.M. Munjal of Hero Group for fulfilling a vital need of having a Stock Exchange in the region of Punjab Himachal Pradesh Jammu & Kashmir and Union territory of Chandigarh. In the era of Screen based trading introduced by National Stock Exchange and Bombay Stock Exchange, entering into the field of Keeping in view the changing Business environments. In the light of above and in terms of Clause 3 of SEBI circular no. dated December 29, 2008.

LITERATURE REVIEW

Prabhu and Vechalekar (2010) in their study perception of Indian investor towards investment in mutual funds found out that investors like to invest money in mutual funds as they feel that it is less risky to invest in mutual funds rather than investing directly in stock market. However, it was also found that many investors are still not aware of the various benefits that come along with investment in mutual funds.

Mehta and Shah (September 2012) collected responses from 100 investors of Ahmedabad and Baroda city. They found out that occupation of the investor affects their investment plans. Features of the mutual funds also allure the investors. Their study also found out that Investors mostly prefer equity schemes while making investment into mutual funds.

Ms. Mahesh Nayak in his research work explained mutual fund as the typical equity investor in India is a seasonal investor, who tends to rush into a bull market and gets carried away with the good returns from diversified schemes.

Ms. Paramjeet Singh (2015) has used the following words to explain Mutual Fund as the encouraging public response to the Mutual Fund reveals the potential of mobilizing the saving of the masses for industrial finance.

Monika Dua (2016) in her study said that The mutual funds industry in India is at the stage of infancy but is slowly and steadily progressing towards the stage of growth. However, in the fact of intensive competition success will come only to those MF's who prove mettle in the market.

Vyas (July 2016) found out that investors rank Gold, Bank Deposits, Life Insurance schemes and post office schemes way ahead of Mutual Funds. Many investors who invest in various other schemes are not much aware about the mutual funds schemes. It was also found that most of the investors do not park their money in mutual funds for more than 3 years.

Kothari and Mindargi (June 2017) found out that people lying in middle income group are more attracted towards mutual funds and are ready to bear risk though many investors do not invest in mutual funds due to lack of knowledge. There are investors who find government bonds a better option as compared to mutual funds..

Vijay Kumar (2017) has explained in his study that Mutual funds have opened salutatory avenues for development of capital market and mobilizing saving. For their orderly growth, it is pertinent that he investor's interest should be protected. After investment, services of a high order and quality should be guaranteed. The encouraging public response the

mutual funds reveals the potential of mobilizing the saving for the masses for industrial finance.

Ms. Sandesh Kiskire (2017) is one who explained Mutual fund in his own way and his words are:-Over the last few years, the Indian financial systems have undergone sea changes. The most remarkable of these is the evolution of investors' preference in favour of market-linked investment vehicles, as compared to conventional assured returns instruments.

OBJECTIVES OF THE STUDY

1. To check the awareness level of investors about mutual funds.
2. To study the perception of investors towards mutual funds.

RESEARCH METHODOLOGY

The study undertaken by the researcher is related to the study of mutual fund is the better investment plan and questionnaire is made by me to knowing the preference of the investors for investing in the mutual funds. The collection of various facts and data were in form of personal observation and directly interacting with the existing customers as well as new customer formed.

Sources of Data Collection

These are two sources of data collection

1. Primary Data source
2. Secondary data source

Research is totally based on primary data .Secondary data can be used only for the reference. Research has been done by the primary data has been collected by interacting with various people.

Sample Size

Sample size is 80.

Sampling Techniques

Simple random sampling technique was used to collect the data from 80 respondents .

Tools for analysis

The data collected are classified and tabulated and further the following statistical tools are employed to fulfill the objectives of the study.

