



International Journal of Multidisciplinary Research and Growth Evaluation



International Journal of Multidisciplinary Research and Growth Evaluation

ISSN: 2582-7138

Received: 16-08-2021; Accepted: 03-09-2021

www.allmultidisciplinaryjournal.com

Volume 2; Issue 5; September-October 2021; Page No. 299-304

A study on the factors determining the mutual fund investments of investors

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Abstract

Mutual funds square measure money intermediaries, that collect the savings of investors & invest them in an exceedingly giant & well heterogeneous portfolio of securities like market instruments, company & government bonds & equity shares of joint stock firms. An investment company may be a pool of common funds endowed by completely different investors, World Health Organization haven't any contact with one another. Mutual funds square measure planned as establishments for providing little investors with avenues of investments within the capital

market. The benefits for the investors square measure reduction in risk, skilled management, heterogeneous portfolios, & liquidity of investment & tax advantages. By pooling their assets through mutual funds, investors attain economies of scale. The interests of the investors' square measure protected by the SEBI, which acts as a watchdog. Mutual funds square measure ruled by the SEBI (Mutual funds) laws, 1993. From its origin the expansion of mutual funds is extremely slow and it took very long years to evolve the trendy day mutual funds.

Keywords: portfolio, SEBI, mutual funds, liquidity

Introduction

Mutual Funds emerged for the primary time in Holland in the 18th century so got introduced to Suisse, European country so to us within the nineteenth century. The most motive behind investment company investments is to deliver a style of heterogeneous investment resolution. Over the years the thought developed and folks received additional and additional decisions of heterogeneous investment portfolio through the mutual funds. In India, the investment company thought emerged in 1960. The credit goes to UTI for introducing the primary investment company in Bharat. Financial Funds benefited heaps from the mutual funds. Earlier investors accustomed invest directly within the securities market and lots of times suffered from loss because of wrong speculation. However with the approaching of mutual funds, which were handled by economical fund managers, the investment risks were lowered by an excellent extent.

Need for the Study

The main purpose of doing this project was to understand regarding Investment Company and its functioning. This helps to understand in details regarding investment company business right from its origin stage, growth and future prospects. It additionally helps in understanding completely different schemes of mutual funds. As a result of my study depends upon outstanding funds in Bharat and their schemes like equity, income, balance additionally because the returns related to those schemes.

The project study was done to determine the quality allocation, entry load, exit load, related to the mutual funds. Ultimately this might facilitate in understanding the advantages of mutual funds to investors.

Scope of the Study

In my project the scope is proscribed to some outstanding investment company's within the mutual fund business. I analysed the funds reckoning on their schemes like equity, income, balance. However there's such a lot of different schemes in investment company business like specialised (banking, infrastructure, pharmacy) funds, index funds etc.

Objective

As several factors affect the investment decision of Investors relating to different aspects. This study is focussed on

- Analysing and studying the parameters that drive the investment decisions of investors regarding mutual fund investments.

Working of Mutual Fund

An open-end investment company may be an assortment of stocks, bonds, or different securities in hand by a gaggle of investors and managed by knowledgeable fund. For a private capitalist to own a diversified portfolio is tough. However he will approach to such company and might invest into shares. Mutual funds became extremely popular since they create individual investors to take a position in equity and debt securities simple. Once investors invest a specific quantity in mutual funds, he becomes the unit holder of corresponding units. In turn, mutual funds invest unit holder's cash in stocks, bonds or different securities that earn interest or dividend. This cash is distributed to unit holders.

If the fund gets cash by commerce some stocks at higher value the unit holders are at risk of get capital gains.

Types of open-end investment company schemes

Mutual funds will be done relying upon numerous factors and variables, such as, maturity amount, investment objectives etc... Funds schemes once more will be classified into 3 broad classes: equity schemes funds invest in 3 broad categories of assets—stocks, bonds and money.

Relying upon the quality combine, mutual Classification of mutual, hybrid schemes, and debt schemes. But the subsequent square measure the varied styles of mutual funds offered to the investors.

