Project Dissertation Report on

CHANGING PREFERENCES OF INVESTORS FROM FIXED DEPOSITS TO MUTUAL FUNDS

Submitted By:

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2K17/MBA/022

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CERTIFICATE FROM THE INSTITUTE

This is to certify that the project titled "**CHANGING PREFERENCES OF CONSUMERS FROM FIXED DEPOSITS TO MUTUAL FUNDS**"is a bona fide work carried out by **Mr Bodhanki Rama Krishna Naidu of MBA 2017-19** and submitted to **Delhi School of Management, DTU, Bawana Road, Delhi-110042**, in partial fulfillment of the requirement for the award of the degree of Master of Business Administration.

Signature of Guide
(Dr Archana Singh)

Signature of Head (DSM)
(Prof. Rajan Yadav)

Seal of Head (DSM)

DECLARATION

I hereby declare that the major project entitled "**CHANGING PREFERENCES OF CONSUMERS FROM FIXED DEPOSITS TO MUTUAL FUNDS**" submitted to Delhi School of Management, Delhi Technological University, is a report of original and authentic work and analysis performed by me under the guidance of my Professor, Dr Archana Singh, Assistant Professor, Delhi School of Management, Delhi Technological University. This report is submitted in the completion of requirements for the Major Research Project MGT 44. The results furnished in this report were not submitted to any other University or academic authority.

Bodhanki Rama Krishna Naidu
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ACKNOWLEDGEMENT

I am using this opportunity to thank everyone who supported and mentored me throughout this research project. I am grateful for the guidance, constructive criticism and support of my guide, professors, respondents and interviewees during the research.

I express my gratitude to the University and the college who provided me with the facilities and environment for my project.

I wish to thank my project guide Dr Archana Singh for their support and guidanceand sharing their advice on different aspects of the study throughout this project.

Thank you,

Bodhanki Rama Krishna Naidu

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Summary

The Indian Mutual Fund Industry is more than five-decade-old and is a fast growing industry in the banking sector. Mutual Fund schemes have become the most preferred investment area in the recent years. Considering the good returns, safety, liquidity, comparative low risk and professional management, investors prefer the MF route for their investment plans. Mutual fund industry has experienced a high growth in last two decades. Rise in the number of schemes with increased mobilization of funds in past years note the importance of Indian mutual funds industry. To meet the expectations of large number of retail investors, the mutual funds need to function as successful institutional investors. Right assessment of various fund performance and comparison with other funds helps retail investors for making investment decisions properly.

It provides different options to the Investor to meet to their needs and risk return profile of various categories of investors. The Investors get updates regularly through timely reports and statutory disclosures regarding the health of their schemes. SEBI has made it mandatory to give periodic reports and certain statutory disclosures by the different Mutual Funds.

The main aim of this research is to study the changing preferences of investors from fixed deposit to mutual funds with evaluation of the performance of mutual fund and comparison of these returns with fixed deposit rates and returns. Considering the interest of retail investors simple statistical techniques like means, return on investments and interest rates are used.

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CONTENTS

CHAPTER-1

INTRODUCTION

Organization Profile

A growing India offers opportunity across the different investments, a considerable part of money wealth. So investment plays a vital role in growth of those economies. Conjointly there's rise in financial gain of peoples in India as a result of some factors owing to this investment is augmented day by day in varied investment choices. As financial gains very quickly increasing there is a need to increase awareness among the individuals connected with varied investment opportunities and completely different schemes.

The project is an attempt to study the awareness among the individuals connected with some investment options and conjointly the preference of individuals whereas implementing the same. It provides thorough information of various aspects connected with the behavior of individuals for mutual funds as compared to bank fixed deposit. The report is split in four elements. The first part is addressing information related with advantage and disadvantage of Bank fixed deposit. Second is conception of advantage and disadvantage mutual funds. Third is concept of research methodology. Fourth deals with interpretation of data collected.

Most of metro cities individuals prefer to invest the money in market related schemes rather than merchandising it within the bank lockers, thus it's quite obvious that they want to invest their funds in profitable venture. However still individuals opting traditional schemes furthermore for safety and security purpose.

Nowadays people have become more sensible while selecting any type of investment. it's more necessary to possess sensible information and understanding related with such schemes which can facilitate to decide on better and safe investment tools.

BANK FIXED DEPOSIT:

A fixed deposit is a financial instrument provided by banks that provides investors with the high rate of interest relative to a usual saving account, till the date of maturity. It may or may not need to open a separate account.

It is also termed as TERM OR TIME DEPOSIT. They're considered to be very safe investment because it denotes a higher category of investments with varied levels of liquidity. Here, rate of interest varies between from 4 to 11 percent. The tenure of FIXED Deposit varies from 7, 15, or 45 days to 1.5 years and may be as high as 10 years.

TYPES OF FIXED DEPOSITS:

BASICALLY THERE ARE TWO TYPES OF DEPOSIT:

DEMAND DEPOSIT:- The money we tend to keep in our saving accounts is sort of a medium of exchange and this is often referred to as deposit. There's no fixed term to maturity for demand deposits.

TIME DEPOSIT:- If we tend to deposit our money in a FD within the bank it becomes a Time Deposit on that No cheque is drawn. They're paid on maturity at a particular time.
a. FIXED DEPOSIT:-A fixed rate of interest is paid at a fixed and regular intervals.

b. RECURRING DEPOSIT:-Fixed amount is deposited at regular intervals for fixed term and therefore the reimbursement of principal and accumulated interest is made at the end of the term.

ADVANTAGES OF BANK FIXED DEPOSIT:

A. SAFETY :-The fixed deposits of renowned banks and financial organization regulated by RBI the banking regulator in India are very secure and thought of collectively of the safest investment strategies.

B. REGULAR INCOME:-Fixed deposit earns a fixed interest rates for his or her entire tenure, that is typically compounded quarterly. So, people who wish to have financial gain on a daily basis will invest into fixed deposit and use the rate of interest as their financial gain. This makes a fixed deposit very popular approach of investing money for retirees.

C. LIQUIDITY:-Bank deposits have a high liquidity. They can be closed and therefore the principal withdrawn at an intervals in a number of hours in some banks to some of days in others.

The other option is to sanction a loan on the fixed deposit. Banks lend up to 90% of the principal of the deposit. Interest charged for this is often solely 1 to 2 per cent associated just for the amount that we've used the money (This feature works like an over-draft against the fixed deposit).

DISADVANTAGES OF BANK FIXED DEPOSIT:

A.CAPITAL APPRECIATION:- Capital appreciation doesn't applies to bank fixed deposits. Solely the principal invested with is given back at the time of maturity.

B.TAX TREATMENT:-Bank fixed deposits don't seem to be tax efficient.
The interest earned is taxed. Also there's no benefit from making the investment. There are the 5-year bank deposits (tax saving) that offer profit underneath section 80C of the tax Act. However the advantages like partial withdrawal or closure, and loan facility don't seem to be offered. The deposit rates are lower compared to the conventional fixed deposits. This effectively negates the tax saved.

C. RISK:-Perhaps the main reason for investment in bank deposits is safety of the principal. The capital (only up to Rs1,00,000 though) has the highest safety compared to the other investment because it is secured by the Deposit Insurance & Credit Guarantee scheme of India. All banks in operation in India are covered under this scheme.

IN SHORT

The risk faced while investing in bank deposits is that the rate of interest risk. This is often related to the lost opportunity to invest in an instrument that contains a higher profit return. Midterm closing of a fixed deposit can be expensive (up to 1 per cent of the principal), after we exit untimely/before maturity. So we may have to forgo potential earnings once the rate of interest has risen by concerning 1 per cent.

The highest risk faced with fixed deposits is that the result of inflation. The net real return after adjusting for inflation is very less or sometimes negative for fixed deposits of banks. This is often a giant burden, notably for retired individuals, WHO have invested with their retirement money to get regular financial gain. Their income may be regular and steady however the money's value keeps going down throughout the tenure of the fixed deposit.

The bank deposit primarily serves us to preserve savings. Banks now-a-days have supplementary benefits to the traditionally benign service. Retired individuals could make the appropriate use of this avenue for securing a fixed and steady financial gain.

The caution isn't to use the fixed deposit as a long term investment avenue. The rationale is that the real return is incredibly less once adjusted for inflation. The tax treatment of the interest conjointly eats into the returns.

MUTUAL FUND

The first introduction of mutual funds in India occurred in 1961, when the Government of India launched Unit Trust of India (UTI). Until 1987, UTI enjoyed a monopoly within the Indian mutual funds market. Then a number of different government-controlled financial institutes and corporation came up with their own funds. These included State Bank of India, Canara Bank, and Punjab National Bank however this market was made open to private players in 1993.

