

Factors Affecting Selection of Mutual Fund Schemes: An Empirical Study

PROJECT REPORT

BY

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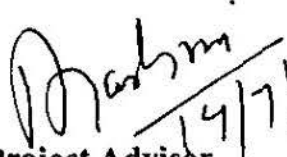
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CERTIFICATE-I

This is to certify that the project report entitled “**Factors Affecting Selection of Mutual fund Schemes: An Empirical Study**” has been submitted to Department of Business Management, College of Horticulture, Dr. Y.S. Parmar University of Horticulture and Forestry, Nauni, Solan (H.P.) by Sugandha Garg (H-2012-MBA-45) in partial fulfillment of the requirements for the degree of Master of Business Administration of this University. To the best of my knowledge, no part of this project has been submitted for any degree or diploma elsewhere and the help received during the course of investigation and sources of literature have been duly acknowledged.

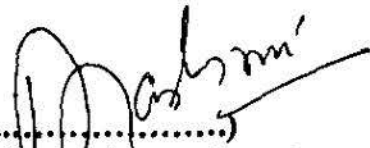
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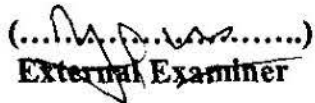
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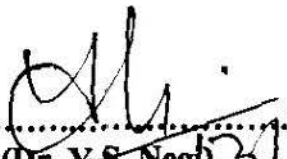

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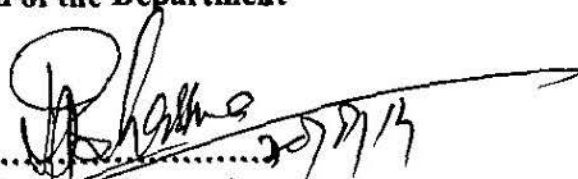
CERTIFICATE-II

This is to certify that the project report entitled "Factors Affecting Selection of Mutual Fund Schemes: An Empirical Study" has been submitted to Department of Business Management, College of Horticulture and Forestry, Nauni, Solan (H.P.) by Sugandha Garg (H-2012-MBA-45) in partial fulfillment of the requirements for the degree of Master of Business Administration of this University. The project has been approved by the Examination Committee after conducting an oral examination in collaboration with the external examiner.


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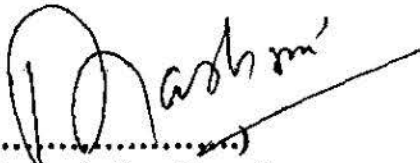

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This is to certify that the suggestions made by the external examiner have been considered and incorporated in the project report entitled "Factors Affecting Selection of Mutual Fund Schemes: An Empirical Study" that has been submitted to Dr. Y.S. Parmar University of Horticulture and Forestry, Solan (H.P.) by Sugandha Garg (H-2012-MBA-45) in partial fulfillment of the requirements for the degree of Master of Business Administration of this University.



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Date: 14.7.14

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CONTENTS

Chapter No.	Title	Page No.
1	Introduction	1-11
1.1	Types of Mutual Fund Schemes	3-4
1.2	Benefits of Mutual Funds	5-7
1.3	Risks involved in mutual fund investments	7-8
1.4	Facilities available to investors	9
1.5	Selection of a fund	10-11
2	Research Design	12-22
2.1	Review of literature	12-18
2.2	Need of the study	18
2.3	Objective of the study	19
2.4	Research Methodology	19-22
3	Data analysis and interpretation	23-34
4	Conclusion and Suggestions	35-38
4.1	Findings and conclusion	34-35
4.2	Suggestions	36-38
	Bibliography	i-iii
	Annexure	iv-viii
	Questionnaire	iv-vi
	Curriculum Vitae	vii-viii

LIST OF TABLES

Table No.	Title	Page No.
3.1.1	Sample profile with respect to age	23
3.1.2	Sample profile with respect to gender	23
3.1.3	Sample profile with respect to occupation	24
3.1.4	Sample profile with respect to income	24
3.2.1	Percentage response of respondents related to preferred investment option	25
3.2.2	Percentage response of respondents related to present mutual fund company	25
3.2.3	Percentage response of respondents related to preferred mutual fund scheme	26
3.2.4	Percentage response of respondents related to preferred mode of investment in mutual fund scheme	26
3.2.5	Percentage response of respondents related to return option	27
3.2.6	Percentage response of respondents related to period of staying in mutual funds	27
3.2.7	Percentage response of respondents related to awareness among investors with respect to mutual fund	28
3.2.8	Percentage response of respondents related to future preferred company	28
3.2.9	Percentage response of respondents related to source of knowledge about mutual fund	29
3.3	Factors influencing investing decision in mutual funds	29
3.3.1	Mean difference analysis of factors influencing decision in mutual funds with respect to gender	30
3.3.2	Mean difference analysis of factors influencing investor decision with respect to age	31
3.3.3	Mean difference analysis of factors influencing investor decision with respect to occupation	32
3.3.4	Mean difference analysis of factors influencing investor decision with respect to family income	33

LIST OF FIGURES

S No.	Title	Page No.
1	Sample profile with respect to age	23
2	Sample profile with respect to gender	23
3	Sample profile with respect to occupation	24
4	Sample profile with respect to income	24
5	Percentage response of respondents related to preferred investment option	25
6	Percentage response of respondents related to present mutual fund company	25
8	Percentage response of respondents related to preferred mutual fund scheme	26
9	Percentage response of respondents related to mode of investment in mutual fund scheme	26
10	Percentage response of respondents related to return option	27
12	Percentage response of respondents related to period of staying in mutual funds	27
13	Percentage response of respondents related to awareness about mutual funds	28
14	Percentage response of respondents related to future preferred company	28
15	Percentage response of respondents related to source of knowledge about mutual fund	29

CHAPTER -1

INTRODUCTION

A Mutual Fund is a financial intermediary that pools the savings of a number of investors for collective investment in a diversified portfolio of securities. A mutual fund serves as a link between investor and the securities by mobilizing savings from the investors and investing them in the securities market to generate returns. The mutual funds are the asset management companies which invest in stocks, bonds, and other types of money market or combination of these securities. The primary goal of mutual funds is pool small savings, use the idle resources in corporations and invest in a well-diversified portfolio of securities, which would reduce the non-market risk of securities. The person saving a part of his/her income tries to find a temporary place for his savings until they are required to finance his future expenditure. This results in investments. Therefore, investment may be defined as a "commitment of funds made in the expectations of some positive returns." Mutual funds provide opportunities for small investors to participate in the capital market without assuming a very high degree of risk (Arpana, 2012).

Simply put, mutual fund is a financial intermediary, set up with an objective to professionally manage the money pooled from the investors at large (Bogle, 1994). By pooling money together in a mutual fund, investors can enjoy economies of scale and can purchase stocks or bonds at a much lower trading costs compared to direct investment in capital markets. The other advantages are diversification, stock and bond selection by experts, low costs, convenience and flexibility.

The pooling of resources is the biggest strength for mutual funds. The relatively lower amounts required for investing into a mutual fund scheme enables small retail investors to enjoy the benefits of professional money management and lends access to different markets, which they otherwise may not be able to access. The investment experts who invest the pooled money on behalf of investors of the scheme are known as Fund Managers. These fund managers take the investment decisions pertaining to the selection of securities and the proportion of investments to be made into them (Agarwal, 1992). An investor in a Mutual Fund Scheme receives units which are in accordance with the quantum of money invested by him. These units represent an

investor's proportionate ownership into the assets of a scheme and his liability In case of loss to the fund is limited to the extent of amount invested by him (Pozen, 2002).

As stated earlier, a mutual fund is nothing but a pool of the investors' funds. The special feature of a mutual fund is that the contributors and the beneficiaries of the fund are one and the same class of people, i.e. investors. Nobody else can claim that fund. Since the investors themselves contribute to the pool of fund and enjoy it and its fruits, the term 'Mutual' have been employed. A mutual fund belongs to those who have contributed to that fund and thus, the ownership of the fund lies in the hands of the investors. Since all investors cannot take part in the management of the fund, it is left in the hands of investment professionals who earn a fee for their services. The pool of funds collected is invested in a portfolio of marketable securities. The investors' share in the fund is represented by 'units' just like shares in the case of share capital of a company. The unit value depends upon the value of the portfolio held by the fund. Hence the value changes almost every day and it is called Net Asset Value. Generally, the investment portfolio of the mutual fund is created according to the objective of the fund. For example, a sectoral mutual fund invests its funds in a specific sector like oil sector, IT sector etc. (Natrajan, 2013).

Just like share, the price of units of a fund is also quoted in the market. This price is governed basically by the value of the underlying investments held by the fund. One should not confuse a mutual fund investment on units with an investment in a particular company alone. On the other hand, investment on an unit of a fund represents investment in the part of shares of a large number of companies. This gives an idea how safe the units are. If a particular company fails, the shareholders of that company are affected very much, whereas the unit holders of that company are able to withstand that risk by means of their profitable holdings in other companies share.

A mutual fund is set up in the form of a trust, which has sponsor, trustees, Asset Management Company (AMC) and custodian. The trust is established by a sponsor or more than one sponsor who is like promoter of a company. The trustees of the mutual fund hold its property for the benefit of the unit holders (Bogle, 1994). Asset Management Company (AMC) approved by SEBI manages the funds by making

investments in various types of securities. Custodian, who is registered with SEBI, holds the securities of various schemes of the fund in its custody. The trustees are vested with the general power of superintendence and direction over AMC. They monitor the performance and compliance of SEBI Regulations by the mutual fund. . SEBI Regulations require that at least two thirds of the directors of trustee company or board of trustees must be independent i.e. they should not be associated with the sponsors. Also, 50% of the directors of AMC must be Independent (Agarwal, 1992).

