A PROJECT REPORT ON

INVESTMENT SELECTION AND PREFERENCE BEHAVIOUR TOWARDS MUTUAL FUNDS

A Project Submitted to

University of Mumbai for Partial Completion of the Degree

of Bachelor in Commerce (Accounting and finance)

Under the Faculty of Commerce

By

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Under the Guidance of

'ASST. PROF. DR. KISHOR CHAUHAN'

JNAN VIKAS MANDAL'S

Mohanlal Raichand Mehta College of Commerce

Diwali Maa College of Science

Amritlal Raichand Mehta College of Arts

Dr. R.T. Doshi College of Computer Science

NAAC Re-Accredited Grade 'A+' (CGPA : 3.31) (3rd Cycle)

Sector-19, Airoli , Navi Mumbai, Maharashtra 400708

February 2024

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CERTIFICATE

This is to certify that **Ms. Nisha Surendra Kumbhar** has worked and duly completed his Project work for the degree as Bachelor in Commerce (**Accounting and Finance**) under the Faculty of Commerce in the subject of **Accounting and Finance** and his project is entitled, **"Investment selection and preference behaviour towards mutual funds** Under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of any University.

It is his own work and fact reported by her personal finding and investigations.

Guiding Teacher,

ASST. PROF. DR. KISHOR CHAUHAN.

Date of submission:

DECLARATION

I the undersigned **MS. NISHA SURENDRA KUMBHAR** work embodied in this project work titled Investment selection and preference behaviour toward mutual funds with reference to google forms and my own contribution to the research work carried out under the guidance of **ASST. PROF. DR. KISHOR CHAUHAN** is a result of my own research work and has not be previously submitted to any other university for any other degree to this or any other university.

Wherever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.

I, here by future declare that information of this documents has been obtained and presented in accordance with academic rules and ethical conduct.

NISHA SURRENDRA KUMBHAR

Certified by

ASST. PROF. DR. KISHOR CHAUHAN

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CHAPTER 01 -INTRODUCTION TO MUTUAL FUNDS

1.1 CONCEPT OF MUTUAL FUND

A Mutual Fund is a collective investment vehicle that collects & pools money from a few investorsand invests the same in equities, bonds, government securities, money market instruments.

Mutual Funds in India are established in the form of a Trust under Indian Trust Act, 1882, inaccordance with SEBI (Mutual Funds) Regulations, 1996

A Mutual Fund's portfolio is structured and maintained to match the investment objectives stated inits prospectus. Mutual Funds give small or individual investors access to professionally managed portfolios of equities, bonds, and other securities. Each shareholder, therefore, participates proportionally in the gains or losses of the fund.

The Mutual Fund has a fund manager, sometimes called its investment adviser, who is legally obligated to work in the best interest of Mutual Fund shareholders. The money collected in MutualFund scheme is invested by professional fund managers in stocks and bonds etc. in line with a scheme’s investment objective.

The income / gains generated from this collective investment scheme are distributed proportionately amongst the investors, after deducting applicable expenses and levies, by calculating a scheme’s “Net Asset Value” or NAV. In return, Mutual Fund charges a small fee. Thefees and expenses charged by the Mutual Funds to manage a scheme are regulated and are subject to the limits specified by SEBI.

For instance, here’s a simple way to understand the concept of a Mutual Fund Unit.

Let’s say that there is a box of 12 chocolates costing ₹40. Four friends decide to buy the same, but they have only ₹10 each and the shopkeeper only sells by the box. So, the friends then decide to pool in ₹10 each and buy the box of 12 chocolates. Now based on their contribution, they each receive 3 chocolates or 3 units, if equated with Mutual Funds. And how do you calculate the cost ofone unit? Simply divide the total amount with the total number of chocolates: 40/12 = 3.33. So, if you were to multiply the number of units (3) with the cost per unit (3.33), you get an initial investment of ₹10.

This results in each friend being a unit holder in the box of chocolates that is collectively owned byall of them, with each person being a part owner of the box.


Loan
MUTUAL
FUNDS

1.2 HISTORICAL BACKGROUND

ORIGIN OF MUTUAL FUNDS

A strong financial market with broad participation is essential for a developed economy. With thisbroad objective India's first Mutual Fund was establishment in 1963, namely, Unit Trust of India (UTI), at the initiative of the Government of India and Reserve Bank of India 'with a view to encouraging saving and investment and participation in the income, profits and gains accruing to the Corporation from the acquisition, holding, management and disposal of securities. In the last few years, the MUTUAL FUND Industry has grown significantly.

INDIAN VIEW

The history of Mutual Funds in India can be broadly divided into five distinct phases as follows:

- FIRST PHASE - 1964-1987

The Mutual Fund industry in India started in 1963 with formation of UTI in 1963 by an Act of Parliament and functioned under the Regulatory and administrative control of the Reserve Bank of India (RBI). In 1978, UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. Unit Scheme 1964(US '64) was the first scheme launched by UTI. At the end of 1988, UTI had ₹ 6,700 crores of Assets Under Management (AUM).

- SECOND PHASE - 1987-1993 - ENTRY OF PUBLIC SECTOR MUTUAL FUNDS

The year 1987 marked the entry of public sector Mutual Funds set up by Public Sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund was the first 'non-UTI' Mutual Fund established in June 1987, followed by Can bank Mutual Fund (Dec. 1987), Punjab National Bank Mutual Fund (Aug. 1989), Indian Bank Mutual Fund (Nov 1989), Bank of India (Jun 1990), Bank of Baroda Mutual Fund (Oct. 1992). LIC established its Mutual Fund in June 1989, while GIC had set up its Mutual Fund in December 1990.At the end of 1993, the MUTUAL FUND industry had assets under management of ₹47,004 crores.

- THIRD PHASE - 1993-2003 - ENTRY OF PRIVATE SECTOR MUTUAL FUNDS

The Indian securities market gained greater importance with the establishment of SEBI in April 1992 to protect the interests of the investors in securities market and to promote the developmentof, and to regulate, the securities market.