Schemes in keeping with Maturity Period

An open-end investment company will be classified into close-ended or open-ended theme relying upon its maturity period:

Open-ended fund/scheme

An open-ended fund is one that's offered for subscription and repurchase on continuous basis. These schemes don't have a set maturity amount. Investors will handily get and sell units at internet quality worth (NAV) connected costs that square measure declared on a routine. The key feature of open-end theme is liquidity

Close-ended fund/scheme

A close-ended theme encompasses a stipulated maturity amount e.g. 5-7 years. The fund is open for subscription solely throughout a fixed amount at the time of launch of the theme. Investors will invest within the theme at the time of initial public issue and thenceforth they'll get or sell the units of the theme on the stock exchanges wherever the unit's square measure listed. So as to produce associate exit route to the investors, some shut over funds provide associate choice of commerce back the units to mutual funds through periodic repurchase at NAV connected costs. SEBI regulation stipulated that a minimum of one in every of the 2 exit routes is provided to the investors i.e. either repurchase facility or through listing on stock exchanges. These mutual funds schemes disclose NAV typically on weekly basis.

Schemes in keeping with Investment Objectives

A theme can even be classified as growth theme, financial gain theme, or balanced theme considering its investment objective. Such scheme is also open-ended or close-ended schemes as delineated earlier. Such schemes are also classified principally as follows:

Growth or equity orientated Scheme

The aim of growth funds is to produce capital appreciation over the medium to long run. Such schemes usually invest a serious a part of their corpus in equities. Such funds have relatively high risk. These schemes give completely different choices to the investors like dividend choice, capital appreciation etc... And therefore the investors might select associate choice betting on their performance. The investors should indicate the choice within the form. The mutual funds additionally permit the investors to alter the choices at a later date. Growth schemes square measure smart for investors having a protracted term outlook seeking appreciation over an amount of your time.

Income / debt orientated schemes

The aim of financial gain funds is to produce regular and steady financial gain to investors. Such schemes typically invest in fastened financial gain securities like bonds, company debentures, Govt. securities and securities industry instruments. Such funds square measure less risky compared to equity schemes. These funds aren't affected due to fluctuations in equity markets. However, opportunities of capital appreciation also are restricted in such funds. The NAVs of such funds square measure affected due to modification in interest rates within the country. If the interest falls, NAVs of such funds square measure doubtless to extend within the short run and vice-versa. However, long run investors might not hassle regarding these fluctuations.

Balanced Funds

The aim of balanced funds is to produce each growth and regular financial gain intrinsically schemes invest each in equity and stuck financial gain securities within the proportion indicated in their supply document. This square measure applicable for the investors trying to find moderate growth. They often invest four-hundredth to hr in equity and debt instruments. These funds also are affected due to fluctuation in share costs within the stock markets. However, NAVs of such funds square measure doubtless to be less volatile compare to pure equity funds.

Money market or liquid funds

These funds square measure financial gain funds and their aim are to produce simple liquidity, preservation of capital and moderate financial gain. These schemes invest solely in safer short-run instruments like treasury bills, certificates of deposits, cash equivalent and inter-bank decision cash, government securities, etc. Returns on these schemes fluctuate abundant less compared to different funds. These funds square measure applicable for company and individual investors as a method to park their surplus funds for brief periods.

Gilt funds

These funds invest solely in Govt. securities. Govt. securities don't have any default risk. NAVs of those schemes additionally fluctuate because of modification in interest rates and different economic factors as is that the case with financial gain or debt orientated schemes.

Index funds

Index funds replicate the portfolio of a specific index like the

BSE sensitive index, S&P NSE-50 index (Nifty) etc. These schemes invest within the securities within the same weightage comprising of associate index. The NAVs of such schemes would rise or fall in accordance with the increase or fall within the index, tho' not precisely by same share because of some factors referred to as referred to as in technical terms. Necessary disclosures during this regards square measure created within the supply document of the open-end investment company theme. These exchange listed index funds launched by the mutual funds that are listed on the securities market.

ELSS

Equity joined savings theme (ELSS) square measure equity funds floated by mutual funds. This theme is suited to teenagers as they need the flexibility to require on higher risk. The ELSS funds ought to invest over eighty per cent of their cash in equity and connected instruments. It's ideal to take a position in them once the markets square measure down. These funds square measure currently open all the year spherical. The opposite approach of finance in these funds can be a scientific investment that primarily suggests that finance atiny low add frequently (monthly or quarterly). It's a market-linked security and so there'll be risks consequently.

