

# **MAJOR RESEARCH REPORT**

## **FACTORS INFLUENCING INVESTMENT DECISION IN MUTUAL FUNDS**

**SUBMITTED BY:**

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## **CERTIFICATE**

This is to certify that the project dissertation report titled “Factors Influencing Investment Decision In Mutual Funds” is an academic work done by Lakshay Vohra submitted in the partial fulfilment of the requirement for the award of the degree of Masters of Business Administration from Delhi School of Management,, under my guidance & direction. To the best of my knowledge and belief the data & information presented by her in the report has not been submitted earlier.

Signature of Faculty Guide:

Name of the Faculty Guide: Ms. Anushka Upadhyay

Designation: Faculty, DSM

Date:

## **Declaration**

This is to certify that I have completed the Project Dissertation “Factors Influencing Investment Decision In Mutual Funds” under the guidance of Ms. Anushka Upadhyay in partial fulfilment of the requirement for the award of degree of Masters of Business Administration at Delhi School of Management . This is an original piece of work & I have not submitted it earlier elsewhere.

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## Executive Summary

This study examines the mutual fund industry in India, focusing on its historical development, current structure, and the factors influencing investment decisions. The Indian mutual fund industry began in 1963 with the launch of the Unit Trust of India (UTI). Over time, the sector matured, with significant growth in both assets under management (AUM) and the number of investor folios.

As of 2024, the mutual fund industry's AUM reached ₹57.26 trillion. Despite this growth, mutual funds still represent a small fraction of total household investments, with fewer than 10% of Indian households investing in them. Challenges such as low awareness, financial literacy, and limited distribution channels continue to hinder growth.

This research focuses on understanding the factors influencing mutual fund investment decisions. The study explores investor behavior across various demographic segments, such as businessmen, salaried employees, and retirees, to identify the key factors that guide their investment choices. Primary data is collected through surveys targeting a diverse range of investors, with questions addressing risk tolerance, expected returns, and financial goals.

The study also examines the regulatory framework and the role of distributors in expanding market reach. Different types of mutual funds, including equity, income, and tax-saving funds, are discussed, along with the increasing popularity of Systematic Investment Plans (SIPs) for long-term wealth creation.

In conclusion, the mutual fund industry has significant growth potential, but addressing challenges like low financial literacy and limited awareness is crucial for broader adoption. The study provides insights that can help policymakers and financial institutions enhance strategies for increasing mutual fund penetration in India.

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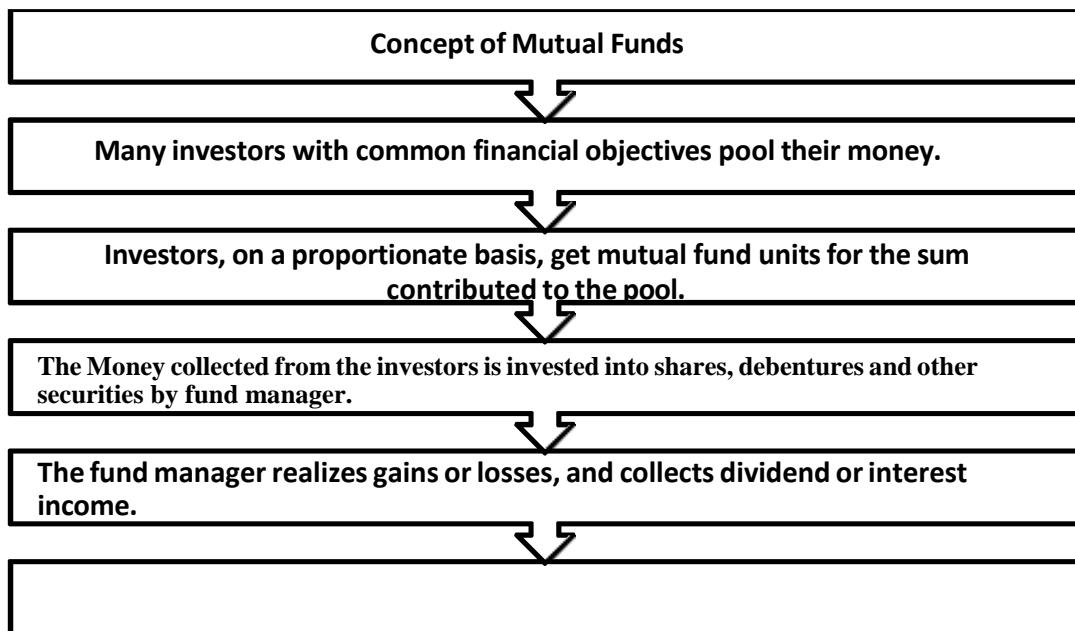
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# **CHAPTER 1**

# **INTRODUCTION**

## About Mutual Funds

Mutual Funds in India First started in 1963; the Government of India launched the Unit Trust of India (UTI). UTI enjoyed a monopoly on the Indian mutual fund market until 1987 when other state-controlled Indian financial institutions, including State Bank of India, Canara Bank and Punjab National Bank, set up their own funds. Despite being available in the market, fewer than 10% of Indian households invest in mutual funds. The latest report from Mutual Fund Investments, published by Boston Analytics, Research and Analytics, reports that investors are losing their money due to high risk and lack of information about how mutual funds operate, have stopped withdrawing in mutual funds. As of June 2013, there were 46 mutual funds.



Any capital gains or losses from such investments are passed on to the investors in proportion of the number of units held by them.

Association of Mutual Funds of India (AMFI) is an industry benchmark in the field of mutual funds in India. It was formed in 1995. Most mutual fund companies in India is its members. The company

aims to develop the mutual fund market in India by improving ethical and business standards. AMFI merged on 22 August 1995. As of April 2015, there were 44 members.