In the year 1993, the first set of SEBI Mutual Fund Regulations came into being for all Mutual Funds, except UTI. The erstwhile Kothari Pioneer (now merged with Franklin Templeton

MUTUAL FUND was the first private sector MUTUAL FUND registered in July 1993. With the entry of private sector funds in 1993, a new era began in the Indian MUTUAL FUND industry, giving the Indian investors a wider choice of MUTUAL FUND products. The initial SEBI MUTUAL FUND Regulations were revised and replaced in 1996 with a comprehensive set of regulations, viz., SEBI (Mutual Fund) Regulations, 1996 which is currently applicable.

The number of MUTUAL FUNDs increased over the years, with many foreign sponsors setting up Mutual Funds in India. Also, the MUTUAL FUND industry witnessed several mergers and acquisitions during this phase. As at the end of January 2003, there were 33 MUTUAL FUNDs with total AUM of ₹1,21,805 crores, out of which UTI alone had AUM of ₹44,541 crores.

- FOURTH PHASE - SINCE FEBRUARY 2003 – APRIL 2014

In February 2003, following the repeal of the Unit Trust of India Act 1963, UTI was bifurcated into two separate entities, viz., the Specified Undertaking of the Unit Trust of India (SUUTI) and UTI Mutual Fund which functions under the SEBI MUTUAL FUND Regulations. With the bifurcation of the erstwhile UTI and several mergers taking place among different private sector funds, the MUTUAL FUND industry entered its fourth phase of consolidation.

Following the global melt-down in the year 2009, securities markets all over the world had tanked and so was the case in India. Most investors who had entered the capital market during the peak, had lost money and their faith in MUTUAL FUND products was shaken greatly. The abolition of Entry Load by SEBI, coupled with the after-effects of the global financial crisis, deepened the adverse impact on the Indian MUTUAL FUND Industry, which struggled to recover and remodel itself for over two years, to maintain its economic viability which is evident from the sluggish growth in MUTUAL FUND Industry AUM between 2010 to 2013

- FIFTH (CURRENT) PHASE – SINCE MAY 2014

Taking cognizance of the lack of penetration of MUTUAL FUNDs, especially in tier II and tier III cities, and the need for greater alignment of the interest of various stakeholders, SEBI introduced several progressive measures in September 2012 to "re-energize" the Indian Mutual Fund industry and increase Mutual Funds' penetration.

In due course, the measures did succeed in reversing the negative trend that had set in after the global melt-down and improved significantly after the new Government was formed at the Centre.

Since May 2014, the Industry has witnessed steady inflows and increase in the 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 about three years the AUM size had increased more than two folds and crossed ₹ 20 trillion (₹20 Lakh Crore) for the first time in August 2017. The AUM size crossed ₹ 30 trillion (₹30 Lakh Crore) for the first time in November 2020.

The overall size of the Indian MUTUAL FUND Industry has grown from ₹ 7.60 trillion as on 31st December 2012 to ₹ 39.89 trillion as on 31st December 2022, more than 5-fold increase in a span of 10 years.

The MUTUAL FUND Industry's AUM has grown from ₹ 21.27 trillion as on December 31, 2017, to ₹39.89 trillion as on December 31, 2022, around 2-fold increase in a span of 5 years.

The no. of investor folios has gone up from 6.65 crore folios as on 31-Dec-2017 to 14.11 crore as on 31-Dec-2022, more than 2-fold increase in a span of 5 years. On an average 12.44 lakh new folios are added every month in the last 5 years since December 2017.

The growth in the size of the industry has been possible due to the twin effects of the regulatory measures taken by SEBI in re-energizing the MUTUAL FUND Industry in September 2012 and the support from Mutual Fund distributors in expanding the retail base.
MUTUAL FUND Distributors have been providing the much-needed last mile connect with investors, particularly in smaller towns and this is not limited to just enabling investors to invest

in appropriate schemes, but also in helping investors stay on course through bouts of market volatility and thus experience the benefit of investing in mutual funds.

MUTUAL FUND distributors have also had a major role in popularizing Systematic Investment Plans (SIP) over the years. In April 2016, the no. of SIP accounts has crossed 1 crore mark and as on 31st December 2022 the total no. of SIP Accounts are 6.12 crore.

GLOBAL VIEW

- AMERICA

In America, investment perception and selection behaviour towards mutual funds has evolved overtime. Historically, mutual funds were seen as a stable and low-risk investment option suitable for conservative investors. However, with the growth of other investment options such as exchange- traded funds (ETFs) and rob-advisors, mutual funds have become more popular with a wider rangeof investors.

Investors tend to focus on factors such as past performance, fees, and the reputation of the fund management company when selecting mutual funds. Additionally, convenience, access to financial

advisors, and the availability of online tools and resources also play a role in investment decision-making.

Overall, the investment perception and selection behaviour towards mutual funds in America isbecoming increasingly diverse, as investors seek a range of options to meet their individual financial goals and risk tolerances.

- SWITZERLAND

In Switzerland, mutual funds are a popular investment option among both retail and institutionalinvestors. Swiss investors tend to view mutual funds as a convenient and accessible way to diversify their portfolios and achieve long-term investment goals.

Swiss investors place a high importance on the stability and security of their investments, and mutual funds are seen as a reliable option that can provide exposure to a wide range of assets while also reducing risk through diversification. Additionally, the country's long-standing tradition of private banking and wealth management has helped to establish mutual funds as a respected and trusted investment option.

When selecting mutual funds, Swiss investors tend to consider factors such as past performance, fund management expertise, fees, and the investment strategies used by the fund. Many investors also seek out funds that align with their values, such as environmentally responsible or socially responsible investments.

Overall, mutual funds are a well-established and highly regarded investment option in Switzerland and are widely used by investors to help achieve their financial goals and build wealth over the longterm.

- UNITED-KINGDOM

In the UK, mutual funds are a popular investment option due to their ease of access and potential for higher returns compared to traditional savings accounts. They offer a level of diversification andprofessional management, which appeals to many investors who want to grow their wealth over thelong term. Additionally, mutual funds are often seen as a suitable option for individuals who lack the time or expertise to manage their own investments. The perception of mutual funds as a reliableinvestment option has been further strengthened by regulatory measures such as the Financial Services Compensation Scheme, which provides protection for investors in the event of the fund manager's failure.