1.1 Types of Mutual Fund Schemes

Mutual fund schemes may be classified on the basis of its structure and its investment objective. (Kurian, 2008).

1.1.1 by Structure:

Open-ended Funds:

An open-end fund is one that is available for subscription all through the year. These do not have a fixed maturity. Investors can conveniently buy and sell units at Net Asset Value ("NAV") related prices. The key feature of open-end schemes is liquidity.

Closed ended Funds:

A closed-end fund has a stipulated maturity period which generally ranging from 3 to 15 years. The fund is open for subscription only during a specified period. Investors can invest in the scheme at the time of the initial public issue and thereafter they can buy or sell the units of the scheme on the stock exchanges where they are listed. In order to provide an exit route to the investors, some close-ended funds give an option of selling back the units to the Mutual Fund through periodic repurchase at NAV related prices. SEBI Regulations stipulate that at least one of the two exit routes is provided to the investor

Interval Funds:

Interval funds combine the features of open-ended and close-ended schemes. They are open for sale or redemption during pre-determined intervals at NAV related prices

1.1.2 By Investment Objective

Growth Funds:

The aim of growth funds is to provide capital appreciation over the medium to long term. Such schemes normally invest a majority of their corpus in equities. It has been proved that returns from stocks, have outperformed most other kind of investments held over the long term. Growth schemes are ideal for investors having a long term outlook seeking growth over a period of time.

Income Funds:

The aim of income funds is to provide regular and steady income to investors. Such schemes generally invest in fixed income securities such as bonds, corporate debentures and Government securities. Income Funds are ideal for capital stability and regular income.

Balanced Fund:

The aim of balanced funds is to provide both growth and regular income. Such schemes periodically distribute a part of their earning and invest both in equities and fixed income securities in the proportion indicated in their offer documents. In a rising stock market, the NAV of these schemes may not normally keep pace, or fall equally when the market falls. These are ideal for investors looking for a combination of income and moderate growth.

Money Market Funds:

The aim of money market funds is to provide easy liquidity, preservation of capital and moderate income. These schemes generally invest in safer short-term instruments such as treasury bills, certificates of deposit, commercial paper and inter-bank call money. Returns on these schemes may fluctuate depending upon the interest rates prevailing in the market.

1.1.3 Investment options available to investors:

Growth option

Under growth option, dividends are not paid out to the unit holders. Income attributable to the Unit holders continues to remain invested in the Scheme and is reflected in the NAV of units under this option. Investors can realize capital appreciation by way of an increase in NAV of their units by redeeming them.

Dividend payout option

Dividends are paid out to the unit holders under this option. However, the NAV of the units falls to the extent of the dividend paid out and applicable statutory levies.

Dividend re-investment option

The dividend that accrues on units under option is re-invested back into the scheme at ex-dividend NAV. Hence investors receive additional units on their investments in lieu of dividends.

1.2 Benefits of investing in mutual funds (Murugan, 2012)

Small investors face a lot of problems in the share market, limited resources, lack of professional advice, lack of information etc. Mutual funds have come as a much needed help to these investors. It is a special type of institutional device or an investment vehicle through which the investors pool their savings which are to be invested under the guidance of a team of experts in wide variety of portfolios of corporate securities in such a way, so as to minimize risk, while ensuring safety and steady return on investment (Sharpe, 1996).

1.2.1 Professional Management

Mutual Funds provide the services of experienced and skilled professionals, backed by a dedicated investment research team that analyses the performance and prospects of companies and selects suitable investments to achieve the objectives of the scheme.

1.2.2 Diversification

Mutual Funds invest in a number of companies across a broad cross – section of industries and sectors. This diversification reduces the risk because seldom do all stocks decline at the same time and in the same proportion. We can achieve this diversification through a Mutual Fund.

1.2.3 Affordability

A mutual fund invests in a portfolio of assets, i.e. bonds, shares etc. depending upon the investment objective of the scheme. An investor can buy into a portfolio of equities, which would otherwise be extremely expensive.

1.2.4 Tax Benefits

Any income distributed after March 31, 2002 will be subject to tax in the assessment of all unit-holders. However, as a measure of concession to Unit holders of open – ended and equity – oriented funds, income distributions for the year ending March 31, 2003, will be taxed at a concessional rate of 10%.

1.2.5 Return Potential

Over a medium to long – term, mutual funds have the potential to provide a higher return as they invest in a diversified basket of selected securities.

1.2.6 Liquidity

In open – ended schemes, the investor gets the money back promptly at NAV related prices from the mutual fund. In closed – ended schemes, the units can be sold on a stock exchange at the prevailing market price or the investor can avail of the facility of direct repurchase at NAV related prices by the mutual fund. Interval funds which are a cross between a close-ended and an open-ended structure also provide periodic liquidity option to its investors (Agarwal, 2009).

1.2.7 Transparency

The mutual fund industry in India works on a very transparent basis, and various kind of information are available to their investors, through fact sheets, offer documents, annual reports etc. (Malhotra and McLeod, 1997).

1.2.8 Flexibility

Through features such as regular investment plans, regular withdrawal plans and dividend reinvestment plans, you can systematically invest or withdraw funds according to your needs and convenience. An investor can opt for Systematic Investment Plan (SIP), Systematic Withdrawal Plan etc. to plan his cash flow requirements as per his convenience (Bogle, 1994).

1.2.9 Well Regulated

All mutual funds are registered with SEBI and they function within the provisions of strict regulations designed to protect the interests of investors. An ordinary investor who applies for share in a public issue of any company is not assured of any firm allotment. But mutual funds who subscribe to the capital issue made by companies get firm allotment of shares SEBI (Mutual Funds) Regulation, 1996 Mutual fund latter sell these shares in the same market and to the Promoters of the company at a much higher price. Hence, mutual fund creates the investor's confidence. As mutual funds are managed by professionals, they are considered to have a better knowledge of market behavior. They maximize gains by proper selection and timing of investment. Mutual fund operation provides a reasonable protection to investors. Besides, presently all Schemes of mutual funds provide tax relief under Income Tax Act. Lastly another notable thing is that mutual funds are controlled and regulated by Securities exchange board of India and hence are considered safe (Kurian, 2008).

1.3 Risks involved in mutual fund investments (Nataranjan, 2013)

Mutual Funds are not free from risks. It is so because basically the mutual funds also invest their funds in the stock market on shares which are volatile in nature and are not risk-free. Hence, the following risks are inherent in their dealings:

1.3.1 Market risks:

In general, there are there are certain risks associated with every kind of investment on shares. They are called market risks. These market risks can be reduced, but cannot be completely eliminated even by a good investment management. The prices of shares are subject to wide price fluctuations depending upon market conditions over which nobody has a control. Moreover, every economy has to pass through a cycle-Boom, Recession, Slump and Recovery. The phase of the business cycle affects the market conditions to a larger extent.

1.3.2 Scheme risks:

There are certain risks inherent in the scheme itself. It all depends upon the nature of the scheme. For instance, in pure growth scheme, risks are greater. It is obvious because if one expects more returns as in the case of a growth scheme, one has to take more risks.

1.3.3 Investment risks:

Whether the mutual fund makes money in shares or loses depends upon the investment expertise of the AMC .If the investment advice goes wrong, the fund has to suffer a lot. The investment expertise of various funds is different and it is reflected on the returns which they offer to investors.

1.3.4 Business risks:

The corpus of a mutual fund might have been invested in a company's shares. If the business of that company suffers any setback, it cannot declare any dividend. It may even go to the extent of winding up its business. Though the mutual fund can withstand such a risk, its income paying capacity is affected.

1.3.5 Political risks:

Successive governments bring with them new economic ideologies and policies. It is often said that many economic decisions are politically motivated. Changes in Government bring in the risk of uncertainty which every player in the financial service industry has to face. So, mutual funds are no exception to it.

1.4 Facilities available to investors

1.4.1 Repurchase facilities:

The units of close-ended schemes must be compulsorily listed in recognized stock exchanges. Such units can be sold or bought at market prices. But, units of open-ended schemes are not at all listed and hence they have to be bought only from the fund. So, the fund reserves the right to buy back the units from its members. This process of buying back the units from the investors by the fund is called repurchase facility.

1.4.2 Reissue facilities:

In the case of open-ended schemes, units can be brought only from the fund and not in the open market. The units bought from the investors are again reissued to those who are interested in purchasing them. The price fixed for this purpose is called reissue price.

1.4.3 Rollover facilities:

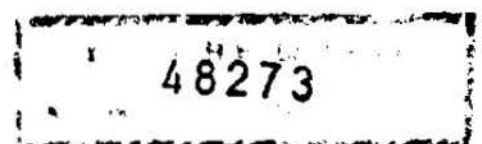
At the time of redemption, the investor is given an option to reinvest his entire investment once again for another term. An investor can overcome an adverse market condition prevailing at the time of redemption by resorting to this rollover facility. This is applicable in the case of close-ended funds.

1.4.4 Systematic Withdrawal Plan (SWP):

This is a facility wherein investors can opt to systematically withdraw money on predetermined dates weekly, monthly or quarterly. It is nothing but redemption at predetermined regular intervals at the option of a unit holder.

1.4.5 Dividend Sweep Facility (DSF):

Dividend sweep facility is one where a unit holder is given an option to sweep or invest the dividend earned in a scheme into any other open-ended scheme. This is different from a dividend reinvestment scheme where the dividend earned is invested in the same scheme in which dividend was declared.



1.5 Selection of a fund

Identify your investment needs:

Financial goals will vary based on age, lifestyle, financial independence, family commitments, level of income and expenses among many other factors. Therefore, the first step is to assess the needs and objectives and the following questions should be kept in mind like how much risk I'm willing to take? What are my cash flow requirements? How much risk I'm willing to take? By going through such an exercise, investors will know what he want out of his/her investment and can set the foundation for a sound mutual fund investment strategy.