As a results of the historic constitutional amendments brought forward by the then Congress-led government underneath the prevailing regime of Liberalization, Privatization and Globalization (LPG). The first private sector fund to come in existence in India was Kothari Pioneer, that later incorporated with Franklin Templeton.

An investment vehicle that's created from a pool of funds collected from several investors for the aim of investing in securities like stocks, bonds, market instruments and similar assets. Mutual funds are operated by finance managers, who invest the fund's capital and commit to produce capital gains and financial gain for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives.

One of the main advantages of mutual funds is that they offer low/small investors to get access to professionally managed, diversified portfolios of equities, bonds and different securities, which might be quite tough (if not impossible) to make with a little quantity of capital. Every stockholder participates proportionately within the gain or loss of the fund. Mutual funds units, or shares, are issued and may generally be purchased or redeemed as needed at the fund's current net asset value (NAV) per share, that is typically expressed as NAVPS.

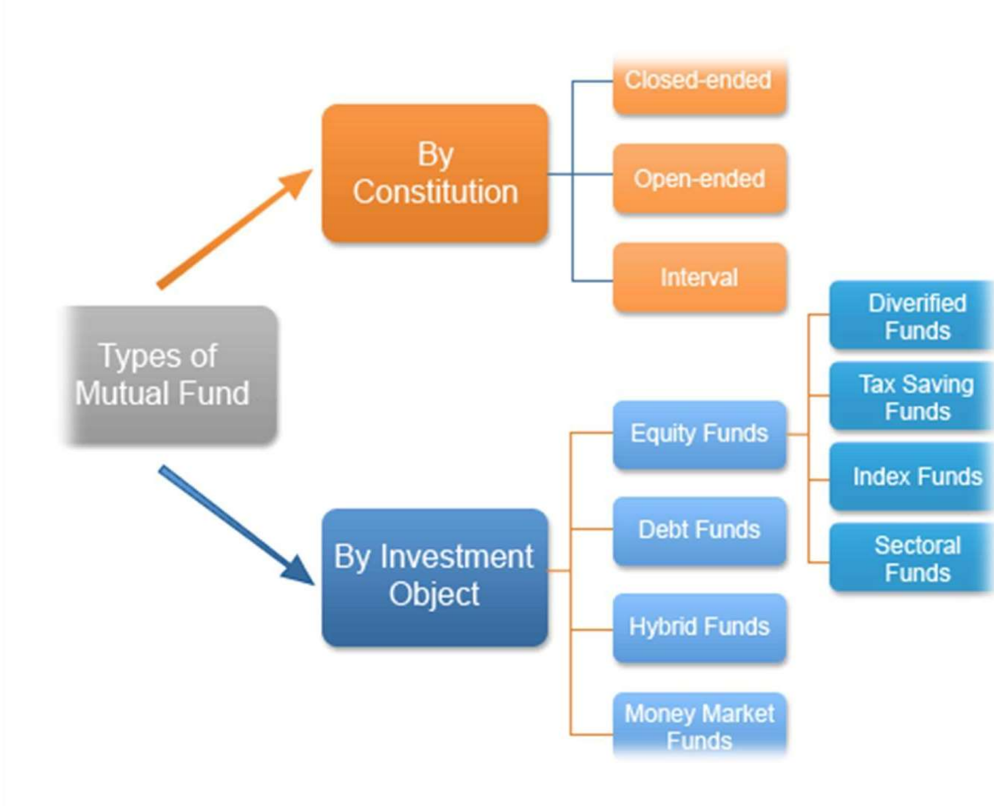
NET ASSET VALUE – NAV

A mutual fund's value per units, the per- units Indian Rupee(INR) sum of the fund is calculated by dividing the whole price of all the securities in its portfolio, less any liabilities, by the quantity of fund units outstanding.

In the context of mutual funds, NAV per units is computed once on a daily basis supported the closing market prices of the securities within the fund's portfolio. All mutual funds buy and sell orders are processed at the NAV of the trade date.

TYPES AND FORMS OF MUTUAL FUNDS

FIG 1.1 TYPES OF MUTUAL FUNDS



OPEN-ENDED:-This scheme permits investors to buy or sell units at any point in term. This doesn't have a fixed maturity date.

DEBT/ INCOME:- A significant part of the investable fund is channelized towards debentures, government securities, and different debt instruments. Though capital appreciation is low (when compared to the equity mutual funds), this is often a comparatively low risk-low income investment avenue that is right for investors seeing a gradual and regular financial gain.

MONEY MARKET/ LIQUID:-This is an appropriate scheme for investors trying to utilize their surplus funds in brief term instruments whereas awaiting better options. These schemes invest in short-term debt instruments and ask to provide reasonable returns for the investors.

EQUITY/ GROWTH:-Equities are a preferred mutual funds class amongst retail investors. Though it might be a high-risk investment within the short term, investors will expect capital appreciation within the long haul.

a. Index Scheme:-Index schemes are a widely popular conception in the west. These follow a passive investment strategy i.e at any point of time our investments composition replicate the movements of benchmark indices like Nifty, Sensex, etc.

b. Sectoral Scheme:-Sectoral funds are invested within a very specific sector like infrastructure, IT, pharmaceuticals, etc. or segments of the capital market like large caps, mid-caps, etc. This scheme provides a comparatively high risk-high return chance in the equity space.

c. Tax Saving:-As the name suggests, this scheme offers tax benefits to its investors. The funds are invested within the equities thereby providing long-run growth opportunities. Tax saving mutual funds (called Equity Linked Savings Schemes) contains a 3-year lock-in period.

BALANCED:- This scheme permits investors to get benefit of growth and financial gain at regular intervals. Funds are invested within each equities and fixed income securities; the proportion is pre-determined and disclosed within the scheme related offer document. These are ideal for the cautiously aggressive investors.

CLOSED-ENDED:-In India, this kind of scheme contains a stipulated maturity period and investors will invest solely throughout the initial launch amount called the NFO (New Fund Offer) period.

A. CAPITAL PROTECTION:-The primary objective of this scheme is to safeguard the principal sum with attempting to deliver a reasonable returns. These are investments in high-quality fixed income securities with marginal exposure to equities and mature alongside the maturity period of the scheme.

B. FIXED MATURITY PLANS (FMPS):- Mutual funds schemes with an outlined maturity period. These schemes usually comprise of debt instruments that mature in line with the maturity of the scheme, thereby earning through the interest element (also referred to as coupons) of the securities within the portfolio. FMPs are usually passively managed, i.e. there's no active trading of debt instruments within the portfolio.

INTERVAL:-Operating as a mix of open and closed ended schemes, it permits investors to trade units at pre-defined intervals.

CONCEPTUAL FRAMEWORK

A mutual fund is a trust that pools the savings of variety of investors who shares a typical/similar money goal. The money therefore collected is invested by the fund manager in several kinds of securities relying upon the objectives of the scheme. These might vary from shares to debentures to money market instruments. The financial gain attained through these investments and therefore the capital appreciations completed by the scheme are shared by its unit holders in proportion to the quantity of units owned by the (pro rata). Therefore a mutual fund is that the most suitable investment for the people because it offers a chance to invest in a very diversified, professionally managed portfolio at a comparatively low value. Anybody with an inventible surplus of as a few thousand rupees can invest in Mutual Funds. Every mutual fund scheme contains a defined investment objective and strategy.

A mutual fund is the ideal investment vehicle for today's advanced and fashionable money situation. Markets for equity shares, bonds and different fixed gain instruments, property, derivatives and different assets became mature and knowledge driven. Value changes in these assets are driven by international events occurring in faraway places. A typical individual is unlikely to possess the information, skills, inclination and time to stay track of events, perceive their implications and act apace. a private conjointly finds it tough to stay track of possession of his assets, investments, brokerage dues and bank transactions etc.

A mutual fund is answer to all or any these things. It appoints professionally qualified and full-fledged workers that manages every of those functions on a full time basis. The big pool of cash collected within the fund permits it to rent such workers at a awfully low value to every capitalist. In effect, the mutual fund vehicle exploits economies of scale altogether 3 areas - analysis, investments and dealings process. Whereas the conception of people coming back along to invest money put together isn't new, the mutual fund in its present form may be a twentieth century development. In fact, mutual fund gained quality solely after the World War II. Globally, there are thousands of corporations providing tens of thousands of mutual funds with completely different investment objectives. Today, mutual funds put together manage nearly the maximum amount as much as more money as compared to banks.

A draft offer document is to be prepared at the time of launching the fund. Typically, it pre specifies the investment objectives of the fund, the risk associated, the cost utilized within the method and therefore the broad rules for entry into and exit from the fund and different areas of operation. In India, as in most countries, these sponsors want approval from a regulator, SEBI (Securities exchange Board of India) in our case. SEBI looks at track records of the sponsor and its financial strength in granting approval to the fund for commencing operations.