1.3 BRIEF PROFILE OF THE STUD

DEFINITION

A mutual fund is a professionally managed investment scheme, usually run by an asset management company that brings together a group of people and invests their money in stocks,bonds and other securities. A mutual fund is a pooled collection of assets that invests in stocks,bonds, and other securities.

When you buy a mutual fund, you get a more diversified holding than you would with an individualsecurity, and you can enjoy the convenience of automatic investing if you meet the minimum investment requirements.

ADVANTAGES

- LIQUIDITY

It is relatively easier to buy and exit a mutual fund scheme unless you opt for close-ended mutualfunds. You can sell your open-ended equity mutual fund units when the stock market is high andmake a profit. Do keep an eye on the exit load and expense ratio of the mutual fund.

- DIVERSIFICATION

Equity mutual funds have their share of risks as their performance is based on the stock market movements. Hence, the fund manager spreads your investment across stocks of companies acrossvarious industries and different sectors called diversification. In this way, when one asset class doesn't perform, the other sectors can compensate to avoid loss for investors.

- EXPERT MANAGEMENT

A mutual fund is good for investors who don't have the time or skills to do the research and asset allocation. A fund manager takes care of it all and makes decisions on what to do with your investment. The fund manager and the team of researchers decide on the appropriate securities suchas equity, debt or a mix of both depending on the investment objectives of the fund. Moreover, the fund manager also decides on how long to hold the securities. Your fund manager's reputation and track record in fund management should be an essential criterion for you to choose a mutual fund. The expense ratio (which cannot be more than 2.25% annualized of the daily net assets as per SEBI) includes the fees of the fund manager.

- <u>LESS COST FOR BULK TRANSACTIONS</u>

You must have noticed how price drops with the purchase of increased volumes. For instance, if a100g toothpaste costs Rs 10, you might get a 500g pack for say, Rs 40. The same logic applies to mutual fund units as well. If you buy multiple mutual fund units at a time, the processing fees andother commission charges will be lesser as compared to buying one mutual fund unit.

- <u>INVEST IN SMALLER DENOMINATIONS</u>

By investing in smaller denominations of as low as Rs 500 per SIP instalment, you can stagger yourinvestments in mutual funds over some time. This reduces the average cost of investment – you spread your investment across stock market lows and highs. Regular (monthly or quarterly) investments, as opposed to lumpsum investments, give you the benefit of rupee cost averaging.

- <u>SUITS YOUR FINANCIAL GOALS -</u>

There are several types of mutual funds available in India catering to investors across all walks oflife. No matter what your income is, you must make it a habit to set aside some amount (howeversmall) towards investments. It is easy to find a mutual fund that matches your income, time horizon, investment goals and risk appetite.

- <u>COST-EFFICIENCY</u>

You can check the expense ratio of different mutual funds and choose the one with the lowestexpense ratio. The expense ratio is the fee for managing your mutual fund.

- <u>QUICK AND HASSLE-FREE PROCESS</u>

You can start with one mutual fund and slowly diversify across funds to build your portfolio. It is easier to choose from handpicked funds that match your investment objectives and risk tolerance.Tracking mutual funds will be a hassle-free process. The fund manager, with the help of his team,will decide when, where and how to invest in securities according to the investment objectives. Inshort, their job is to beat the benchmark index and deliver maximum returns to investors, consistently.

- TAX-EFFICIENCY

You can invest in tax-saving mutual funds called ELSS which qualifies for tax deduction up to Rs 1.5 lakh per annum under Section 80C of the Income Tax Act, 1961. Though a 10% tax on Long- Term Capital Gains (LTCG) above Rs 1 lakh is applicable, they have consistently delivered higherreturns than other tax-saving instruments in recent years.

- AUTOMATED PAYMENTS

It is common to delay SIPs or postpone investments due to some reason. You can opt for paperlessautomation with your fund house or agent by submitting a SIP mandate, where you instruct your bank account to automatically deduct SIP amounts when it's due. Timely email and SMS notifications make sure you stay on track with mutual fund investments.

- SAFETY

There is a general notion that mutual funds are not as safe as bank products. This is a myth as fund houses are strictly under the purview of statutory government bodies like SEBI and AMFI. One caneasily verify the credentials of the fund house and the asset manager from SEBI. They also have an impartial grievance redressal platform that works in the interest of investors.

- SYSTEMATIC OR ONE-TIME INVESTMENT

You can plan your mutual fund investment as per your budget and convenience. For instance, starting a SIP (Systematic Investment Plan) on a monthly or quarterly basis in an equity fund suitsinvestors with less money. On the other hand, if you have a surplus amount, go for a one-time lumpsum investment in debt funds.

DISADVANTAGES

- COSTS OF MANAGING THE MUTUAL FUND

The salary of the market analysts and fund manager comes from the investors along with the operational costs of the fund. Total fund management charges are one of the first parameters toconsider when choosing a mutual fund. Higher management fees do not guarantee better fund performance.

- EXIT LOAD

You have exit load as fees charged by AMCs when exiting a mutual fund. It discourages investors from redeeming investments for some time. This indirectly works like a lock-in period that fund houses use to maintain stability of funds. It also helps the fund manager garner the required funds topurchase the appropriate securities at the right price and time.

- DILUTION

While diversification averages your risks of loss, it can also dilute your profits. Hence, you shouldnot invest in many mutual funds at a time. As you have just read above, the benefits of mutual funds can undoubtedly override the disadvantages, if you make informed choices. However, investors may not have the time, knowledge or patience to research and analyse different mutual funds.

TYPES OF MUTUAL FUNDS

There are different types of mutual funds in India.

Each fund type aims to achieve specific goals. Here are the most popular types of mutual funds youcan find:

TYPES OF FUNDS BASED ON ASSET CLASS

- DEBT FUNDS

Debt funds (also known as fixed-income funds) invest in assets like government securities and corporate bonds. These funds aim to offer reasonable returns to the investor and are considered relatively less risky. These funds are ideal if you aim for a steady income and are averse to risk.