Below is List of Top Asset Management Companies in India and Their AUM size

Table 1

Top AMCs	AUM (in ₹ Cr.)
ICICI Prudential Mutual Fund	3,06,173.5
HDFC Mutual Fund	3,00,793.73
Aditya Birla Sun Life Mutual Fund	2,47,794.54
Reliance Mutual Fund	2,45,581.35
SBI Mutual Fund	2,18,033.97
UTI Mutual Fund	1,54,939.35
Kotak Mahindra Mutual Fund	1,24,888.06
Franklin Templeton Mutual Fund	1,04,140.48
DSP Blackrock Mutual Fund	86,325.70
Axis Mutual Fund	77,377.48
IDFC Mutual Fund	70,173.11
L&T Mutual Fund	65,931.65
Tata Mutual Fund	46,977.18
Sundaram Mutual Fund	34,306.3
Invesco Mutual Fund	26,217.41
DHFL Pramerica Mutual Fund	23,595.35
LIC Mutual Fund	20,117.71
Motilal Oswal Mutual Fund	17,735.47
JM Financial Mutual Fund	16,364.64
Mirae Asset Mutual Fund	15,756.15
Baroda Pioneer Mutual Fund	13,022.04
Canara Robeco Mutual Fund	12,539.58
Edelweiss Mutual Fund	12,100.31
HSBC Mutual Fund	10,999.27
IDBI Mutual Fund	10,795.53

Decision Making Criterias

How to invest in Mutual funds?

Step one-determine your investment desires

Your monetary goals can vary, supported your age, lifestyle, monetary independence, family commitments, level of financial gain & expenses among several alternative factors. So the primary step is to assess your desires. Begin by asking yourself these questions:

What square measure my investment objectives & need?

Probable answers: i would like regular financial gain or got to get a home or finance a marriage or educate my kids or a mixture of these desires.

How much risk I'm willing to take?

Probable answer: I will take a minimum quantity of risk or I'm willing to simply accept the actual fact that my investment worth could fluctuate or that there could also be a brief term loss so as to attain an extended term potential gain.

What square measure my income requirements?

Probable answer: a daily income or i would like a payment quantity to fulfil a particular need once an exact amount or I don't need a current income however i would like to make my assets for the longer term. By probing such AN exercise, you'll recognize what you wish out of your investment & will set the muse for a sound investment company investment strategy.

Step Two- opt for the proper investment company

Once you have got a transparent strategy in mind, you currently got to opt for that Investment Company & theme you wish to speculate in. The provide document of the theme tells you its objectives & provides supplementary details just like the record of alternative schemes managed by an equivalent fund manager.

Some factors to gauge before selecting a specific investment company are

The record of performance over the previous couple of years in relevancy the acceptable yardstick & similar funds within the same class.

How well the investment company is organized to supply economical, prompt & personalised service.

Step 3-choose the best mixture of schemes

Investing in exactly one investment company theme might not meet all of your investment desires. You will take into account finance during a combination of schemes that satisfy your desires. Capitalist could select the premise of growth & risk levels which can be categorised as follows:

- Aggressive plans
- Moderate plans
- Defensive plans

Factors thought-about during this could also be:

- Growth schemes
- Income schemes
- Balanced schemes
- Money market schemes

For most people, the approach that works best is to speculate a set quantity at specific intervals, say monthly. By finance a set total every month, you get fewer units once the value is high & additional units' sebaceous cyst the value is low, therefore delivery down your monetary value per unit. This can be referred to as rupee value averaging & may be a disciplined investment strategy followed by investors everywhere the globe. With several open-ended schemes providing systematic investment plans, this regular finance habit is created simple for you.

Step Five-Keep your taxes in mind

As per this tax laws, Dividend/income distribution created by Mutual Funds is exempt from revenue enhancement within the hands of capitalist. However, just in case of debt schemes dividend/income distribution is subject to dividend distribution tax. Any there square measure alternative advantages obtainable for investment in Mutual Funds beneath the provisions of the prevailing tax laws. You will so consult your tax consultant or comptroller for specific recommendation to attain most tax potency by finance in mutual funds.

Step Six-Start early

It is fascinating to start out finance early & keep on with a daily investment set up. If you begin currently, you'll build over if you wait seven invest later. The ability of combination permits you to earn financial gain on financial gain & your cash multiplies at combined rate of come back.