### **1.1 *Objectives of AMFI***

「Defining and maintaining high professional and ethical standards in all sectors of the mutual fund industry.

「Recommending and promoting best practices and practices adopted by members and others engaged in mutual funds and asset management activities, including agencies involved with or involved in capital markets and financial services.

Communicating with the Securities and Exchange Board of India (SEBI) and representing SEBI on all matters relating to the mutual fund industry.

Representing the government, the Reserve Bank and other institutions on all matters pertaining to the mutual fund industry.

Launching a nationwide investor awareness program to promote the concept and proper understanding of mutual funds.

Disseminating information about the Mutual Fund industry and undertake studies and research directly and / or with other organizations.

Controlling the behavior of suppliers, including disciplinary action (ARN termination) for violating the Code of Conduct.

Protecting the interest of investors or unit holder

## **History**

*The history of mutual funds in India can be broadly divided into four distinct phases.*

### First Phase - 1964-1987

The Unit Trust of India (UTI) was established in 1963 by an Act of Parliament. It was founded by the Reserve Bank of India and operated under the regulatory and administrative control of the Reserve Bank of India. In 1978, UTI was removed from RBI and the Industrial Development Bank of India

(IDBI) replaced RBI with regulatory and administrative control. The first scheme introduced by UTI was the Unit Scheme 1964. In late 1988, the UTI paid Rs. 6,700 crore assets under management.

#### Second Phase - 1987-1993 (Entry of Public Sector Funds)

1987 marked the entry of non-UTI, public sector banks and public sector mutual funds established by Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). The first non-UTI mutual fund was established in June 1987, followed by SBI Mutual Fund, followed by Canbank Mutual Fund (December 87), Punjab National Bank Mutual Fund (August 89), Indian Bank Mutual Fund (November 89), Bank of India (90%). Bank of Baroda Mutual Fund (October 92). LIC established its mutual fund in June 1989 and GIC established its mutual fund in December 1990. At the end of 1993, the mutual fund industry received Rs. 47,004 crores assets.

#### Third Phase - 1993-2003 (Entry of Private Sector Funds)

With the introduction of private sector funds in 1993, a new era in the Indian mutual fund industry began, giving Indian investors a wider choice of fund families. Furthermore, 1993 was the year when the first mutual fund regulation came into existence, under which all mutual funds except UTIs were registered and administered. Former Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993.

The 1993 SEBI (Mutual Fund) Regulations were replaced in 1996 by the more comprehensive and revised Mutual Fund Regulations. The industry now operates under SEBI (Mutual Fund) Regulations 1996.

The number of mutual fund houses has grown, many foreign mutual funds have set up funds in India, and the industry has seen many mergers and acquisitions. By the end of January 2003, Mutual Fund had total assets of Rs. 1,21,805cr. Unit Trust of India's Rs. 44,541cr. of assets under management are ahead of other mutual funds

#### Fourth Phase - since February 2003

In February 2003, after the repeal of the Unit Trust of India Act 1963, UTI was split into two separate entities. This unit is the designated entity of the Trust of India, and had Rs. 29,835cr. at the end of January 2003, assuring a broader assurance of assets, returns and certain other schemes of the US 64 scheme. The Unit Trust of India is under the obligations of the Mutual Fund under the terms and conditions laid down by the Administrator and the Government of India.

The second is the UTI Mutual Fund, which is sponsored by SBI, PNB, BoB and LIC. It is registered with SEBI and operates under Mutual Fund Regulations. In March 2000, the then UTI paid Rs. With over 76,000 crore assets under management and with the establishment of UTI Mutual Fund, compliance with SEBI Mutual Fund regulations, and the recent mergers between various private sector funds, the mutual fund industry is in a consolidated phase of growth and entry into growth.

#### Fifth (Current) Phase - since 2014-2024

Since May 2014, the industry has seen steady inflow and growth in AUM as well as the number of investor folios (accounts).

- The Industry's AUM crossed the milestone of ₹10 Trillion (₹10 Lakh Crore) for the first time as on 31st May 2014 and in a short span of two years the AUM size has crossed ₹15 lakh crore in July 2016.
- The overall size of the Indian MF Industry has grown from ₹ 3.26 trillion as on 31st March 2007 to ₹15.63 trillion as on 31st August 2016, the highest AUM ever and a fivefold increase in a span of less than 10 years.
- In fact, the MF Industry has more doubled its AUM in the last 4 years from
- 5.87 trillion as on 31st March, 2012 to ₹ 12.33 trillion as on 31st March, 2016 and further grown to ₹ 15.63 trillion as on 31st August 2016.
- In September 2012, SEBI introduced a number of progressive measures to "re-energize" the Indian Mutual Fund industry and increase the penetration of MFs. The agency took note of the low

penetration of MFs, particularly in tier II and tier III cities, and the need for greater alignment of the interests of various stakeholders.