A sponsor then hires an asset management company to invest the funds as per the investment objective. It also hires another entity to be the guardian of the assets of the fund and maybe a 3rd one to handle registry work for the unit holders (subscribers) of the fund.

In the Indian context, the sponsors promote the Asset Management Company conjointly, during which it holds a majority stake. In several cases a sponsor will hold a 100 percent stake within the Asset Management Company (AMC). E.g. ICICI is that the sponsor of the ICICI PRUDENTIAL AMC Ltd., that has floated completely different mutual funds schemes and also acts as an asset manager for the funds collected underneath the schemes.

A mutual fund may be a collective investment fund shaped with the target of raising money from a large variety of investors and investing it in accordance with a such objective to produce returns that accrue proportionately to all or any consumer in proportion to their investment. The units command by associate capitalist represent the stake of the investors within the fund. A professionally qualified and full-fledged team manages the investments and different functions. With the big pool of money, a mutual fund is in a position to use economies of scale within the areas of analysis, investing, shuffling the investments and dealings process - it's able to rent professionals in these functions at a awfully low value per capitalist.

As per SEBI laws, mutual funds can give secured returns for a maximum period of 1 year. Just in case returns are guaranteed, the name of the sponsor and the way the guarantee would be honored is needed to be disclosed within the provided document.

Following is a glossary of some risks to contemplate once investment in Mutual Funds:

1. Call Risk: The chance that falling interest rates can cause a bond institution to redeem-or call- its high-yielding bond before the bond's due date.
2. Country Risk: The chance that political events (a war, national elections), financial issues (rising inflation, government default), or natural disasters (an earthquake, a poor harvest) will weaken a country's economy and cause investments in this country to decrease.

3. Credit Risk: The chance that a bond institution can fail to repay interest and principal in a very timely manner. Conjointly referred default risk.
4. Currency Risk: The possibility that returns might be reduced for Americans investment in foreign securities owing to an increase n the price of the U.S. dollar against foreign currencies conjointly referred to as exchange-rate risk.
5. Income Risk: The chance that a fixed fund's dividends can decline as a result of falling overall interest rates.
6. Industry Risk: The possibility that a gaggle of stocks in a very single trade can decline in value as a result of developments in this trade.
7. Inflation Risk: The chance that increases in the value of cost of living scale back or eliminate a fund's real inflation-adjusted returns.
8. Interest Rate Risk: The chance that a bond fund can decline in price owing to a rise in interest rates.
9. Manager Risk: The chance that an actively managed Mutual Fund's consultant can fail to execute the fund's investment strategy effectively as a result leading to the failure of explicit objectives.
10. Market Risk: The chance that stock fund or bond fund costs can overall decline over short or perhaps extended periods. Stock and bond markets tend to maneuver in cycles, with periods once price rise and different periods once price fall.
11. Principal Risk: The chance that an investment can go down in price, or "lose money", from the initial or invested sum.

OBJECTIVES & SCOPE

1. To find out different options available for investment.

2. To study changes in investment pattern.

3. To find out the causes for changing preferences of consumers from Fixed Deposit to mutual funds.

CHAPTER-2:

LITERATURE REVIEW

LITERATURE REVIEW

Literature on mutual fund performance evaluation is enormous. A few research studies that have influenced the preparation of this paper substantially are discussed in this section.

Sharpe, William F. (2014) suggested a measure for the evaluation of portfolio performance. Drawing on results obtained in the field of portfolio analysis, economist Jack L. Treynor has suggested a new predictor of mutual fund performance, one that differs from virtually all those used previously by incorporating the volatility of a fund's return in a simple yet meaningful manner.

Michael C. Jensen (2015) derived a risk-adjusted measure of portfolio performance (Jensen's alpha) that estimates how much a manager's forecasting ability contributes to fund's returns. As indicated by Statman (2000), the e SDAR of a fund portfolio is the excess return of the portfolio over the return of the benchmark index, where the portfolio is leveraged to have the benchmark index's standard deviation.

S.Narayan Rao , et. al.(2014), evaluated performance of Indian mutual funds in a bear market through relative performance index, risk-return analysis, Treynor's ratio, Sharpe's ratio, Sharpe's measure , Jensen's measure, and Fama's measure. The study used 269 open-ended schemes (out of total schemes of 433) for computing relative performance index. Then after excluding funds whose returns are less than risk-free returns, 58 schemes are finally used for further analysis. The results of performance measures suggest that most of mutual fund schemes in the sample of 58 were able to satisfy investor's expectations by giving excess returns over expected returns based on both premium for systematic risk and total risk. Bijan Roy, et. al., conducted an empirical study on conditional performance of Indian mutual funds. This paper uses a technique called conditional performance evaluation on a sample of eighty-nine Indian mutual fund schemes .This paper measures the performance of various mutual funds with both unconditional and conditional form of CAPM, Treynor- Mazuy model and Henriksson-Merton model. The effect of incorporating lagged information variables into the evaluation of mutual fund managers' performance is examined in the Indian context. The results suggest that the use of conditioning lagged information variables improves the performance of mutual fund schemes, causing alphas to shift towards right and reducing the number of negative timing coefficients.

Mishra, et al., (2012) measured mutual fund performance using lower partial moment. In this paper, measures of evaluating portfolio performance based on lower partial moment are developed. Risk from the lower partial moment is measured by taking into account only those states in which return is below a pre-specified “target rate” like risk-free rate.

Kshama Fernandes(2013) evaluated index fund implementation in India. In this paper, tracking error of index funds in India is measured .The consistency and level of tracking errors obtained by some well-run index fund suggests that it is possible to attain low levels of tracking error under Indian conditions. At the same time, there do seem to be periods where certain index funds appear to depart from the discipline of indexation. K. Pendaraki et al. studied construction of mutual fund portfolios, developed a multi-criteria methodology and applied it to the Greek market of equity mutual funds. The methodology is based on the combination of discrete and continuous multi-criteria decision aid methods for mutual fund selection and composition. UTADIS multi-criteria decision aid method is employed in order to develop mutual fund’s performance models. Goal programming model is employed to determine proportion of selected mutual funds in the final portfolios.

Zakri Y.Bello (2015) matched a sample of socially responsible stock mutual funds matched to randomly selected conventional funds of similar net assets to investigate differences in characteristics of assets held, degree of portfolio diversification and variable effects of diversification on investment performance. The study found that socially responsible funds do not differ significantly from conventional funds in terms of any of these attributes. Moreover, the effect of diversification on investment performance is not different between the two groups. Both groups underperformed the Domini 400 Social Index and S & P 500 during the study period.

CHAPTER3

RESEARCH METHODOLOGY

RESEARCH METHODOLOGY

Research Design

The research design followed is descriptive study of respondents belonged to National Capital Region Delhi. The questionnaire i.e constructed for the study includes several questions which are continuous and categorical in nature.

Sample Size: 100 respondents

Sample Area : National Capital Region Delhi

Sampling Techniques: Sampling techniques can be broadly classified in to two types:

Probability Sampling

Non Probability Sampling

This study has been done on the non probability samples i.e purposive, quota and judgemental sampling. As in the given project the sample has been specific to predetermine in National Capital Region Delhi.

Judgmental sampling is a non probability sampling method in which samples were taken on judgmental basis. The advantages are that it is very less costly, quicker and analyses will be easier.

METHODOLOGY FOLLOWED FOR DATA COLLECTION

Collection of primary data

Considering the objectives and information required, I have selected following methods as per the response of the respondents

- Schedules
- Interview.

Scheduler Method

Schedules have been floated in for collecting the information from respondents.

Interview Method

Taken personal interview wherever it was required. The strategy was to avoid the biased information and to prevent spill out of the required data from the respondent.

b) Secondary Data

The Secondary data had been gathered from different magazines, books,Journals, Internet,Newspapers etc.

Methodology used for data analysis:

- Bar chart (Bar charts have been used for comparing two or more values that are taken over time or on different conditions, usually from a small data set/sample size)
- Pie-chart (Circular chart divided into sectors, illustrating relative magnitudes or frequencies)

As the data was of different types because comparison will be based on value as well as the relative comparison, hence we need both the tools i.e bar and pie charts are to be used for the proper analysis of the data.

