INVESTOR'S PREFERENCE TOWARDS MUTUAL FUND IN COMPARISON TO OTHER INVESTMENT AVENUES

Gaurav Agrawal*
Dr. Mini Jain **

ABSTRACT

In today's competitive environment, different kinds of investment avenues are available to the investors. All investment modes have advantages & disadvantages. An investor tries to balance these benefits and shortcomings of different investment modes before investing in them. Among various investment modes, Mutual Fund is the most suitable investment mode for the common man, as it offers an opportunity to invest in a diversified and professionally managed portfolio at a relatively low cost. In this paper, an attempt is made to study mainly the investment avenue preferred by the investors of Mathura, and we have tried to analyze the investor's preference towards investment in mutual funds when other investment avenues are also available in the market.

Keywords: Gold, Investment Avenues, Investors, LIC, Mutual Funds, National Saving Certificate (NSC), Post Office, Real Estate.

INTRODUCTION

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is invested by the fund manager in different types of securities depending upon the objective of the scheme. These could range from shares to debentures to money market instruments. The income earned through these investments and the capital appreciations realized by the scheme are shared by its unit holders in proportion to the number of units owned by them (pro - rata). Thus, a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. Anybody with an investible surplus of as little as a few thousand rupees can invest in Mutual Funds.

The Assets under Management (AUM) of the Mutual Fund industry of India fell by 4.5% or Rs. 38,355 crore to Rs. 8.08 lakh crore during the quarter that ended in September, 2013. But this industry grew at 12 percent in October 2013 to Rs. 8.34 lakh crore. The rise in AUM was led by heavy inflows into liquid funds, which rose by 55 percent to 1.89 trillion rupees in October 2013, marking the highest inflow into any category of funds over the past six months. The growth in inflows were caused by enhanced liquidity in the financial system, and cyclical inflows historically witnessed in the month of October as banks and companies re-invested the surplus funds they withdrew to pay advance taxes in September. Investments in equity mutual funds registered significant gains in October 2013, despite increased outflows as investors continued to redeem and exit after making gains. Average AUM rose 7 percent, or 110 billion rupees, to 1.73 trillion rupees in the month, mirroring the sharpest gains recorded in the country's stock markets during the month. Whether the trend of investing in MFs is duplicated at the level of investors in small towns like Mathura?

***Gaurav Agrawal** is a Research Scholar at Mewar University, Chittorgarh, Rajasthan. Corresponding, E-Mail: gauravag7@gmail.com

****Dr. Mini Jain** is an Assistant Professor at R.C.A. (PG) Girls Degree College, Mathura, U.P., India.

REVIEW OF LITERATURE

NCAER (1964) conducted a survey of households to know the attitude and motivation of individuals towards saving.

Ippolito (1992) mentions that fund/scheme selection by investors is based on past performance of the funds and money flows into winning funds more rapidly than they flow out of losing funds.

Gupta (1994) concluded a study to help the policy makers of mutual funds in designing the financial products for the future.

Kulshreshta (1994) provides several guidelines to the investors while selecting different mutual fund schemes.

Madhusudhan V Jambodekar (1996) did a study to find out the awareness about Mutual Funds among investors and to identify the factors which influence the purchasing decision and the choice of a particular fund. Newspapers and Magazines are the primary source of information through which investors get the information about Mutual fund schemes and fund provider service is the important factor while choosing Mutual Fund Schemes.

Sujit Sikidar and *Amrit Pal Singh* (1996) have done a survey to understand the behavioral aspects of the investors of the North Eastern region towards equity and mutual funds investment portfolio. The survey states that the salaried and self-employed were the major investors in mutual fund primarily due to tax concessions. UTI and SBI schemes were popular in that part of the country then and other funds was not as successful during the time when survey was done.

Shankar (1996) states that Mutual Funds viewed as commodity products by the Indian investors, and to capture the market one should follow the consumer product distribution model.

Goetzman (1997) point out that there is evidence that investor psychology affect fund/scheme selection and switching.

Syama Sunder (1998) carried out a survey to get an insight into the mutual fund operations of private institutions with reference to Kothari Pioneer. The survey point out that awareness about Mutual Fund was poor during that time in small cities like Vishakapatnam. Agents play important role in spreading the Mutual Fund culture; open-end schemes were much preferred then; age and income are the two important determinants in the selection of the fund/scheme; brand image and return are the prime considerations while investing in any Mutual Fund.

Rajeshwari. T.R, Moorthy Rama V.E., Srinivasan Ajay (1999) in their studies have conducted a survey among Mutual Fund Investors in Urban and Semi-Urban centers to study the factors influencing the fund/scheme selection behavior of Retail Investors. They suggested that AMCs should design products consciously to meet the investors' needs and should be alert to capture the changing market moods and be innovative. Continuous product development and introduction of innovative products, is a must to attract and retain this market segment selection.

SEBI – NCAER Survey (2000) was carried out to estimate the number of households and the population of individual investors, their economic and demographic profile, portfolio size, and investment preference for equity as well as other savings instruments. This is a unique and comprehensive study of Indian Investors, for which data was collected from 3,0,00,000 geographically dispersed rural and urban households. Some of the relevant findings of the study are : Households preference for instruments match their risk perception; Bank Deposit has an appeal across all income class; 43% of the non-investor households equivalent to around 60 million households (estimated) apparently lack awareness about stock markets; and, compared with low income groups, the higher income groups have higher share of investments in Mutual Funds (MFs) signifying that MFs have still not become truly the investment vehicle for small investors.

Kavitha Ranganathan (2006) has examined the related aspects of the fund selection behavior of individual investors towards mutual funds, in the city of Mumbai.

Bodla B. S., Bishnoi Sunita (2008) has concluded in their study that the mutual fund investors in India at present have as many as 609 schemes with variety of features such as dividend, growth, cumulative interest income, monthly income plans, sectoral plans, equity linked schemes, money market schemes, etc. Though both open-end and close-end schemes have registered excellent growth in fund mobilization, but currently the former category of schemes is more popular among the investors. Portfolio-wise analysis has brought that income schemes have an edge over growth schemes in terms of assets under management. Moreover UTI's share in total assets under management has come down to 11.8 percent in 2006 from 82.5 percent in 1998.

Das Bhagaban, Mohanty Sangeeta, Shil Chandra Nikhil (2008) has thrown light on the selection behavior of Indian retail investors towards mutual funds and life insurances particularly in post-liberalization period. With this background, their paper made an earnest attempt to study the behavior of the investors in the selection of these two investment vehicles in an Indian perspective by making a comparative study.

