

# **A STUDY ON INVESTORS ATTITUDE TOWARDS TOWARDS MUTUAL FUNDS WITH SPECIAL REFERENCE TO COIMBATORE CITY**

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## **ABSTRACT**

This study investigates the investors attitude towards mutual fund with special reference to investors in Coimbatore city. It examines the factors influences investment decision of the investors. The study is based on the analytical research design. This study has used both primary data and secondary data for analysis. Primary data collected through questionnaire and secondary data collected through various journals, articles and from Internet. A sample of 120 participants and they completed a survey form to collect data on their switching and non-switching intentions.

**Keywords:** Mutual Funds, Investment decision, Financial Markets, Risk and Return

## **INTRODUCTION**

Investing means buying financial stocks or other assets with the hope of a good future. Investing is an important topic that can have a huge impact on an entrepreneur's future health. Investors have many investment options to park their savings. The risks and returns of these investments vary by method. Even if a person does not choose an asset such as stocks, the investment is still made through participation in retirement plans, savings plans for employees, or by purchasing life or home insurance. There are many investment opportunities in India, some commercial and liquid, others nonnegotiable, some high risk, others almost risk free. Investors must choose the right strategy based on their specific needs, risk appetite and desired returns. The investor has to choose Proper Avenue depending upon his specific need, risk preference, and returns expected.

## STATEMENT OF PROBLEM

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money received is invested in commercial instruments such as stocks, bonds and other securities. So, the study is to analyze about the various companies funds as the investors are not aware about the various schemes in the market.

## SCOPE OF THE STUDY

Mutual fund is a medium risk pattern with enormous of opportunities to invest the money in safer side. The mutual fund industry has seen tremendous growth in recent years. A large number of new players have entered the market and trying to gain market share in this rapidly improving market.

The study will help to know the interest and awareness of the customers, which company, portfolio, mode of investment, and option for getting return and so on they prefer. This study may help the company to make further planning and strategy.

## OBJECTIVES OF THE STUDY

- To study about the demographic variables of the investors.
- To study about the awareness level of investor towards risk and return with Various company's mutual funds.
- To analyze the factors, influence investment decision of the investors.

## RESEARCH METHODOLOGY

**Research Design** – Analytical research design.

**Source of Data** - Primary data & Secondary data.

**Sampling Technique** – Convenient sampling technique.

**Sampling Size** - 120 respondents.

**Area of the Study** - Coimbatore city.

### Tools used for Analysis

- Simple percentage analysis.
- Likert scale analysis.
- Rank Correlation

## LIMITATIONS OF THE STUDY

- Awareness of mutual funds is largely affected by environmental factors, which are beyond the control of investors.
- There may be a bias towards the primary data collection from the investors.

## REVIEW OF LITERATURE

**Subramanya P R and Dr. T P Renuka Murthy (2013)<sup>2</sup>**, Investment in mutual funds is affected by the attitude of the investors. The objectives of the study are to identify the investor's attitude on mutual funds and to analyze the factors affecting investor's attitude towards mutual fund. The study aims at finding out the attitude of the small investors towards investment in mutual funds in Chikkamagalore. By adopting random sampling for 150 respondents, Simple statistical tools are used for analyzing the data whatsoever collected in the study.

**Dr. Binod Kumar Singh (2012)<sup>3</sup>**, In the paper, structure of mutual fund, operations of mutual fund, comparison between investment in mutual fund and bank and calculation of NAV etc. have been considered. In the paper, the impacts of various demographic factors on investors' attitude towards mutual fund have been studied. For measuring various phenomena and analyzing the collected data effectively and efficiently for drawing sound conclusions, Chi-square test has been used.

### SIMPLE PERCENTAGE ANALYSIS

Percentage analysis is the method to represent raw streams of data as a percentage for better understanding of collected data. Percentage analysis is applied to create a contingency table from the frequency distribution and represent the collected data for better understanding. It particularly useful method of expressing the relative frequency of survey responses and other data.

