



PREFERENCES OF MUTUAL FUND INVESTORS (With special reference to IDBI Mutual Funds)

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ABSTRACT :

The main objective of investing is to earn good returns on investment to guard against the inflation. But at the same time the investors also has to consider the safety, liquidity of the funds. All these factors are generally in reverse direction. That is if rate of return is to be high the investor has to take the risk of lesser safety. Even the liquidity is also not possible as the investment has to be for longer term period. Investors has to give priority to one over the others while taking the investment decisions. This study aims at finding these preferences which form the basis for investment in IDBI Mutual Funds.

KEYWORDS : *earn good returns , IDBI Mutual Funds , safety, liquidity.*

INTRODUCTION

Mutual fund industry in India is an organized financial system. It caters to the varied needs and options of the individual investors. Day by day Mutual Fund is becoming one of the most preferred investment alternatives for the small investors as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. Most of the investors having common financial goal pool their savings to gain from Mutual Funds.

Mutual funds are considered as one of the best available investments as compare to others they are very cost efficient and also easy to invest in, thus by pooling money together in a mutual fund, investors can purchase stocks or bonds with much lower trading costs than if they tried to do it on their own. But the biggest advantage to mutual funds is diversification, by minimizing risk & maximizing returns.

MOTIVATING FACTORS FOR MUTUAL FUND INVESTMENT:

The main objective of investing is to earn good returns on investment to guard against the inflation. But at the same time the investors also has to consider the safety, liquidity of the funds. All these factors are generally in reverse direction. That is if rate of return is to be high the investor has to take the risk of lesser safety. Even the liquidity is also not possible as the investment has to be for longer term period. Hence the investors have to balance all these factors and decide his priorities while investing. Mutual Fund investment is also not an exception to this rule. Therefore, while investing in Mutual Funds the investors do consider all these factors which are given below:

1) Safety:

Everyone is aware of that there is no such thing as completely safe and secure investment. Government securities in stable economic system give maximum safety. But the returns are low compared to other investment and though the return in money market and it involves maximum risk. In

mutual fund industry various types of mutual fund schemes are available to the investors having different level of risk. Hence the investor has to decide about his risk appetite and its safety requirement while investing in mutual funds.

2) Liquidity:

Liquidity is another factor considered by the investors while investing in mutual fund. Liquidity means availability of cash from sale of investment as and when required. The variety of funds gives different range of liquidity. Close ended fund and ELSS funds are normally having lock in period, but it is not so for the other funds. Thus the investor can purchase the mutual funds as per the liquidity requirement.

3) Yield/ Returns:

The basic purpose of any investment is yielding good returns and increasing the value of investment. Thus the mutual fund investors are also expecting the same when they invest in mutual fund. The safest investment gives lowest rate of return and vice-versa. But in the mutual fund industry there is an array of varied Mutual Fund schemes which suits to the expectation of investors. Still one cannot assure the returns from them. It totally depends on the market trends.

4) Tax Benefits:

Tax efficiency of investment helps in maximizing the returns. The investors always try to adjust the complexities of investing and tax laws to minimize their tax burden. Generally tax efficiency of the investment gets reduced if the investor relies on investment income. In mutual fund schemes different companies' tries to give the benefit of tax efficiency and high returns through ELSS schemes, but because of locking period, liquidity and diversification get hampered. Hence, the investor has to choose between these options while selecting the schemes to be invested in.

5) Reputation of IDBI Mutual Fund Company:

Reputation of Mutual Fund Company also helps to decide about the investment decision. Good companies pay attention to maintaining long term relations with the investors and accordingly decide their policies to charge less and perform well. At the same time they pay attention to offer best after sale services to the investors. This results in building a reputation of the company in the market which in turn earns the business for the company.

This present study has the objective of finding out the necessary facts regarding preferences of investors of IDBI Mutual Funds.

RESEARCH OBJECTIVE:

The primary objective of the research is to understand the preferences of IDBI Mutual Fund Investors. The study also aims to explore preferences of these investors which can help the IDBI Mutual Fund House to plan their further strategy.