- EQUITY FUNDS

In contrast to debt funds, equity funds invest your money in stocks. Capital appreciation is an important objective for these funds. But since the returns on equity funds are linked to market movements of stocks, these funds have a higher degree of risk. They are a good choice if you wantto invest for long term goals such as retirement planning or buying a house as the level of risk comes down over time.

- HYBRID FUNDS

What if you want equity as well as debt in your investment? Well, hybrid funds are the answer. Hybrid funds invest in a mix of both equity and fixed-income securities. Based on the allocationbetween equity and debt (asset allocation), hybrid funds are further classified into various sub- categories.

TYPES OF FUNDS BASED ON STRUCTURE:

- OPEN-ENDED MUTUAL FUNDS

Open-ended funds are mutual funds where an investor can invest on any business day. These fundsare bought and sold at their Net Asset Value (NAV). Open-ended funds are highly liquid because you can redeem your units from the fund on any business day at your convenience.

- CLOSE-ENDED MUTUAL FUNDS

Close-ended funds come with a pre-defined maturity period. Investors can invest in the fund only when it is launched and can withdraw their money from the fund only at the time of maturity. Thesefunds are listed just like shares in the stock market. However, they are not very liquid because trading volumes are very less

TYPES OF FUNDS BASED ON INVESTMENT OBJECTIVE

Mutual funds can also be classified basis investment objectives.

- GROWTH FUNDS

The main objective of growth funds is capital appreciation. These funds put a significant portion ofthe money in stocks. These funds can be relatively riskier due to high exposure to equity and henceit is good to invest in them for the long-term. But if you are nearing your goal, for example, you may want to avoid these funds.

- INCOME FUNDS

As the name suggests, income funds try to provide investors with a stable income. These are debtfunds that invest mostly in bonds, government securities and certificate of deposits, etc. They aresuitable for different -term goals and for investors with a lower-risk appetite.

- LIQUID FUNDS

Liquid funds put money in short-term money market instruments like treasury bills, Certificate ofDeposits (CDs), term deposits, commercial papers and so on. Liquid funds help to park your surplus money for a few days to a few months or create an emergency fund.

- TAX SAVING FUNDS

Tax saving funds offer you tax benefits under Section 80C of the Income Tax Act. When you investin these funds, you can claim deductions up to Rs 1.5 lakh each year. Equity Linked Saving Scheme(ELSS) are an example of tax saving funds

FEATURES OF MUTUAL FUNDS

Investors can accumulate a significant amount of wealth through investment in a diversified portfolio that comprises high-performing schemes. However, there are so many different fund houses and schemes to choose from that it can be overwhelming to select the right portfolio. This iswhen a professional fund manager can come to your rescue and ensure that your money is invested in the funds that will offer maximum returns.

Here are some of the key features of mutual funds:

- Smart, practical, and strategic investment instrument
- Professionally managed by qualified and experienced fund managers
- Risk mitigation through investments done in a diverse portfolio of securities.
- More liquid than other investment options in deposits, shares, and bonds
- Relatively lower expenses and fees regardless of the fund's performance
- Consistent in performance over a short, medium to long term period
- Highly flexible in terms of financial objectives, liquidity, and tenures
- Ample choice of investment catering to varied investor needs.
- Ease of trading and transacting the units on all the working days

MUTUAL FUND FEES, CHARGES, AND EXPENSES

Mutual funds are managed by Asset Management Companies that employ fund managers to handleeach scheme. Fund managers are assisted by a team of market experts and financial analysts.

Managing the expenses of these professionals whilst working towards overcoming market risks canbe a difficult task. It is for this reason that mutual fund houses charge fees to investors.

Asset Management Companies and fund managers grow in terms of reputation based on the fees or expense ratios charged by fund houses to investors. The better the performance of schemes managed by Asset Management Companies and fund managers, the better their reputation. The goal of Asset Management Companies and fund managers is to maximize returns and satisfy investors as doing so will help them acquire steady investments in the future. At the same time, their performance can attract new investors, thus increasing the company's Assets Under Management. However, to achieve these feats, operational costs are incurred by fund houses, and to cover these costs, fees, and charges are levied on investors.

The followings are the different mutual fund fees and charges in India.

- ENTRY LOAD

An entry load is basically the fee charged by a fund house to an investor when he/she buys units of a mutual fund. In August 2009, however, entry load was deferred by the Securities and Exchange Board of India.

- EXIT LOAD

An exit load is charged to an investor by a fund house when he/she redeems the units of a mutual fund. Exit loads are not fixed and can vary from scheme to scheme. Exit loads range from 0.25% to 4% based on the kind of scheme in which you invest. The fee is determined by the fund house, and the main reason for the levy of an exit load is to ensure that investors remain invested in the scheme for a certain period.

- MANAGEMENT FEES

These fees are collected from investors to pay off fund managers for the services they render to manage the scheme.

- ACCOUNT FEES

Account fees are sometimes charged by Asset Management Companies when investors fail to meet the minimum balance requirement. These fees are subtracted from the investor's portfolio.

- SERVICE FEES AND DISTRIBUTION FEES

These fees are collected by Asset Management Companies for the printing, mailing, and marketing expenses incurred by them.

- SWITCH FEE

Several mutual fund schemes allow investors to switch their investments from one scheme to another. The fee charged for this service is called the switch fee.

REGULATORY FRAMEWORK

- INDIAN SECURITIES AND EXCHANGE COMMISSION (SEBI)

The Government of India is the main regulatory body of all groups. These groups raise capital inthe capital markets or invest in securities in capital markets such as stocks and listed bonds.

Investment funds have become important investors in stock market securities. They are therefore under SEBI's jurisdiction. SEBI authorizes all investment funds, including investment sites, to comply with investment restrictions and restrictions, how to record revenue and expenses, how to disclose information to investors, and how to protect investors in general. To protect investors' interests, SEBI develops policies and regulates investment funds. This rule applies to investment funds promoted by public or private institutions, including investment funds promoting foreign institutions. SEBI's Asset Management Corporation (AMC) manages funds by investing in variousprograms from the funds it manages. According to SEBI regulations, two-thirds of board membersor members of a trustworthy independent company.

