

Study On Investment Analysis Of Individuals In Mutual Funds-An Empirical Study

Samyak Jain¹

samyak.1108@gmail.com

Tejas Jindal²

Tejasjindal24@gmail.com

Ashwin Sharma³

ashwinshukla888@gmail.com

Ms. Mariyam Ahmed⁴

mariyam.ahmed@kalingauniversity.ac.in

1. MBA Student, Kalinga University, Naya Raipur, C.G
2. MBA Student, Kalinga University, Naya Raipur, C.G
3. MBA Student, Kalinga University, Naya Raipur, C.G
4. Assistant Professor, Faculty of Commerce & Management, Kalinga University, Naya Raipur, C.G

ABSTRACT

The world of finance has witnessed an exponential growth in the post information technology revolution of the 1990s. The present study made an attempt to do a diagnostic analysis of past literature, though a lot of research has been done on investors' perception on mutual funds. In the present study, literature review on various dimensions with respect to the measurement of performance, risk - return trade off of mutual funds, and investors' awareness, education, and interest regarding mutual funds was examined to clear the gateway for the upcoming researchers in the field of the mutual fund industry. Here in this study we have collected a sample of 50 participants and run a questionnaire which is a form of the primary source of data and final analysis is done through the percentage analysis method.

Keywords: Investment Analysis, Stock Market, Mutual Funds, Hybrid Funds

INTRODUCTION

Mutual Funds

A mutual fund is a professionally managed investment fund that pools money from many investors to purchase securities. The term is typically used in the United States, Canada, and India, while similar structures across the globe include the SICAV in Europe ('investment company with variable capital') and open-ended investment company (OEIC) in the UK.

Mutual funds are often classified by their principal investments: money market funds, bond or fixed income funds, stock or equity funds, or hybrid funds. Funds may also be categorized as index funds, which are passively managed funds that track the performance of an index, such as a stock market index or bond market index, or actively managed funds, which seek to outperform stockmarket indices but generally charge higher fees. Primary structures of mutual funds are open-end funds, closed-end funds, and unit investment trusts.

Open-end funds are purchased from or sold to the issuer at the net asset value of each share as of the close of the trading day in which the order was placed, as long as the order was placed within a

specified period before the close of trading. They can be traded directly with the issuer or via an electronic trading platform or stockbroker.

Mutual funds have advantages and disadvantages compared to direct investing in individual securities. The advantages of mutual funds include economies of scale, diversification, liquidity, and professional management. However, these come with mutual fund fees and expenses.

Mutual funds are regulated by governmental bodies and are required to publish information including performance, comparison of performance to benchmarks, fees charged, and securities held. A single mutual fund may have several share classes by which larger investors pay lower fees.

Hedge funds and exchange traded funds are not mutual funds.

Market size

At the end of 2020, open-end mutual fund assets worldwide were \$63.1 trillion.[4] The countries with the largest mutual fund industries are:

- United States: \$23.9 trillion
- Australia: \$5.3 trillion
- Ireland: \$3.4 trillion
- Germany: \$2.5 trillion
- Luxembourg: \$2.2 trillion
- France: \$2.2 trillion
- Japan: \$2.1 trillion
- Canada: \$1.9 trillion
- United Kingdom: \$1.9 trillion
- China: \$1.4 trillion

At the end of 2019, 23% of household financial assets were invested in mutual funds. Mutual funds accounted for approximately 50% of the assets in individual retirement accounts, 401(k)s and other similar retirement plans.

Luxembourg and Ireland are the primary jurisdictions for the registration of UCITS funds. These funds may be sold throughout the European Union and in other countries that have adopted mutual recognition regimes.

At the end of 2018, the largest mutual fund managers in the United States based on assets under management were:

- BlackRock: \$9 trillion
- The Vanguard Group: \$7.2 Trillion
- Charles Schwab Corporation: \$7 trillion
- Fidelity Investments: \$3.7 trillion
- State Street Global Advisors: \$3.6 trillion
- PIMCO/Allianz: \$ 2.892 trillion

- JPMorgan Chase: \$2.8 trillion
- Capital Group Companies: \$2.3 trillion
- BNY Mellon (Dreyfus): \$2.2 trillion
- Amundi: \$1.93 trillion
- Prudential Financial: \$1.72 trillion
- T. Rowe Price: \$1.7 trillion
- Legal & General: \$1.7 trillion
- Franklin Templeton Investments: \$1.498 trillion
- Merrill Lynch: \$1.4 Trillion
- Invesco: \$1.391 trillion
- Natixis: \$1.387 trillion
- Teachers Insurance and Annuity Association of America / Nuveen: \$1.25trillion
- Sun Life Financial:\$1.25 trillion
- Goldman Sachs: \$1.1 trillion
- Ameriprise Financial: \$1.1 trillion