Walia Nidhi & Kiran Ravi (2009) in their study have tried to identify critical gaps in the existing framework for mutual funds and further extend it to understand the need of redesigning existing mutual fund services by acknowledging Investor Oriented Service Quality Arrangements (IOSQA) in order to comprehend investor's behavior while introducing any financial innovations.

Sarish and *Ajay Jain* (2012) concluded that for the purpose of investment or saving, the investor are having options to invest money in mutual funds and other financial instruments like equity shares, debentures, bonds, warrant, bank deposits. A common investor, who invests their savings into the different assets, is not very much aware about the mutual funds.

V. Rathnamani (2013) concluded that many investors are preferred to invest in mutual fund in order to have high return at low level of risk, safety liquidity.

It can be said that the Mutual Fund as an investment vehicle is capturing the attention of various segments of the society, like academicians, industrialists, financial intermediaries, investors and regulators for varied reasons and deserves an in depth study.

In this paper, an attempt is made mainly to study the investment mode preferred by the investors in Mathura and to check the preference given to investment in mutual funds amidst availability of other traditional investment avenues.

OBJECTIVES OF THE STUDY

- To find out the most preferred Investment Avenue of the investors of Mathura.

- To analyze the investor's preference towards investment in mutual funds when other investment avenues are also available in the market.

- To find the main bases of different investment avenues, an investor thinks before investing.

- To find out the overall criterion of investors regarding investment.

RESEARCH METHODOLOGY

Universe of the Study: Mathura in which Chowk Bazar, Dampier Nagar, Moti Kunj, Bank Colony, Krishna Nagar and Radha Puram was covered.

Sample Size: 300 Investors.

Sampling Unit: Small & Big Investors.

*Sampling Procedure:* Snowball Sampling.

Sampling Time-frame: August, 2013 – October, 2013.

Research Instrument: Structured Questionnaire.

Investment Avenues covered in this paper: Banks, LIC, PPF, Bonds, Mutual Funds, Real estate, Commodity Market, Gold, Equity Shares, Futures & Options and instruments of Post Office like NSC, KVP, MIS and others.

GRAPHICAL REPRESENTATION OF DATA

Table1: Awareness of different Investment avenues

Avenues	No. of Respondents	Avenues	No. of Respondents
Banks	300	*Gold*	234
LIC	300	*Equity Shares*	204
PPF	228	*Futures & Options*	114
Bonds	204	*NSC*	240
Mutual Funds	288	*KVP*	234
Real Estate	286	*MIS*	192
Commodity Market	132	*Others*	168

Figure 1: Awareness about Investment Options
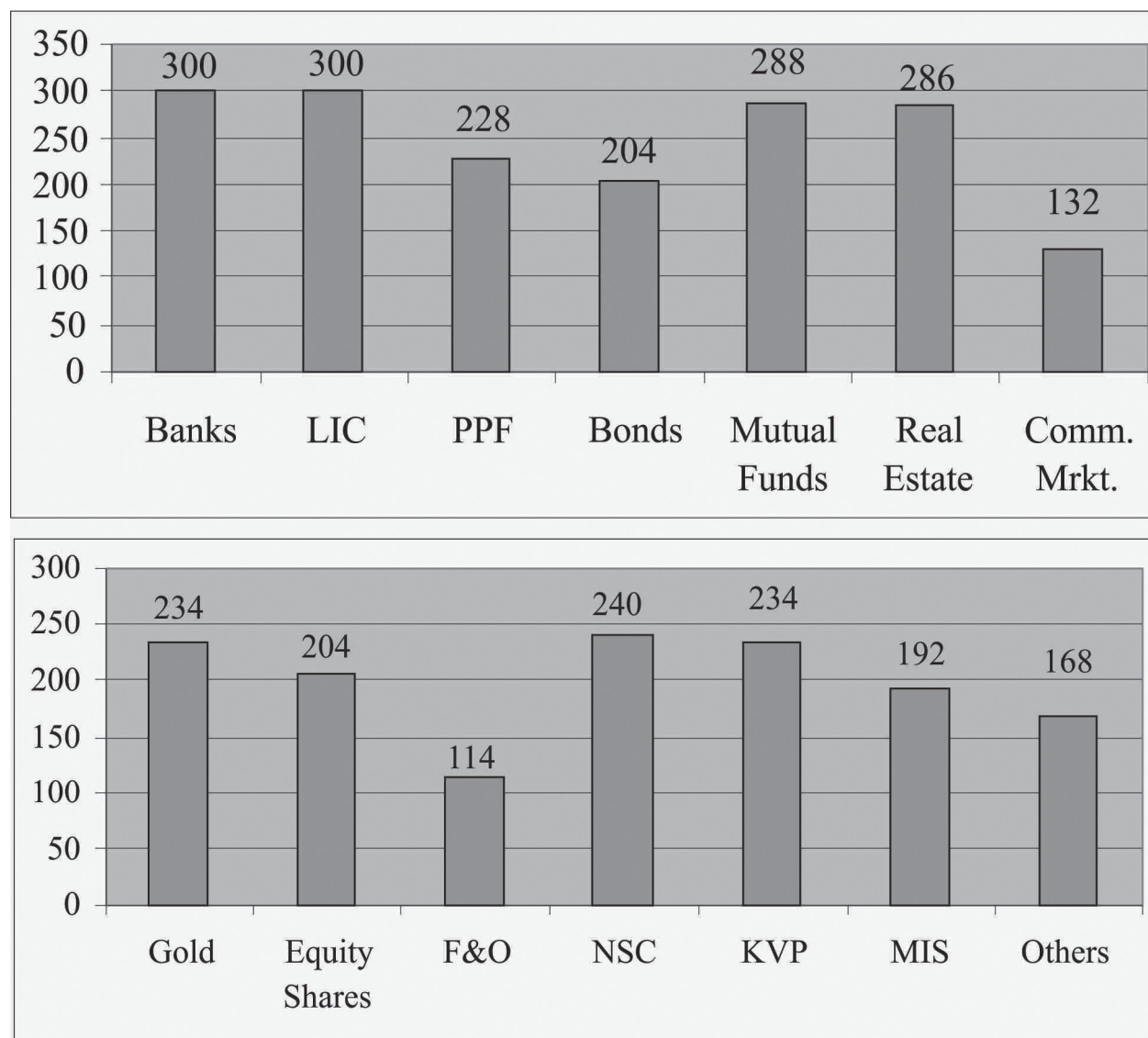
Interpretation: 100% investors are aware about Banks & LIC, while 96% are aware about Mutual Funds followed by 95% for the Real Estate, NSC 80%, Gold & KVP 78% each, PPF 76%, Equity Shares & Bonds 68% each, MIS 64%, Others 56%, Commodity Market 44% and the least aware is the Futures & Options with a respective figure of 38%.

