

A STUDY ON FACTORS RESPONSIBLE FOR THE PREFERENCE OF MUTUAL FUNDS IN COIMBATORE CITY

Author: Mrs D.Sujaritha Assistant Professor, Department of B.COM (A&F), PSGR Krishnammal College for women Coimbatore

Co-Author: Ms.G.R.Sneha III B.COM AF, PSGR Krishnammal College for women Coimbatore

Abstract:

This study is based on the investors preference towards mutual funds as an investment option. There are various factors that influence the investors in investing in mutual funds. Factors play a major role in all kinds of investments. The objective of the research is to analyze the interests of the investors and factors influencing their interests. Factors include returns, cost, flexibility, safety etc. It is important to know the factors responsible for the investment and preference made by the investor. It helps in identifying the problems in investing in mutual funds and to improve its standards.

INTRODUCTION:

The Indian Mutual fund industry has witnessed considerable growth since its inception in 1963. The impressive growth in the Indian Mutual fund industry in recent years can largely be attributed to various factors such as rising household savings, comprehensive regulatory framework, favorable tax policies, and introduction of several new products, investor education campaign and role of distributors.

LITERATURE REVIEW:

A large number of studies have been conducted in India and abroad covering different aspects of Mutual fund.

J.Lilly and DrAnasuya published a research paper “An empirical study of performance evaluation of selected ELSS mutual fund schemes” published on International journal of scientific research (2014) which examined the performance of 49 selected tax saving elss schemes by applying Sharpe ratio, Treynor ratio,

Sortino ratio and Jensen’s alpha measure and found out LIC NOMURA MF GROWTH and dividend schemes has the highest return and are risk borne when compared to other schemes.

Lonnie L. Bryant,Hao-Chen liu published a research paper “Mutual fund industry management structure, risk and the impacts to share holders” published on Global finance journal(2011) investigates the effects of a multiple fund management structure on the risk volatility of the funds managed with the help of Sharpe ratio .They found out the impacts that mutual fund management structure has in fund risk volatility using a sample of 1480 funds managed by 407 managers.They also found out that the multiple fund management structure appears to be motivated by the need to achieve economies of scale and reduce cost of the shareholders, fund managers which are driven by strategic reason.

Shanmugham (2000) conducted a survey of individual investors with the objective to find out what information source investor depends on. The results explained that they are economical, sociological and psychological factors which control investment decisions.

MadhusudhanVJambodekar (1996) conducted his study to size-up the direction of mutual funds in investors and to identify factors that influence mutual fund investment decision. The study tells that open-ended scheme is most favored among other things and that income schemes and open-ended schemes are preferred over closed-ended and growth schemes. News papers are used as information source, safety of principal amount and investor services are priority points for investing in mutual funds.

STATEMENT OF THE PROBLEM:

Many schemes have been offered by the mutual fund sector which provides various benefits. This project aims at analyzing the factors that influence the investment decisions with regards to mutual funds and the retail investors perception and awareness towards Mutual funds.

OBJECTIVE OF THE STUDY:

To study the factors responsible for the preference of mutual funds in coimbatore city.

- **RESEARCH DESIGN:-** For obtaining complete and accurate information,descriptive research is chosen.. Descriptive research includes surveys and fact finding enquiries of different kind.
- **RESEARCH APPROACH:-** The approach adopted in this study is survey approach.
- **RESEARCH INSTRUMENT:-** The research instrument used in the study is Questionnaire and Personal interview method. The questionnaire consists of both open end and close end questions.
- **DATA SOURCE:-** The data used for the study is Primary data. Primary data is the data collected for the purpose of study by the samples taken. The primary data was collected by conducting a personal interview through a structured questionnaire.
- **SAMPLE SIZE:-** The sample size of the study is limited to 100 investors.
- **SAMPLING PROCEDURE:-**The sampling procedure used in this study is Snowball sampling and Random sampling. Snowballsampling is a non-probability sampling technique where existing study subjects recruit future subjects from among their acquaintances. Thus the sample group appears to grow like a rolling snowball. A simple random sample is a subset of individuals chosen from a larger set . Each individual is chosen randomly and entirely by chance, such that each individual has the same probability of being chosen at any stage during the sampling process, and each subset of k individuals has the same probability of being chosen for the sample as any other subset of k individuals .

ANALYSIS OF STUDY

Friedman Test

Ranks

	Mean Rank
professional management	5.76
low cost	5.12
high returns	5.56
transparency	5.20
well regulated	5.83
flexibility	5.33
safety	4.74
convenient	5.96
tax exemption	4.85
repurchase facility	6.64

Test Statistics^a

N	100
Chi-Square	32.204
df	9
Asymp. Sig.	.000

a. Friedman Test

The following ranks were given to the reasons for choosing mutual funds as an investment option.

CONCLUSION:

- The mutual funds have emerged as one of the important class of financial intermediaries which cater to the needs of the retail investors
- The major factors influencing the investment decision of retail investors are tax benefits, high return, price and capital appreciation
- Equity based schemes are the most preferred
- Bitter past experience is the major preventing factor while considering investment decisions.

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