Step Seven-the ultimate step

All you would like to try and do now's to induce to bear with an investment company or your consultant & begin finance. Reap the rewards within the years to come back. Mutual Funds square measure appropriate for each quite capitalist whether or not beginning a career or retiring, conservative or risk taking, growth adjusted or financial gain seeking.

Analysis of factors that affect the mutual fund investments

Data Analysis & Interpretation

Que.1 Age of the investors
 18-24
 24-30
 30 & Above

Table 2

Age	Respondents
18-24	10
24-30	26
30 & above	14

Interpretation: Out of 50 respondents 26 belong to age of 24-30 while 14 belong to 30 & above & 10 Respondents belong to 18-24.

Que.2 Mention your annual income?
 Below 100000
 100000-300000
 300000-500000
 500000& above
 Income level
 Respondents
 Below 100000
 5
 100000-300000
 26
 300000-500000
 11
 500000 & above
 8

Interpretation: Income of the 5 respondents is below 100000

& for 26 respondents it is 100000-300000, for 11 respondents it is 300000-500000, & for 8 respondents it is 500000 & above

Que.3 Do you invest in mutual funds?
 Yes
 No

Table 3

Investment in mutual fund	Respondents
yes	36
No	14

Interpretation: Out of 50 investors 36 investors invest in Mutual funds rest 14 investors don't invest in mutual funds.

Que.4 most preferred asset Management Company
 SB Axis Mutual fund
 HDFC Mutual fund
 Birla sun life Mutual fund
 ICICI Mutual fund
 UTI Mutual fund
 Do not invest

Table 4

Company name	Respondents
Axis mutual fund	8
HDFC Mutual fund	5
Birla sun life Mutual fund	6
ICICI Mutual fund	4
UTI Mutual fund	5
Others	8

Interpretation: Out of 36 investors 8 prefer Axis mutual fund, 5 prefer HDFC mutual fund,6 prefer Birla sun life mutual fund,4prefer ICICI Mutual fund, and 5 prefer UTI mutual fund & 8 do not invest in any of these.

Que.5 which among these are the safest investment options?
 Mutual funds
 Stock Markets
 Bank deposits
 Others _____

Table 5

Investment option	Respondents
Mutual funds	15
Stock markets	9
Bank deposits	5
Others	6

Interpretation: Out of 36 respondent 18 investors invest in Mutual funds, 8 investor invest in Stock markets, 10 investors invest in Bank deposits, & 10 investors invest through other investment ways.

Que.6 which factors prevent you from investing you in Mutual funds?
 Bitter past experience
 Lack of knowledge
 Inefficient investment advisors
 Others _____

Table 6

Factors	Respondents
Bitter past experience	12
Lack of knowledge	24
Inefficient investment advisors	6
Others	3

Interpretation: Out of 36 respondents 30% investors have bitter past experience in Mutual funds, 40% of them have lack of knowledge, 16% investors feel like inefficient investment advisors & 14% investors have other reason for the same.

Que. 7 While investing your money, how these factors affect your decision?

- Liquidity
- High return
- Professional management
- Brand management
- Others

Table 7

Factors affecting	Respondents
Liquidity	9
High return	16
Professional management	5
Brand management	2
Others	4

Interpretation: Out of 36 respondents 9 investors says liquidity affects the decision, 22 says high returns are the reasons for their investment, 10 investors says Professional management of their money is required, 5 says brand management as an important factor & 4 says other factors

Que.8 which schemes do you feel is acceptable?

- Open ended scheme
- Close ended scheme

Table 8

Type of Scheme	Respondents
Open ended scheme	23
Closed ended scheme	13

Interpretation: Out of 36 investors 23says open ended scheme is better as entry and exit is easy, while 13 says close ended scheme is better.

Suggestions & Conclusion

After an intensive study and analysis of the info and knowledge, the subsequent at the few recommendations and suggestions, if enforced, would positively profit the money market in Bharat that is in its booming stage, within the short run and within the long-standing time in addition. Recommendations and suggestions ar ordinarily given once there ar some issues or difficulties lying within the market. Here during this analysis report recommendations and suggestions ar all supported the facts, reactions, attitudes, perceptions, and plenty of different things of the respondents that were received from them throughout analysis work. The advice a part of this analysis work has 3 elements solely, which may push the open-end fund market in Bharat to the next level.