Table 2: Overall Criterion for Investment

Options	No. Of Respondents	Percentage
Safety	66	22
Return	138	46
Liquidity	12	04
Convenience	06	02
Tax Planning	78	26
Total	300	100

Figure 2: Criteria for Investment
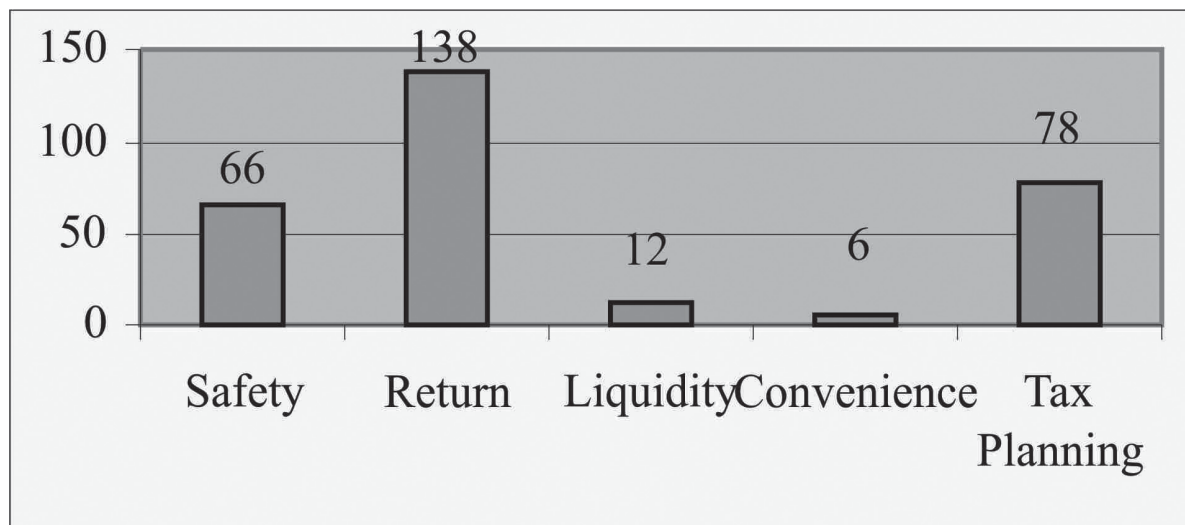
Interpretation: 46% of the investors' overall criterion for investment is Return followed by Tax Planning 26% and for Safety at 22%.

Rating of different modes of Investment **[first priority]**

Table 3: Investment in Banks

Basis	No. Of Respondents	Percentage
Safety	210	70
Return	30	10
Liquidity	00	00
Convenience	48	16
Tax Planning	12	04
Total	300	100

Figure 3: Preference for investment in Banks
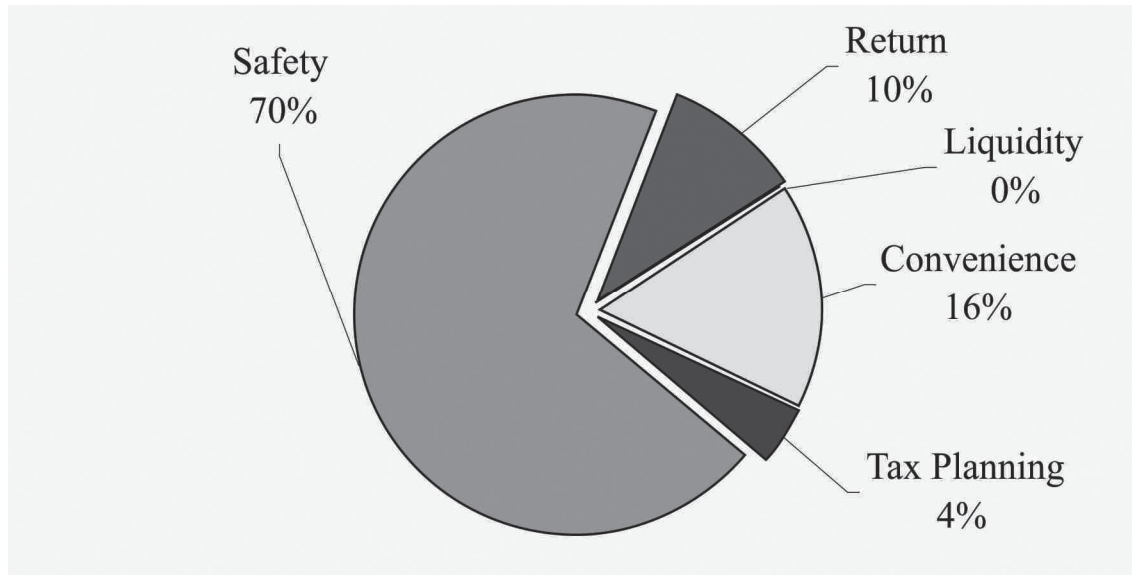
Interpretation: 70% of the investors prefer Banks for Safety followed by Convenience at 16%.
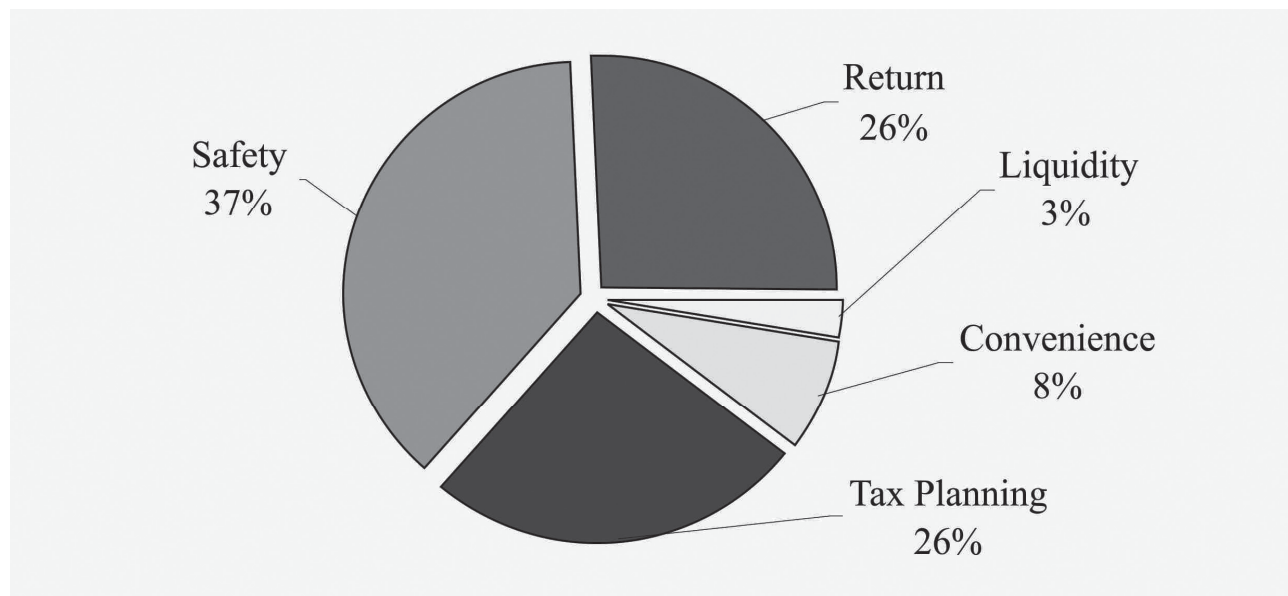
Table 4: Investment in LIC