Choose the right mutual fund

Once strategy is clear in mind, next step is to choose in which mutual fund scheme investors have to invest in. The offer document of the scheme tells the investors about objectives and provides supplementary details like track record of other schemes managed by the same fund manager.

Select the ideal mix of schemes

Investing in one mutual fund scheme may not meet all the investment needs of investor's so combination of all schemes should be selected to achieve specific goals. Aggressive plan, moderate plan, conservative plan should be kept in mind while investing in it.

Invest regularly

For the investors, the best approach that works is to invest a fixed amount at specific intervals, means every month. By investing a fixed sum each month, investors will get fewer units when the price is high and more units when the price is low. With many open-ended schemes offering systematic investment plans, regular investing habit made easy to investor's to invest in schemes.

Keep your taxes in mind

As per the current tax laws, Dividend/Income Distribution made by mutual funds is exempt from Income Tax in the hands of investor. However, in case of debt schemes Dividend/Income Distribution is subject to Dividend Distribution Tax. Further, there

are other benefits available for investment in Mutual Funds under the provisions of the prevailing tax laws. Investors may therefore consult a tax advisor or Chartered Accountant for specific advice to achieve maximum tax efficiency by investing in mutual funds.

Start early

It is desirable to start investing early and stick to a regular investment plan. If investors start now, they will make more than if they wait and invest later. The power of compounding lets investor's earn income on income and money multiplies at a compounded rate of return.

The final step

The final step is to get in touch with a Mutual Fund or your advisor and start investing. Reap the rewards in the years to come. Mutual Funds are suitable for every kind of investor whether starting a career or retiring, conservative or risk taking, growth oriented or income seeking.

CHAPTER-2
RESEARCH DESIGN

Research Design

Research is a scientific and systematic search for particular information on the specific topic. The term Research Design refers to the systematic methods consisting of enunciation the problem, formulation a hypothesis, collecting the fact and reaching certain conclusion either in form of solution towards the concerned problems or in certain generalization for some theoretical formulation (Kothari,2009).

2.1 Review of Literature

Review of literature deals with a brief review of work done in the past on the subject concerned. Review of the past research helps, besides demarking the limitation of the work done, in classifying the concept and methodology of the study. The following studies have been consulted for the present study and discussed as under:

Tripathy (1996) investigated the importance, operation and growth of mutual funds. The survey findings indicated that spread of banking system has been a major factor in promoting financial intermediation in the economy and in the growth of financial savings. Moreover, it was further focused that with progressive liberalization of economic policies, there has been a rapid growth of capital market, money market and financial services industry including merchant banking, leasing and venture capital. Author suggested that the investors are not willing to invest in mutual fund unless a minimum returns is assured and so it is very essential to create in the mind of the investors that mutual fund are market instrument and associated with market risk.

Bacon & Prince (1997) examined the performance of mutual funds against risk-free and market returns. It was suggested that the development of various performance benchmark has allowed investors to quantitatively assess various portfolio alternatives and has established that diversification can reduce systematic risk. The study concluded that the mutual funds are a way for investors to achieve these results without the need for expensive research and excessive trading cost.

Anand & Murugaiah (1999) attempted to examine the components and sources of investment performance in order to attribute it to specific activities of fund managers.

The empirical results reported the fact that the mutual funds were not able to compensate the investors for the additional risk that they have taken. The study found that the influence of market factor was more severe during negative performance of the funds while the impact selectivity skills of fund managers was more than the other factors on the fund performance in times of generating positive return by the funds. It was also observed that selectivity, expected market risk and market return factors have shown closer correlation with the fund return.

Panda & Tripathy (2001) studied various need expectations of small investors from different types of mutual funds available in Indian market and identified the risk return perception with the purchase of mutual funds. Overall the findings suggests that for all investors, particularly the small investors, mutual funds have provided a better alternative to obtain benefits of expertise- based equity investments to all types of investors. The author reported that there is substantial growth in the mutual fund market due to a high level of precision in the design and marketing of variety of mutual fund products by banks and other financial institution providing growth, liquidity and return. The study specified that small investors purchase behavior does not have a high level of coherence due to the influence of different purchase factors.

National Stock Exchange (2006) discussed the various measures of revival of common investor's confidence in Indian equity markets. It has been inferred from the study that the investors give importance to personal analysis as compared to the broker's advice. It was also revealed that investors need to be assured of some returns as current level of risk associated with investments in market very high. A number of suggestive measures in terms of regulatory policy level and market orientation were suggested to improve the investors' confidence in Equity primary market. It was concluded that there is great emphasis on team work for continuously improving the system and communication.

Rajeswari (2008) studied the factor influencing the mutual fund/scheme selection by retail investors. The author opined that the asset management company (AMCs) can move successfully with complete understanding of the characteristics of Indian stock market and also the spirit and mind of investors and others. Further it was noticed that the investors look for safety in mutual funds, followed by returns, tax benefits, liquidity

etc. Furthermore, it was revealed that the survey findings also indicated that the scheme selection decision is made by investors on their own. The survey findings revealed that the other influencing sources are newspaper, magazines, internet etc. The study also brought out that the investors are basically influenced by the intrinsic quality of the product followed by efficient fund management and general image of the fund/scheme in their selection of fund scheme.

Popli and Rao (2009) briefed the response of customers towards provision of mutual fund product by bank. The study brings out that the “**Customer Relationship Management**” should be focus place for mutual fund companies. The authors suggested that banks should focus on an integrated marketing communication strategy that contain advertising, public relation and direct marketing in order to inform their consumers about the provision of mutual fund. They noted that the most important criterion that consumer use in selecting financial institution is convenience in term of office and/or other convenience features. It was put forth in the study that with the arrival of e-marketing and online sale and purchase of financial product on internet, mutual fund agent and non banking finance companies (NBFCs) is no longer the only distribution channel available for mutual fund product. From the results it was further seen that banks entry into insurance and mutual fund business have fulfilled the need of bank customer.

Reddy and Krishnudu (2009) studied the investment behavior of rural investors. The main objectives of study was to determine the socio-economic profile of investors with the view to assess their impact on investment habits of people, to analyze the awareness preferences of small and household investors in respect of various investment avenues. It was observed that majority of respondents selected for the purpose of study were male investors as the economic independence among females is very low and they participate in investment decisions in lower proportions. The analyses also showed that majority of respondents are graduates and undergraduates. It was found that majority of investors were quite unaware of corporate investment avenues like equity and preference shares, MF etc. The study concluded that with the rate of interest offered by banks on deposits being very unattractive, more people could think of investing in stock market.

Sharma & Parihar (2009) conducted a study on analyzing investors' attitude towards mutual funds as an investment option and found that majority of investors have still not formed any attitude towards mutual fund investments. The main reason behind this has been observed to be lack of awareness of investors about the concept and working of the mutual funds. The study concluded that demographic variables are concerned; age, gender and income have been found influencing the attitude of investors towards mutual funds significantly. Whereas, amazingly, the other two demographic variables (education and occupation), have not been found influencing the attitude of investors towards mutual funds. The authors analyzed that benefits delivered by the mutual funds are concerned; return potential and liquidity have been perceived to be the most attractive by the investors, followed by flexibility, affordability and transparency.

Rao & Sharda (2010) analyzed and identified the information needs of retail investors for making informed decisions with regard to investment in mutual fund products and its implications for web based marketing of mutual fund products in India. Researchers have attempted to study the needs and expectations of small investors from different types of mutual funds available in Indian market and identify the risk return perception with the purchase of mutual funds. The study noted that investors look for Safety of principal, liquidity and capital. The study concluded that in the coming years, websites of AMCs is most likely to emerge as the ammunition for corporate battles among AMCs.

Rao (2011) analyzed the investors' perceptions towards mutual funds schemes. Further the role of various socio-economic factors which affects the investment decision of the investors was examined. The study revealed that the socio- economic factors significantly influence the investment behavior of the investors. It was emphasized that the mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost.

Saini et., al. (2011) analyzed the mutual fund investments in relation to investors behavior. The study shows that a large proportion of the respondents were aware of the Systematic Investment Plan (SIP) and majority of investors invested in SIP

(Systematic Investment Plan) because of its regular savings and income feature. The study suggested that the investors are more interested in those schemes that can easily provide them liquidity and the fund managers should invest the investor's money in secure income related schemes so that liquidity must be ensured. The study concluded that new and more innovative schemes should be launched time to time so that investor's confidence should be maintained.

Sultana (2010) studied individual investor's behavior in which he tried to study the preferred investment avenues of Indian investors, extent of financial literacy prevailing and their risk tolerance level. The study found that investors prefer FD's /PPF's avenues than mutual funds. Investors prefer to invest their surplus amount in risk free investment avenues next to insurance schemes. The study concluded that individual investor believe in investing in financial products which give risk free returns.

Khorana (2011) examined the investor's behaviors in the mutual fund industry. The study revealed that the families with greater experience are likely to have a more established track record of performance, which could lead to higher market share. The study suggested that the investor should pay careful attention to various fees components. The study concluded that both price competition and product differentiation are effective strategies in obtaining market share.

Das (2012) analyzed the factors affecting small investors' perception towards mutual fund. The findings of the study revealed that liquidity, flexibility, tax saving were the influencing factors which had a higher impact on perceptions of investors. The study suggested that fund managers should take steps to tap the female segment and higher income group segment to enhance more investment in mutual fund avenue which would help the industry to flourish and help to gain more trust from there investors.

Zafar & Hasan (2012) carried out a study with an objective to know the performance of mutual fund schemes by analyzing the NAV and their respective return. The study revealed that SBI mutual fund is the most preferred Mutual fund among the selected group as it has the highest value of "st" (Sharpe index) and Reliance Mutual Fund is the least preferred among the selected group because of its weak and lowest value of st.