- INVESTMENT TRUST ASSOCIATION (AMFI) IN INDIA:

With the growth of Indian investment trusts, India needs to establish mutual fund associations as anon-profit organization. The Indian Investment Trust Association (AMFI) was established on August 22, 1995, AMFI is the highest authority of all asset management companies (AMCs) registered with SEBI. To date, all asset management companies have been members of the mutualfund program. It operates under the supervision and guidance of the board of directors.

FACTORS INFLUENCING INVESTMENT PERCEPTION AND SELECTIONBEHAVIOUR

- RISK PERCEPTION

The perceived risk of a mutual fund is a crucial factor in the investment decision-making process.Investors may have different risk appetites, and they tend to prefer mutual funds that align with their risk preferences.

- RETURN EXPECTATIONS

Investors typically invest in mutual funds with the expectation of earning higher returns than theinflation rate. The expected returns of a mutual fund are influenced by factors such as the investment objective, fund manager's expertise, and market conditions.

- REPUTATION OF THE FUND HOUSE

The reputation of the mutual fund house that manages the mutual fund is an important factor in theinvestment decision-making process. A mutual fund with a good track record of generating returnsfor investors is likely to attract new investors.

- INVESTMENT OBJECTIVE

The investment objective of the mutual fund is another important factor that influences investor behaviour. For instance, investors with a short-term investment horizon may prefer debt funds, while those with a long-term horizon may opt for equity funds.

- FEES AND EXPENSES

Mutual funds charge fees and expenses, which may vary across different funds. Investors tend toprefer mutual funds with lower fees and expenses.

- PAST PERFORMANCE

Past performance is an important factor that investors consider while making investment decisions.However, it is important to note that past performance is not a guarantee of future performance.

- DIVERSIFICATION

Mutual funds offer investors a diversified portfolio of securities, which can help to reduce the overall risk of the portfolio. Investors tend to prefer mutual funds that are well-diversified acrossdifferent sectors and asset classes.

1.4 SELECTION AND RELEVANCE OF TOPIC

The Master of Banking and Finance stream is all about an in-depth knowledge of banking and finance. It includes variety of topics related to different banks, finance companies, money market, investment behaviour etc. Considering all these aspects, I have chosen the topic named "Investment perception and selection behaviour towards mutual funds". This topic is about how investors select and prefer mutual funds. The relevance of mutual fund selection as an investment topic as mutual funds continue to be a popular investment option for individual investors seeking exposure to a diverse range of assets. It's important for investors to conduct their own research and seek professional advice when selecting mutual funds to ensure that their investment choices align with their individual financial goals and risk tolerance.

CHAPTER 02 – LITERATURE REVIEW

2.1 INTRODUCTION OF LITERATURE

MEANING OF LITERATURE REVIEW

A literature review is a critical analysis and summary of existing published research and academicliterature on a particular topic or research question. It involves a systematic search of relevant databases, journals, books, and other academic sources. The review should include a summary of the key themes, trends, and debates in the literature and a critical evaluation of the strengths and weaknesses of the studies. It is an essential component of any research project as it provides a foundation for developing research questions, hypotheses, and research methodologies. It is a valuable tool for researchers to gain a thorough understanding of the current state of research in their field and identify opportunities for further investigation.

IMPORTANCE OF LITERATURE REVIEW

A literature review is an important component of research in any field of study, including business,social sciences, and the humanities.

Here are some reasons why literature reviews are important:

- IDENTIFYING GAPS IN KNOWLEDGE

A literature review allows researchers to identify gaps in the existing research on a particular topic,which can help to guide future research and establish research questions and hypotheses.

- BUILDING A STRONG FOUNDATION

A literature review helps to establish a strong foundation for a research study by providing contextand background information on the topic of study. This helps to situate the research within a broader field of knowledge and can improve the overall quality of the research.

- ASSESSING THE QUALITY OF RESEARCH

A literature review can help to assess the quality of research on a particular topic by identifying themost influential and well-regarded studies, as well as areas where more research is needed.

- IDENTIFYING TRENDS AND PATTERNS

By reviewing a large body of research, a literature review can identify trends and patterns in theresearch, which can provide insights into the development of the field of study and can help to guide future research.

- ENHANCING RESEARCH RIGOUR

A literature review can help to enhance the rigor of a research study by ensuring that the research isinformed by the most up-to-date and relevant knowledge in the field.

- IMPROVING THEORETICAL FRAMEWORKS

A literature review can help to improve theoretical frameworks by providing new insights andperspectives on the topic of study, which can help to refine and develop theoretical models.

Overall, a literature review is an important step in the research process that can help to guide the development of research questions, improve the quality of research, and enhance our understandingof a particular field of study.

2.2 LITERATURE REVIEW ON MUTUAL FUND INVESTMENT BEHAVIOUR

A literature review on mutual funds investment behavior involves an analysis of the existingresearch and academic literature.

Some of the key themes and findings that may be included in such a review are:

- INVESTOR CHARACTERISTICS

Several studies have shown that investor characteristics such as age, gender, education, income, and investment experience play a significant role in determining mutual fund investment behaviour. For example, older investors tend to be more risk-averse, while younger investors may be more willing to take risks.

- INVESTMENT OBJECTIVES

Investors have different investment objectives, which may affect their investment behaviour. Someinvestors may be more focused on capital preservation, while others may be more interested in capital appreciation or generating income.

- INVESTMENT KNOWLEDGE

Studies have shown that investors with greater knowledge of mutual funds tend to make better investment decisions. They are more likely to select funds with lower expenses, higher returns, andlower risk.

- INVESTMENT DECISIONS

Several studies have examined the decision-making process of mutual fund investors. The findings suggest that investors tend to rely on past performance, fund ratings, and recommendations from friends and family when making investment decisions.

- RISK PERCEPTION

Investors' risk perception is an important factor that influences mutual fund investment behaviour.Some investors may have a high-risk tolerance and be willing to invest in funds with higher volatility, while others may have a low risk tolerance and prefer more stable funds.