Basis	No. Of Respondents	Percentage
Safety	156	52
Return	12	04
Liquidity	18	06
Convenience	06	02
Tax Planning	108	36
Total	300	100

Figure 4: Preference for Investment in LIC
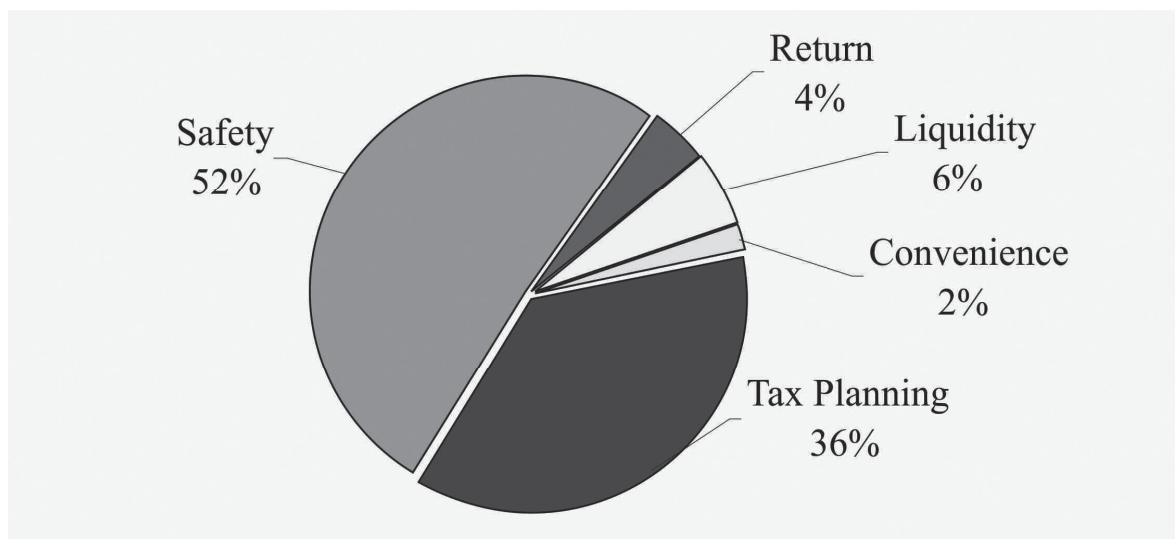
Interpretation: 52% of the investors prefer LIC for Safety followed by Tax Planning at 36%.

Table 5: Investment in Public Provident Fund

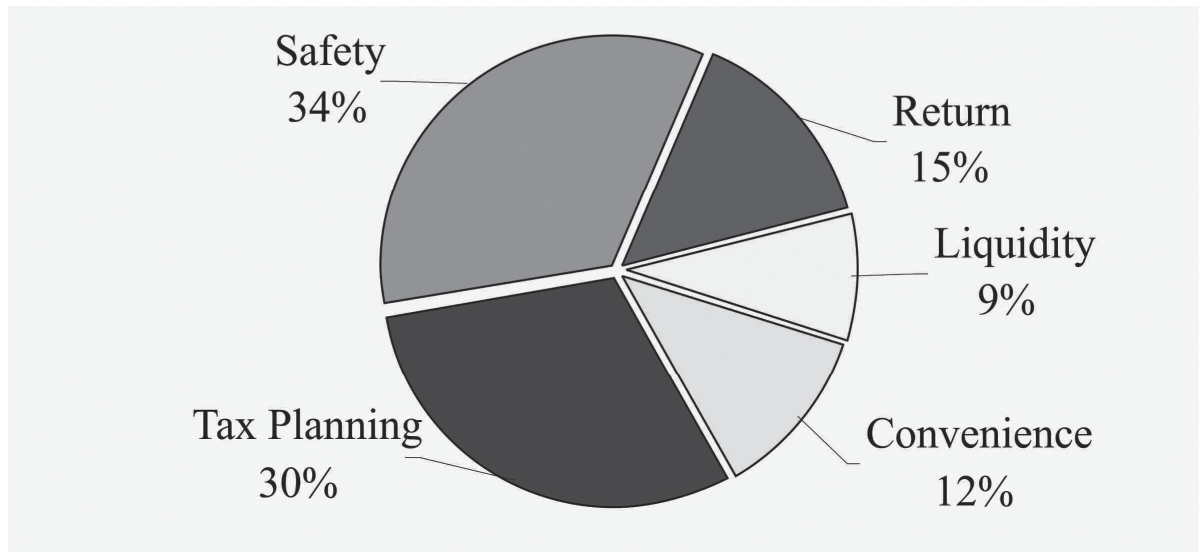| Basis	No. Of Respondents	Percentage
Safety	82	37
Return	60	26
Liquidity	07	03
Convenience	19	08
Tax Planning	60	26
Total	228	100

Figure 5: Preference for Investment in Public Provident Fund

Interpretation: 37% of the investors prefer PPF for Safety followed by Tax Planning and Return at 26% each.