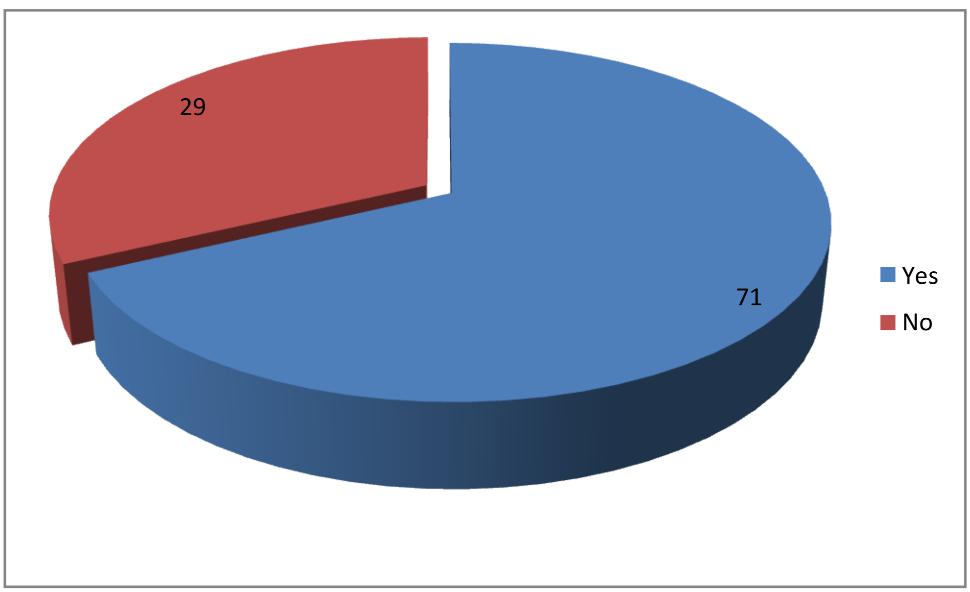
CHAPTER 4:

DATA ANALYSIS & INTERPRETATION

DATA ANALYSIS & INTERPRETATION

1) Are you an investor of your saving in mutual fund?

Investment	**No Of Respondents**
Yes	71
No	29
Total	**100**

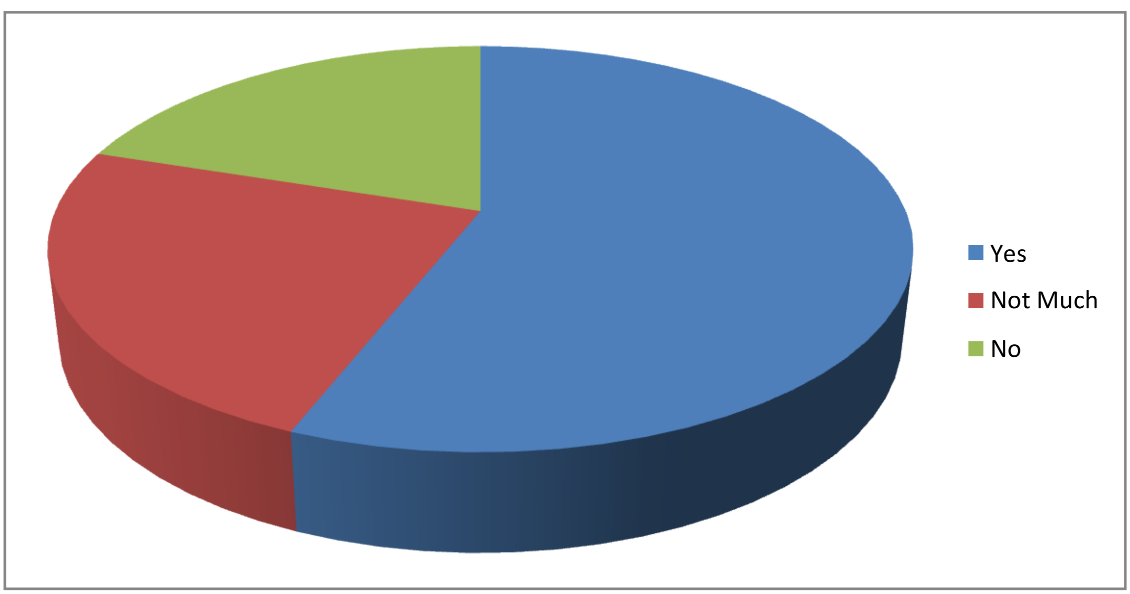


We can notice that 71% of the total no of respondents invests in mutual funds. We have observed that 29% of total no of respondents does not invests in any mutual fund.

2) Do you have complete information about mutual fund?

Level of awareness

Information	**No Of Respondents**
Yes	59
Not much	19
No	22
Total	**100**

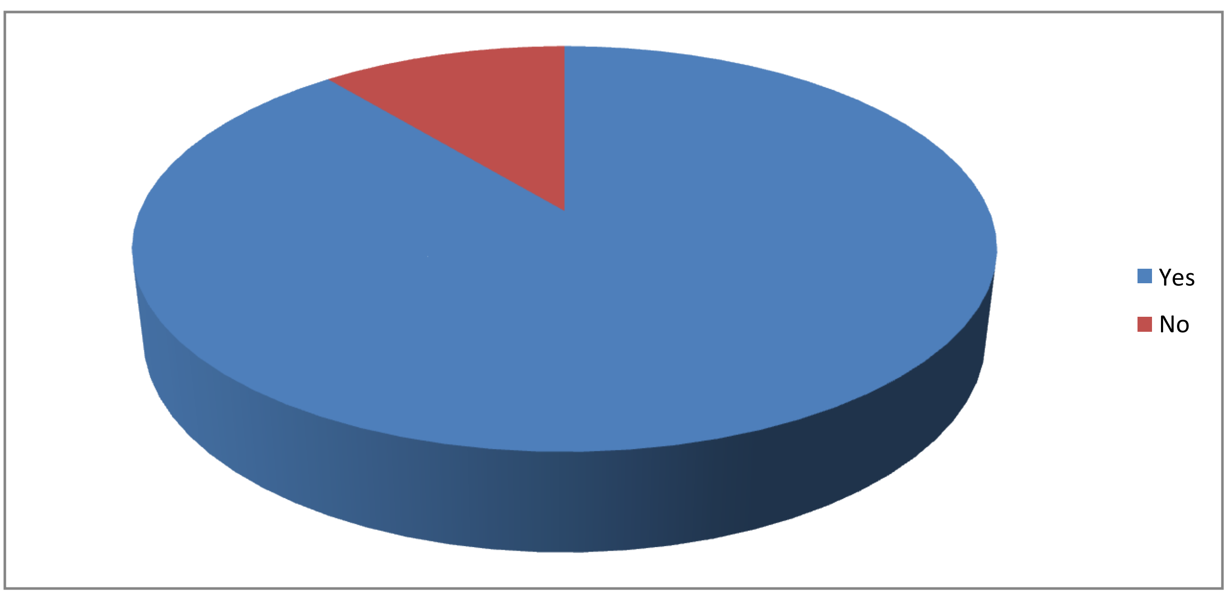


We notice that 59% of the total no of respondents have complete information of mutual funds. We have observed that 22% of total no of respondents doesnt have complete awareness of mutual fund and 19% of total no of respondents has some information about mutual fund.

3) Are you an investor, with intentions of high tax savings?

Interested in saving Taxes.

Information	**No Of Respondents**
Yes	85
No	15
Total	**100**

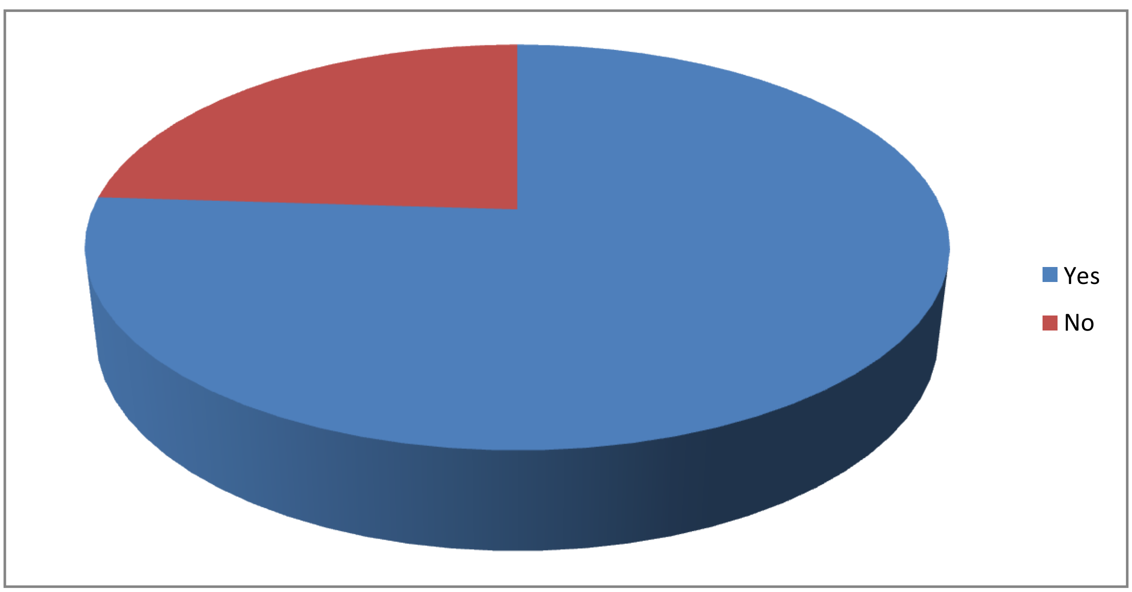


We notices that 85% of the total no of respondents are interested in schemes that benefits tax saving. We have around 15% of total no of respondents who are not concerned about Tax savings

4) Are you aware that mutual fund is a good instrument of tax saving?