**TABLE NO 1**

**TABLE SHOWING GENDER OF THE RESPONDENTS**

S.NO	PARTICULARS	NO OF RESPONDENTS	PERCENTAGE (%)
1	Male	64	53.33
2	Female	56	46.67
<b>TOTAL</b>		<b>120</b>	<b>100</b>

(Source: Primary Data)

### INTERPRETATION:

The table describes that 53.33% are Male respondents and 46.67% are Female respondents.

### INFERENCE:

Majority 53.33% of the respondents are Male

**TABLE NO 2****TABLE SHOWING AGE OF THE RESPONDENTS**

S.NO	PARTICULARS	NO OF RESPONDENTS	PERCENTAGE (%)
1	Less than 25 years	48	40.00
2	26 to 40 years	56	46.67
3	41 to 55 years	9	7.50
4	Above 56 years	7	5.83
<b>TOTAL</b>		<b>120</b>	<b>100</b>

(Source: Primary Data)

**INTERPRETATION:**

The table describes that 40% of the respondents are less than 25 years of age, 46.67% of the respondents belongs to the age group of 26 years - 40 years, 7.50% of the respondents belongs to the age group of 41 years –55 years, 5.83% of the respondents are above 56 years of age.

**INFERENCE:**

Majority 46.67% of the respondents belongs to the age group of 26 years - 40 years.

**TABLE NO 3****TABLE SHOWING MARITAL STATUS OF THE RESPONDENTS**

S.NO	PARTICULARS	NO OF RESPONDENTS	PERCENTAGE (%)
1	Married	36	30
2	Unmarried	84	70
<b>TOTAL</b>		<b>120</b>	<b>100</b>

(Source: Primary Data)

**INTERPRETATION:**

The table describes that 30% of the respondents are married and 70% of the respondents are the unmarried.

**INFERENCE:**

Majority 70% of the respondents are unmarried.

## LIKERT SCALE ANALYSIS

Likert scales are the most broadly used method for scaling responses in research studies. Research questions that ask you to indicate your level of agreement, from strongly agree or highly satisfied to strongly disagree or highly dissatisfied, use the Likert scale

**TABLE NO 4**

**TABLE SHOWING THE LEVEL OF AWARENESS OF RISK ASSOCIATED WITH SMALL CAP FUNDS**

S.NO	FACTORS	NO OF RESPONDENTS	LIKERT SCALE(X)	TOTAL(FX)
1	Highly Aware	57	5	285
2	Aware	8	4	32
3	Neutral	23	3	69
4	Unaware	8	2	16
5	Highly Unaware	24	1	24
<b>TOTAL</b>		<b>120</b>		<b>426</b>

(Source: Primary Data)

Likert Scale =  $\sum(FX)/\text{Total no of respondents}$

=  $426/120$

= 3.55

### INFERENCE:

Likert Scale value 3.55 is higher than the middle value (3), so the respondents are aware of risk associated with Small cap funds.

**TABLE NO 5****TABLE SHOWING THE LEVEL OF AWARENESS OF RISK ASSOCIATED WITH OPEN ENDED FUNDS**

S.NO	FACTORS	NO OF RESPONDENTS	LIKERT SCALE(X)	TOTAL(FX)
1	Highly Aware	72	5	360
2	Aware	4	4	16
3	Neutral	9	3	27
4	Unaware	4	2	8
5	Highly Unaware	31	1	31
<b>TOTAL</b>		<b>120</b>		<b>442</b>

(Source: Primary Data)

Likert Scale =  $\sum(FX)/\text{Total no of respondents}$

= 442/120

= 3.68

**INFERENCE:**

Likert Scale value 2.09 is lesser than the middle value(3), so the respondents are unaware of risk associated with Open ended funds.