Features

Like other types of investment funds, mutual funds have advantages and disadvantages compared to alternative structures or investing directly in individual securities. According to Robert Pozen and Theresa Hamacher, these are:

Advantages

- **Increased opportunity for diversification:** A fund diversifies by holding many securities. This diversification decreases risk.
- **Daily liquidity:** In the United States, mutual fund shares can be redeemed for their net asset value within seven days, but in practice the redemption is often much quicker. This liquidity can create asset– liability mismatch which poses challenges, which in part motivated an SEC liquidity management rule in 2016.
- **Professional investment management:** Open-and closed-end funds hire portfolio managers to supervise the fund's investments.Ability to participate in investments that may be available only to larger investors. For example, individual investors often find it difficult to invest directly in foreign markets.
- **Service and convenience:** Funds often provide services such as check writing.
- **Government oversight:** Mutual funds are regulated by a governmental body
Transparency and ease of comparison: All mutual funds are required to report the same information to investors, which makes them easier to compare to each other.

Disadvantages

Mutual funds have disadvantages as well, which include:

- Fee
- Less control over the timing of recognition of gains
- Less predictable income
- No opportunity to customize

Types of Mutual Funds

Various types of Mutual Fund schemes exist to cater to different needs of different people. Largely there are three types of mutual funds.

1) Equity or Growth Funds:

- These invest predominantly in equities i.e. shares of companies
- The primary objective is wealth creation or capital appreciation.
- They have the potential to generate higher return and are best for longterm investments.

2) Income or Bond or Fixed Income Funds

- These invest in Fixed Income Securities, like Government Securities or Bonds, Commercial Papers and Debentures, Bank Certificates of Deposits and Money Market instruments like Treasury Bills, Commercial Paper, etc.
- These are relatively safer investments and are suitable for Income Generation.
- Examples would be Liquid Funds, Short Term, Floating Rate, Corporate Debt, Dynamic Bond, Gilt Funds, etc.

3) Hybrid Funds

- These invest in both Equities and Fixed Income, thus offering the best of both, Growth Potential as well as Income Generation.
- Examples would be Aggressive Balanced Funds, Conservative Balanced Funds, Pension Plans, Child Plans and Monthly Income Plans, etc.

REVIEW OF LITERATURE

According to Sindhu KPAKumar who has discussed that the stock market provides higher returns than any of the investment options available in the financial market". A prudent Investor can learn a lot from the stock market operation. But there is a chance of high risk and uncertainty. As we know, higher the return, higher will be the risk. Those investors with lack of knowledge and experts may lose

their money while investing in financial assets, especially in securities.

This is where mutual funds come into picture. Mutual Fund is the most suitable investment for a common man as it offers an opportunity to invest in a professionally managed basket of securities at a relatively low cost. A mutual fund is an investment company or a trust that pools the resources of a large number of its shareholders and invests on behalf of them in diversified portfolios to attain the objectives of the investors which in return achieve income or growth or both, thus mutual funds become a major investment vehicle for mobilization of savings particularly from small and household sectors for the investment in the security market. At present the importance of mutual funds in India has been increasing in the capital market by expanding the investors base. Nowadays, there are offered types of investment plans available for mutual fund investors. At the same time, investment in mutual fund is to be considered as a long term investment.

In the views of Malkiel his study utilizes a data set including returns from all equity mutual funds existing each year. These data enable us more precisely to easily examine performance of survivorship bias in the aggregate, funds have underperformed benchmark and the extent of portfolios both after management experience and even grasp of experience. Survivorship bias appears to be more important than other studies have estimated. Moreover, while considerable performance persistence existed during the 1970s, there was no consistency in fund returns during the 1980s.

According to A. P. Kurtan, he expressed his views saying about the role of intermediaries in the Indian Mutual Funds industry, "From the beginning. Utl and other mutual funds have relied extensively on intermediaries to market their schemes to investors.

It would be accurate to say that without intermediaries, the mutual funds industry would not have achieved the depth and breadth of coverage amongst investors that it enjoys today. Intermediaries have played a pivotal and valuable role in popularizing the concept of mutual funds across India (Tripathi, A. 2014; Tripathi, A. 2019).

RESEARCH METHODOLOGY

In this research every attempt was taken to be error free. There was a limited number of respondents. In this report responses of 50 respondents are collected for the data analysis. There are many methods of sampling. We have chosen a non-probability sampling method and below that we have taken a convenience sample. We prepared a questionnaire to collect the information.