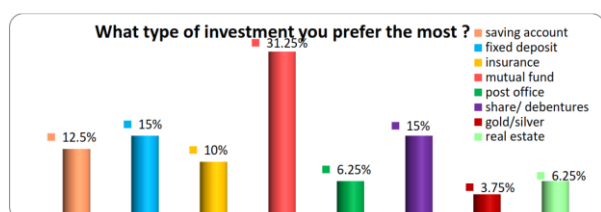
DATA ANALYSIS AND INTERPRETATION

Type of investment preferred by the investor most

Table No. 5.1

Type of investments	No. of investors	Percentage
Saving account	10	12.5
Fixed deposit	12	15
Insurance	8	10
Mutual fund	25	31.25
Post office	5	6.25
Shares/ debentures	12	15
Gold / silver	3	3.75
Real estate	5	6.25
Total	80	100

Chart No. 5.1



INTERPRETATION

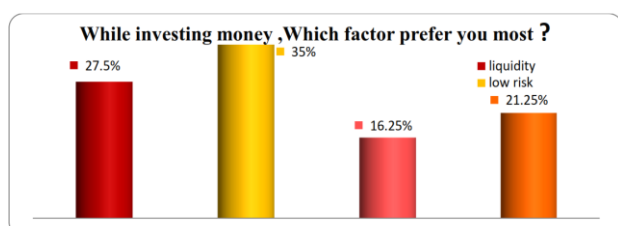
The above table depicts that most of the people prefer to invest in mutual funds i.e. 31.25% is the highest, 15% of the people prefer to invest in shares / debentures and in fixed deposits. . 12.5 % of the people would like to prefer to invest in saving account , and 10 % in insurance whereas only 6.25% of the people prefer to invest in post office and in real estate and only 3.75% of the people i.e. Minimum prefer to invest in gold/silver.

Factor preferred by the investor while investment

Table No. 5.2

	Frequency	percentage	Cumulative percentage
liquidity	22	27.5	27.5
Low risk	28	35	62.5
High returns	13	16.25	78.75
Company reputation	17	21.25	100
total	80	100	

Chart No. 5.2



INTERPRETATION

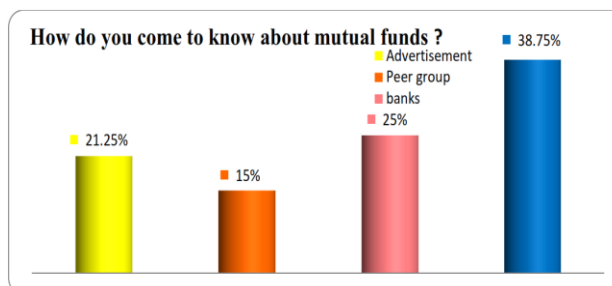
From the above we can depict that while investing money most of the people prefer low risk factor i.e. maximum 35% , 27.55% of the people prefer liquidity factor , 21.25% the people prefer company reputation factor whereas least 16.25% of the people prefer high return factor.

Knowledge about mutual funds

Table No. 5.3

	Frequency	Percent	Cumulative percent
Advertisement	17	21.25	21.25
Peer group	12	15	36.25
Banks	20	25	61.25
Financial advisors	31	38.75	100

Chart No. 5.3



INTERPRETATION

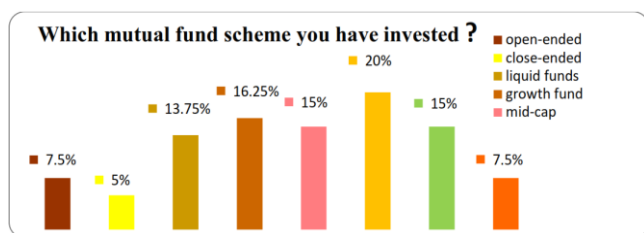
The above table depicts that most of the people come to know about mutual funds from financial advisors i.e. 38.75% maximum. 25% of the people come know from banks. 21.25% of the students come to know from advertisements and only 15% of the students come to know from the peer group.