STATEMENT ABOUT THE PROBLEM:

Mutual fund is one of the financial instruments available in capital market. After 2002 high growth of mutual fund industry is witnessed in India. Mutual fund provides more benefit to small investors, who cannot easily play in capital market. Mutual fund pool the money for saving to investment. Mutual Fund main feature is to analysis before investment how much risk is involved and what are the expected returns. Hence this type of research can help the investors to study the various investment avenues available in the market and their working and performance.

This study is an attempt to know about the preferences of investors of IDBI Mutual Fund House.

SCOPE OF THE STUDY:

The study aims at finding out the satisfaction level among the mutual fund investors with special reference to IDBI Mutual Fund Investors in Thane District.

Data Collection:

This study is based on the primary data as well as secondary data. The primary data is collected through structured close ended questionnaires. And the secondary data is collected from existing records like magazine, journals, books, publication of various mutual fund companies and websites.

Sample Size:

The sample size of the study is 150 samples out of the IDBI Mutual Fund Investors in Thane District. Convenience sampling technique is used for selecting the samples.

Limitations:

1. The study was limited to the respondents of IDBI Mutual Fund Investors.
2. There is limitation of geographical location also as the study is conducted in Thane District only.
3. Respondent's attitude may change while on collecting data.

CONSTITUTION OF THE IDBI MUTUAL FUND:

IDBI Mutual Fund (the "Mutual Fund") has been constituted as a Trust on the 19th February, 2010 in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) with IDBI Bank Limited, as the Sponsor and IDBI MF Trustee Company Limited as the Trustees. The Trust Deed has been registered under the Indian Registration Act, 1908. IDBI MF is the trustee of IDBI Mutual Fund. IDBI Bank, holds 200,000 equity shares of Rs. 10.00 each, which constitute 100.00% of the issued and paid-up share capital of IDBI MF. The Mutual Fund was registered with SEBI on the 29th March, 2010 under Registration Code MF/064/10/01.

The total Asset Under Management (AUM) as on 31st December, 2017 out of total 18 Schemes of IDBI Mutual Fund is Rs. 10,690.73 Crores in total AUM of Rs. 22,55,654.36 Crores in the Indian Mutual Fund Market. Hence it's market share counts to 0.47% of total market which very negligible. There are 90 scheme options in total 18 schemes of IDBI Mutual Fund.

Investors have different mindset when they decide about investing in a particular avenue. Every individual want that his saving must be invested in most secured and liquid avenue however, the decision changes according to individual and his risk taking ability. The study was carried on to understand the preference pattern of the investor so as to understand the perception of the investors towards their investments pattern considering the various factors such as demographic factors, satisfaction level, and opinion and so on. The whole of the research is based on the response given by the Investors and their suggestions are also taken into consideration.

PROFILE OF THE RESPONDENTS:

The data required for the study was collected from 150 individual investors of IDBI Mutual Fund in Thane District. The demographic distribution of respondents on the basis of their gender, age, education, income level and source of income have been presented in table number below.

Table No. 1: Demographic Distribution of Respondents

Demographic Factor	Variables	Frequency	Percent
Gender	Male	101	67.33
	Female	49	32.67
	Total	150	100
Age (in Years)	Below 25	39	26.00
	25 to 50	69	46.00
	Above 50	42	28.00
	Total	150	100
Education	HSC	16	10.67
	Graduation	102	68.00
	Post-Graduation	32	21.33
	Total	150	100
Monthly Income	10,000 - 25,000	41	27.33
	25,001- 50,000	67	44.67
	Above 50,000	42	28.00
	Total	150	100
Source of Income	Business	30	20.00
	Profession	27	18.00
	Service	93	62.00
	Total	150	100

Findings:**1) Preferred Source of Information:**

Respondents were asked to give their opinion regarding source of information from where they got the information about the particular scheme of IDBI MF. The detail of which is tabulated below.