Table 6: Investment in Bonds

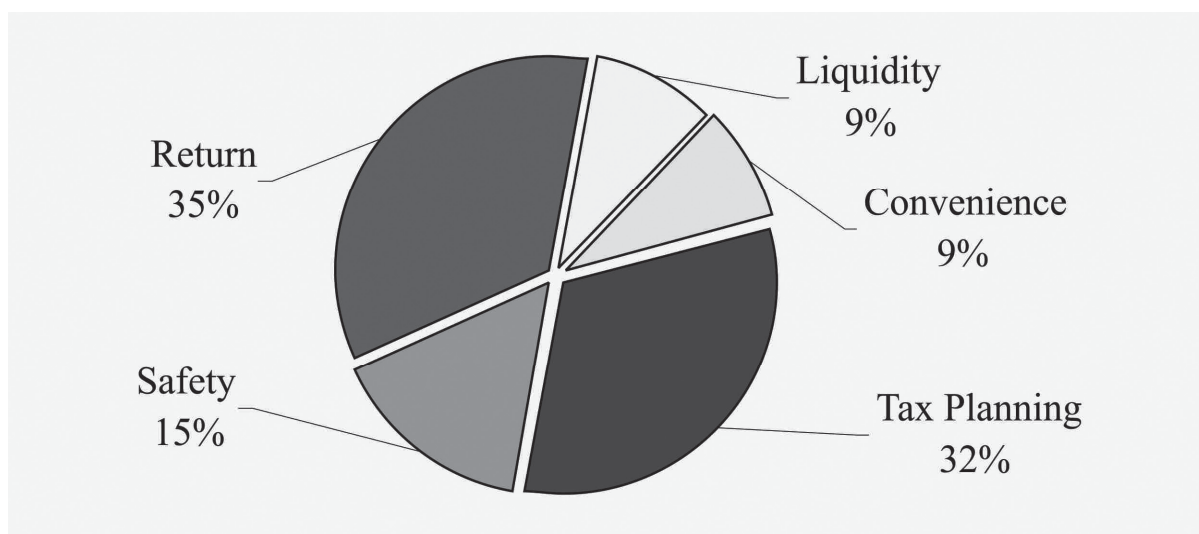| Basis	No. Of Respondents	Percentage
Safety	70	34
Return	30	15
Liquidity	18	9
Convenience	24	12
Tax Planning	62	30
Total	204	100

Figure 6: Preference for Investment in Public Provident Fund

Interpretation: 34% of the investors prefer Bonds for Safety while 30% for Tax Planning.

Table 7: Investment in Mutual Funds

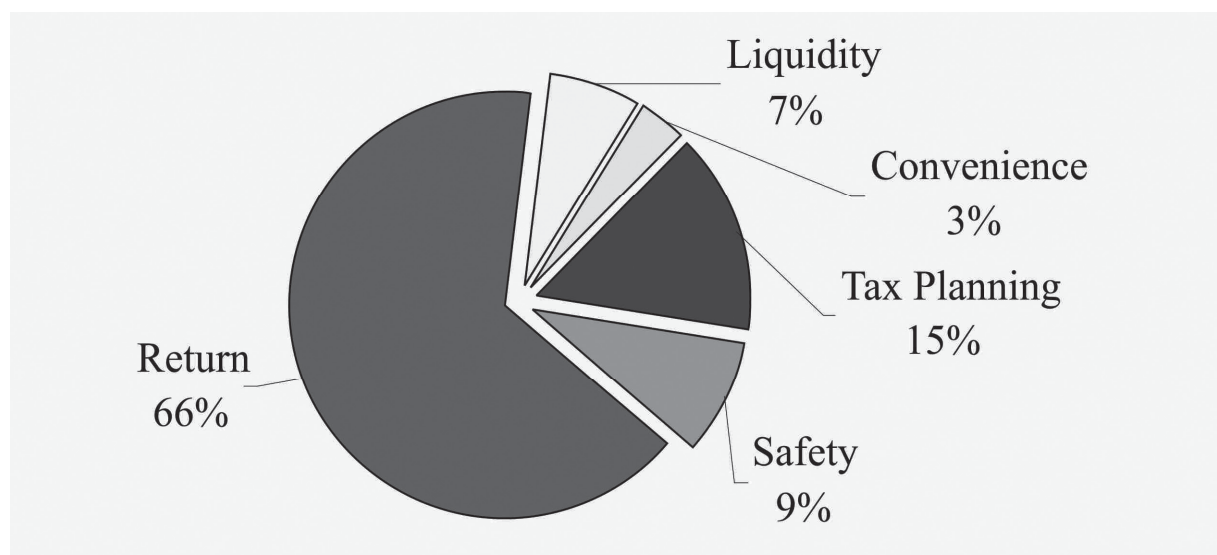| Basis	No. Of Respondents	Percentage
Safety	44	15
Return	101	35
Liquidity	26	9
Convenience	26	9
Tax Planning	91	32
Total	288	100

Figure 7: Preference for Investment in Mutual funds

Interpretation: 35% of the investors prefer Mutual Fund for Return followed by 32% for Tax Planning.

Table 8: Investment in Real Estate

Basis	No. Of Respondents	Percentage
Safety	25	09
Return	188	66
Liquidity	20	07
Convenience	10	03
Tax Planning	43	15
Total	286	100

Figure 8: Preference for Investment in Real Estate

Interpretation: 66% of the investors prefer Real Estate for Return followed by only 15% for Tax Planning.

Table 9: Investment in Commodity Market

Basis	No. Of Respondents	Percentage
Safety	15	11
Return	60	46
Liquidity	48	36
Convenience	09	07
Tax Planning	00	00
Total	132	100

Figure 9: Preference for Investment in Commodity Market
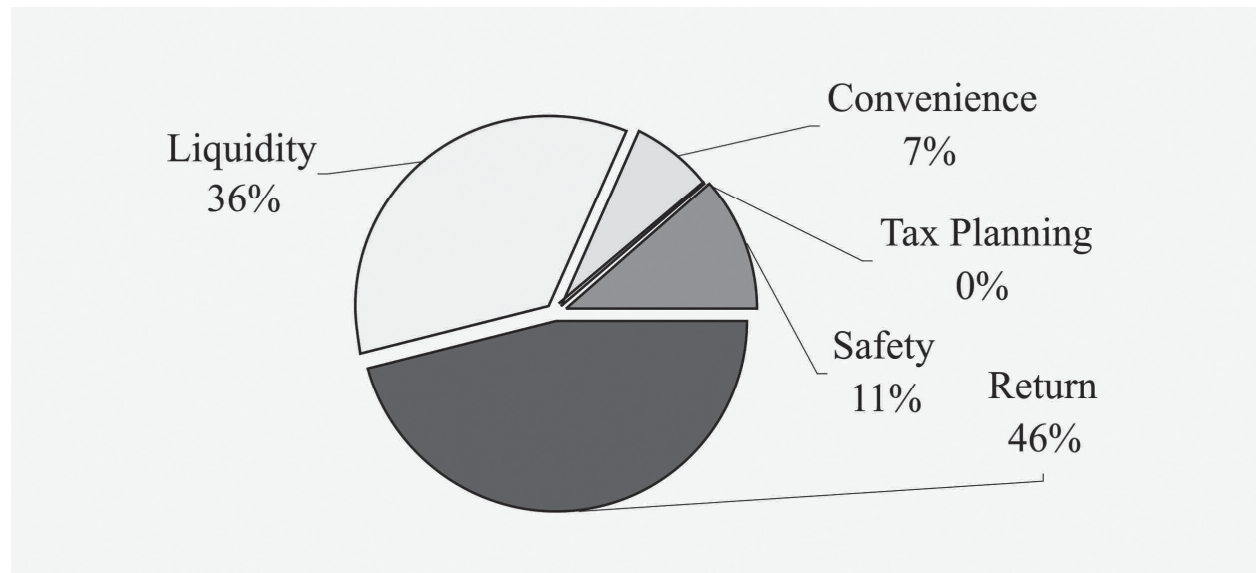
Interpretation: 46% of the investors prefer Commodity Market for Return followed by 36% for Liquidity.