The study suggested that for the betterment of investor's interest SEBI must make it mandatory to the intermediaries to disclose that they are agent of specified mutual fund and rate of commission earned by them. The study concluded that all the mutual fund are ranked depending on their performance and provide wide information of their overall performance and investors are advised to go through the ranking which are produced by using Sharpe Index Model.

Kherva (2012) studied the investors' preference and performance level of Mutual Funds in the present market. The study revealed that the factor which was most influential in investment decision was low risk and the most popular mutual fund among the investors was the SBI Mutual Fund. The study found that people prefer to invest in government securities and fixed deposits of nationalized banks where they can have complete safety of their funds though they get less returns. The study concluded that people are not aware of the advantage that they can get by investing in mutual funds nor are they aware of the basic functioning of mutual funds.

Murugan (2012) analyzed the impact of different demographic variables on the attitude of investors towards mutual funds. The study revealed that out of 300 respondents surveyed, 85 respondents have a positive attitude towards mutual funds, 143 have a neutral attitude and 72 have a negative attitude towards it. The study suggested that awareness among the people should be increased about mutual fund so that more people can know about the benefits in investing it. The study concluded that one-third of investors out of 300 respondents have still not formed any attitude towards mutual funds investments. The main reason behind this has been observed to be lack of awareness of investors about the concept and working of the mutual fund.

Singh (2012) studied the impact of various demographic factors on investors towards mutual funds. The study revealed that most of the investors were still confused about the mutual fund and had not formed any attitude towards the mutual fund for investment purpose. Further, it was observed that most of the investors were not aware about the various functions of mutual fund and demographic factors like gender, income and level of education had significantly influenced the investor's attitude

towards mutual funds. The study concluded that the investors are not willing to invest in mutual fund unless a minimum return is assured to them.

Murthy &Subramanya (2013) studied the investor's attitude and interest towards mutual funds. The survey findings revealed that majority of investors prefer mutual fund for the returns and felt that it is a safe measure of investment. The study concluded that investors had a positive attitude towards their investment made in mutual fund and the socio economic variables such as age, gender, qualification, income and occupation has been encouraging the attitude of investors towards mutual funds.

Padmaja (2013) conducted a study on consumer behavior towards mutual funds. The study explained about the investor's awareness towards mutual funds, investor perceptions, their preference and extent of satisfaction towards mutual funds. Furthermore, the survey findings indicated that majority of the investors are interested in getting good deduction from tax and they prefer mutual fund as an investment rather than other type of investment. The study concluded that the organization which are offering mutual fund should provide complete information to the prospective investors relating to mutual fund.

2.2Need of Study

Financial markets are constantly becoming more efficient by providing more promising solutions to the investors. Indian Mutual Fund (IMF) industry provides reasonable options for an ordinary man to invest in the share market. As of now big challenge for the MF industry is to mount on investor awareness and to spread further to semi-urban and rural areas. Therefore a need is there to study the requirement of the investors in consideration to their investments in mutual funds. The present study has been conducted to analyze the factors affecting while investing in mutual funds. The findings on factors influencing mutual funds/schemes selection helped to know the customers preferences and the problem identified by the study will provide a proper feedback to regulatory authority. Moreover, Securities Exchange Board of India (SEBI) can make changes in its policies and guidelines according to the investor's perceptions.

2.3 Objectives of study

On the basis of review literature and need for the study, the present study has been conducted with the following objectives:

- To study investors' perception towards mutual fund schemes.
- To study factors affecting choice of mutual funds with respect to demographic variables.

2.4 Research Methodology

Research is a purposeful investigation. The term 'research' refers to the systematic method of clarifying the problem, collecting the data, analyzing the data and reaching certain conclusion. Research process starts with defining the research problem, design research, collecting data and finally interpretation and analyzing the data to form report. Therefore, research methodology is a way to systematically solve the research problem. There is a need to adopt an appropriate methodology in systematic way achieve the objectives.

Population and Study area

This study has been conducted in the Solan town of Himachal Pradesh and population of study comprise of mutual fund investors who has invested through broking agency of Solan.

Sample size

Sample is defined as the segment of population that is representative of whole population whereas population is defined as group of individual that share one or more characteristics from which data can be gathered and analyzed. Sample size of 80 respondents has been taken for the study.

Sampling technique

Sampling is defined as the segment of population that is representative of whole population. The number of individual in a sample is called a sample unit. The respondent has been selected by convenience sampling depending on availability of respondent. Convenience sampling (sometimes known as grab or opportunity sampling)

is a type of non-probability sampling technique where subjects are selected because of their convenient accessibility and proximity to the study.

Data collection

Data collection is any process of preparing and collecting data, for example, as part of a process improvement or similar project. The data for the present study is collected through primary and secondary sources.

Primary data

Primary data are original sources from which the researcher directly collects data. These are first hand information collected through various methods such as observations, interviewing, mailing etc. Pre structured questionnaire has been used for the study and it has been divided into three parts i.e. first part includes sample profile of respondents, second part includes perception of the respondents and last includes the factors which influence investors while making investment in mutual funds.

Secondary data

These are sources containing data which have been collected and compiled for other purposes e.g. census reports, annual reports and financial statements of companies etc. This also includes going through various related research studies, projects and research papers. In this study the secondary data has been collected from journals, books, magazines and internet.

Data Analysis

Analysis of data is a process of inspecting, cleaning, transforming and modeling data with the goal of highlighted useful information, suggesting conclusions and supporting in decision making. The data collected from the respondents has been analyzed using statistical and mathematical tools such as percentage, mean, standard deviation, t-test and test of significance.

1. Percentage Analysis

Percentage means multiplying the number of observations/frequency of the data by hundred and dividing it by the total number of observations/frequency. Percentage is calculated by the formula:

$$P = \frac{x}{y} \times 100$$

Where X = Number of respondents falling in specific category to be measured.

Y = Total number of respondents.

2. Arithmetic Mean

The arithmetic mean has been applied to study the opinion of the sample respondents on 5-point scale for factors affecting in the choice of mutual funds. This tool helps researchers to draw appropriate inference from the responses collected from the respondents. The arithmetic mean has been calculated by assigning numeral values to the qualitative statements. These values has been assigned for quality responses as one for strongly disagree, two for disagree, three for neutral, four for agree and five for strongly agree.

The formula used for Arithmetic Mean is:

$$\bar{X} = \frac{\sum x}{N}$$

Where \bar{X} = Arithmetic Mean

$\sum X$ = Sum of the value of the variables

N = Number of observations

3. Standard Deviation:

The standard deviation concept was introduced by Karl Pearson in 1823. The standard deviation measures the absolute dispersion (or variability of distributions: the greater the amount of dispersion or variability), the greater the standard deviation, the greater will be the magnitude of the deviation of their values from their mean. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of the series; a large standard deviation means just the opposite.

The formula used for standard deviation is:

$$\text{Standard Deviation} = \sqrt{\frac{\sum x^2}{N}}$$

Where, $x = (X - \text{mean})$

N= Number of observation

4. T-test

Theoretical work on t-distribution was done by W.S. Gosset (1876-1937) in the early 1900. It is observed when the mean score of variables was known, when the number of observation was small and the population size is unknown. To use the t-test we assume that two samples are drawn from normal distributions. Because standard deviation is unknown, we assume the variance of the two populations or group was equal.

Formula for t- statistic is:

$$\frac{(\bar{X}-\mu)\sqrt{n}}{S}$$

\bar{X} = the mean of sample

μ = the actual or hypothetical mean of the population

N= the sample size

S= S.D of the population

$$S = \frac{\sqrt{\sum(X-\bar{X})^2}}{N-1}$$

5. ANOVA

The analysis of variance technique was developed by R.A. Fisher in 1920's. The analysis of variance frequently referred to by the contraction of ANOVA. It is statistical techniques specifically designed to test whether the means of more than two quantitative populations are equal. It is the simplest form ANOVA provides a statistical test of whether or not the means of several groups are equal. The F statistics measures the ratio of the variance within the group to the variance within the group. The calculation of ANOVA test was done by SPSS (Statistical package for the social sciences). If the F significance value is less than 5 % or 1 % level of significance then there is a significant difference between the populations and if the F significance value is greater than 5 % or 1% then there is no significant difference between the populations.

CHAPTER-3
DATA ANALYSIS AND
INTERPRETATION

3.1: Sample profile of respondents

In this present study an attempt has been made to study the awareness of respondents about the mutual funds. The data has been collected with the help of questionnaire from a sample of 80 respondents. The profile of respondents with respect to gender, age, occupation, objective of investment and period of investment decision is discussed below;

Table 3.1.1: Age wise classification

Age Group	Frequency	Percentage
20-30	3	3.8
30-40	38	47.5
40-50	25	31.3
50 & Above	14	17.4
Total	80	100

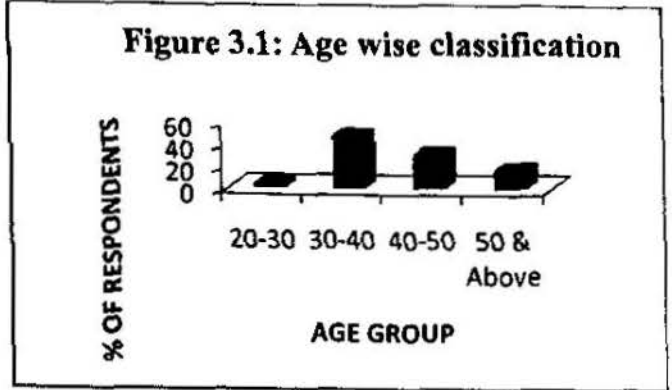


Table 3.1.1 and figure 3.1 shows that 47.5 percent of total respondent's lies in the age group of 30 - 40 years, followed by 31.3 percent who fall in the age group of 40-50, 17.4 percent in the age group of 50 & above, 3.8 percent in age group of less than 30 years. Hence, it is inferred that nearly fourth fifth of the respondents fall in the age group of 30 to 50 years.