Awareness for Tax saving

Investment	**Number Of Respondents**
Yes	73
No	27
Total	**100**

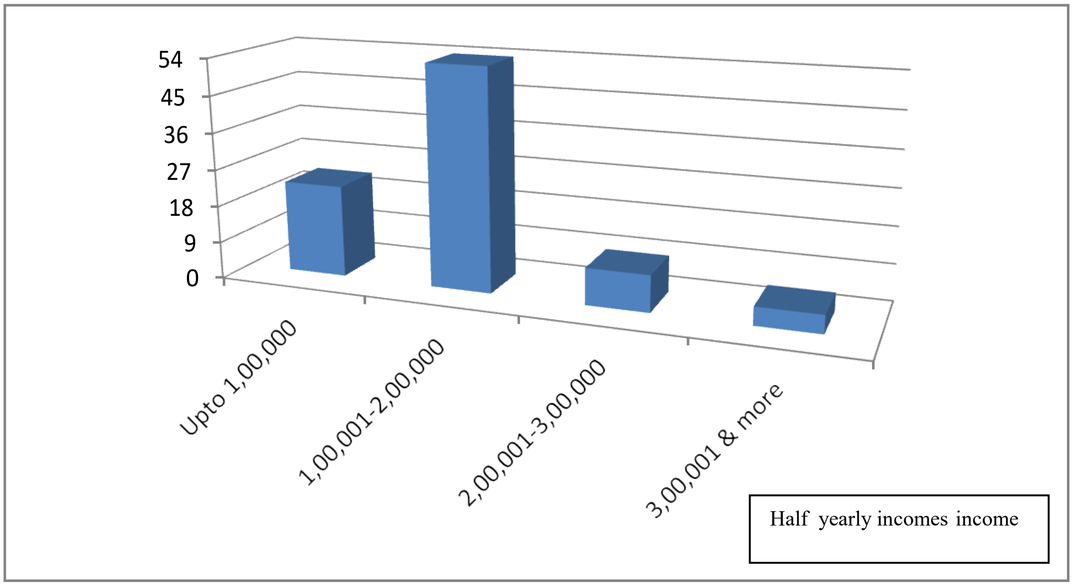


We observe that 76% of all the respondents knows mutual fund is a good instrument of tax saving. We have got 24% of our total respondents who are mutual fund is a good instrument of tax saving.

5) Among which of the following is your annual income (INR) group you fall?

Annual Income

Annual Income (INR)	**No Of Respondents**
Upto 2,00,000	24
2,00,001-4,00,000	59
4,00,001-6,00,000	9
6,00,001 & more	6
TOTAL	100

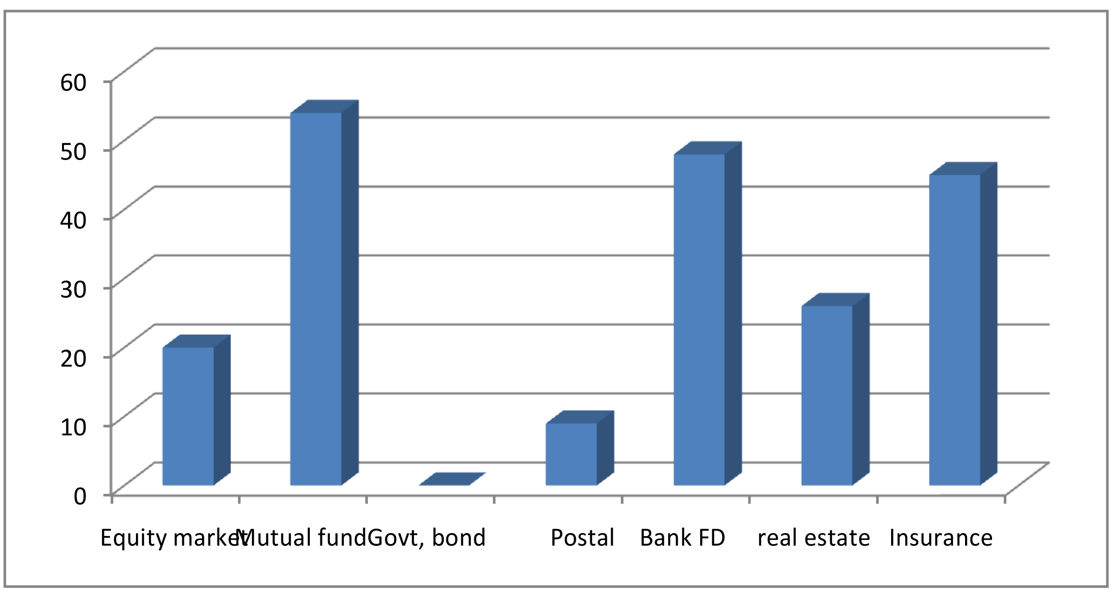


We notices that 24% of the total no of respondents fall with in annual income less than 2,00,000. We have got 59% of total no of respondents fall with in annual income 2,00,001-4,00,000 and 9% of our respondents fall with in the annual income group of 4,00,001-6,00,000 while 6% of our respondents fall in income group of 6,00,000 & more.

6) The investments you invested at present?

Investments

Investment	**No Of Respondents**
Equity market	18
Mutual fund	47
Govt. bond	1
Real estate	25
Bank FD	55
Post office	10
Insurance	46

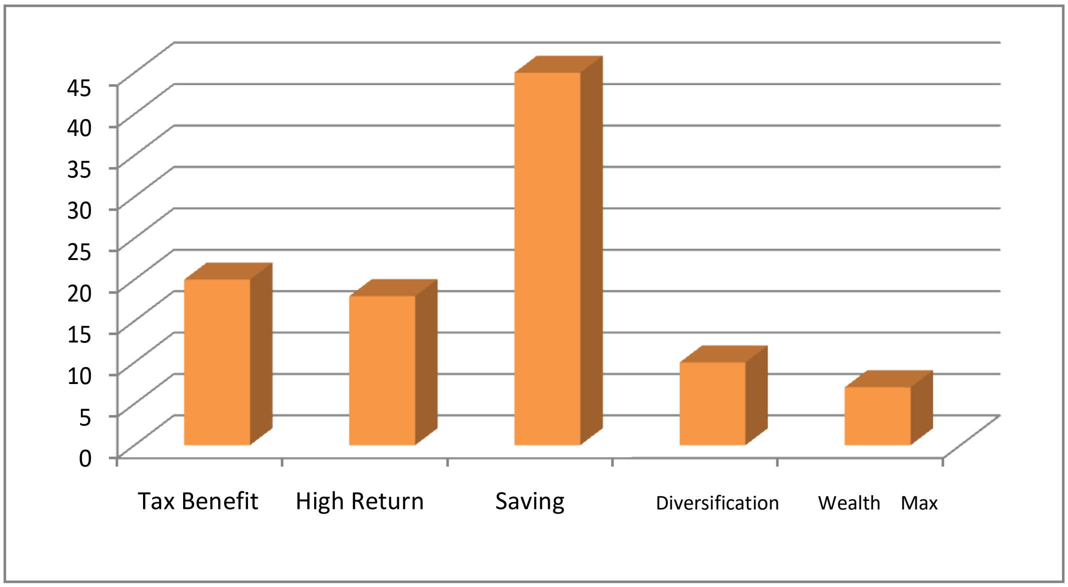


We notices here that most of the respondents invest in multiple instruments at a time. The investors are not focusing all of their investments on just one Instrument.

7) What is the Basic purpose of your investments?