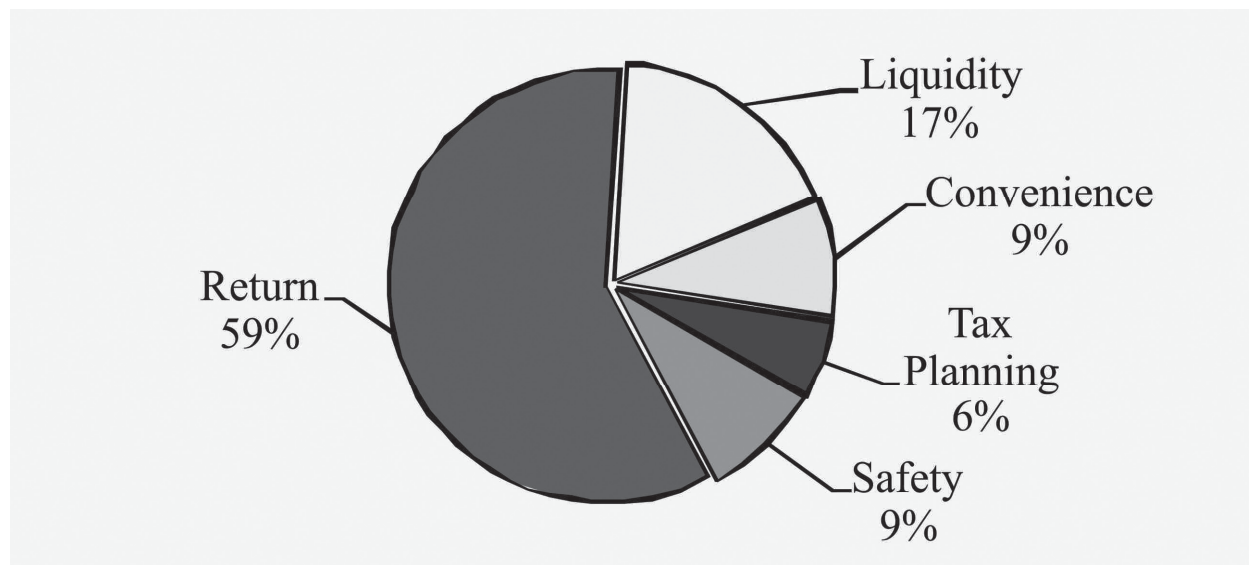**Table 10: Investment in gold**

Basis	No. Of Respondents	Percentage
Safety	116	49
Return	74	32
Liquidity	25	11
Convenience	12	05
Tax Planning	07	03
Total	234	100

Figure 10: Preference for Investment in gold
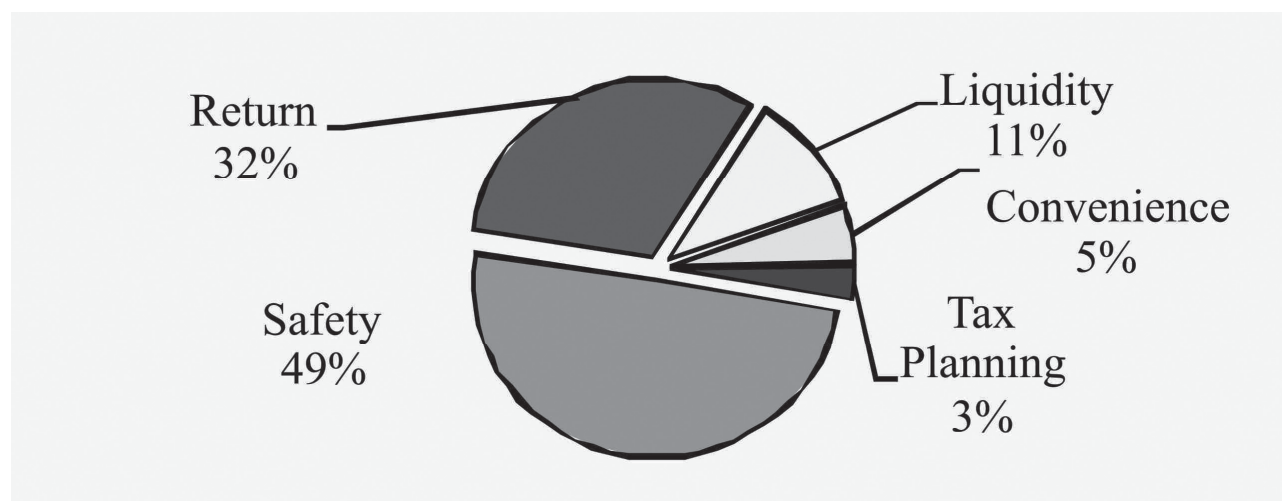
Interpretation: 49% of the investors prefer Gold for Safety followed by 32% for Return.

Table 11: Investment in Equity Shares

Basis	No. Of Respondents	Percentage
Safety	18	09
Return	120	58
Liquidity	36	18
Convenience	18	09
Tax Planning	12	06
Total	204	100

Figure 11: Preference for Investment in Equity Shares

Interpretation: 58% of the investors prefer Equity Shares for Return followed by 18% for Liquidity.