- MARKET CONDITIONS

The market conditions can also affect mutual fund investment behaviour. During bull markets, investors may be more willing to take risks and invest in high-risk, high-return funds. During bearmarkets, investors may be more risk-averse and invest in more stable funds.

Overall, a literature review on mutual funds investment behaviour would provide a comprehensive overview of the factors that influence investors' decisions and behaviours when investing in mutualfunds. Such a review would be valuable for financial advisors, fund managers, and individual investors looking to make informed investment decisions.

2.3 RESEARCH ANALYSIS

Mutual Funds are a much researched & attention gaining topic of today'sfinancial world. MutualFunds create a pool of investment by investors to invest in stocks and other securities under the management of professionals (Investopedia). Researchers have done a lot of research on mutual funds & its various different aspects. The focus of most of the research is mainly on the fund's performance & investor's expectations of risk and return in comparison with other funds.

Researchers like Sharpe and Michael C. Jensen focused on measuring the Funds' performance.

Sharpe (1966) and Walia, (2009) used the sharp ratio in order to measure the risk adjustedperformance of mutual funds by analyzing 34 open ended mutual funds. Results from his work revealed that the capital market was efficient.

Jensen (1967) introduced the Jensen alpha to measure the risk adjusted performance of portfolio.Besides examining and studying the fund's performance and evaluating the risk and return some researchers also focuses on studying the relationship between the demographic and environmental variables with respect to the investor's perception regarding the mutual funds and also on the role of information and the direction of investment in mutual funds.

Jambodekar (1996) conducted a study to find out the direction of investment in the mutual funds by the investor's. The study showed that the investor's main priority of investment are theopen ended schemes as compared to the close ended and the Govt. schemes. The study also revealed that most of the investors generally used newspapers as the main source of information.

The Gorden et al. (1998) did a study to assess the mutual fund shareholder's characteristics, knowledge and sources of information. This study reveals that in America, mutual fund investors are older, wealthy and are more educated as compared to average Americans. Results of the study revealed that investor's knowledge about the expenses and risks associated with the investment in the mutual funds can make mutual funds option more attractive, useful and helpful to the investor. This study also stated that knowledgeable investors will be more comfortable in investing in mutualfunds and will be able to select mutual funds schemes in a better way according to his/her risk tolerance.

Shanmugham (2000) analysed the role of information in investment decisions. They conductedthe research to study the different sources of information on which investor's usually rely on while selecting between investment choices. The study shows that the different factors that affect the investor's decision include social, psychological and also economical.

Jorden et al. (2002) used the concept of marketing to analyze the impact of marketing strategies on investor's mind. They study the impact of marketing strategies on creating a positiveperception of mutual funds in the minds of the investors. The research shows that the effective marketing and advertising strategies for the purpose of promoting mutual funds is of high importance due to the presence of high competition and frequent changes in today's financial market structure.

Black et al. (2006) studied the impact of investor's lifestyle & other environmental factors ontheir selection of financial products & distribution channel along with the product image.

Kavitha (2006) based on her worked while studying the fund selection behavior of individual investor towards mutual funds, analyzed that individual who does not have time, financial knowledge or experience cannot make useful judgments about investments. The study shows that India has the large population living in urban and semi-urban areas which are still untapped. Potential investors living in these areas can be convinced by identifying their expectations and riskpreference to invest in mutual funds.

Kozup et al. (2008) Another research that correlates the importance of availability of information to investor with investment decision was carried out. Their research signifies that if theinvestors are provided with high level of information and that information is presented in an effective manner, the study shows that it has influenced the investor's desire of choosing mutual funds as investment scheme and the investor is willing to take the risk associated with the mutual funds to meet his or her financial goals and objective of having high return at acceptable level of risk. The study also shows that having some prior knowledge about mutual funds is also helpful to influence the investor's perception towards investment in the mutual funds. Specifically high level of knowledge can help investor to use financial information in a better way which can enable the investor to compare information like risks, expenses, returns and tax implication. Significant no of researcher not only in India but also worldwide focuses on the different dimensions of perception.

Walia and Kiran (2009) conducted the survey to analyze the risk and return perception of investors regarding the mutual funds. The result showed that professionalism and good customer services are the two factors that had an immense impact on the investor's perception regarding themutual funds. Besides these two, the good image also contributes significantly in developing the investor's perception.

Ahmed et al. (2011) also studied and used the dimension of Investor's perception. They conducted a study to examine the perception of investors towards risk and return in investment opportunity. In this research, several demographic variables were taken into account, but the study reveals that when investor is more educated, he/she will be more risk tolerant and he will have a better understanding of the investment opportunities. The second aspect of the research is the salarylevel or income. If investor's income increases, he/she can broaden their investment horizon and can make investment decision in a better way.

Saini et al. (2011) conducted a study in India to gauge the investors' awareness and perceptionabout the mutual funds in India. The factors that had been taken into account in the research were expertise, safety, liquidity, diversification, tax benefit, regular income, and regular savings. Factors that attract the investors the most were the fund's past performance, past dividend records and stability of the return. Study also revealed that in India, main objective of investors for opting to invest in mutual funds is the tax benefits which were followed by high return and the safety that themutual funds provide. This study also revealed the fact that on the basis of age, occupation, and income, majority of the people believe that through appropriate communication and providing necessary education to investors for making an investment in mutual funds can encourage the investors to make investments in various different mutual funds schemes. The research also highlighted that some of the major factors that are a matter of concern for most of the potential investors are that the mutual funds managers often are unable to provide the necessary transparency, periodical statements and the necessary information that are essential for the purposeof creating good awareness.

Pandey (2011) focuses on the behavior aspect of the investor. His researched topic was "Investor's Behavior: Mutual Funds", In which he studied that in spite of several payments, whichmutual funds compromise to retail financiers, there are little risks convoluted while capitalizing inthis prospect. There can be downside risk associated, which is the risk perceived of suffering financial damage caused by undesirable deviation of returns, certainly, Mutual Funds is not a unwavering market, and the apparent variation in returns over a time period leads towards market volatility. Beside with this type of risk, there is a persistent sense of vagueness amongst financiersbecause of lack of statistics, information and absence of self-competence.