DATA ANALYSIS AND INTERPRETATIONS

Are You Planning To Save?



Are you planning to save?		
Results		
Options	%	Count
Yes	62.00	31
no	38.00	19



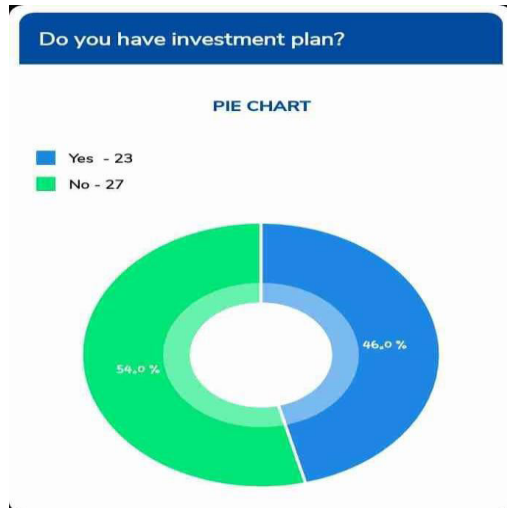
It is observed that out of 50 respondents 62% of respondents are planning to save.

Do You have an investment plan

Do you have investment plan?

Results

Options	%	Count
Yes	46.00	23
No	54.00	27



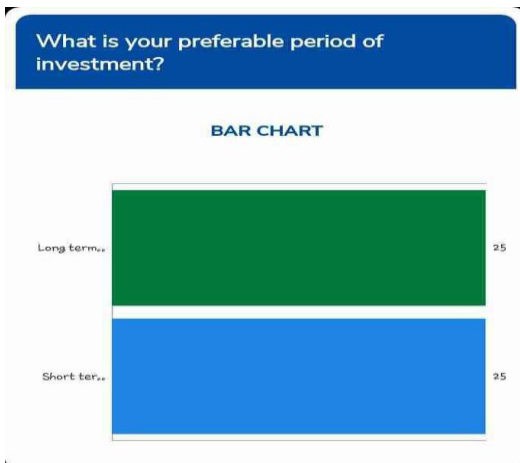
It is observed that out of 50 respondents 54% of respondents are not willing to plan investments.

What is your preferable period of investment?

What is your preferable period of investment?

Results

Options	%	Count
Short term	50.00	25
Long term	50.00	25



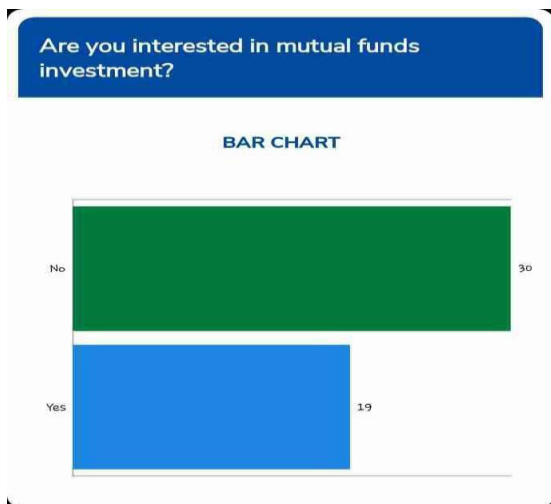
It is observed that out of 50 respondents both long term and short term investments are preferred equally.

Are you interested in mutual funds investment?

Are you interested in mutual funds investment?

Results

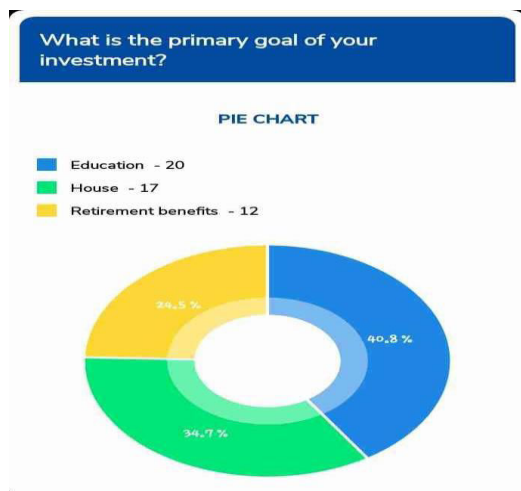
Options	%	Count
Yes	38.78	19
No	61.22	30
No Answer	-	1



It is observed that out of 50 respondents 39% of respondents are interested in mutual fund investments.

What is the primary goal of your investment?