- With time, the actions were successful in reversing the downward trend that had begun following the global financial crisis, and things became much better once the Center's new government was established. The industry has had consistent inflows, growth in AUM, and an increase in the quantity of investor folios (accounts) since May 2014.
- On May 31, 2014, the industry's AUM crossed the ₹10 trillion (₹10 Lakh Crore) milestone for the first time. Within a little over three years, the AUM size had climbed more than twofold, and in August 2017, it crossed the ₹20 trillion (₹20 Lakh Crore) milestone for the first time. In November 2020, the AUM size surpassed ₹30 trillion, or ₹30 Lakh Crore, for the first time.
- Over the course of a decade, the Indian mutual fund industry has experienced a six-fold increase in value, from ₹ 9.45 trillion on April 30, 2014, to ₹ 57.26 trillion on April 30, 2024.
- In just five years, the MF Industry's AUM has increased more than twice, from ₹24.79 trillion on April 30, 2019 to ₹57.26 trillion on April 30, 2024.
- In just five years, the number of investor folios has increased from 8.27 crore on April 30, 2019, to 18.15 crore on April 30, 2024—a more than two-fold rise.
- Since April 2019, an average of 16.46 lakh new folios have been uploaded each month during the past five years.
- The sector's expansion has been made possible by the combined impact of the regulatory actions taken by SEBI in September 2012 to revitalise the mutual fund business and the assistance provided by mutual fund distributors in growing their retail clientele.
- Particularly in smaller towns, MF Distributors have been offering the crucial last-mile connection with investors. This connection not only helps investors invest in suitable schemes but also helps them stay on course during periods of market volatility, which is another way that investing in mutual funds benefits investors.
- Over time, MF distributors have also played a significant part in the spread of awareness about Systematic Investment Plans (SIPs). The overall number of SIP accounts reached 8.70 crore as of April 30, 2024, having crossed the 1 crore barrier in April 2016

## Need/Importance of Study

Many versions of mutual funds can also cater to small savers and diversify into many benefits such as professional management, tax benefits, systematic investment, portfolio, simplicity and liquidity. Each fund has a predetermined investment objective that is consistent with the fund's assets, investment sectors and investment strategies.

There are a variety of mutual fund schemes to meet the requirements such as financial condition, risk tolerance and return estimates. Of the 1309 schemes offered by 44 mutual funds as on 31 March 2012, the mutual fund industry's AUM touched Rs 587,217.

The business of the Indian Mutual Fund (MF) industry is mostly limited to Tier 1 cities; however, the industry is focused on developing penetration ratios and increasing its presence in other cities. Currently, the top five cities in India account for 74% of total pie, with the remaining 26% distributed among other cities, according to the CII-PwC report on mutual funds. According to the CII-PwC report, the Indian MF market has untapped potential. In some developed countries, mutual fund AUMs are many bank deposits. In India, mutual funds do not even own 10% of AUM bank deposits. It represents immense potential for industry development.

The primary challenges are low awareness levels and financial literacy, adoption of distribution channels, accessibility, scalability, and cultural and behavioral change. To get to the bottom of the pyramid, challenges remain in the absence of proper documentation such as PAN cards, bank accounts.

The purpose of this study on mutual funds is to understand the factors that influence investment decision in relation to mutual funds. Studies are conducted at SBI Bank's Branch Office to understand the customer's preferences and their interest in various types of mutual fund products and their expectations of investment.

## **Types of Mutual Funds**

### **1) Based on Structure**

#### **Open-Ended Funds:**

These are funds that open units for purchase or redemption annually. All purchases / redemptions of these fund units are done in the current NAV. Basically these funds allow investors to invest as long as they want. There is no limit on how much you can invest in the fund. They are actively managed which means there is a fund manager who chooses places to invest. These funds also charge higher fees than actively managed funds due to active management. They are ideal investment for those seeking liquidity and investment as they are not responsible for a particular maturity period.

#### **Close-Ended Funds:**

These are funds that can only buy units during the initial offer period. Units can be redeemed on a specified maturity date. To provide liquidity, these schemes are often listed for trading on the stock exchange. Unlike open-ended mutual funds, once units or shares are purchased, they cannot be sold back to mutual funds, instead selling them at the current value of the shares through the stock market.

#### **Interval Funds:**

These are open-end and closed-end funds, which are open to repurchase of shares at different periods during the fund's tenure. The fund management company offers to repurchase the units from the unit holders at these intervals. Units can pick up shares if they wish.

## 2) Based on Asset Class:

**Growth funds:** Under these schemes, the money is mainly invested in equity shares for the purpose of providing capital appreciation. These are considered risky funds for investors with long-term investment ranges. Since they are risky funds, they are also ideal for those looking for high returns on their investment.

**Income funds:** Under these schemes, money is mainly invested in fixed income. Bonds, debentures, etc., are meant to provide investors with capital protection and general income.

**Liquid funds:** Under these schemes, money is mainly invested in short-term or very short-term instruments. T-bills, CP, etc. are meant to provide liquidity. These are considered low risk with moderate returns and are ideal for investors with short term investment deadlines.

**Tax-Saving Funds (ELSS):** These are mainly funds that invest in equity shares. Investments made in these funds are eligible for deduction under the Income Tax Act. If they perform well, they will be considered high risk, but will also yield high returns.

**Capital Protection Funds:** These are funds that are distributed between fixed income instruments and investments in the equity markets. This is done to ensure the safety of the invested principal.

**Fixed Maturity Funds:** Fixed maturity funds are assets that are invested in debt and money market instruments, where the maturity date is equal to or before the fund.

**Pension Funds:** Pension funds are mutual funds that are invested with a long-term goal. They are mainly intended to provide regular returns by the time the investor is ready to retire. Investments in such funds are split between equities and debt markets, where equities serve as a risky part of investments that provide high returns and balance market risk and provide low but stable returns. The proceeds from these funds can be taken as a whole or a pension or a combination of both.