Singh (2012) also focuses on investor's attitude toward the mutual funds and investor's income level. In his study he examined the investors' attitude towards the mutual funds as an investment option in India. The study revealed the fact that there is a notable association that exists between theincome and the attitude of the investor towards mutual funds. The study also showed that there is a positive relation that exists between the level of education and attitude of investor towards the mutual funds. The study also implies that various factors are involved in decision making of investor to make investment in mutual funds. These factors predominately are return potential that an investor expects, transparency, liquidity, flexibility of investor and affordability of investment.
The most dominant factor for investor as per this study is the return potential which is in most casesthe first priority of investors in India whereas the affordability is the least priority of investors to invest in mutual funds.

Jain and Mandot (2012) also studied the effects of demographic factors on the investor's decision making process. The study shows that different demographic factors such as age, gender, occupation etc. had a notable effect on a person's willingness and whether to be risk averse of a risktaker when it comes to making investment decisions.

Sharma (2012) conducted a research to examine the Indian investor's perception towards the mutual funds. In this research, it was explored that the investment in mutual funds depends on thelevel of information provided to the investors. If investors will be provided with regular updates along with the assurance that the investment of investors will be safe and that it will provide monetary benefits in the future to them, the investors will be more satisfied and will be far more willing to invest in the mutual funds as compared to the absence of information and assurance aboutthe investment.

Prathab et al. (2013) in a study examines the awareness level and satisfaction of people in Tamil Nadu India relating to factors rate of return, liquidity, safety and security, tax consideration, capital gain, growth prospects, role of financial advisors and fund managers, maturity period, market knowledge, regulatory rules and regulations, lacking in services of mutual fund asset management companies and challenges faced by Indian mutual fund industry. This study revealed that investors have high level of awareness towards mutual funds in India and they consider mutualfund as safe option for their investment which not only provide them high returns but enhance theirwealth at a minimum level of risk.

Padmaja (2013) conducted a study to analyze the perception and awareness level of investors towards the mutual funds. Results show that investors in general are more inclined in considering the conventional methods of investment as saving options such as investment in gold, or fixed deposits. This is mainly down to a lack of information as the investors do not have a good idea that how do mutual funds work. As a result, many investors are reluctant about opting for mutual funds.And in most cases, people who are even investing in mutual funds are also not clear about the mutual funds functions and operations. As a result, the mutual funds management should clearly provide all the relevant information to investors in order to avoid any sort of ambiguity and to buildan environment of mutual trust.

Kumar &Wari (2014) conducted the research on the major factors that affect the investor's decision making process. The results suggest that a person prioritize the investment decision based on certain factors such as awareness, environment, exposure, intensions, beliefs, responsibilities and so on. They further suggested that the household investment decision or preference is in generalbased on their perception or level of their risk acceptance. The results also revealed that there is a strong relation between the income levels of the individuals and their investment decisions.

Qureshi (2014). Their results shows that the demographic factors have a major influence on the investor's decision making process because of the presence of both risk seekers and risk averse in the market. It was also observed by them that the majority of the sample was not even aware of howmutual funds actually work. They also experienced that those who responded also have an ambiguity regarding the investment venue and procedure. They also suggest that different

demographic factors such as education level, income, gender in contrast to age and occupation hada significant impact on the investment decision.

Nair & Sai (2015) suggests that the investment decisions of investors are impacted by theirexpectation the returns, tax benefits, price and capital gain.

2.4 RESEARCH GAP

- There is a need for more studies that examine the impact of information and communication technologies (ICTs) on mutual fund selection and investment behaviour.
- For example, the research could explore the impact of online platforms and rob-advisors oninvestor behaviour and the quality of investment advice provided, and how these technologies are changing the mutual fund industry.
- Another research gap could be the lack of studies that investigate the role of financial advisors and other intermediaries in mutual fund selection and investment behaviour. Although many investors rely on financial consultants to assist them in making investmentdecisions, little is known about how these intermediaries affect investor behavior and the calibre of the advice given.
- More research is required to examine the impact of behavioural biases and heuristics onmutual fund selection and investment decisions.
- For example, the research could investigate the impact of cognitive biases like loss aversion,anchoring, and herding behavior on investor decision-making processes, as well as how these biases can be addressed to promote more informed investment decisions and better outcomes for investors.

CHAPTER 3 – RESEARCH METHODOLOGY

3.1 OBJECTIVES OF THE STUDY

- To determine the level of mutual fund investor awareness
- To identify the factors that influence people's perceptions of mutual funds as an investmentoption.
- To investigate the factors that contribute to the popularity of Mutual Funds as an investmentvehicle.

3.2 <u>HYPOTHESIS</u>

MEANING OF HYPOTHESIS

A hypothesis is a proposed explanation or tentative answer to a research question or problem, based on existing theories, previous research, or empirical evidence. It is a statement that expresses a relationship between two or more variables and is often used to guide the research process.

Hypotheses are important in the research process because they help to guide the research design and provide a framework for collecting and analyzing data. They also help to ensure that the research is conducted in a rigorous and systematic manner, and that the results are interpretable andgeneralizable to other populations or contexts.

A hypothesis is not a definitive answer or conclusion, but rather a starting point for investigation. Through the research process, hypotheses may be refined, modified, or rejected based on the evidence collected, and new hypotheses may be developed to explain unexpected findings.

TYPES OF HYPOTHESES

In research, a hypothesis is an educated guess or prediction about the relationship between two ormore variables.

Hypotheses can be classified into different types based on the nature of the relationship theypropose, the direction of the relationship, and the level of specificity.

Some common types of hypotheses include:

- <u>NULL HYPOTHESIS</u>

This type of hypothesis suggests that there is no relationship between the variables underinvestigation. It is usually denoted as H0.

- <u>ALTERNATIVE HYPOTHESIS</u>

Also called the research hypothesis, this type of hypothesis proposes that there is a relationshipbetween the variables. It is usually denoted as Ha.