**RANK CORRELATION**

The Karl Pearson's method is based on the assumption that population being studied is normal or when the shape of the distribution is not known, there is need for a measure of correlation i.e., need for correlation that involves no assumption about the parameter of population. It does not matter which way the items are ranked; item number one may be the largest or it be smallest using ranks rather than actual observation gives the coefficient rank correlation.

**TABLE NO 6**

**TABLE SHOWING RANKING FOR VARIOUS OBJECTIVES OF THE INVESTMENTS**

PARTICULARS	1	2	3	4	5	6	7	8	TOT	RANK
To make earnings as a part of regular income	24(8)	28(7)	16(6)	13(5)	9(4)	8(3)	11(2)	11(1)	642	1
Long term wealth creation	16(8)	17(7)	17(6)	18(5)	16(4)	12(3)	14(2)	10(1)	577	2
To have a flow of income for future	14(8)	9(7)	15(6)	20(5)	16(4)	24(3)	10(2)	13(1)	526	4
To provide for anticipated future needs	14(8)	8(7)	9(6)	12(5)	21(4)	26(3)	18(2)	12(1)	492	8
Children career / marriage	20(8)	18(7)	11(6)	16(5)	14(4)	9(3)	22(2)	10(1)	569	3
Purchase of asset	8(8)	11(7)	20(6)	13(5)	18(4)	16(3)	16(2)	18(1)	496	7
Tax savings	14(8)	17(7)	14(6)	16(5)	9(4)	11(3)	12(2)	27(1)	515	5
Reinvestments	11(8)	12(7)	18(6)	12(5)	17(4)	14(3)	17(2)	19(1)	503	6

(Source: Primary Data)

**INTERPRETATION:**

In the table, it is understood that make earnings as a part of regular income objective is ranked as 1, Long term wealth creation is ranked as 2, Children career / marriage is ranked as 3, To have a flow of income for future is ranked as 4, Tax savings is ranked as 5, Reinvestments is ranked as 6, Purchase of asset is ranked as 7 and to provide for anticipated future needs is ranked as 8.

**INFERENCE:**

In this study the majority of the respondents ranked 1 for the objective that make earnings as a part of regular income.

## **FINDINGS, SUGGESTIONS AND CONCLUSION**

### **5.1 FINDINGS**

#### **5.1.1 PERCENTAGE ANALYSIS**

- 53.33% of the respondents are Male
- 46.67% of the respondents belongs to the age group of 26 years - 40 years.
- 70% of the respondents are unmarried.
- 75% of the respondents are from Nuclear Family.
- 35.83% of the respondents are at College Level.
- 35% of the respondents are Students.
- 41.67% of the respondent's Family includes 4 members.
- 51.67% of the respondents have two earning members in a family.
- 50% of the respondents' monthly income is less than Rs.50,000.
- 45.83% of the respondents are Self Aware.
- 63.33% of the respondents invest from Savings.
- 51.67% of the respondents invests less than Rs 25,000 per month.
- 34.17% of the respondents invest weekly once.
- 59.17% of the respondents invest on Short-term horizon.
- 70.83% of the respondents experience in stock market less than 2 years.
- 87.50% respondents analyze the companies report before investing in shares.
- 65.83% of the respondents are a member of any investment forum.
- 74.17% of the respondents are associated with investment forum for less than 2 years.
- 48.33% of the respondents are Low level of risk appetite.

#### **5.1.2 LIKERT SCALE ANALYSIS**

##### **5.1.2.1(A) LEVEL OF AWARENESS ON RISK**

- The respondents are aware of risk associated with Small cap funds.
- The respondents are unaware of risk associated with Open ended funds.
- The respondents are unaware of risk associated with Liquid funds.
- The respondents are aware of risk associated with Equity Funds.
- The respondents are unaware of risk associated with sector funds.
- The respondents are unaware of risk associated with Large Cap Funds

#### **5.1.2.1(B) LEVEL OF AWARENESS ON RETURN**

- The respondents are aware of returns associated with Small Cap Funds.
- The respondents are aware of returns associated with Open Ended Funds.
- The respondents are aware of returns associated with Liquid funds.
- The respondents are Neutral at Awareness level of returns associated with Equity funds.
- The respondents are aware of returns associated with Sector funds.
- The respondents are aware of returns associated with Large Cap Funds.