Investment objective

Investment purpose	**Number Of Respondents**
Tax benefits	20
High returns	19
Saving	44
Wealth Max	11
Diversification of Risk	6
Total	100

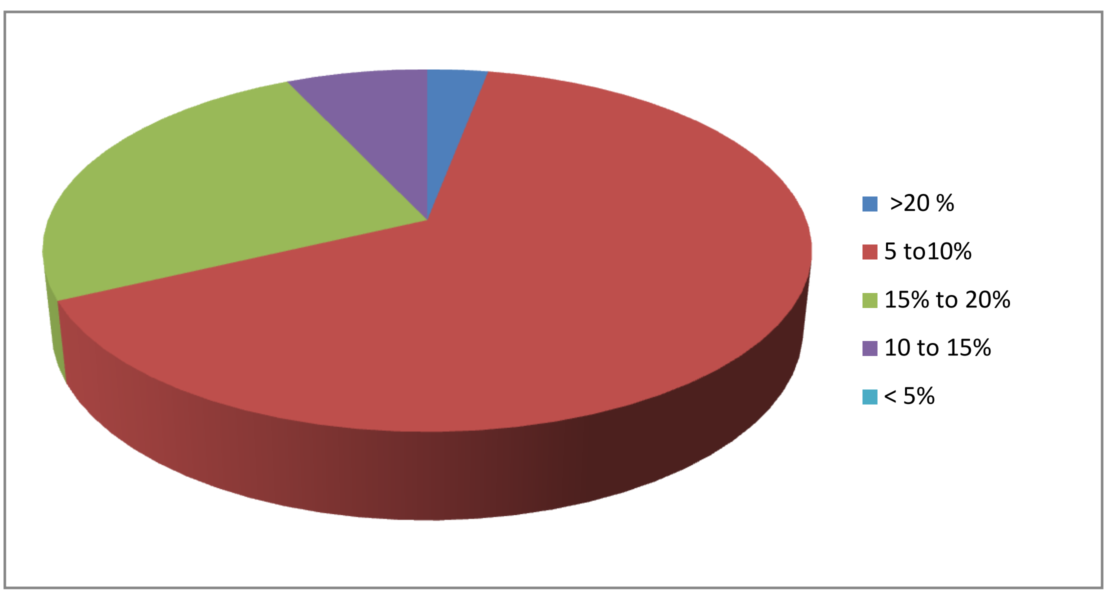


We notices that 20% of the total nu of respondents Invest for tax benefits return, 19% Invest for gaining high returns, 44% Invest with intention of saving, 11% Invest for the purpose of diversification of risk , 6% Invest for the purpose of wealth maximization.

8) Returns that you receives at present from all your investments (RoI)?

Rate of returns receiving for Investment

Rate of Returns on Investments	No Of Respondents
< 5%	5
5%-10%	60
10-15%	17
15%-20%	15
Greater than 20%	3
Total	100

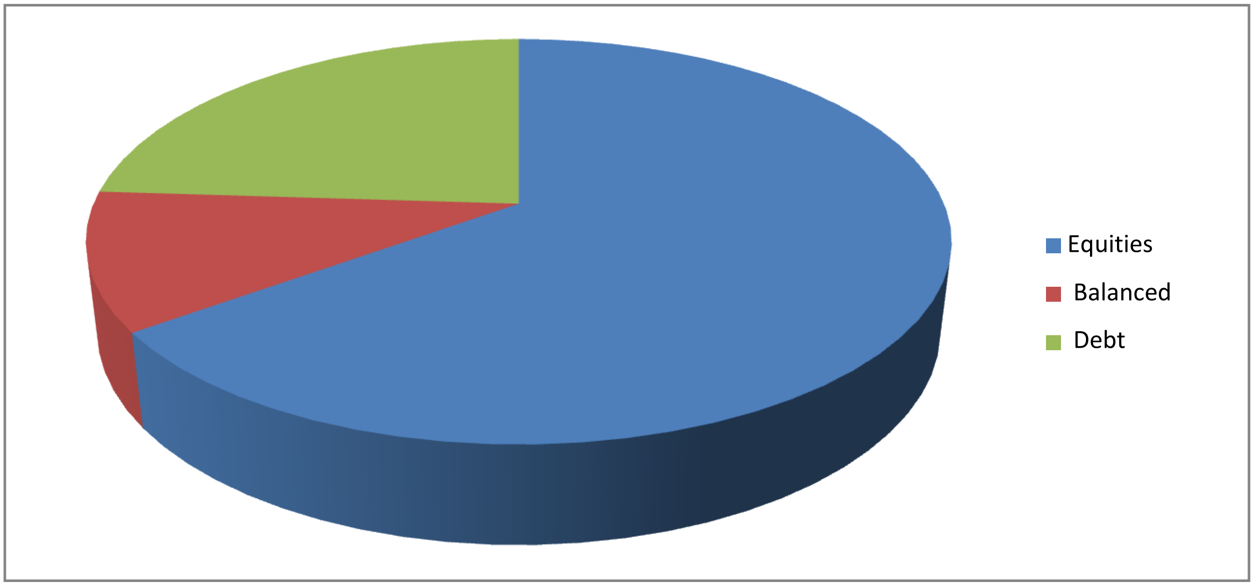


We noticed that 3% of the total respondents recieves ROI more than 20%, 60% of the total respondents gets ROI in the range of 5 to 10%, 15% of the total respondents gets ROI between 10% to 15%, 17% of all the respondents get between 15%-20% and 5% of all the respondents get more than 20%.

9) Which types of mutual funds you would prefer for your investments?

Preference of funds

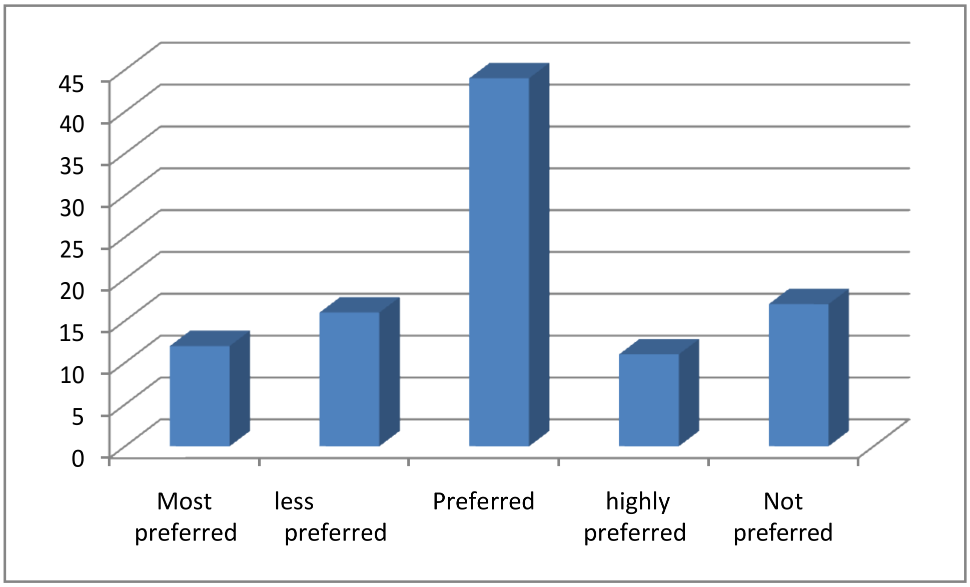
Preference of Investments	**No of Respondents**
Equities	65
Debt	24
Balanced fund	11
Total	100



We noticed that 65% of the total respondents prefers investment in equity fund, 11% of the total respondents prefers investments in balanced funds, and the remaining i.e 24% of all the respondents prefer investments in debt fund.

10) Preference of tax saving plans of Mutual Fund?

Investment Preferences	Total Number Of Respondents
Mostly preferred	14
Highly preferred	11
Preferred	44
Less preferred	14
Not preferred	16
Total	100



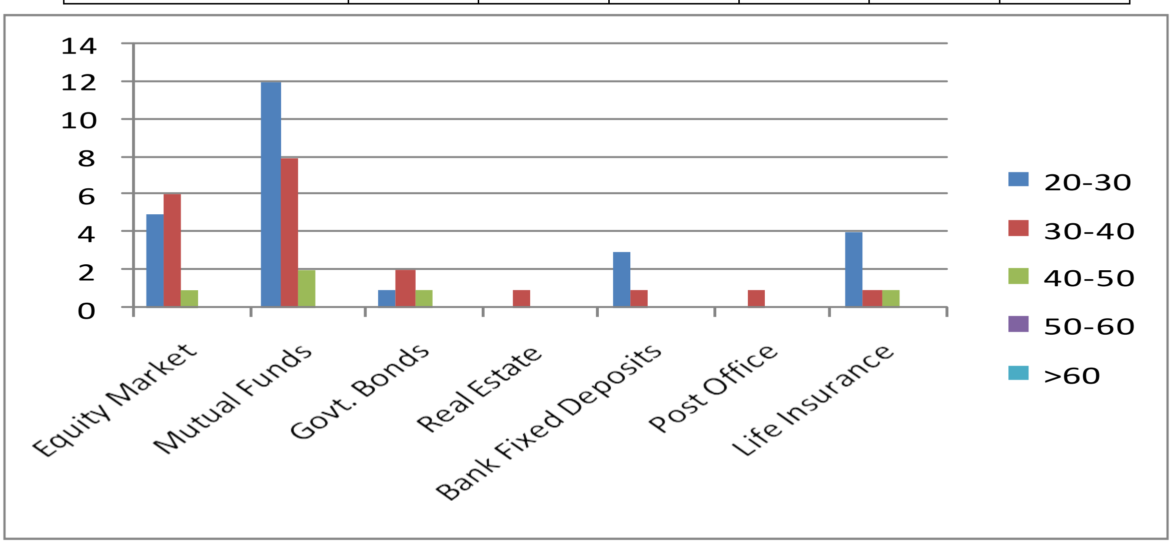
We have observed that a majority that is around four fifth of the total number of investors prefer tax saving investment plans.