Results		
Options	%	Count
Education	40.82	20
House	34.69	17
Retirement benefits	24.49	12
No Answer	-	1



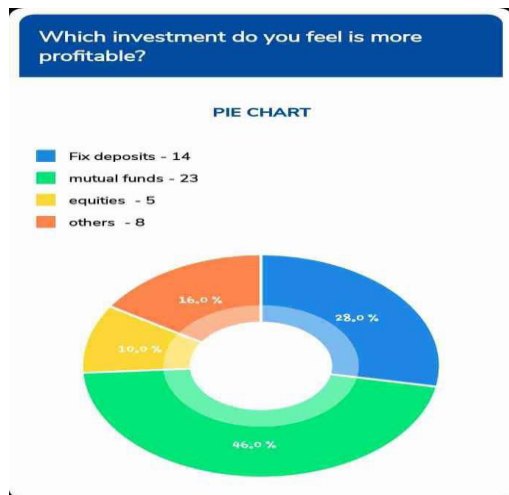
It is observed that out of 50 respondents 41% of respondents have a primary goal of investment.

Which investment do you feel is more profitable?

Which investment do you feel is more profitable?

Results

Options	%	Count
Fix deposits	28.00	14
mutual funds	46.00	23
equities	10.00	5
others	16.00	8



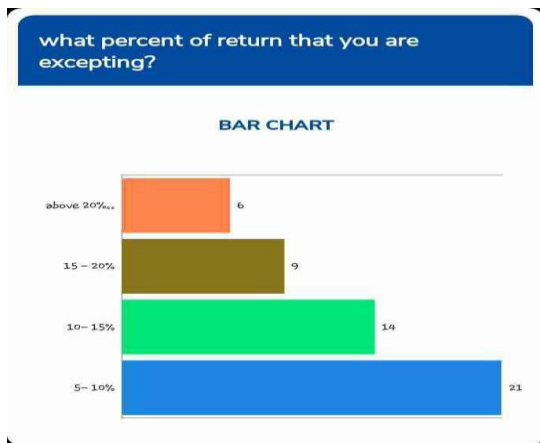
It is observed that out of 50 respondents 46% of respondents feel that the mutual fund is more preferable.

What percent of return that you are expecting?

what percent of return that you are expecting?

Results

Options	%	Count
5- 10%	42.00	21
10- 15%	28.00	14
15 - 20%	18.00	9
above 20%	12.00	6



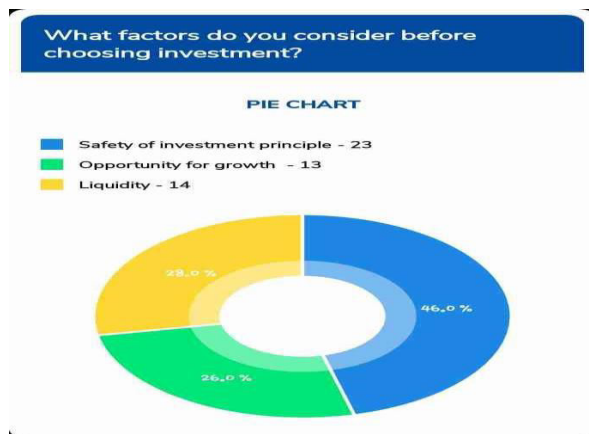
It is observed that out of 50 respondents only 12% of respondents are accepting a higher rate of returns.

What factors that you consider before choosing investment?

What factors do you consider before choosing investment?

Results

Options	%	Count
Safety of investment principle	46.00	23
Opportunity for growth	26.00	13
Liquidity	28.00	14



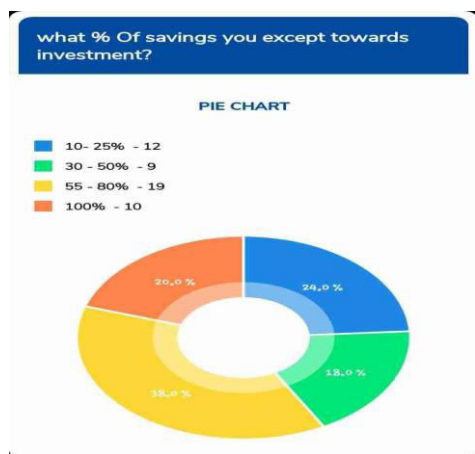
It is observed that out of 50 respondents 46% of respondents considered safetyof investment principle before investing.

What percent of savings you expect towards investment?

what % Of savings you expect towards investment?