## Some top rated mutual funds:

LUMPSUM RETURNS									
Category : Largecap	Return (%)				Value of Rs. 10 Lac				
	1 Year	3 Year	5 Year	10 Year	1 Year	3 Year	5 Year	10 Year	
Aditya Birla Sun Life Equity Fund - Gr	9.91	12.21	22.18	12.41	1,099.100	1,412,846	2,722,705	3,221,436	
Aditya Birla Sun Life Frontline Equity Fund - Gr	8.35	8.51	17.18	13.00	1,083.500	1,277,642	2,209,365	3,394,567	
DSP BlackRock Equity Opportunities Fund - Gr	10.92	12.37	20.30	12.81	1,109.200	1,418,898	2,519,580	3,337,921	
Edelweiss Large & Mid Cap Fund - Regular Gr	17.76	9.01	17.49	10.58	1,177.600	1,295,385	2,238,744	2,733,794	
HDFC Growth Fund Gr	12.05	10.59	15.28	11.12	1,120.500	1,352,532	2,035,963	2,870,267	
Indiabulls Blue Chip Fund - Gr	12.76	9.45	14.08	NA	1,127.600	1,311,135	1,932,180	NA	
Kotak Opportunities Fund - Gr	9.23	10.42	19.26	11.43	1,092.300	1,346,304	2,412,537	2,951,354	
Kotak Select Focus Fund - Gr	10.70	11.72	21.16	NA	1,107.000	1,394,417	2,610,937	NA	
Motilal Oswal MOST Focused Multicap 35 Fund - Gr	15.52	15.61	NA	NA	1,155.200	1,545,205	NA	NA	
Reliance Top 200 Fund - Gr	12.09	8.24	17.99	11.93	1,120.900	1,268,129	2,286,789	3,086,491	

Category : Midcap	Return (%)				Value of Rs. 10 Lac				
	1 Year	3 Year	5 Year	10 Year	1 Year	3 Year	5 Year	10 Year	
Aditya Birla Sun Life Pure Value Fund - Gr	17.14	16.67	28.82	19.74	1,171.400	1,588,099	3,547,452	6,058,883	
Aditya Birla Sun Life Small and Midcap Fund - Gr	15.20	18.96	27.68	15.84	1,152.000	1,683,460	3,393,238	4,350,964	
DSP BlackRock Midcap Fund - Reg Gr	10.82	14.91	25.87	17.41	1,108.200	1,517,307	3,159,448	4,977,954	
DSP BlackRock Small Cap Fund - Gr*	8.15	16.44	33.37	20.20	1,081.500	1,578,725	4,219,789	6,295,709	
Franklin India Smaller Companies Fund - Gr	13.94	15.23	30.18	18.36	1,139.400	1,530,019	3,738,706	5,395,722	
HDFC Small Cap Fund - Gr	31.55	20.16	24.58	NA	1,315.500	1,734,921	3,000,832	NA	
Kotak Emerging Equity Scheme - Gr	10.99	14.81	26.57	13.66	1,109.900	1,513,349	3,248,283	3,598,127	
L&T Emerging Businesses Fund - Gr	27.34	22.76	NA	NA	1,273.400	1,849,995	NA	NA	
L&T Midcap Fund - Gr	18.69	17.27	29.76	17.05	1,186.900	1,612,727	3,678,783	4,827,410	

## SIP RETURNS

Category : Largecap		Return (%)				Value (Rs.)			
Investment of Rs.1,00,000/- per month						12,00,000	36,00,000	60,00,000	1,20,00,000
SCHEME NAME		1 Year	3 Year	5 Year	10 Year	1 Year	3 Year	5 Year	10 Year
Aditya Birla Sun Life Equity Fund - Gr		0.70	15.06	18.76	16.76	1,204,545	4,502,206	9,576,927	28,910,916
Aditya Birla Sun Life Frontline Equity Fund - Gr		-0.64	11.04	13.91	15.02	1,195,836	4,248,150	8,502,703	26,330,057
DSP BlackRock Equity Opportunities Fund - Gr		0.87	15.12	17.80	16.21	1,205,648	4,506,073	9,355,109	28,068,040
Edelweiss Large & Mid Cap Fund - Regular Gr		10.37	14.36	15.44	14.32	1,266,389	4,457,259	8,829,256	25,360,167
HDFC Growth Fund - Gr		2.96	13.82	14.53	13.45	1,219,154	4,422,790	8,633,697	24,206,303
Indiabulls Blue Chip Fund - Gr		4.88	13.28	13.32	NA	1,231,489	4,388,499	8,379,716	NA
Kotak Opportunities Fund - Gr		-1.14	13.19	16.37	15.24	1,192,577	4,382,801	9,033,222	26,642,767
Kotak Select Focus Fund - Gr		0.60	14.05	17.77	NA	1,203,896	4,437,449	9,348,252	NA
Motilal Oswal MOSt Focused Multicap 35 Fund - Gr		7.19	19.04	NA	NA	1,246,239	4,763,519	NA	NA
Reliance Top 200 Fund - Gr		1.50	12.82	15.54	14.88	1,209,728	4,359,429	8,850,988	26,133,044

Category : Midcap		Return (%)				Value (Rs.)			
Investment of Rs.1,00,000/- per month						12,00,000	36,00,000	60,00,000	1,20,00,000
SCHEME NAME		1 Year	3 Year	5 Year	10 Year	1 Year	3 Year	5 Year	10 Year
Aditya Birla Sun Life Pure Value Fund - Gr		3.75	19.83	25.24	22.48	1,224,238	4,816,561	11,200,900	39,371,608
Aditya Birla Sun Life Small and Midcap Fund - Gr		3.13	20.98	25.37	21.24	1,220,249	4,894,476	11,235,837	36,817,744
DSP BlackRock Midcap Fund - Reg Gr		3.20	17.24	22.85	20.89	1,220,700	4,644,120	10,575,497	36,127,616
DSP BlackRock Small Cap Fund - Gr*		-1.20	16.37	27.77	25.36	1,192,186	4,587,133	11,898,352	46,010,483
Franklin India Smaller Companies Fund - Gr		6.05	17.82	25.10	23.99	1,238,972	4,682,372	11,163,382	42,723,276
HDFC Small Cap Fund - Gr		22.68	26.41	24.74	NA	1,342,819	5,273,721	11,067,419	NA
Kotak Emerging Equity Scheme - Gr		4.37	17.20	24.34	20.46	1,228,219	4,641,489	10,961,650	35,297,626
L&T Emerging Businesses Fund - Gr		11.55	28.37	NA	NA	1,273,822	5,415,273	NA	NA
L&T Midcap Fund - Gr		3.85	20.92	26.36	22.24	1,224,881	4,890,390	11,505,072	38,863,755
SBI Small & Midcap Fund - Gr*		18.38	26.84	33.29	NA	1,316,392	5,304,562	13,554,017	NA

