



## **A STUDY OF INVESTORS PREFERENCE TOWARDS MUTUAL FUNDS IN SALEM, TAMILNADU**

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### **Abstract**

*A Mutual fund pools the savings of a large number of investors who share a common financial goal. The money collected and invested by the fund manager in different types of securities depending upon the objective of the scheme. A Mutual Fund is an investment vehicle that pools funds from various investors and invests the funds in stocks, bonds, short-term money-market instruments, other securities or assets or some combination of these investments. The primary goal behind investment in mutual fund is to earn goods return with comparatively low risk. The main objective of this research is to identify investors' preference towards mutual fund in Salem District. By using in interview schedule, Description statistical tools like chi-square test have been used for analyzing the data. The findings from this research are that the most of the investors are doubtful to invest the new age investment like mutual funds.*

**Keywords:- Asset Management Company, Investment Option, Mutual Fund.**

### **Introduction**

Investment is the sacrifice of certain present value for the uncertain future reward. Investment is generally done by people who have savings. Savings channelized into investment. By allocating the saved money in to different investment avenues directly it helps the growth of our country also. Indian financial service sector provides multiple avenues to the investors. The main objective of every investor is to minimize the risk and maximize the return. Mutual funds are one of the most appropriate investment opportunities for common investors. As financial markets mechanism become more sophisticated and complex, investors need a financial intermediary who provides the necessary knowledge and professional expertise on effective investing. A Mutual Fund is an investment vehicle that pools funds from various investors and invests the funds in stocks, bonds, short-term money-market instruments, other securities or assets or some combination of these investments. Investment decisions are carefully taken by the fund managers after sound research and the decisions will be in the significance of the unit holders.

Rajasekar (2013) carried out to know about the investor's perception with regard to their profile, income, savings pattern, investment patterns and their personality traits. In order to understand the level of investor's preference, a survey was conducted taking into consideration various parameters involved in investors decision making. A interview schedule survey method was selected as the investor population is vast a sample size of 150 was taken for the project. The data was analyzed using the statistical tools like percentage analysis, chi square, weighted average. From the findings, it was inferred overall that the investor is highly concerned about safety and growth and liquidity of investments. Most of the respondents are highly satisfied with the benefits and the service rendered by the reliance mutual funds.

Rathnamani (2013) explained that many investors are preferred to invest in mutual fund in order to have high return at low level of risk, safety liquidity. The world of investment has been changing



day to day, so investor's preferences toward investment pattern also changed. In the demographic profile, most of the investors are willing to invest only 10 percent in their annual personal income; around 39 percent of investors belong to age range of 31 to 40 years. In this study investors are willing to take moderate and low level risk; most of the investors belong to moderate investment style.

Mane (2016) examined the customer perception with regard to mutual funds that are the schemes they prefer, the plans they are opting, the reasons behind such selections and also this research dealt with different investment options, which people prefer along with and a part from mutual funds like postal saving schemes, recurring deposits, bonds and shares. The findings from this project are that of the people are hesitant in going for new age investments like mutual funds and prefer to avert risks by investing in less risky investment options like recurring deposits.

Most of the studies show the scenario of Indian investors towards mutual fund. But no study is found to investigate the investment preference of Salem investors towards mutual fund in Tamilnadu.

### **Research Objective**

The main objective of this report is to identify investment preference towards mutual fund in Salem District.

### **Research Methodology**

#### **a. Source of Data**

The present study is based on primary data which was collected using *interview schedule*.

#### **b. Sample Size**

In this study 200 investors had been considered from Salem District of Tamilnadu. However, only 192 respondents have selected due to not sufficiency of data in few interview schedules for data analysis.

#### **c. Data Collection**

The data were collected using interview schedule from investors like those who are interested in mutual funds scheme and other investment option.

#### **d. Sample Unit**

The research was conducted in Salem District of Tamilnadu.

#### **e. Statistical Tools**

In this study, the hypotheses are prepared and then analyzed with the help of statistical techniques of Chi-Square test for relationship using IBM SPSS software version 20. Both hypotheses were tested with 95 percent confidence level i.e. at 5 percent significant level.

### **Hypothesis**

H1: There is no significant difference in preferences for investment given by investors.

H1: There is no significant difference in Asset Management Company preference given by investor.



**Data Analysis and Interpretation**

**Table 1: Frequency Distribution of Respondents on the basis of Gender**

	Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	134	69.79	69.79	69.79
	Female	58	30.21	30.21	100
	Total	192	100.0	100.0	

Table 1 reveals that 69.79 percent of respondents are Male and rest 30.21 percent respondents are Female.