#### **5.1.2.2 FACTORS INFLUENCE INVESTMENT DECISIONS OF THE INVESTORS**

##### **1) GENERAL INFORMATION**

- The respondents are highly dissatisfied on the level of influence on general information with stock exchange information while taking investment decisions.
- The respondents are satisfied on the level of influence on general information with risk factors while taking investment decisions.
- The respondents are satisfied on the level of influence on general information with company image while taking investment decisions
- The respondents are dissatisfied on the level of influence on general information with credit rating while taking investment decisions
- The respondents are satisfied on the level of influence on general information with broker's advice / analysts / advertisement while taking investment decisions
- The respondents are dissatisfied on the level of influence on general information with advice of friends and relatives while taking investment decisions

##### **2) COMPANY MANAGEMENT**

- The respondents are satisfied on the level of influence on company management with company history while taking investment decisions
- The respondents are dissatisfied on the level of influence on company management with promoter's background while taking investment decisions
- The respondents are satisfied on the level of influence on company management with past performance of the company while taking investment decisions

- The respondents are Neutral at the level of influence on company management with company's present policies while taking investment decisions.
- The respondents are dissatisfied on the level of influence on company management with companies under same management and policies while taking investment decisions

### 3) FINANCIAL PARAMETERS

- The respondents are highly dissatisfied on the level of influence on financial parameters with EPS / PE ratio while taking investment decisions
- The respondents are highly dissatisfied on the level of influence on financial parameters with dividend payment trend while taking investment decisions.
- The respondents are dissatisfied on the level of influence on financial parameters book, market value & price trends while taking investment decisions.
- The respondents are Satisfied on the level of influence on financial parameters with market volume traded while taking investment decisions
- The respondents are dissatisfied on the level of influence on financial parameters with bonus / right issues while taking investment decisions
- The respondents are dissatisfied on the level of influence on financial parameters with performance of related companies while taking investment decisions

### 4) PROJECT DETAILS

- The respondents are satisfied on the level of influence on financial parameters with cost of the project and mean of financing while taking investment decisions
- The respondents are satisfied on the level of influence on project details with location / process / infrastructure while taking investment decisions.
- The respondents are dissatisfied on the level of influence on project details with existing and future demands while taking investment decisions
- The respondents are dissatisfied on the level of influence on project details with future prospectus and profitability while taking investment decisions

### RANK CORRELATION

- Majority of the respondents ranked 1 for the objective that make earnings as a part of regular income.

## SUGGESTIONS

- Mutual funds have the capability to provide a solution to most investors requires, however the key is to do proper selection and have a process for monitoring and controlling.
- Investors are suggested to consult the experts like financial / Professional advisors and to analyze in details regarding their past performance, Functions, Types, Financial Parameters followed by the mutual funds.
- Investors can invest in mutual funds for a long-term period and high returns by analyzing the factors instead of investing it for earning as a part of income.
- The organization can educate its investors on the risk and return in order to make their investments more effective.

## CONCLUSION

Mutual Fund is a monthly based investment plan where an investor could invest a Fixed sum into mutual funds every month at pre-decided dates and investment decision. India Mutual Funds currently has around 6.28 lakh (62.8 million) SIP funds from regular investors in the Indian Mutual Fund schemes.. The investors are seen to invest in the mutual fund by analyzing the companies report before investing in shares and also aware about the rate of return associated with different kinds of mutual funds. Therefore, it shows that the respondents are risk averse in nature. But still, most of the respondents are dissatisfied with the past report, General information, Company management, financial parameters, and Project details provided. This study has proven that there is a significant impact of investors' perception and attitude towards investment in mutual funds on their investment decision in mutual funds.

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