Table No.2: Preferred Source of Information

Variables	Frequency	Percent
Advertisement	24	16%
Peer Group	56	37%
IDBI Bank Employees	50	33.33%
Financial Advisors	20	13.33%
Total	150	100%

Source: Field work

From the above table it is observed that,

1. The most important source of information is peer group as 37% respondents believe on it while investing in Mutual Fund.
2. It is followed by IDBI Bank Employees with 33.33% & Advertisement 16%.
3. Financial Advisors are having least role in persuading the investors to invest in IDBI Mutual Fund. The reason is, it is no top listed Mutual Fund in the market.

Hardly 13.33% respondents stated financial advisor as source of information. Hence, it is clear from the above analysis that peer group plays important role in investment decision of IDBI Mutual Fund.

2) Preferred Mode of Investment in IDBI Mutual Fund:

The investors may invest the money in MF, in lump sum or they may invest at regular investment. The preference for the mode of investment is tabulated below:

Table No. 3: Preferred Mode of Investment

Variables	Frequency	Percent
One Time Investment	65	43.33%
SIP	85	56.67%
Total	150	100%

Source: Field work

The above table depicts that in case of IDBI Mutual Fund investors, SIP is more popular than one time investment. 65 (43.33%) of investors prefer one time investment whereas 85 (56.67%) prefer for SIP.

3) Preferred Type of Investment in IDBI Mutual Fund:

Depending on the objective of the investment the investors prefer the various types of MF for their investment. The responses of the respondents about their preferred type of MF investment are tabulated below.

Table No.4: Preferred Type of Investment

Variables	Frequency	Percent
Equity	63	42.00%
Debt	47	31.33%
Balance	26	17.33%
Gold	11	7.33%
Exchange Traded Fund	3	2.00%
Total	150	100%

Source: Field work

The most preferred type of investment among IDBI Mutual Fund Investors is Equity Fund. 63 (42%) prefer to invest in Equity Fund followed by Debt Fund in which 47 (31.33%) investors are interested. Hence, it is clear from the above table that Equity and Debt Funds are more preferred investment type as compared to Balance, Gold and Exchange Traded Funds. Exchange Traded Funds are having very negligible preference i.e. only 2%.

4) Motivating Factors for Investment in IDBI MF:

The investors' basic aim of investing is always high returns from the investment. But at the same time liquidity, safety, tax benefits etc. are also having the impact on the decisions regarding investment. These are motivating factors for a particular type of investment.

Table No. 5: Motivating Factors for Investment in IDBI MF

Variables	Frequency	Percent
Liquidity	20	13.33
Low Risk	45	30.00
High Returns	62	41.33
Tax Benefits	11	7.33
Reputation of IDBI Mutual Fund	12	8.00
Total	150	100

Source: Field work

The above table no. 6.5 shows that 20 (13.33%) of the investors are interested in having liquidity for their funds and 45 (30%) are interested in carrying low risk while making the investment. Majority of the investors 62 (41.33%) have made the investment in IDBI Mutual Fund with basic objective of earning high returns. Very few (7.33%) investors are having the intension of getting the tax benefit and 8% of the investors have invested on the basis of reputation of IDBI Mutual Fund.

CONCLUSIONS:

The Mutual Fund Investment can be done by collecting the information from various sources. There are various factors depending on which the mutual fund investment is done the investors. They may depend on the Expert's opinions like the mutual fund brokers or the executives of the mutual fund companies. From the primary data analysis it is observed that Peer group plays important role in investment decision of IDBI Mutual Fund.

While making the investment in mutual fund, investors are more interested in getting better returns on their investment along with the safety and liquidity of their money. Other factors like tax benefit, reputation of Mutual Fund Company are given less importance.

SUGGESTIONS:

- There are variety of Funds offered by different fund houses to suit the needs of diverse investors. While investing in particular financial product the investors should first consider risk appetite and the suitability of the investment for their financial goal.
- Best mutual fund scheme does not mean the best in returns, but the one best suited for set risk profile and goals and the one that is good in its peer group. Normally the mutual fund investors select the mutual funds to invest on the basis of recent performance of the scheme. There are different other parameters also which should be taken care while investing instead of just performance.
- The Mutual Fund House should tap the preferred source of information of the investors to increase their business.

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