Results

Options	%	Count
10- 25%	24.00	12
30 - 50%	18.00	9
55 - 80%	38.00	19
100%	20.00	10



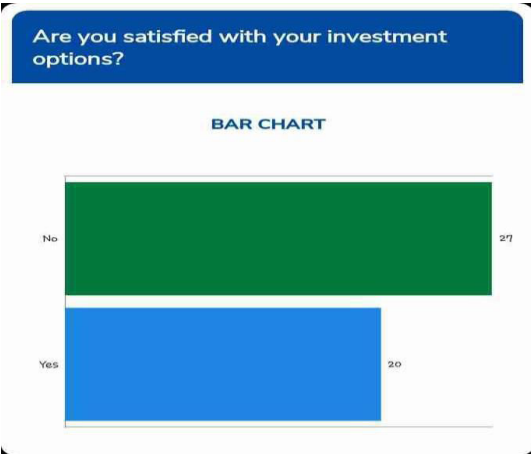
It is observed that out of 50 respondents 38% of respondents are saving for investment.

Are you satisfied with your investment options ?

Are you satisfied with your investment options?

Results

Options	%	Count
Yes	42.55	20
No	57.45	27
No Answer	-	3



It is observed that out of 50 respondents 43% of respondents are satisfied with investment options.

FINDINGS

- Most people are satisfied with investment options.
- Only 38% of respondents are saving for investment.
- 41% of respondents have a primary goal of investment.
- 54% of respondents are willing to invest.
- Both short term and long term are preferred equally.
- 62% of respondents are planning to save.
- Only 39% of respondents are interested in mutual funds investments.

CONCLUSIONS

Mutual Funds now represent perhaps the most appropriate investment opportunity for most investors. As financial markets become most sophisticated and complex, investors need a financial intermediary who provides the required knowledge and professional expertise on successful investing. As the investor always tries to maximize the returns and minimize the risks.

The fund industry has already overtaken the banking industry, more funds being under mutual fund management than deposited with banks. With the emergence of tough competition in this sector mutual funds are launching a variety of schemes which cater to the requirement of the particular class of investors. Risk takers are getting capital appreciation and should invest in growth, equity schemes. Investors who are in need of regular income should invest in income plans. The stock market has been rising for over three years now. This in turn has not only protected the money invested in funds but has also helped grow these investments. This has also instilled greater confidence among fund investors who are investing more into the market through the MF route than ever before.

Reliance India mutual funds provide major benefits to a common man who wants to make his life better than previous. India's largest mutual fund, UTI, still controls nearly 80 percent of the market. Also the mutual fund industry as a whole gets less than 2 percent of households saving against the 46 percent that go into bank deposits. Some fund managers say this only indicates the sector's potential." If mutual funds succeed in chipping away at bank deposits, even a triple digit growth is possible over the next few years".

REFERENCES

- LANICH UDDIN, A (2016). Investor Perception about Systematic Investment Plan (SIP) Plan An Alternative Investment Strategy International Journal of Research in municipal Sidences, 4(3),7
- Aruna, K. & Senthamil, M. (2017), The scenario of mutual fund investment through sig invellate district, International journal of urineand Administration Research eiw, (19)152
- Godse, & (2000). Long Term Performance of Equity Based Mutual Funds Systematic Investment Plan) Twelfth AIMS International Conference on Management.
- KUMAR, V. & BANSAL, P. (2014). A Study on Investor Behavior towards Mutual Funds in Rohtak, Haryana International journal of Engineering and Many orch. #(3).224-228.
- SINGH, A K. & SINGH, K. V. (2016), Study of investor perception towards investment in Phagwara ngon National Journal of Information Research and Review (3) 214-2021.
- Tripathi, A. (2014). Globalization and Downsizing in India. International Journal of Multidisciplinary and Current Research, 2, 932-939.
- Tripathi, A. (2019). Profit Maximization Theory and Value Maximization Theory. International Journal of Scientific Development and Research, 4(6), 284-289.

ANNEXURE

Name

Are you planning to save?

- Yes
- No

Do you have any investment plans?

- Yes
- No

What is your preferable period of investment?

- Short term
- Long term

Are you interested in mutual fund investment?

- Yes
- No

What is the primary goal of your investment?

- Education
- House
- Retirement Benefits

Which investment do you feel is more profitable?

- Fix deposits
- Mutual Funds
- Equities
- Others

What percent of return are you expecting?

- 5- 10%
- 10- 15%
- 15- 20%
- Above 20%

What are the important factors you consider before choosing investment?

- Safety of investment principle
- Opportunity for steady growth
- Liquidity

What percent of savings did you expect towards investment?

- 10- 25%
- 30 - 50%
- 55- 80%
- 100%

Are you satisfied with your investment options?

- Yes
- No