CROSS TABULATION

NOTE: - The cross tabulation is done to analyze and understand about the preferences of investors in various age groups and classes prefer Mutual Funds over other kinds of investments.

Age Wise segregation of "Service-Pvt" Respondents class.

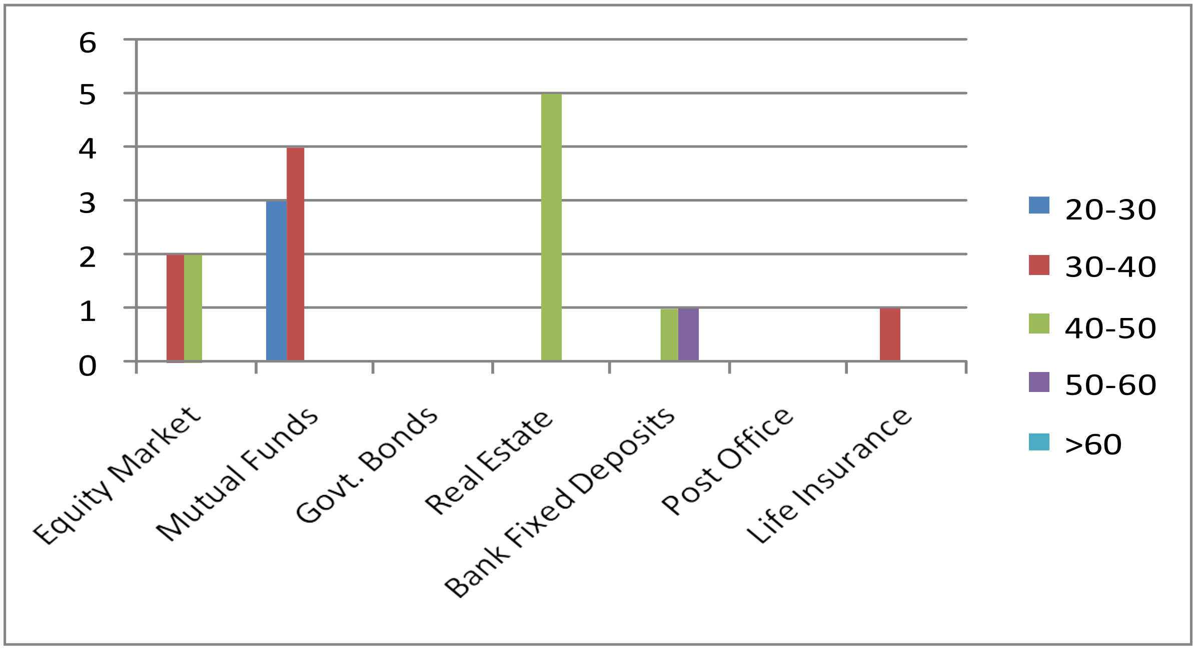
Service Class	**20-30**	**30-40**	**40-50**	**50-60**	**>60**	**Total**
Postal	0	0	0	1	0	1
Mutual Funds	10	10	1	0	0	21
Govt. Bonds	1	1	1	0	0	3
Real Estate	0	3	1	0	0	4
Bank Fixed Deposits	0	0	2	0	1	3
Equity Market	6	4	3	0	0	13
Life Insurance	0	1	0	0	4	5
Total	**21**	**19**	**8**	**1**	**1**	**50**



It was observed that respondents of the age group between 20 to 30 years are highly open to holding mutual funds and equity. There was an interesting observation i.e share of holding mutual fund decreases over the age increases. It is observed that the respondents of the age group of 40 and above prefer government Securities and Life Insurance over Mutual Funds and equities.

Age wise Composition of " Govt-service" respondents

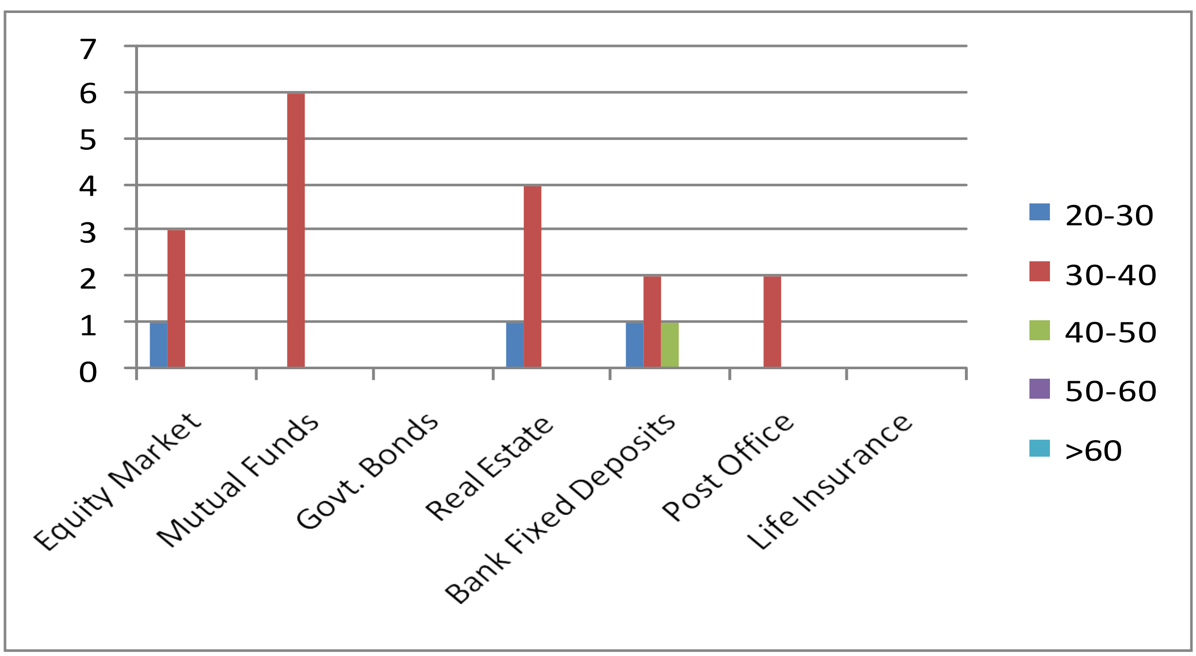
Professional	**20-30**	**30-40**	**40-50**	**50-60**	**>60**	**Total**
Post Office	0	0	0	1	1	**2**
Mutual Funds	3	4	0	0	0	**7**
Govt. Bonds	0	0	0	0	0	**0**
Real Estate	0	2	2	0	0	**4**
Fixed Deposits	0	0	1	0	1	**2**
Equity	1	2	0	1	0	**4**
Life Insurance	0	0	1	0	0	**1**
Total	**4**	**8**	**4**	**2**	**2**	**20**



Among the total respondents we observe that in the category of 30 to 40 & 40 to50 ages posses a certain preference for Equity holdings, Mutual Fund, Real Estate. However these people are very conscious about assured/expected return and security.