**Table 12: Investment in Futures & Options**

Basis	No. Of Respondents	Percentage
Safety	12	11
Return	36	32
Liquidity	48	41
Convenience	12	11
Tax Planning	06	05
Total	114	100

Fig. 12: Preference for Investment in Futures & Options
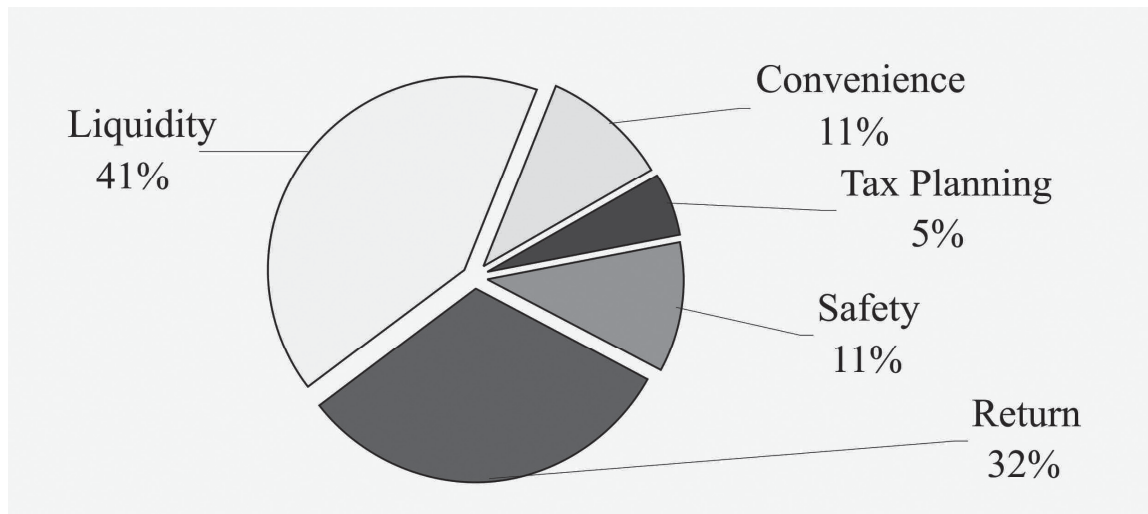
Interpretation: 41% of the investors prefer F&O for Liquidity followed by Return 32%.

**Table 13: Investment in National Saving Certificates**

Basis	No. Of Respondents	Percentage
Safety	87	36
Return	30	13
Liquidity	12	05
Convenience	00	00
Tax Planning	111	46
Total	240	100

Fig. 13: Preference for Investment in National Saving Certificates
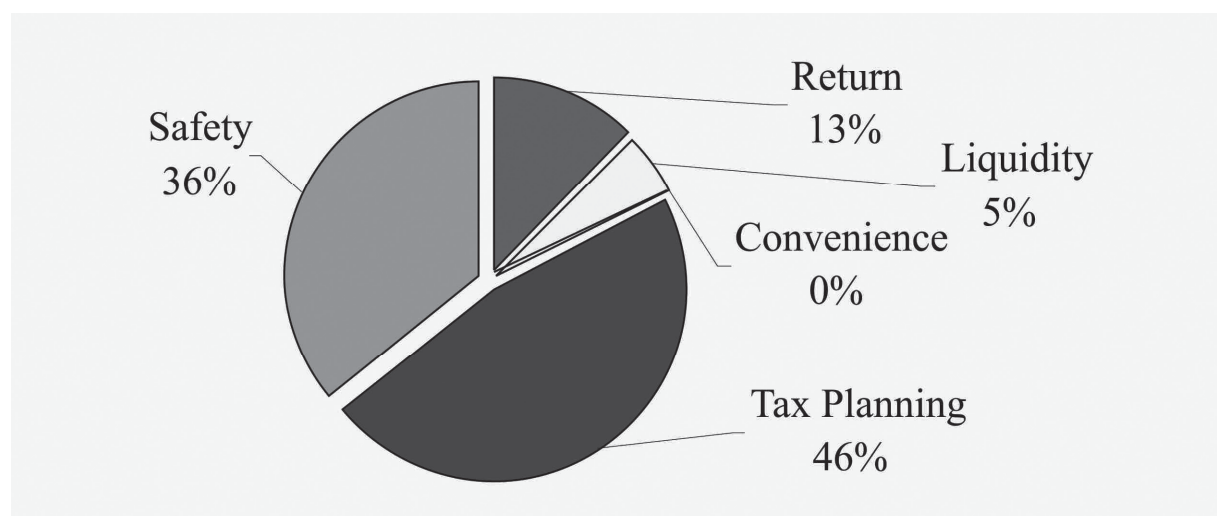
Interpretation: 46% of the investors prefer NSC for Tax Planning followed by 36% for Safety.

Table 14: Investment in Kisaan Vikas Patra

Basis	No. Of Respondents	Percentage
Safety	94	41
Return	27	11
Liquidity	27	11
Convenience	16	07
Tax Planning	70	30
Total	234	100

Fig. 14: Preference for Investment in Kisaan Vikas Patra
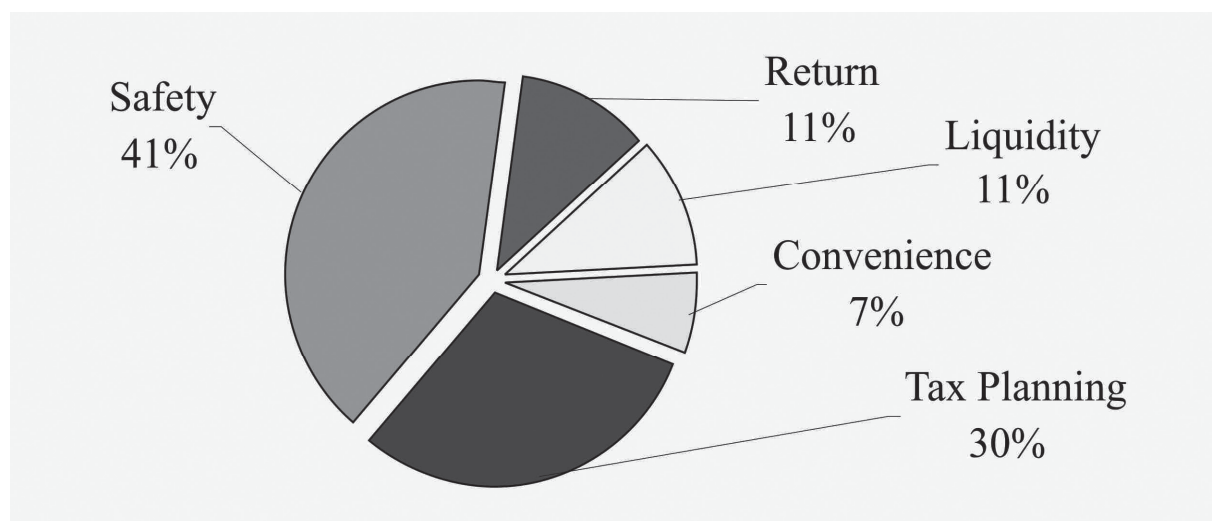
Interpretation: 41% of the investors prefer KVP for Safety followed by 30% for Tax Planning.