Table 3.1.2: Gender classification

Gender	Frequency	Percentage
Male	57	71.3
Female	23	28.7
Total	80	100

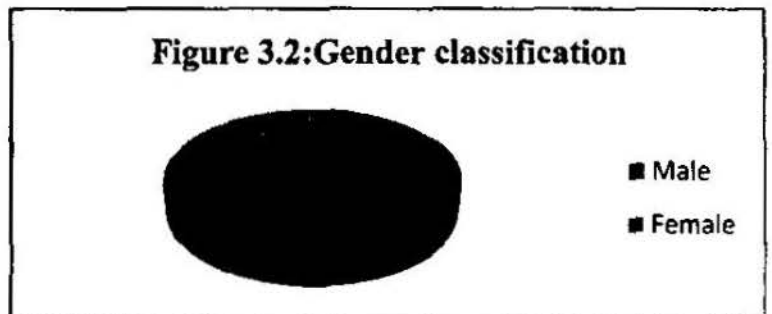
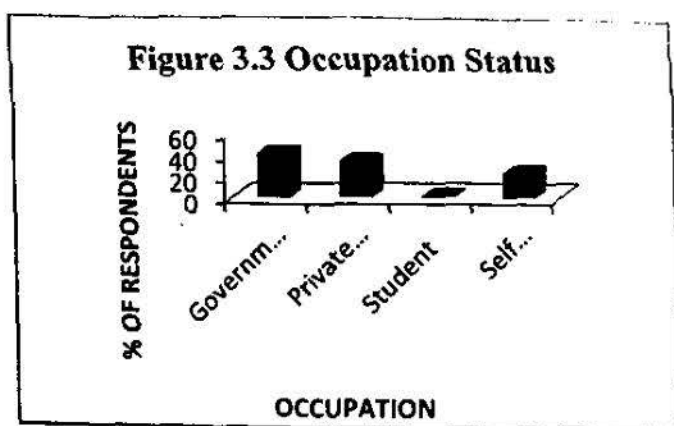


Table 3.1.2 and figure 3.2 show the gender-wise classification of the respondents. The constitute of 71.3 percent are males and 28.7 percent females.

Table 3.1.3: Occupational status of respondents

Occupation	Frequency	Percentage
Government Servant	33	41.3
Private Servant	27	33.8
Student	1	1.3
Self Employed	19	23.6
Total	80	100



Tabulated and graphical representation indicates that that 41.3 percent of the respondents are government employees followed by 33.8 percent who are private servant, 23.6 percent who are self-employed, and 1.3 percent who are students. It can be summed up that two-fifth of the respondents are government employees.

Table 3.1.4: Income status of respondents

Income per annum (Rs)	Frequency	Percentage
Up to 3 lacs	10	12.5
3 lacs to 6 lacs	33	41.3
6 lacs to 9 lacs	24	33.0
9 lacs to 12 lacs	9	11.2
12 lacs & above	4	5.0
Total	80	100

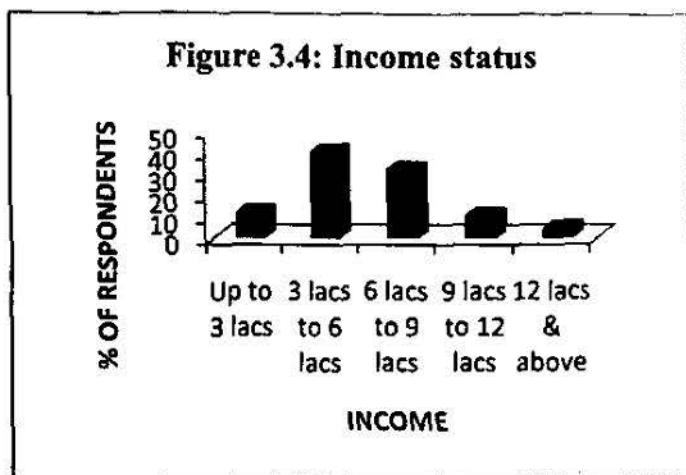


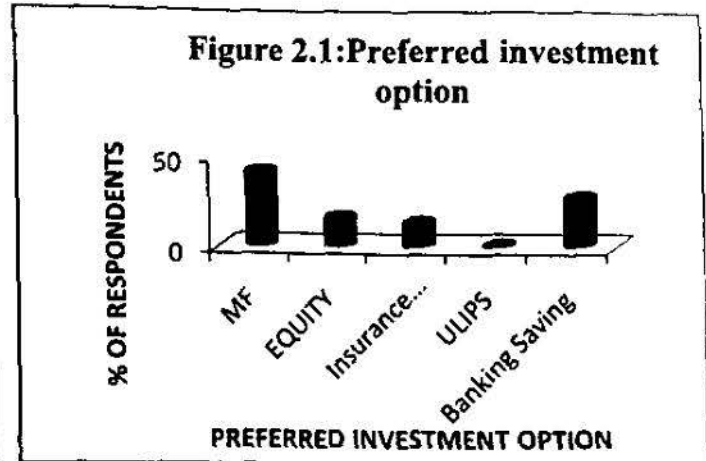
Table 3.1.4 depicts that the profile of the respondents with respect to income status. The findings shows that annual income of 41.3 percent of total respondents is between 3-6 lakhs, followed by 33.0 percent of total respondents lies in the group between 6 -9 lakhs. There are 12.5 percent of respondents who have annual income up to 3 lakhs, followed by 11.2 percent of respondents lies between 9 -12 lakhs, whereas annual income of 5 percent of total respondents lies in income group of 12 lakhs & above.

3.2 Perception of the respondents with respect to investment avenues

This part depicts the perception of the respondents with respect to most preferred form of investment avenue, mode of investment, duration of staying in mutual funds, returns received every year, awareness with respect to mutual funds and knowledge about mutual funds are discussed below:

Table 3.2.1: Preferred investment option

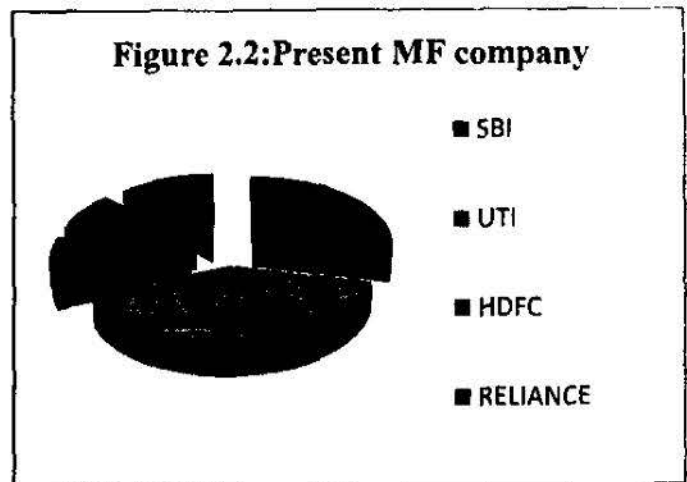
Preferred Investment option	Frequency	Percentage
MF	33	41.3
EQUITY	13	16.3
Insurance Schemes	11	13.7
ULIPS	1	1.2
Banking Saving	22	27.5
Total	80	100



Tabulated and graphical representation reveals that 41.3 percent of the total respondents prefer mutual funds as an investment form, 27.5 percent prefer bank saving, 16.3 percent prefer equity, 13.7 percent prefer insurance schemes, and 1.2 percent of investors prefer ULIPS. A perusal of data has indicated that majority of the respondents prefer mutual funds as an investment option. Hence, it can be said that mutual funds is a growing industry.

Table 3.2.2: Present mutual fund company

MF invested	Frequency	Percentage
SBI	23	28.7
UTI	32	40.0
HDFC	8	10.0
RELIANCE	7	8.8
ICICI Prudential Funds	10	12.5
Total	80	100



Tabulated and graphical representation reveals that 40.0 percent of the respondents have preferred UTI, 28.7 percent SBIMF, 12.5 percent ICICI, 10.0 percent HDFC, and 8.8 percent Reliance. Hence, it can be said that UTI is the most favored AMC by the investors.

Table 3.2.3: Preferred mutual fund scheme

Preferred MF Scheme	Frequency	Percentage
Equity Fund	24	30.00
Balanced Fund	8	10.00
Debt Fund	11	13.75
Income Fund	31	38.75
Others	6	7.50
Total	80	100

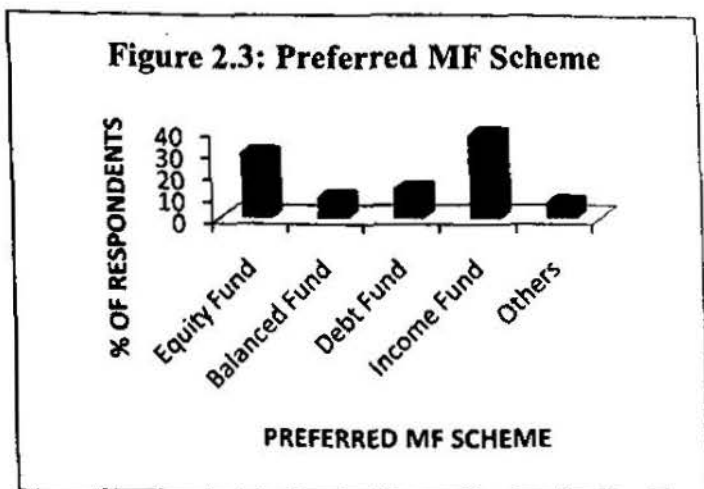
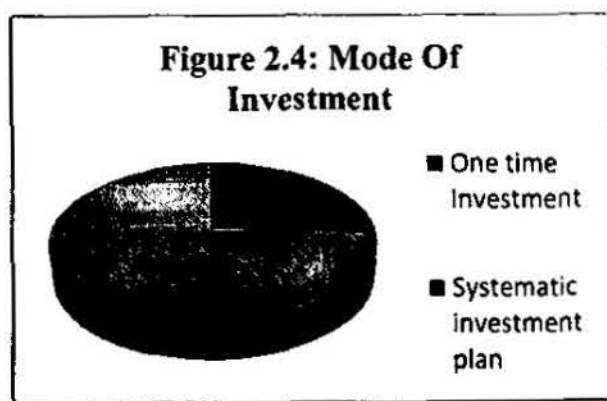


Table 3.2.3 and figure 2.3 reveals that substantial percentage of the respondents 38.75 % prefers investment in income fund, 30% prefer equity fund, 13.75 % prefer debt fund, 10% prefer balanced fund and very few 7.50 % prefer others. Hence it can be summed up that majority of respondents prefer income fund as it provide steady and regular income to the investors.