Age Wise classification of "Business" Class Respondents

Business Class	20-30	30-40	40-50	50-60	>60	Total
Mutual Funds	0	6	0	0	0	**6**
Equity Funds	1	3	0	0	0	**4**
Fixed Deposits	1	2	1	0	0	**4**
Real Estate	1	4	0	0	0	**5**
Govt Bonds	0	0	1	0	0	**1**
Post Office	0	0	2	0	0	**2**
Life Insurance	0	0	0	0	0	**0**
Total	**3**	**15**	**4**	**0**	**0**	**22**



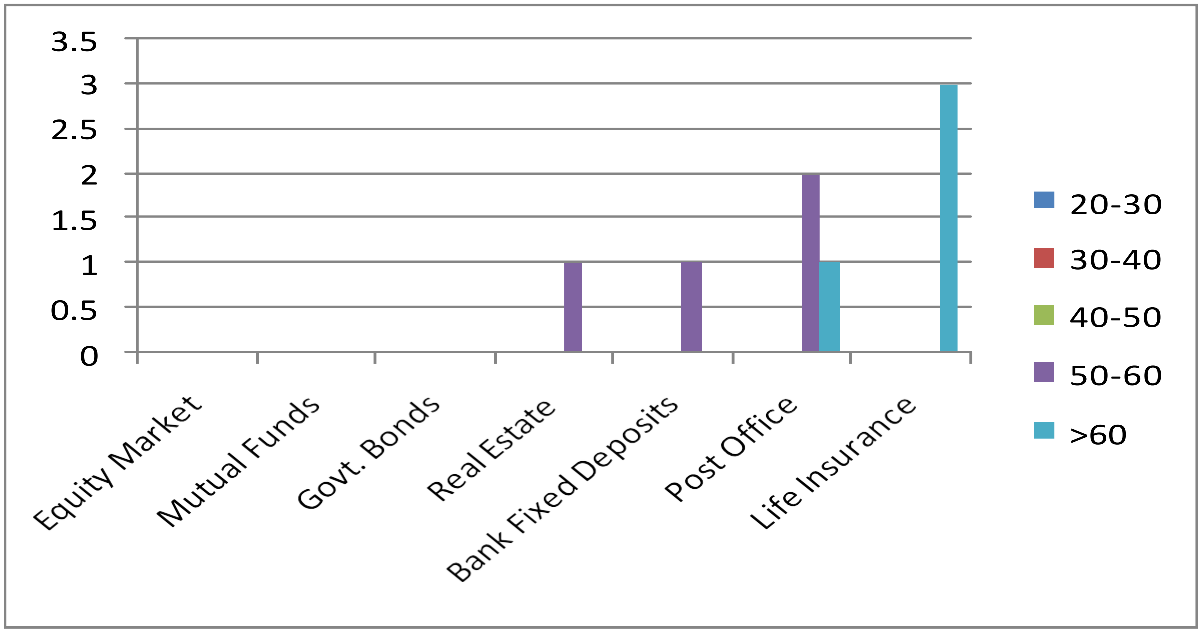
We observe that majority classification in investment was made by 30-40 age group of investors moreover they are holding a very diversified portfolio that includes PPF, Fixed Deposit, Postal Scheme, as well as equity and Mutual funds.

Age group 20-30 holds investments in Equity Market, Bank FD, and some also hold their Money in Real Estate. Business class people focuses more on high return with moderate security of return so majority of their investment is made in Mutual Investment.

Age wise analysis of "Retired" Class respondents

Retired Class	**20-30**	**30-40**	**40-50**	**50-60**	**>60**	**Total**
Real Estate	0	0	0	1	0	**1**
Bank FDs	0	0	0	1	0	**0**
Life Insurance	0	0	0	0	3	**3**
Equity	0	0	0	0	0	**0**
Mutual Funds	0	0	0	0	0	**0**
Post Office	0	0	0	2	1	**3**
Govt Bonds	0	0	0	0	0	**0**
Total	**0**	**0**	**0**	**4**	**4**	**8**

Age wise analysis of "Retired" Class respondents



We have observed that the category mostly consisting retired people holds the low preference for mutual fund .However bank FDs, Life Insurance and Postal Schemes have the greatest preference among the people of this category.

CHAPTER-5

FINDINGS & CONCLUSION

FINDINGS FROM THE STUDY

- We observed that 68% of all the respondents invest in the mutual funds and We have got 32% of our sample size i.e total respondents do not invest in any of the mutual fund at all.
- We has observed that 56% of all the participants in the study posses a complete information of mutual fund. We have got 24% of our sample do not have the complete information of mutual funds and 20% of our total respondents have some information of mutual fund.
- We have observed that 89% of the total respondents are interested in getting good tax deduction. We have got 11% of our total respondents who are not interested in getting good deduction from tax at all.
- Our study states that 76% of the total respondents considers mutual fund as a good instrument for tax saving and have got 24% of our respondents who are not considering mutual fund as a good instrument of tax saving.
- We observe that most of our respondents invest in multiple instruments at a time.
- We observe that one fifth of the total respondents invest with the intention to achieve the high returns on their investments, 18% Invest to get the benefit from tax benefit, 45% Invest with the objective of saving, 10% Invest with the intention of maximizing of wealth ,7% Invest for diversifying their risk.
- We observe that 3% of the total respondents get ROI less than 5% on their investments, 65% of the total respondents gets ROI between 5% to10%, one fifth of the entire respondents gets ROI between 10%-15%, 7% of the total respondents get ROI between 15% to 20% and 5% of the sample get more than 20% ROI.
- We observe that majority i.e is 65% of the total respondents prefer to investment in equity fund, 11% of the total respondents prefer to invest in Debt funds, and the remaining that is 24% of the total respondents prefer investing in balanced fund.
- We have noticed that most of the investors prefer tax saving plans.

CONCLUSION

We noticed investors are preferring equities to debt instruments as they are focused towards more return on their investments. They avoided investing in the debt instruments because they can get more or less the same amount of return on their FD's that to without facing any risk.

Usually investors prefer to carry/execute mutual fund investments during NFO's rather than taking consideration of performance of mutual fund scheme. Most of the times due to their lack of detailed awareness about the schemes of mutual funds investors seek the advice of distributors.

Investors feel that the AMC should go for more promotional activities & should try to come up with new innovative schemes which can easily be understood by the investors.

Even after knowing the scenario of the market crashes during the 2006-2008 crisis people still have a strong opinion that mutual funds are much reliable to invest in the equity/stock market. So investors are not thinking for redemption during crash & were ready to hold and wait. In fact there were many investors ready to invest in mutual funds during the crash time .

Investors are not willing to accept the entry load the company's that is AMC's charging during NFO because during the NFO investors were not quite sure/confident on the given scheme whether it can really give them better return or not.

SCOPE FOR FURTHER STUDY

There is a communication gap which rises the need for building awareness of the various investment options to the investors by constantly being in engagement/contact with the investors.

- There is a considerable section of investors who have raised the need for periodical report about the money markets so that they can gain some insights of the markets and well updated with information of market changes.
- Asset Management Company's should focus on increasing the awareness about various options of investment that are available to investors (such as SIP& STP).
- AMC's must try hard to locate working distributors who are providing best business in their respective geographical areas/regions.
- Investors are highly negative to accept the entry/exit load during NFO's. So such kind of activities should be tried to minimize to as much least as possible.
- The company should advertise their tax saving plan more so that they can gain more customers.

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Annexure

Dear Respondent,

I Rama conducting a survey on my project titled "changing preferences of Investors from FD to mutual funds" as a part of my MBA course, I would be grateful if u could spare a few minutes to fill this questionnaire. Information provided will be kept confidential and would be used for academic purpose only. Please fill your response in the space provided.

(Note: Questionnaire is divided in two parts i.e. "Step1"- for the users basic details. And "Step 2"- for the investment preferences.)

Step1

1. Name: ____

2. Age -------------------------------

3. Profession

   a) Business
   b) Service Private
   c) Service Government
   d) Retired

4. Contact / e-mail: ____

Step-2

1) Are you an investor in mutual fund?

Yes

No

2) Do you possess complete awareness about mutual fund?

Yes

Not Much

No

3) Are you an investor, with intentions of achieving high tax savings?

a) Yes

b) No

4) Are you aware that mutual funds can improve your tax savings?

a) No

b) yes

5) Among which of the following annual income (INR) group you fall?

a) Upto 2,00,000

b) 2,00,001-4,00,000

c) 4,00,001-6,00,000

d) 6,00,001 & more

6) The investments you invested at present?

a) Fixed Deposits

b) Equities

c) Govt. bonds

d)Life Insurance

e) Mutual Funds

f) Post office

g) Real Estate

7) What is the main objective/motive of your investments?

a) High return

b) Tax benefit

c) Saving

d) Wealth creation

e) Risk diversification

8) The returns that you receives at present from all your investments (percentage of RoI)?

a) < 5

b) 5-10

c) 10-15

d) 15-20

e) >20

9) Which types of mutual funds would you prefer to investment in?

Debt

Equity

Balanced

10) Preference of tax saving plans of Mutual Fund?

a) Mostly preferred

b) Highly preferred

c) Preferred

d) Less preferred

e) Least preferred

11) Rank the subsequent investment opportunities in step with your preference.

a) Real estate

b)Mutual fund

c)Govt. bond

d)Equity market

e)Bank FD

f)Post office

g)Insurance