



## A study on the preferences of mutual fund investors

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### Abstract

Mutual funds are investments institutions setup to manage money pooled in from the public. The advantages of investing mutual funds are the professional expertise they employ coupled with the variation offered on the basis of asset classification and the diversification of the chosen portfolio aimed at optimizing the risk for the required return. This study analyzes the impact of different demographic variables on the preferences of investors towards mutual funds.

**Keywords:** mutual funds, investing

### Introduction

Mutual funds have been around for a long time, dating back to the early 19<sup>th</sup> century. The first modern American mutual fund opened in 1924, yet it was only in the 1990's that mutual funds became mainstream investments, as the number of households owing them nearly tripled during that decade. With recent surveys showing those over 88% of all investors participate in mutual funds, or perhaps even own some.

### Statement of the Problem

What is the mutual fund investor's biggest problem? Is it how to choose the best funds? Poor investment strategy? Missed opportunities? Who or what is an investor's worst enemy? Legendary investor, Benjamin Graham, famously said, "the investor's chief problem -- and even his worst enemy -- is likely to be himself ." after giving this statement a moment's thought and a bit of self-reflection, you will likely agree that financial success has knowledge and skills. For this reason, behavioral finance has become a hot topic in the investment world.

### Scope of the Study

In today's world, scope of mutual funds has become so wide, that people sometimes take long time to decide the mutual fund type; they are going to invest in. But, in today's world, scope of Mutual Funds has become so wide, that people sometimes take long time to decide the mutual fund type, they

are going to invest in. Several investments management companies have emerged over the years who offer various types of mutual funds, each type carrying unique characteristics and different beneficial futures.

### Review of Literature

In order to satisfy the customers the manufactures should pay attention to quality, price, quantity etc. (Kannusamy, 2010). Zeng zhu and Michael Zhang (2009) in their study found that the product and consumer characteristics influence the consumer purchase decision. Now a days, the internet is a popular tool used by the consumers in their buying process. More over the social media parameters like websites, e-discussion, online chats, e-mail etc have effect over the consumer buying decision (Mahmood Rehmani, Muhammad Ishfaq khan, 2011).

### Objectives

- To study the preference of customers with respect to mutual fund

### Chi-Square

#### Relationship between gender and preference towards mutual fund

**H<sub>0</sub>:** "There is no significant relationship between gender of the respondents and their preference towards mutual fund"

Table 1

	Value	Degrees of freedom	Assumption Significance (2-sided)
Pearson Chi-Square	3.352	4	.501
Likelihood Ratio	3.438	4	.487
Linear-by-Linear Association	.199	1	.655
N of valid cases	100		

The above table shows the value of 0.501 which is greater than the 0.05 level of significant. Hence we accept null hypothesis (H<sub>0</sub>). (i.e.) there is no significant relationship

between gender of the respondents and their preference towards mutual fund.

**Relationship between age and preference towards mutual fund**

H<sub>0</sub>: “There is no significant relationship between age and preference towards mutual fund”

**Table 2**

	Value	Degrees of freedom	Assumption Significance (2-sided)
Pearson Chi-Square	17.217	16	.372
Likelihood Ratio	18.646	16	.287
Linear-by-Linear Association	7.466	1	.006
N of valid cases	100		

The above table shows the value of 0.372 which is greater than the 0.05 level of significant. Hence we accept null hypothesis (H<sub>0</sub>). (i.e.) There is no significant relationship between age and preference towards kind of investment.

**Relationship between marital status and preference towards mutual fund**

H<sub>0</sub>: “There is no significant relationship between marital status and preference towards mutual fund”

**Table 3**

	Value	Degrees of freedom	Assumption Significance (2-sided)
Pearson Chi-Square	5.225	4	.265
Likelihood Ratio	5.279	4	.260
Linear-by-Linear Association	.448	1	.503
N of valid cases	100		

The above table shows the value of 0.265 which is greater than the 0.05 level of significant. Hence we accept null hypothesis (H<sub>0</sub>). (i.e.) there is no significant relationship between marital status and preference towards mutual fund.

**Relationship between occupation and preference towards mutual fund**

H<sub>0</sub>: “There is no significant relationship between occupation and preference towards mutual fund”

**Table 4**

	Value	Degrees of freedom	Assumption Significance (2-sided)
Pearson Chi-Square	10.001	8	.265
Likelihood Ratio	9.047	8	.338
Linear-by-Linear Association	1.968	1	.161
N of valid cases	100		

The above table shows the value of 0.265 which is greater than the 0.05 level of significant. Hence we accept null hypothesis (H<sub>0</sub>). (i.e.) there is no significant relationship between occupation and preference towards mutual fund.

**Relationship between experience and preference towards mutual fund**

H<sub>0</sub>: “There is no significant relationship between experience

and preference towards kind of investments”

**Table 5**

	Value	Degrees of freedom	Assumption Significance (2-sided)
Pearson Chi-Square	19.258	16	.265
Likelihood Ratio	21.520	16	.159
Linear-by-Linear Association	9.710	1	.002
N of valid cases	100		

The above table shows the value of 0.265 which is greater than the 0.05 level of significant. Hence we accept null hypothesis (H<sub>0</sub>). (i.e.) there is no significant relationship between experience and preference towards kind of investment.

**Relationship between qualification and preference towards mutual fund**

H<sub>0</sub>: “There is no significant relationship between qualification and preference towards mutual fund”

**Table 6**

	Value	Degrees of freedom	Assumption Significance (2-sided)
Pearson Chi-Square	19.984	16	.221
Likelihood Ratio	21.908	16	.146
Linear-by-Linear Association	1.946	1	.163
N of valid cases	100		

The above table shows the value of 0.221 which is greater than the 0.05 level of significant. Hence we accept null hypothesis (H<sub>0</sub>). (i.e.) there is no significant relationship between qualification and preference towards mutual fund.

**Relationship between income and preference towards mutual fund**

H<sub>0</sub>: “There is no significant relationship between income and preference towards mutual fund”

**Table 7**

	Value	Degrees of freedom	Assumption Significance (2-sided)
Pearson Chi-Square	18.842	20	.532
Likelihood Ratio	20.086	20	.453
Linear-by-Linear Association	.010	1	.920
N of valid cases	100		

The above table shows the value of 0.532 which is greater than the 0.05 level of significant. Hence we accept null hypothesis (H<sub>0</sub>). (i.e.) there is no significant relationship between income and preference towards mutual fund.

**Conclusion**

The main objective of the study is to find out the investors preference towards various investment avenues like fixed deposits, post-office schemes, bonds / debentures, share market, mutual funds and insurance. The study revealed that

mutual fund ranks as the most popular avenue for investment followed by life insurance and fixed deposits with regard to the risk appetite of the investors; it is found that the investors perceive that investments in mutual funds carry moderate risk. The study also reveals that a better and steady return is the main reason for investment in mutual funds.

### **References**

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