Category : Balance		Return (%)				Value (Rs.)			
Investment of Rs.1,00,000/- per month						12,00,000	36,00,000	60,00,000	1,20,00,000
SCHEME NAME		1 Year	3 Year	5 Year	10 Year	1 Year	3 Year	5 Year	10 Year
Aditya Birla Sun Life Balanced 95 Fund - Gr		1.54	11.23	14.57	15.02	1,209,987	4,259,936	8,642,210	26,330,057
DSP BlackRock Equity & Bond Fund - Gr		0.81	11.08	14.49	13.40	1,205,259	4,250,629	8,625,191	24,141,676
L&T India Prudence Fund - Gr		2.08	11.60	15.41	NA	1,213,477	4,282,952	8,822,746	NA
Reliance Regular Savings Fund Balance Plan - Gr		3.11	12.42	15.22	15.34	1,220,120	4,334,255	8,781,616	26,786,177
SBI Magnum Balance Fund - Div		5.83	11.08	14.45	14.38	1,237,567	4,250,629	8,616,693	25,441,827

Category : Balance	Return (%)				Value of Rs. 10 Lac			
	1 Year	3 Year	5 Year	10 Year	1 Year	3 Year	5 Year	10 Year
Aditya Birla Sun Life Balanced 95 Fund - Gr	7.97	9.48	17.29	13.80	1,079,700	1,312,213	2,219,754	3,642,693
DSP BlackRock Equity & Bond Fund - Gr	8.43	9.93	16.38	11.81	1,084,300	1,328,461	2,134,970	3,053,560
L&T India Prudence Fund - Gr	10.49	9.86	18.70	NA	1,104,900	1,325,924	2,356,425	NA
Reliance Regular Savings Fund Balance Plan - Gr	12.15	10.61	17.51	14.68	1,121,500	1,353,266	2,240,651	3,934,385
SBI Magnum Balance Fund - Div	14.97	8.94	17.62	11.35	1,149,700	1,292,892	2,251,157	2,930,233

## **CHAPTER 2**

## **LITERATURE REVIEW**

**Dr Tapan K Panda and Dr Nalini Prava Tripathy (2001)** have made a research on customer orientation in designing mutual fund products to understand the customer key buying criteria for mutual fund products. The aim of their study is to identify investors' preferences and preferences towards different types of mutual fund products and to identify the key characteristics of mutual funds in destroying the permanent marketing variables in the design of new mutual fund products. Data obtained from the study were analyzed using factor analysis to identify the key characteristics that respondents preferred in mutual fund production. There are 24 factors considered to understand investor preferences. The main product is identified, which is awareness, product characteristics, convenience, specific to small investors, public / private ownership, technology, duration and brand name. Other factors identified are Investor Expectations, Service Behavior, Persuasive Promotion, and Investor Confidence.

The study concluded that the impact of various purchasing factors may not have a high degree of coherence to the buying behavior of small investors. The motive for a small investor to buy a mutual fund product may be due to a number of factors that rely on consumer risk return trading. Due to the bank's interest rate cuts and high levels of volatility in the Indian stock market, investors are looking for an option for their short-term investments that will provide them with higher returns and protection for their investment.

**K.Viyyanna Rao and Nirmal Daita(2013)** have made a research study on the fundamental factor affecting investment in mutual funds - the EIC Approach.

A Case Study on RCAML, in which the correlation between key economic variables is identified and the relationship between the breakdown of various schemes and the characteristics of the fund on mutual funds is also studied. The descriptive statistics of the Dependence products were analyzed and concluded that the fund size was positively correlated with the NAV and P / E ratios, indicating that earnings increase with the increase in fund size. A high negative correlation was found with turnover and standard deviation, indicating that the increase in turnover reduces the risk of money.

**R.Padmaja (2014)**, has made a research study on A Study of Consumer Behavior towards Mutual Funds with Special Reference To ICICI Prudential Mutual Funds, Vijayawada and found that there is greater awareness of mutual fund products and that respondents are aware of tax benefits and mutual funds. The original purpose of investing was identified as savings. SBI Magnum Tax Benefit schemes are highly rated based on tax benefits. The preference for investment for mutual funds is given by people aged 20-30 years. Among business class respondents, 30-40 year olds prefer mutual funds. Mutual funds are given priority in professional class age groups under the age of 40 years. All funds were favored by all respondents. A study with ICICI Mutual Funds found that the service class was more favored by equities.

**Dr. G. Malvadri And B. Sudheer Kumar (2013)** have studied Mutual Funds in the context of HDFC and concluded that open-ended schemes are the most popular options for investing in short term and high returns. While close ended options for low returns with long- term investment and low risk are popular. The awareness level of mutual fund products among respondents was 73%, which is still only 12 % Preferred Mutual Fund.

**Dr. Binod Kumar Singh (2012)** conducted research on investor attitudes towards mutual funds as an investment option over 250 respondents, 71 respondents having a positive attitude, 117 respondents having a neutral attitude and 62 respondents having a negative attitude towards mutual funds. Variables such as age, sex, income, and educational qualification were examined by Chi Square analysis at 5% significance level, and gender, income, and education levels had a significant impact on investor attitudes. Weighted scores are assigned to a variety of factors and are related to the factors that contribute to investing in mutual funds, yield potential is first, liquidity is second, flexibility, transparency and affordability are third, fourth and fifth respectively.