Mutual fund scheme

Table No. 5.4

	Frequency	Percent	Cumulative percent
Open – ended	6	7.5	7.5
Close-ended	4	5	12.5
Liquid funds	11	13.75	26.25
Growth fund	13	16.25	42.5
Mid-cap	12	15	57.5
Regular income fund	16	20	77.5
Long-cap	12	15	92.5
Sector fund	6	7.5	100
total	80	100	

Chart No. 5.4



INTERPRETATION

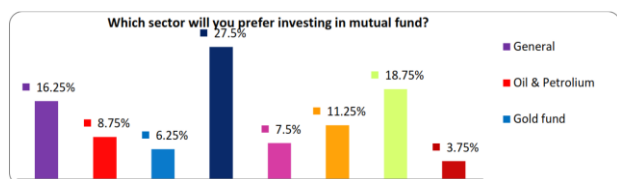
Out of 80 respondents maximum 20% of the people have invested in regular income mutual fund scheme, 16.25 % of the people have invested in growth fund scheme, 13.75% of the people have invested in liquid funds, 15% of the people have invested in mid-cap scheme, whereas 7.5% of the people have invested in open-ended funds scheme and only 5% of the people i.e. Minimum have invested in close-ended scheme.

Sector wise investment in mutual fund

Table No. 5.5

	Frequency	Percent	Cumulative percent
General	13	16.25	16.25
Oil & petroleum	7	8.75	25
Gold fund	5	6.25	31.25
Diversified equity fund	22	27.5	58.75
Power sector	6	7.5	66.25
Debt fund	9	11.25	77.5
Banking fund	15	18.75	96.25
Real estate fund	3	3.75	100
Total	80	100	

Chart No. 5.5



INTERPRETATION

The above table shows that most of the people wants to invest in diversified equity fund sector i.e. maximum 27.5%, 18.75% wants to invest in banking fund sector, 16.25% wants to invest in general sector, 11.25% in debt fund 7.5% in power sector, 6.25% in gold fund sector, 8.75% in oil & petroleum and only 3.75% of the people wants to invest in real estate fund sector.

FINDINGS

- In Ludhiana city, most of the people are belong to 40-50 year age group and some are belong to below 30 year age group.

- Most of the respondents were graduate/post graduate in Ludhiana city. 36.7% of people are doing private job and some are doing their own business. only 4 respondents are to agricultural group
- Only 32 respondents have their income above Rs. 30,000, while 43 respondents are belong to Rs. 20,000-30,000 group
- About all the respondents having bank FD (71.67%) and insurance (64.16%). Only 55.8% are invested in mutual funds
- The basic purpose of the investment of the people is saving (41.7%), while second most preferred is high return (20%) and least preferred is risk diversification (9.2%)
- 73.3% of respondents are aware about mutual funds. most of the respondents know about MF through their financial advisors & banks.
- Only 58.3% respondents are invested in mutual funds and 26.7 % are not aware about mutual funds.
- 49.16 % of investors are invested in reliance MF and second preferred in ICICI prudential MF (46.66%) . people choose ICICI prudential MF because it is associated with ICICI bank (29.2%) and give higher return
- 54.2% of respondents have receive only 5-10% return from all investments, whole only 7.5% of respondents receive return greater than 20%.
- For further investment in mutual funds , investors are highly preferred in reliance (63.33%) and UTI MF (52.5%) 35.83% of respondents are preferred ICICI prudential MF
- 65.8% of respondents choose one time investment 45% of respondents are choosing equity fund to invest in mutual funds de for invested in mutual funds.

CONCLUSIONS

- The study has made an attempt to understand the financial behaviors of mutual fund investors and also tell them "mutual fund is the better investment plan.
- They think their money will not be secure in mutual funds. They need the knowledge of mutual fund & its related terms.

RECOMMENDATIONS

niksgpt007@gmail.com

- The main difficulty is ignorance. Companies should give the training of the financial Advisors about the fund/scheme and its objectives. Before making any investment, Financial Advisors should first enquire about the risk tolerance of the investors/customers, their need and time. After considering these things they can take the customers into consideration.

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Corresponding Author

Nikita Gupta*

Pehowa