Awareness

Awareness of open-end fund merchandise should be increased within the urban center town. The notice are often increased within the following ways-Conference or seminars on-mutual fundsl are often conducted on regular basis. This can little doubt increase the notice of open-end fund within the minds of the investors. All the businesses should be a part of hands and work along for this.

Customer education

As the awareness of mutual funds continues to be lacking during this market, corporations ought to offer specialize in specialize in. For this purpose once more the conference and seminars are often the simplest method towards educating the purchasers. Once more free coaching programme to the agents are often fruitful.

Government intermediation

Government should conjointly work in conjunction with the open-end fund corporations in promoting the conception of open-end fund in Bharat.

Confidence building activities

People during this town aren't assured in finance their cash in mutual funds. Thus there's a requirement to try and do one thing which can build the boldness within the minds of the investors.

Hence the boldness building activities should be applied by the open-end fund corporations. As a result of most of the folks in Bharat suppose that finance in mutual funds may be a terribly risky affair. Within the following ways in which the boldness are often increased within the minds of the folks in Bharat.

- This performance of the mutual funds is extremely sensible compared with different investment. And therefore the corporations ought to make the most on this chance. The performance of the mutual funds are often printed wide.
- Different newspapers and magazines, journals. This can little doubt induce the investors towards finance in mutual funds.
- Case study of the investors United Nations agency are benefited in finance in mutual funds are often printed within the newspapers, magazines and journals.
- As commerce of monetary merchandise needs well trained folks, the businesses should offer correct coaching to the agents and money planners. For this coaching institute should be opened during this territorial division.
- Continuous complete building activities should be applied by the businesses. For this purpose corporations ought to initiate some variety of promotional activities like, ads in newspapers, magazines, journals.
- Academic institutes should begin some skilled courses on mutual funds and different finance specialised courses. This can produce some variety of awareness concerning the mutual funds.
- Open-end fund corporations should traffic congestion with different money institute like banks, post workplace for going to the mass folks. As a result of these money institutes have tremendous reach to the mass folks in our country. As a result open-end fund corporations will

have quick access to the folk. Should enter for this type of strategic alliance with different companies in addition. As a result of strategic alliance not solely profit the businesses however facilitate in developing the market conjointly.

- For gap of latest savings checking account, sure units of mutual funds of a corporation (strategic alliance company) are often given at freed from price to the account holder. This can little doubt create the folks additional acquainted with the conception of mutual funds.
- On shopping for of 1 or some life assurance policies, once more sure units of open-end fund are often given at freed from price
- Once more every personal loan or different kind loan of {a sure|a particular|an exact|a precise|a definite|an explicit} quantity can get the loan taker certain units of mutual funds completely freed from price.

Conclusion

We can infer from the analysis that the conception of open-end fund in Bharat continues to be in its growing part. With the growing importance of open-end fund in different areas within the country, this place is witnessing an equivalent rate of growth in mutual funds. Aside from these facts the subsequent ar another vital facts which may simply be inferred from the paper.

- Immense opportunities of Mutual funds exist within the Bharat. briefly the market during this town may be a growing market
- As as a result of several corporations exist during this market, competition is move throat.
- Mindsets of the investors aren't towards mutual funds. They still think about finance in ancient investment alternatives. Customers aren't properly educated concerning the mutual funds.
- Few personal sectors banks like ICICI, HDFC, UTI, ING VVSYA etc. sell mutual funds through their branches solely.
- Specialised agents of mutual funds ar seldom seen. Money advisors aren't seen there United Nations agency will educate the investors.
- Posters, banners or different promotional activities ar seldom seen during this market.
- Open-end fund corporations don't have aggressive ways.
- Insurance merchandise ar and may be the most competitors of mutual funds.
- Open-end fund investor's ar confined to the higher-middle and upper socio-economic class during this market. Upper-lower category and lower-upper category folksar still untouched.
- Quite half the respondents have wrong perception concerning the mutual funds. They feel mutual funds ar terribly risky investment various
- Most of the respondent's ar glad with their current come back from their investment. Most of the respondents neither don't wish to require risk in finance their cash in mutual funds.

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