**K. Lakshmana Rao (2011)** conducted research on individual investors' behavior towards mutual fund schemes (a study on the perception and adoption of educational levels), which is the focus of PG research. Professional and graduate level qualifications are more frequently adopted

than respondents without formal qualifications or UGs. The efficiency and understanding and adoption of the schemes are proportional to the growth in education. Awareness of equity fund schemes was high (35.71 per cent) followed by balanced fund schemes (32.86 per cent). ELSS in relation to respondents with PG graduates (26.29 percent).

**Dr.Nishi Sharma (2018)** conducted a study on Indian Investor's Perception towards Mutual Funds through Factor Analysis and concluded Factor 1 as Scheme / Fund related Attributes which includes Regular Updates on every trading day (regarding investment, NAV etc.), Safety of Investment, Full Disclosure of Information regarding Scheme / Fund like objective, periodicity of valuation, scheme's sale/ repurchase etc., Favorable Credit Rating of Scheme, Factor 2 as Monetary Benefits which includes six variables viz., Capital Appreciation, Charges (Expense Ratio, Entry Load and Exit Load), Regular Return on Investment, Early Bird Incentives, Fringe Benefits like Tax Benefits, Free Insurance, Free Credit Card, Loans on Collateral etc., Liquidity and Factor 3 as Sponsor's Attributes which includes four variables viz., Reputation of Sponsor, Sponsor's Expertise, Promptness in service and Retaliation of Investor's Grievances.

**Manasa Vipparthi and Ashwin Margam (2023)** have conducted research on investor perceptions on mutual funds: A comparative study on public and private sector mutual funds. The study concluded that investors' age, marital status and occupation have a direct impact on investor investments. It specifies liquidity. Flexibility, tax savings, service quality and transparency are the basic factors that have the most impact on investors' perception. Factor analysis concluded that mutual funds are monetary and core products that influence investment decisions on mutual funds for the public and private sectors, which have a major impact on fund strength, promotional activities and customer quality.

# **CHAPTER 3**

## **RESEARCH METHODOLOGY**

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **Objectives of the study**

- To understand mutual funds industry.
- To know more about different types of funds.
- To study and understand the factors influencing investment decisions in Mutual Funds.
- Understanding the mindset of the investors towards Financial Planning.

#### **a) Research Type**

This research can be categorized as **Descriptive Research**. The goal of descriptive research is to describe the characteristics of a population or phenomenon under study. In this case, the research aims to describe and analyze the various factors influencing investment decisions in mutual funds, with a particular focus on the behavior and preferences of investors. The aim of this research is to explore how different factors—such as individual financial goals, risk tolerance, and demographic characteristics—affect the decision-making process of investing in mutual funds.

#### **b) Data Collection Sources**

The major source of data for this study is Primary Data, collected from businessmen, salaried employees, and retired individuals through a structured questionnaire distributed via Google Forms. Secondary Data was also used, sourced from existing literature, reports, and academic articles. This dual approach helped gather insights into the factors influencing mutual fund investment decisions.

#### **c) Methodology of data collection**

This report is based on primary and secondary data, although more emphasis has been placed on primary data collection, as this approach is an important aspect of the study. One of the most important users of the research methodology is the ability to identify, gather, analyze, and provide an alternative solution to a problem. It helps top management to gather crucial information that will help them to make daily decisions and make better decisions.

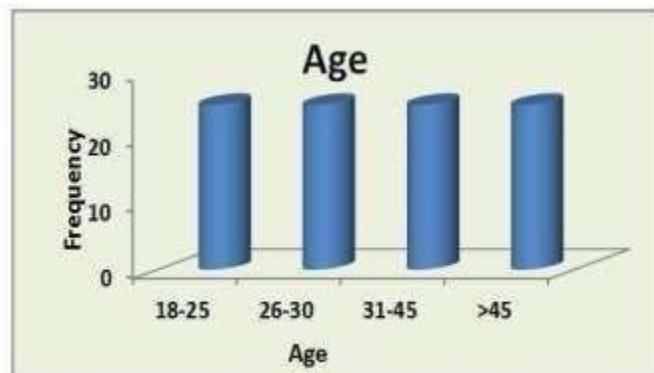
# **CHAPTER 4**

# **DATA PRESENTATION &**

# **ANALYSIS**

1) *Age:*

Age group	Frequency	Percent
18-25	25	25%
26-30	25	25%
31-45	25	25%
>45	25	25%
<b>Total</b>	<b>100</b>	<b>100%</b>



**Interpretation:** The sample of respondents which was collected consisted of different age groups in a proportionate number.

2) *Gender:*

Gender	Frequency	Percent
Male	64	64%
Female	36	36%
<b>Total</b>	<b>100</b>	<b>100%</b>



**Interpretation:** Out of the total respondents 36% were female and 64 % were male.

3) *Income:*

Income Slab	Frequency	Percent
<15000	22	22%
15000 to <25000	35	35%
25000 to <40000	13	13%
>40000	30	30%
<b>Total</b>	<b>100</b>	<b>100%</b>



**Interpretation:** The sample respondents are mostly in the range of Rs.15000- 25000 income per month followed by above Rs.40000 and 22 % below Rs.15000 and least number of respondents in the range of Rs.25000-40000 and sample consists of a combination of all income groups.

4) *Occupation:*

Occupation	Frequency	Percent
Service	45	45%
Business	13	13%
Professionals	15	15%
Others	27	27%
<b>Total</b>	<b>100</b>	<b>100%</b>



**Interpretation:** 45% of the respondents are Service men, 13% business men, 15%- professionals and 27% consisted of others (students, retired and housewives) constitute the sample.