Table 15: Investment in Monthly Income Scheme

| Basis	No. Of Respondents	Percentage
Safety	102	53
Return	34	18
Liquidity	12	06
Convenience	12	06
Tax Planning	32	17
Total	192	100

Fig. 15: Preference for Investment in Monthly Income Scheme
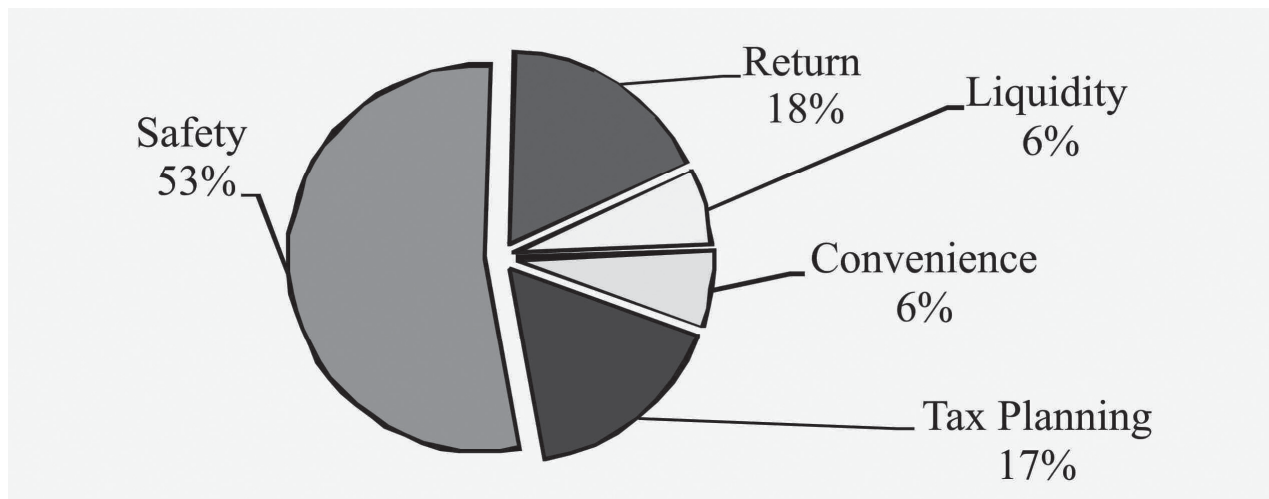
Interpretation: 53% of the investors prefer MIS for Safety followed by 18% for Return.

If Investors have been provided more funds then they would like to invest.

Table 16:   Mode of Investment if surplus Fund

Avenues	No. of Respondents	Percentage
Real Estate	150	50
Mutual Funds	70	23
Equity Shares	32	12
Bank	26	08
Gold	22	07
Total	300	100

Figure 16: Preference for Mode of Investment if surplus Fund
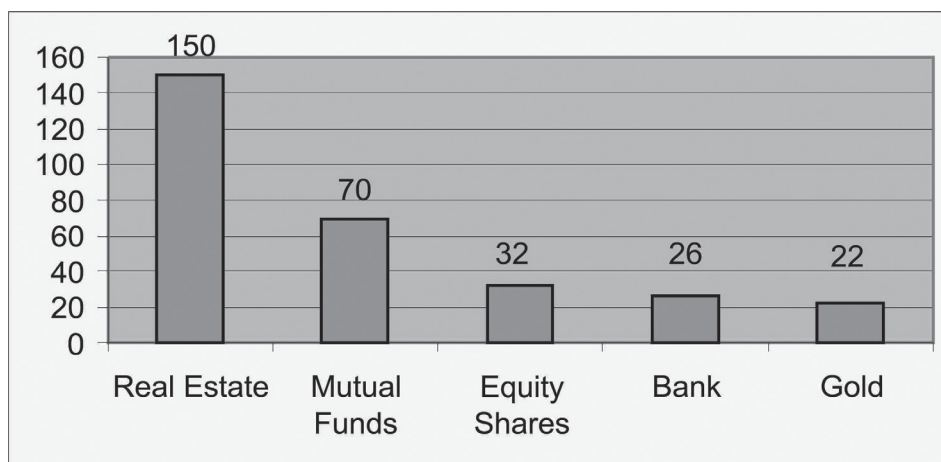
Interpretation: If investors have been provided more funds, 50% of the investors would like to invest in the Real Estate, followed by 23% in Mutual Funds and only 2% in Equity Shares.

FINDINGS

1. 100% investors are aware of Banks & LIC, while 96% aware about Mutual Funds followed by 95% for the Real Estate, 80% for the NSC 80%, 78% each for Gold & KVP, 76 % for PPF, 68% each for Equity Shares & Bonds, 64% for MIS, 56% for Others, and the least aware is Commodity Market & Futures & Options, which clearly indicates that Banks, LIC, Mutual Funds, Real Estate & NSC are the most popular investment avenues among the investors of Mathura.

2. 46% of the investors' overall and main criterion for investment is Return followed by Tax Planning (26%), and Safety(22%). It implies that investors generally invest their money for the return.

3. More than 50% of the investors prefer Banks, LIC & MIS for Safety, while more than 35% of the investors prefer Real Estate, Equity Shares, Commodity Market, and Mutual Funds for Return, while more than 30% investors prefer NSC, LIC, and Mutual Funds for Tax Planning.

4. If the investors have been provided more funds, 50% of the investors would like to invest in Real Estate, 23% in Mutual Funds and only 12% in Equity Shares.

CONCLUSION

After analyzing & interpreting the data received from the respondents, it may be concluded that maximum investors are aware about Banks & LIC investment avenues only. More than 80% investors are aware about Mutual Funds, Real Estate, and NSC investment avenues.

Following are the main bases of different investment modes, an investor thinks before investing:

Mode	Preference	Mode	Preference
Banks	Safety	*Real estate*	Return
LIC	Safety	*Comm. Mkt.*	Return & liquidity
PPF	Safety	*Gold*	Safety
Stock Mkt.	Return & liquidity	*Mutual fund*	Return & Tax Planning
Bonds	Safety & Tax Planning	*Post office*	Safety & Tax Planning

Looking from different perspective, it is also evident that the overall and main criterion of the investors regarding their investments is Return. Therefore, on the basis of Safety, Bank & LIC are the most preferred avenues of investment as it provides maximum safety. On the basis of Return, Real Estate & Mutual Funds are the most preferred avenues of investment as it provides maximum return. Similarly, on the basis of Tax Planning, Post Office Schemes & Mutual Funds are the most preferred avenues of investment. Therefore, the preference is given to investment in Mutual Funds amidst availability of other traditional investment avenues in the market.

Lastly, if the investors have been provided more funds, then they would like to invest in Real Estate because of its rapid growth. Therefore, on the whole, it may be concluded that the Real Estate is the most preferred investment avenue of the investors of Mathura. The Mutual fund has yet to percolate down as the preferred mode of investment in smaller towns and cities.

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