Table 3.2.4: Mode of investment in mutual fund schemes

Mode of Investment	Frequency	Percentage
One time Investment	21	26.3
Systematic investment plan	59	73.7
Total	80	100



It is quite evident from the tabulated & graphical representation that substantial percentage of the respondents 73.7% prefers investment in mutual funds through systematic investment plans. However, 26.3 % percent prefer one time investment. It is implied from the analysis that systematic investment plans are more favored. This can be attributed to the reason that

systematic investment plans leads to more diversifications and also that salaried people can save monthly as a part of their income and easily invest in such plans.

Table 3.2.5: Preferred return option

Returns	Frequency	Percentage
Dividend Payout	25	31.3
Dividend Re-investment	17	21.3
Growth in NAV	38	47.4
Total	80	100

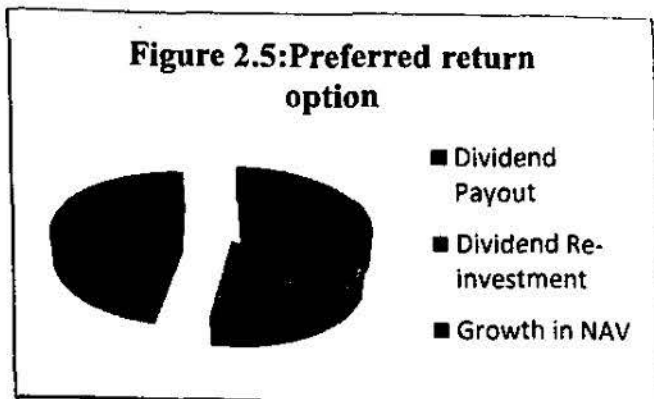


Table 3.2.5 and figure 2.5 shows that 47.4 percent of the respondents prefer growth in NAV, 31.3 percent prefer dividend payout and 21.3 dividend re-investment percent. Hence, it can be summed up that investors favor growth in NAV option.

Table 3.2.6: Period of staying invested in mutual fund

Duration	Frequency	Percentage
1-3 year	4	5.0
3-5 year	38	47.5
More than 5 year	38	47.5
Total	80	100

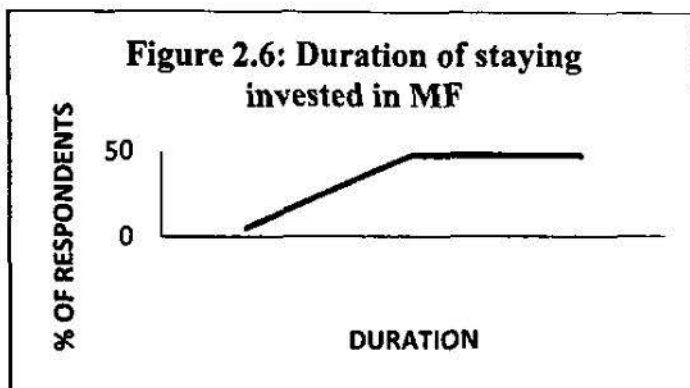


Table 3.2.6 and figure 2.6 presents the investment time horizon of respondents in mutual funds. From the table it can be concluded that 47.5 percent each of the respondents remain invested in mutual funds for the period of 3-5 years and more than 5 years and remaining 5 percent of respondents for the period of 1-3 years. It can be inferred that respondents prefer medium term and long term investments in comparison to short term.

Table 3.2.7: Awareness of respondents with respect to mutual fund

Awareness of MF investors	Frequency	Percentage
Totally ignorant	1	1.3
Partial knowledge of MF	31	38.7
Aware only of any specific scheme	35	43.7
Fully Aware	13	16.3
Total	80	100

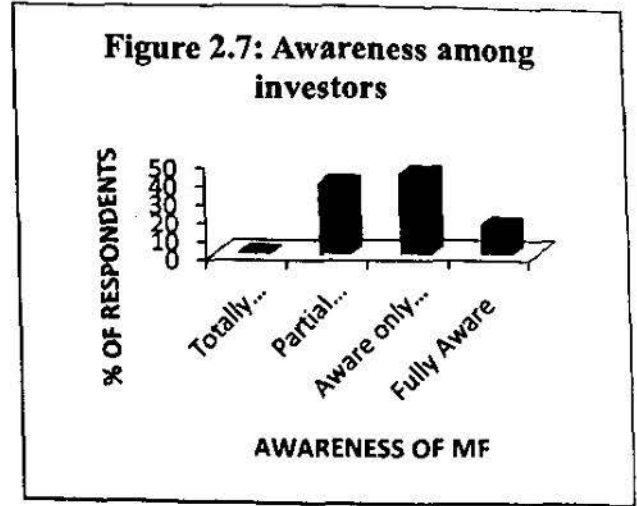


Table 3.2.7 and figure 2.7 indicates that 43.7 percent of the respondents are aware of some specific scheme of mutual funds, 38.7 percent who are partially aware, and 16.3 percent who are fully aware. Very few (1.3 percent) of the respondents expressed total ignorance about mutual funds. Hence, it can be said that substantial percentage of the investor are somewhat aware of mutual funds. AMC's can sell their products easily to the investors who are aware. So, AMC's should focus on making the investor financial literate for increasing sale of their products.

Table 3.2.8: Future preferred company

Future Preferred company	Frequency	Percentage
SBIMF	10	12.5
UTI	24	30
HDFC	9	11.3
RELIANCE	15	18.7
ICICI Prudential funds	10	12.5
Other	12	15.0
Total	80	100

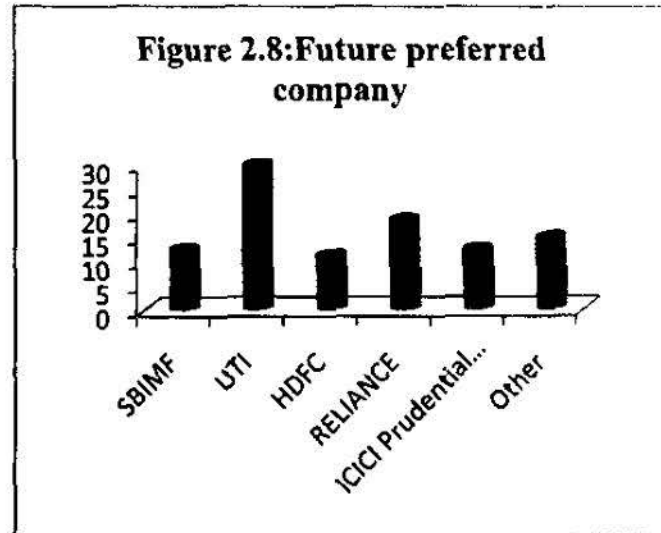
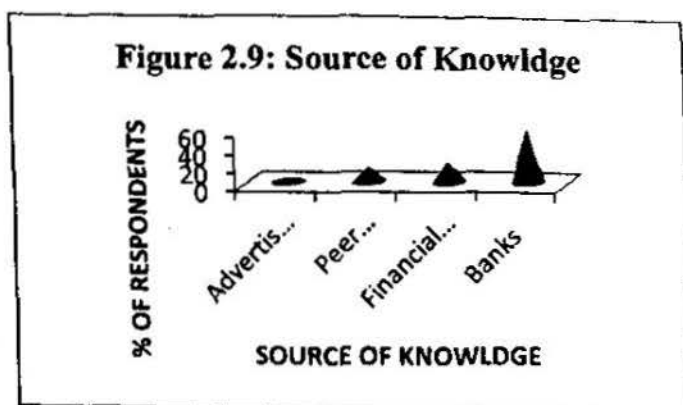


Table 3.2.8 and figure 2.8 reveals that 30.0 percent investors prefer UTI as future investment company followed by 18.7 percent who prefer Reliance, SBIMF & ICICI funds 12.5 percent each, 15.0 percent in others and 11.3 percent investors want to invest in HDFC. Hence it can be said that UTI is most favored by the investors.

Table 3.2.9: Source of knowledge about mutual fund

Source of Knowledge	Frequency	Percentage
Advertisements	1	1.2
Peer Groups	13	16.3
Financial Advisor	18	22.5
Banks	48	60.0
Total	80	100



It has been quite evident from the tabulated & graphical representation that 60.0 percent of the respondents got information about mutual funds through banks, 22.5 percent through financial advisor, 16.3 percent through peer groups and 1.2 percent through advertisement. It is apparent that banks and various financial advisors have played an important role in making the investors aware regarding mutual funds.