**Table 2: Frequency Distribution of Respondents on the basis of Age**

	Age	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 30 years	26	13.54	13.54	13.54
	30 to 45 years	126	65.63	65.63	79.17
	45 to 60 years	34	17.70	17.70	96.87
	Above 60 years	6	3.13	3.13	100
	Total	192	100.00	100.00	

Table 2 reveals that out of total respondents majority (65.63%) are from the age group of 30 to 45 years followed by 17.70percent respondents are from 45 to 60 years. Only 3.13 percent are above 60 years of age.

**Table 3: Frequency Distribution of Respondents on the basis of Occupation**

	Occupation	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Business	54	28.13	28.13	28.13
	Government Service	62	32.29	32.29	60.42
	Private service	72	37.50	37.50	97.92
	Others	4	2.08	2.08	100.00
	Total	192	100.00	100.00	

Table 3 reveals that Majority of the respondents which account for more that 37.50 percent are Private Service and rest 32.29 percent are Government Service followed by 28.13 percent who are doing business.

**Table 4: Frequency Distribution of Respondents on the basis of Academic Qualification**

	Education Qualification	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Up to SSLC	15	7.81	7.81	7.81
	Up to HSC	46	23.96	23.96	31.77
	UG Degree	66	34.38	34.38	66.15
	PG Degree	65	33.85	33.85	100.00
	Total	192	100.00	100.00	

Table 4 reveals that 34.38% respondents are having qualification of UG Degree level and 33.85% are the PG Degree level.



**Table 5: Frequency Distribution of Respondents on the basis of Annual income**

	Annual income	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Rs.3,00,000	97	50.52	50.52	50.52
	Rs 300,001 to Rs. 500,000	68	35.42	35.42	85.94
	Rs 500,001 to Rs. 800,000	27	14.06	14.06	100.00
	Total	192	100.00		

Table 5 reveals that, out of total 35.42% of the respondents are having annual income between Rs 300,001 to Rs 500,000, rest 50.52 percent of the respondents fall under the category of less than 300,000. Only 14.06% respondents are having annual income Rs 500,001 to Rs 800,000.

**Table 6: Frequency Distribution of Respondents on the basis of Annual savings**

	Annual Savings	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 20%	37	19.27	19.27	19.27
	20% to 30%	119	61.97	61.97	81.24
	30% to 50%	28	14.58	14.58	95.82
	More than 50%	8	4.18	4.18	100
	Total	192	100.0	100.0	

Table 6 reveals that Majority of the respondents (61.97%) are able to save between 20% to 30% of their total earning followed by 19.27respondent who is able to save less than 20%.

**Table 7: Frequency Distribution of Respondents on the basis of Marital Status**

	Marital Status	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	155	80.72	80.72	80.72
	Unmarried	37	19.28	19.28	100.0
	Total	192	100.0	100.0	

Table 7 reveals that 80.72% respondents are married and rest 19.28% are unmarried.

**Table 8: Investment Option Selected by Number of Investors**

Investment Options	No. Of Investor (%)
Bank Deposits	40.10
Bonds and Debenture	5.31
Equity Shares	21.74
Mutual Funds	17.87
Insurance Policies	14.98
<b>Total</b>	<b>100.00</b>

As per investors' opinion, everyone wants their money should be safely invested by Asset Management company because of the saving which they have deposited are in different investment option.



Table 8 shows the safest investment option to keep the savings is Bank deposit because no terror of losing fund at any point in time unless bank gets default as chances of it are very remote.

Bank deposit is absolutely safety investment option for 40.10 percentage and equity shares are second investment option for 21.74 percent by investors' opinion as shown Figure 1.

### **Recommendations and Conclusion**

Mutual Funds have emerged in terms of flexibility, variety, diversification, liquidity and benefits of tax. Investment opportunity can be gain access by Mutual funds Investors that would be limit knowledge and resources that would otherwise be engaged to them due to inadequate resources and knowledge. Mutual funds have the opportunities to make available to solve to investors' requires, however, the way is to do the proper selection and have a process for monitoring and controlling. The mutual fund industry is at a growing stage and it is incorporating a higher figure of latest funds every year.

From the analysis, Research has found that the investors are not feeling sure in investing in mutual fund as they think that the mutual fund is unsafe than the other asset opportunity. The most preference of the investors is the bank deposit because they believe it is the secure and return are fixed. Mutual fund is link with share market and investors are not taking advice to invest in mutual fund from expecting advisor so it creates the difficulty to select the fund beneficial for them. There are a variety of problems facing in selecting mutual fund by investors as an investment option as the share market uncertainties and risk associated with it so investors avoid the investing in mutual fund.

The study shows as to how attractive the mutual funds is to an investor and the reason behind investing in mutual funds is the basis of the personal observation of the researcher, the following recommendations have made to change in the mindsets of the people with regard to mutual funds as an investment avenue.

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