5) *Investment Pattern:*

Term	Frequency	Percent	Valid Percent	Cumulative
Short Term	42	42%	42	42
Long Term	50	50%	50	92
Both	8	8%	8	100
<b>Total</b>	<b>100</b>	<b>100%</b>	<b>100</b>	



**Interpretation:** 50% of the respondents have plans to invest for a long tenure whereas 42% of respondents want short term investment while 8% are looking for an open investment option, and it can be liquidated in short term but can continue for a long tenure if no emergency arises.

6) *Expectation of People in terms of Rate of Return:*

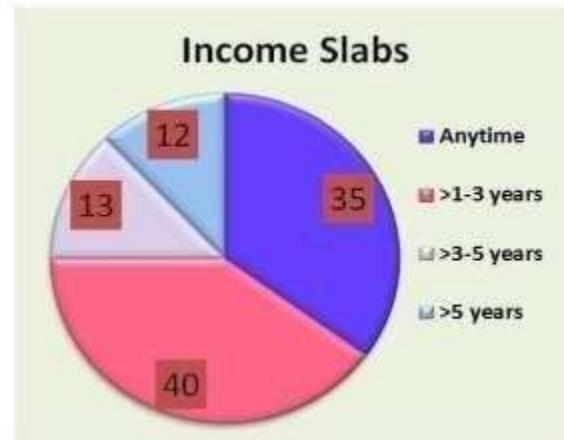
Rate of return	Frequency	Percent
<10%	26	26%
10 to <12%	41	41%
12 to <15%	16	16%
>15%	17	17%
<b>Total</b>	<b>100</b>	<b>100%</b>



**Interpretation:** The majority of respondents, 41% expect a return of 10-12% return, 26% expect RoR<10%, 17% would expect RoR>15% and 16% of respondents require 12-15% return from investment.

7) *Liquidity Requirement:*

Valid	Frequency	Percent
Anytime	35	35%
>1-3 years	40	40%
>3-5 years	13	13%
>5 years	12	12%
<b>Total</b>	<b>100</b>	<b>100%</b>



**Interpretation:** 40% of the respondents said they would liquidate their investments in 1- 3 years time period and 35% preferred anytime liquidity and 13% said 3-5 tenure is time period they would wait and 12% out of the total would liquidate after more than 5 years.

8) *Already Invested in Mutual Funds:*

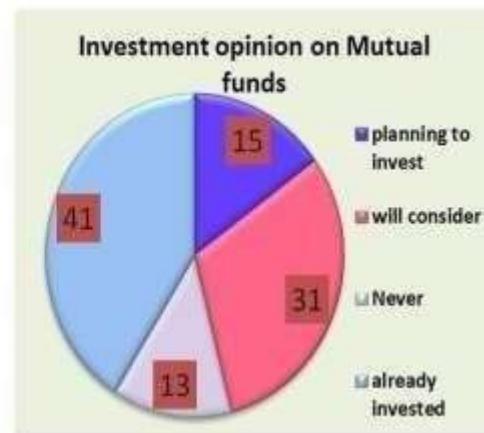
Mutual fund Investor	Frequency	Percent
Yes	41	41%
No	59	59%
<b>Total</b>	<b>100</b>	<b>100%</b>



**Interpretation:** The survey found 41% of the respondents have already invested in mutual funds and 59% of respondents did not invest in mutual funds.

9) *Opinions on Investing in Mutual Funds:*

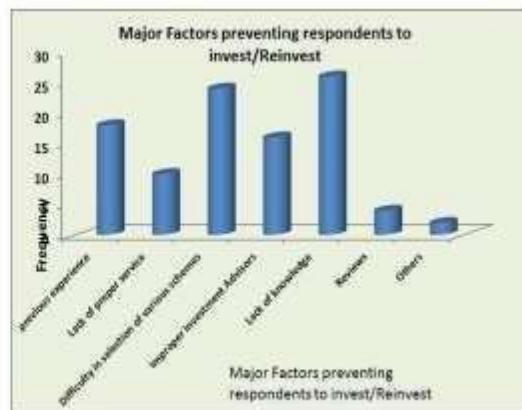
Investment opinion on Mutual funds	Frequency	Percent
planning to invest	15	15%
will consider	31	31%
Never	13	13%
already invested	41	41%
<b>Total</b>	<b>100</b>	<b>100%</b>



**Interpretation:** 31% respondents have showed interest in investing in mutual funds and 15% are already planning to invest and 13% said would never invest and the rest (41%) have already invested.

10) *Major factors preventing respondents to invest/ reinvest in Mutual funds:*

Factors	Frequency	Percent
previous experience	18	18%
Lack of proper service	10	10%
Difficulty in selection of various schemes	24	24%
Improper Investment Advisors	16	16%
Lack of knowledge	26	26%
Reviews	4	4%
Others	2	2%
<b>Total</b>	<b>100</b>	<b>100%</b>



**Interpretation:** Factors such as Lack of knowledge and difficulty in selection from various schemes was major hindrance. The previous experience and improper investment advisors have also prevented many customers from investing/reinvesting.

11) *Frequency of Checking Investment Performance:*

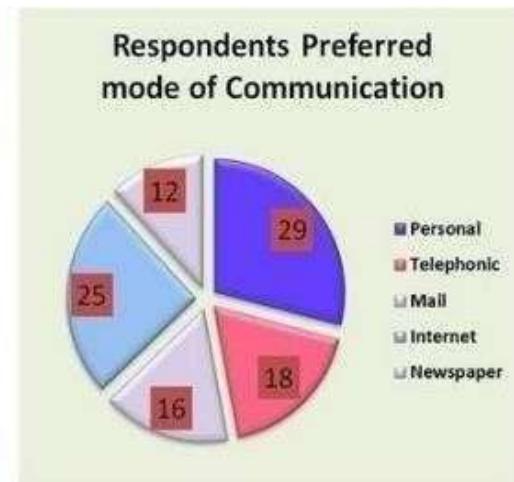
Investors checking the investment performance	Frequency	Percent
Daily	5	12%
Weekly	10	24%
Monthly	12	29%
Once In A While	11	28%
During Maturity	3	7%
<b>Total</b>	<b>41</b>	<b>100%</b>



**Interpretation:** Maximum no. of people i.e. 29% check the performance once a month followed by 28% of people who check once in a while and only 7% of the people check the performance at maturity.