Table 3.3: Factors influencing investing decision in Mutual Funds

Variables	Mean	Standard Deviation
Retirement Planning	3.28	.900
Liquidity	4.04	.191
Low risk	3.84	.934
Tax Benefits	3.56	.592
High Returns	3.89	.675
Diversification	3.86	1.319
Regular Income	3.50	.729
Performance of past schemes	4.03	1.055
Advertisements	2.77	.763
Rating of MF by agencies	3.76	.961
Recommendation of Friends and relatives	3.36	1.708

It can be concluded from the table that liquidity (M=4.04, S.D=.191) is the most important factor followed by performance of past schemes (M=4.03, S.D=1.055), high returns (M=3.89, S.D=.675), diversification (M=3.86, S.D=1.319) and low risk (M=3.84, S.D=.934). Further the factors which influence investors while investing in mutual funds were rating of MF by agencies (M=3.76, S.D=.961), tax benefits(M=3.56, S.D=.592) ,regular income (M=3.50, S.D=.729) , recommendation of friends and relatives (M=3.36 ,S.D=1.708) and retirement planning (M=3.28, S.D=.763) because now the investors had become more rational in their investment decision and also know that advertisement is just a source of attraction which does not provide detailed knowledge about the financial products.

Table 3.3.1: Mean difference analysis of factors influencing investing decision in Mutual Funds with respect to gender:

Variables \ Gender	Male		Female		t
	Mean	S.D	Mean	S.D	
Retirement Planning	3.23	.907	3.39	.891	-.732
Liquidity	4.05	.225	4.00	.000	1.116
Low risk	3.82	.909	3.87	1.014	-.194
Tax Benefits	3.61	.526	3.43	.782	1.230
High Returns	3.89	.646	3.87	.757	.150
Diversification	3.07	1.791	3.22	1.858	-.329
Regular Income	3.49	.759	3.52	.665	-.168
Performance of past schemes	4.00	1.118	4.09	.900	-.332
Advertisements	2.79	.773	2.74	.752	.266
Rating of MF by agencies	3.68	1.088	3.96	.562	-1.137
Recommendation of Friends and relatives	3.35	1.737	3.39	1.672	-.095

*P<0.01 * *P<0.05

Table 3.3.1 present analyses of factors influencing investing decision in mutual funds with respect to the gender. It can be observed from the findings that the factors influencing investing decision in mutual fund among females is noted to be higher in four factors i.e. performance of past schemes (M=4.09), liquidity (M=4.00), diversification (M=4.00) and rating of MF by agencies (M=3.96) as compared to males who have shown higher mean values pertaining to two dimensions i.e. liquidity (M=4.05) and performance of past schemes M=4.00. The results indicate that liquidity (M=4.05) and performance of past schemes (M=4.09) is found to be most influencing factor by both the genders. However, effect of gender on mean difference analysis of factors influencing investing decision in MF is found to be in significant.

Table 3.3.2: Mean difference analysis of factors influencing investors decision with respect to age

Age Variables	20-30		30-40		40-50		50 & above		F
	M	S.D	M	S.D	M	S.D	M	S.D	
Retirement Planning	3.00	.000	3.08	.749	3.28	1.061	3.86	.864	2.833**
Liquidity	4.00	.000	4.03	.162	4.04	.200	4.07	.267	.223
Low risk	4.67	.577	3.74	.724	3.92	.954	3.79	1.369	1.016
Tax Benefits	3.67	.577	3.53	.506	3.44	.712	3.86	.535	1.629
High Returns	3.33	.577	3.82	.563	3.80	.764	4.36	.633	3.525**
Diversification	3.33	1.15	3.89	1.46	4.08	1.03	3.50	1.40	.740
Regular Income	3.67	.577	3.79	.664	3.24	.723	3.15	.663	4.845*
Performance of past schemes	4.33	.577	3.87	1.16	4.12	1.01	4.21	.893	.573
Advertisements	3.00	1.00	2.82	.730	2.84	.800	2.50	.760	.784
Rating of MF by agencies	4.33	.577	3.66	1.09	3.72	.891	4.00	.784	.781
Recommendation of Friends and relatives	2.00	1.73	3.34	1.68	3.64	1.729	3.21	1.762	.889

*P<0.01 * *P<0.05

Table 3.2.2 presents age wise mean difference analysis of factors influencing investors while investing in mutual funds. It is seen that youngest age group (20-30 years) has obtained highest mean value for low risk with mean (M=4.67) and lowest mean value for recommendation of friends and relatives (M=2.00). Respondents belonging to age group (30-40 years) & (40-50 year) has obtained highest mean value for liquidity and diversification with mean (M=4.03) and (M=4.08) respectively and lowest mean value for advertisement with mean value (M=2.82) and (M=2.84) respectively. The oldest group (50 & above) has scored highest mean for high returns (M=4.36) and lowest mean for advertisement (M=2.50). Further it can be noted that mean difference has emerged to be significant for retirement planning (F=2.833; P<0.05), high returns (F=3.252; P<0.05) and regular income (F=4.845; P<0.01).

Table 3.3.3: Mean difference analysis of factors influencing investors decision with respect to occupation

Occupation Variables	Government Servant		Private Servant		Student		Self-Employed		F
	M	S.D	M	S.D	M	S.D	M	S.D	
Retirement Planning	3.42	1.001	3.22	.801	3.00	.000	3.11	.875	.581
Liquidity	4.06	.174	4.04	.192	4.00	.000	4.05	.229	.066
Low risk	3.91	1.100	3.74	.903	4.00	.000	3.84	.688	.166
Tax Benefits	3.70	.529	3.52	.700	3.00	.000	3.42	.507	1.294
High Returns	4.00	.750	3.85	.602	4.00	.000	3.74	.633	.647
Diversification	3.94	1.197	3.85	1.292	2.00	.000	3.84	1.573	.696
Regular Income	3.30	.728	3.63	.792	4.00	.000	3.63	.597	1.476
Performance of past schemes	4.24	.830	3.67	1.209	4.00	.000	4.16	1.119	1.645
Advertisements	2.88	.857	2.81	.736	4.00	.000	2.47	.763	2.169
Rating of MF by agencies	3.91	.843	3.48	1.189	4.00	.000	3.89	.809	1.148
Recommendation of Friends and relatives	3.45	1.697	3.19	1.755	1.00	.000	3.58	1.677	.864

Table 3.3.3 exhibits the mean difference analysis of factors influencing investors with respect to occupation. It is observed that the government employees has obtained highest mean value score on four out of eleven variables of mutual funds i.e.

performance of past schemes (M=4.24), liquidity (M=4.03), high returns (M=4.00), rating of MF by agencies (M=3.91) whereas self-employed has highest mean value for performance of past schemes (M=4.16) and liquidity (M=4.05). Further it can be observed that the private servant has shown highest inclination for two variables i.e. liquidity (M=4.04) and high returns (M=3.85) whereas lowest inclination for advertisement (M=2.81). The analysis show that the student has obtained highest and equal mean score for liquidity, low risk, high returns, regular income, performance of past schemes, advertisements (M=4.00) and lowest mean for retirement planning (M=3.00) followed by diversification (M=2.00) and recommendation of friends and relatives. However, the effect of occupation of respondents on the mean difference analysis of factors influencing investor's decision was not found to be significant.

Table 3.3.4 Mean difference analysis of factors influencing investors' decision with respect to family income

Variables \ Income	Up to 3 lacs		3 lacs to 6 lacs		6 lacs to 9 lacs		9 lacs to 12 lacs		12 lacs & above		F
	M	S.D	M	S.D	M	S.D	M	S.D	M	S.D	
Retirement Planning	3.50	.707	3.12	.740	3.25	1.07	3.56	1.236	3.50	.577	.613
Liquidity	4.00	.000	4.00	.000	4.13	.338	4.00	.000	4.00	.000	.124
Low risk	4.00	.816	3.79	.893	3.71	.955	4.00	1.32	4.25	.500	.762
Tax Benefits	3.70	.483	3.45	.666	3.54	.588	3.78	.441	3.75	.500	.525
High Returns	3.60	.516	3.79	.740	3.92	.584	4.44	.527	4.00	.816	.061
Diversification	3.70	1.494	3.67	1.53	4.17	1.09	3.78	1.09	4.25	.500	.648
Regular Income	4.10	.568	3.64	.699	3.29	.624	3.00	.866	3.21	.500	.004*
Performance of past schemes	4.30	.949	4.06	.998	3.96	.999	3.33	1.41	5.00	.000	.084
Advertisements	2.50	.707	2.79	.820	2.88	.680	2.89	.928	2.50	.577	.665
Rating of MF by agencies	4.20	.422	3.94	.704	3.54	1.17	3.00	1.323	4.25	.500	.023**
Recommendation of Friends and relatives	3.50	1.780	3.00	1.69	3.88	1.56	3.33	1.803	3.00	2.30	.428

*P<0.01 **P<0.05

Table 3.3.4 reveals the mean difference analysis of factors influencing investors while investing in mutual funds with respect to annual income. The results show that respondents belonging to highest income group i.e. (9-12 lacs) & (12 lacs&above) has shown minimum inclination for advertisement with mean score (M=2.89) & (M=2.50) respectively whereas maximum inclination has been observed towards performance of past schemes (M=5.00) & high returns (M=4.44). It is observed from the income group (6-9 lacs) that the highest mean obtained for liquidity (M=4.13), whereas the minimum scored mean under this group was found for advertisement (M=2.88). Further, respondents with income (up to 3 lacs) to (3 -6 lacs) has been found that the most influencing factor was performance of past schemes with mean scores (M=4.30) & (M=4.06) respectively. While advertisement scored minimum mean value (M=2.50) & (M=2.79) out of eleven factors under both income groups. Further, it can be noted that family income is found to be significant for two variables i.e. regular income (F=4.246; P<0.01) and rating of MF by agencies (F=3.009; P<0.05) because consistent source of income promotes the saving among the respondents in order to balance the investment opportunities available with the total income earned. Moreover, rating by certified agencies on various MF schemes or plans helps to gain the investor credibility, resulting to persuade investors to choose such MF in their investment portfolio. However such ratings are required to be certified through authenticate agencies and it must be periodically checked.

CHAPTER-4

FINDINGS, CONCLUSIONS AND SUGGESTIONS

Findings, Conclusions and Suggestions

In the present chapter, on the basis of analysis and interpretation of data, important findings are listed and conclusions are drawn. A total sample of 80 investors was drawn using convenient purposive sampling technique, depending on availability of the respondents. The findings and conclusion of the study are listed below:

4.1 Findings and conclusions:

It has been observed from the study that maximum respondents were between the age group of 30-40 years and most of the respondents were males. The study reveals that maximum of investors were government servant. It was further found that maximum of respondents lie in income bracket of 3-6 lacs. Mutual fund is a preferred investment option among the respondents and majority preferred investing in UTI and it was also preferred as the future investment option. Further it was seen that that the most preferred mutual fund scheme was income funds and SIP was favored by the respondents. Furthermore, it was found that nearly half of the respondents preferred growth in NAV as a return option. The investors invest in mutual funds mainly for medium and long term and the awareness among the respondents was found to be for only some specific scheme. Banks are the best source of knowledge about mutual fund to the investors.

On the basis of the study it can be observed that students were least investing in mutual funds as they do not have regular source of income. Now-a-days the investment in mutual funds has increased as mutual funds have their own benefits like diversification of risk, liquidity, transparency etc. It has been concluded that investors prefer to invest in UTI and the most preferred UTI schemes are debt funds, income funds & balanced funds which are providing good returns on their savings whereas Reliance mutual funds are least preferred by respondents because reliance mutual funds has been introduced few years back and respondents are not much aware about this. SIP is most preferred mode of investment in mutual fund schemes as it leads to more diversification and also salaried people can save monthly as part of their income and easily invest in such plans. Respondents invest in mutual funds for medium and long term as they prefer to invest in SIP which is providing regular returns and investors always prefer to have long term

returns rather than short term returns. It is indicated from the analysis that investors were only aware of some specific scheme as banks were the source of knowledge about mutual fund and they will provide only information about those schemes which are in relation to investor's income and their previous investment records. Investors preferred to invest in future in UTI as they are giving more returns owing to the trust of respondents in UTI. Respondents least preferred to have future investment in HDFC because few years back capital markets regulator had banned HDFC Mutual's Equities dealer from trading in the stock market and investors do not feel safe in investing HDFC. Advertisements are not acting as a good source of knowledge about mutual funds because companies are not much advertising about the schemes.

4.2 Suggestions

The research study and analysis of data conducted on "Factors affecting mutual fund schemes selection: An empirical study" reveals that there is need of improving the growth of mutual fund industry. Following are the suggestions provided to improve the growth of mutual fund industry:

- The study found that respondents like to invest in UTI mutual funds than HDFC. It is suggested that HDFC should try to gain confidence of investors and improve customer relationship. Moreover, HDFC should appoint trustworthy dealers for their company so that investors can trust him.
- The study inferred that female respondents invest less in mutual funds in comparison to their counterparts. It is suggested that mutual fund companies should develop a portfolio especially for females so that they can start investing more in mutual fund.
- The findings shows that SIP are more favored than one time investment. It is suggested that innovative products catering to this requirement should also be developed.
- The analysis depicts that respondents preferred growth in NAV as a return option. It is suggested that companies should charge minimal brokerage fees or commission

from the participants so that they can prefer dividend re-investment as a return option.

- Persual of data revealed that respondents do not preferred short term investment. It is suggested that companies should come out with more refine short term schemes for those investors who want more liquidity.
- It is observed that respondents have knowledge only of any specific scheme in which they have invested. It is suggested that banks should explain the investment schemes to the investors in a simplified manner so that they have detailed knowledge about the various schemes as well as the risk and return associated with the investment.
- The study inferred that advertisement is not acting as a good source of knowledge. It is suggested that companies should more and more promote their schemes through advertisements so that people can get aware of the services provided by the them and AMC'S should try to financially literate the prospective customers for increasing sale of their products.
- Generally the offer documents and reports of various mutual fund companies are not free from technicalities. It is suggested that the information contained in the offer documents should be simple and free of technicalities so that a lay investor can easily understand them.
- Due to changing scenario, the need for online trading of securities is felt. It is suggested that efforts should be made to promote or enhance online trading of mutual funds. This will save time and cost. On a click of button investors will get all the required information quickly and they can easily sell or purchase any number of funds whenever they want.
- It is suggested that the fund values of fund should be informed to the investors through SMS on fortnightly basis. This will help the investors in keeping themselves up to date with the latest information and latest NAV's of different funds.

- It is suggested that steps should be taken to boost the confidence and morale of the investors. This can be done through appropriate communication and by educating investors to invest in mutual funds. Timely and right information should be provided to them by different communication modes so that they come to know about the latest trends in the market.

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ANNEXURE

Questionnaire

Respected Sir / Madam

I am working in project entitled "Factors Affecting Selection of Mutual Fund Schemes: An Empirical Study" as a part of my MBA curriculum. Kindly read the following statement carefully and give your response. I assure you that whatever information is provided by you will be used for the research and academic purpose & will be kept confidential. I shall be highly grateful to you for your co-operation.

A) Personal Information:-

Name _____

Age A) 20-30 B) 30-40 C) 40-50 D) 50 & Above

Gender Male Female

Occupation:

a) Government servant b) Private servant

c) Student d) self employed

Family income per Annum:

1) Up to 3 lacs 2) 3 lacs to 6 lacs

3) 6 lacs to 9 lacs 4) 9 lacs to 12 lacs

B) Please answer the following

What is your most preferred investment option? Please tick

a) MF <input type="checkbox"/>	d) ULIPS <input type="checkbox"/>
b) Equity <input type="checkbox"/>	e) Debenture & Bonds <input type="checkbox"/>
c) Insurance schemes <input type="checkbox"/>	f) Bank saving <input type="checkbox"/>

In which mutual fund you have invested? Please tick

a) SBIMF	<input type="checkbox"/>
b) UTI	<input type="checkbox"/>
c) HDFC	<input type="checkbox"/>
d) Reliance	<input type="checkbox"/>

e) ICICI Prudential funds

f) Others (Please specify)-----

In which mutual fund scheme you have invested?

a) Equity Fund

b) Balanced Fund

c) Debt Fund

d) Growth fund

e) Gilt Fund

f) Others

Which mode of investment is preferred by you while investing in Mutual Funds?

a) One time investment

b) Systematic investment plan

How would you like to receive returns every year? (Please tick)

a) Dividend payout

b) Dividend re-investment

c) Growth in NAV

On an average how long do you stay invested in mutual funds?

a) Up to 1 year

b) 1-3 year

c) 3-5 year

d) More than 5 year

Where do you find yourself as mutual fund investors?

a) Totally ignorant

b) Partial knowledge of mutual funds

c) Aware only of any specific scheme in which you have invested

d) Fully aware

In which kind of mutual fund would you like to invest in future

a) SBIMF

b) UTI

c) HDFC

d) Reliance

e) ICICI Prudential funds

f) Others(Please Specify)-----

How did you come to know about mutual funds? (Please tick)

- a) Advertisements
- b) Peer groups
- c) Financial advisor
- d) Banks

<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

To what extent your investing decision in Mutual Funds was influenced by the following factors:

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Retirement Planning					
Liquidity					
Low risk					
Tax benefits					
High Returns					
Diversification					
Regular income					
Performance of past schemes					
Advertisements					
Rating of MF by agencies					
Recommendation of friends and relatives					

CURRICULUM VITAE

SUGANDHA GARG

D/O Sh. Balbir Singh Garg,

Garg cottage near Chamunda Mandir

By pass Kather Solan (173213), HP

Telephone- 01792-224567, Mob-09882295659

Email: sugandhabba123@gmail.com

Date of Birth: 22/04/1991

Nationality: Indian

Status: Single

Personal Profile

I am a hard worker with good communication skills who works effectively in a team and has the ability to meet deadlines. I am a people person and am looking for a challenging career with a strong commitment towards innovation and professional (management) where I can use my existing skills and further develop my career.

Educational Qualification

Qualification	Board/University	Year	School/College Name	Percentage
10th	C.B.S.E	2007	M.R.A.D.AV School Solan	66%
12 th (Commerce)	C.B.S.E	2009	M.R.A.D.AV School Solan	75%
B.B.A	H.P.U	2012	L.R. Institute of Management and Technology	69%
M.B.A. (Finance)	Dr. Y.S. Parmar University of Horticulture and Forestry, Solan (H.P.)	2014	Dr. Yashwant Singh Parmar University Nauni Solan H.P.	76% (till 3 rd semester)

Computer Knowledge

- ✓ Basic knowledge of MS Office (MS Word, MS Power Point, MS Excel)
- ✓ Internet

Languages Known

- ✓ Good command over Hindi & English.

Personal Traits

- ✓ Strong at time management.
- ✓ Enthusiasm for solving problem.
- ✓ Honest and trust worthy.
- ✓ Adaptability & passion for learning.
- ✓ Team spirit.

Experience

- ✓ 45 days industrial training in Baghat Urban Cooperative Bank, Solan (H.P)

Project Under taken in M.B.A

- ✓ "Factors Affecting Selection of Mutual Fund Schemes: An Empirical Study".

Declaration

"I hereby declare that the information furnished above is true to the best of my knowledge".


Sugandha Garg