12) *Preferred Mode of Communication:*

Respondents Preferred mode of Communication	Frequency	Percent
Personal	12	29%
Telephonic	8	18%
Mail	6	16%
Internet	10	25%
Newspaper	5	12%
<b>Total</b>	<b>41</b>	<b>100%</b>



**Interpretation:** Majority prefers to know the offers by personal communication.

# **CHAPTER 5**

## **Findings, Conclusion & Recommendations**

## **CONCLUSION**

- The study was conducted to understand the customer expectations and the factors which affect their decision to invest. The factors concluded that image of the investment plays a major factor which convinces a customer followed by Future potential and attractiveness of the product.
- The respondent's positive response towards investment and 41% respondents having already invested shows modest penetration among the customers.
- The global economic conditions have made mutual fund investments a lucrative option for investors to mitigate risk and diversify with many options available to customers.
- The current debt market conditions are attracting customers in mutual fund debt instruments as they are considered to provide good returns owing to volatility in equity market.
- The technological advancements of providing real time information and convenience to customer in terms of purchase, payment and redemption has made mutual fund industry a booming investment option to customers.
- The Preference of customers is mutual fund offices/banks to approach rather than investment advisors hence would advise more mutual fund representatives should be allotted to banks.
- The interest of investors in various options shows a huge mass potential for investments in Mutual funds.

## Recommendations

- **Enhancing Investor Awareness** – Financial institutions and regulatory bodies should conduct investor education programs to improve understanding of mutual fund investment strategies, risks, and benefits.
- **Transparent Fund Management** – Mutual fund companies should ensure transparency in operations by clearly disclosing fees, risks, and historical performance to help investors make informed decisions.
- **Customized Investment Plans** – Fund managers should offer personalized investment options based on investors' risk tolerance, financial goals, and time horizon.
- **Regulatory Enhancements** – Policymakers should strengthen regulatory frameworks to protect investors from fraud and mismanagement, ensuring a stable mutual fund market.
- **Encouraging Long-Term Investment** – Investors should be encouraged to adopt long-term investment strategies rather than reacting to short-term market fluctuations.
- **Encouraging Government Employees to Invest in Mutual Funds** - It is crucial to promote mutual fund investments among government employees, offering them an opportunity for higher returns and financial growth beyond traditional savings options
- **Awareness for Low-Income Groups** - Individuals with a monthly income below ₹10,000 are not investing in mutual funds. It is crucial to raise awareness about the benefits of mutual funds to help them increase their family income and improve their living standards.

## Limitations

- **Sample Size Constraints**-The study relies on a limited number of respondents, which may not fully represent the entire investor population. A larger sample size could provide more generalized and reliable results.
- **Demographic Limitations**-The study primarily focuses on specific age groups, occupations, and income levels. It may not accurately reflect the perspectives of all potential mutual fund investors, particularly those from different geographical regions or socio-economic backgrounds.
- **Subjective Responses**-The data is based on self-reported responses, which may be influenced by personal biases, lack of knowledge, or recent experiences. Some respondents may provide socially desirable answers rather than their true investment behavior.
- **Limited Scope of Investment Factors**- While the study covers key influencing factors like income, occupation, and expected returns, other critical aspects like tax benefits, government policies, and global economic conditions are not extensively analyzed.
- **Time Constraints**-The research reflects investor sentiment at a specific point in time. Changing economic conditions, inflation rates, and market fluctuations could impact investment decisions in the long term.
- **Lack of Expert Financial Analysis**-The study does not include detailed financial modeling or expert fund manager opinions, which could provide a deeper insight into investment patterns.
- **Limited Focus on Behavioral Aspects**-Psychological biases such as risk aversion, herd behavior, and emotional decision-making, which significantly influence investment choices, are not comprehensively studied. These limitations suggest that while the study provides valuable insights, further research with a broader dataset and expert financial analysis is required to achieve a more holistic understanding of mutual fund investment behavior.

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## ANNEXURE

*SAMPLE QUESTIONNAIRE (Google Form)*

Ques1) Age .....

Ques2) Gender

- a) Male
- b) Female

Ques3) What is your Monthly Income?

- a) Less than 15,000
- b) 15,000 to 25,000
- c) 25,000 to 40,000
- d) More than 40,000

Ques4) What is your Occupation?

- a) Service
- b) Business
- c) Professional
- d) Other

Ques5) What will be your investment pattern?

- a) Long Term
- b) Short Term
- c) Both
- d) None

Ques6) What rate of return will you expect from your investment?

Ques7) What are your liquidity requirements?

- a) Anytime
- b) 1 to 3 years
- c) 3-5 years
- d) More than 5years

Ques8) Have you invested in mutual funds?

Ques9) What are your opinions on investing in Mutual Funds?

- a) Planning to invest
- b) Considering to invest
- c) Will never invest
- d) Already invested

Ques10) Any other opinion which you have regarding mutual funds that prevents you from investing/ reinvesting?

Ques11) When do you check your investment performance?

- a) Daily
- b) Weekly
- c) Monthly
- d) Once in a while
- e) Other

Ques12) What is your preferred mode of communication?

- a) Personal
- b) Telephonic
- c) Mail
- d) Internet
- e) Other

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