- DIRECTIONAL HYPOTHESIS

This type of hypothesis proposes the direction of the relationship between the variables. For example, "Increasing study time will improve test scores" is a directional hypothesis that suggests apositive relationship between study time and test scores.

- NON-DIRECTIONAL HYPOTHESIS

This type of hypothesis does not propose the direction of the relationship between the variables. Forexample, "There is a relationship between study time and test scores" is a non-directional hypothesis.

- DESCRIPTIVE HYPOTHESIS

This type of hypothesis describes the relationship between the variables without making anypredictions or explanations.

- CAUSAL HYPOTHESIS

This type of hypothesis proposes a cause-and-effect relationship between the variables. For example, "Increasing study time causes an improvement in test scores" is a causal hypothesis.

- STATISTICAL HYPOTHESIS

This type of hypothesis is formulated to be tested with statistical analysis. It includes parameterssuch as means, variances, and correlations.

IMPORTANCE OF HYPOTHESIS

Hypotheses are an important part of the research process for several reasons:

- FOCUSES THE RESEARCH.

A hypothesis helps to focus the research and guides the research process. It provides a clear idea ofwhat the research aims to investigate and what questions need to be answered.

- PROVIDES A FRAMEWORK FOR THE RESEARCH.

A hypothesis provides a framework for the research, helping researchers to structure theirinvestigations and analyze the results.

- OFFERS A TESTABLE STATEMENT.

A hypothesis offers a testable statement that can be confirmed or disproved through data analysis.This makes the research more rigorous and scientific.

- INCREASES THE CREDIBILITY OF THE RESEARCH.

Hypotheses make research more credible by demonstrating that the research has been thoughtfullyplanned and that there is a clear justification for the research question.

- HELPS TO AVOID BIAS.

Having a hypothesis helps researchers to avoid bias by guiding them to collect data that is relevantand meaningful for answering the research question.

- FACILITATES COMMUNICATION.

A hypothesis provides a common language for researchers to communicate their ideas and results,making it easier for others to understand and evaluate their work.

- CONSISTENCY

A hypothesis should be consistent with existing knowledge and theories, and it should be consistentwith the results of previous research.

SOURCES OF HYPOTHESIS

There are several sources of hypotheses in research, including:

- EMPIRICAL OBSERVATIONS

Hypotheses can arise from empirical observations made while conducting research. Researchersmay notice a pattern, trend, or relationship in the data that leads them to formulate a hypothesis.

- EXISTING THEORIES

Hypotheses can be based on existing theories in the field. Researchers may seek to test or extend atheory through the formulation of a hypothesis.

- LITERATURE REVIEW

Hypotheses can be generated through a review of the existing literature on the research topic. Researchers may identify gaps or inconsistencies in the literature that suggest the need for furtherinvestigation.

- PERSONAL EXPERIENCE

Hypotheses can be based on personal experience or anecdotal evidence. Researchers may draw ontheir own experiences or observations to formulate a hypothesis.

- EXPERT OPINION

Hypotheses can arise from expert opinion or advice from colleagues. Researchers may consult withexperts in the field to develop hypotheses or refine their research questions.

- LOGICAL REASONING

Hypotheses can be formulated through logical reasoning and deduction. Researchers may use alogical framework to generate hypotheses based on prior knowledge and observations.

The sources of hypotheses in research are diverse and can arise from a variety of sources, includingempirical observations, existing theories, literature reviews, personal experience, expert opinion, and logical reasoning.

HYPOTHESIS FOR THE STUDY

- ALTERNATE HYPOTHESIS (H1)

The investment selection and preference behaviour towards mutual fund is influenced byindividual's risk tolerance, investment knowledge and financial goals.

- NULL HYPOTHESIS (H0)

The investment selection and preference behaviour towards mutual fund is not influenced byindividual's risk tolerance, investment knowledge and financial goals.

3.3 SCOPE OF STUDY

- The scope of a study on investment perception and selection behavior towards mutual fundsinvolves investigating how individuals perceive mutual funds as an investment option and what factors influence their investment decisions.
- The study focuses on investment behavior, factors influencing investment behavior, demographic and emotional factors, information sources, and comparison with otherinvestment options such as stocks, bonds, and real estate.
- To assess an awareness of mutual funds among investors and to explore the factors responsible for preferring the mutual fund as an investment option over other investmentoptions available & vice-versa.
- The main objective of the study is concerned with getting the opinion of investors regardingmutual funds risk, return and safety preferences.

3.4LIMITATIONS OF THE STUDY

This research is not free from limitations.

- Firstly, the results of this study are based on the data collected from the banking sector andhas been carried out within the city of thane. The lack of geographical variation may meanthese results may not be reflective of values of customers in other areas.
- The research was conducted on a limited budget, since the technological opportunities arefreely available today, researcher decided to conduct the survey through a google form.
- There is possibility of error in data collection because many respondents may not havegiven actual answer of the questionnaire.
- Bias can be a major issue regarding any research. Responses received may be inaccuratebecause of internet bias by the respondents.
- Time-consuming to collect the data. It takes longer time for the respondents to complete thequestions. This is a problem as a smaller size may be obtained.
- Respondents also initially ignored or forget to give response. For that, they are frequentlyrequested through calls, messages to fill the form that I provided to them.

3.5 DATA COLLECTION METHODS

Data collection methods are techniques used to gather information and data for research purposes.There are several data collection methods available, and the choice of method depends on the research question, the type of data required, and the available resources.

Some common data collection methods include:

- ### PRIMARY DATA COLLECTION METHOD

Primary research is data which is obtained first-hand. This means that the researcher conducts theresearch themselves or commissions the data to be collected on their behalf. Primary research means going directly to the source, rather than relying on pre-existing data samples. This type of research is particularly relevant where the data collected needs to be specific to the context.

For example, a company may perform primary market research to discover customer perceptions oftheir brand. This could not be collected from any existing data source as it is unique to the business.Primary research can also help to position a person or company as an authoritative figure in the field. The research may then be quoted by other authors, who reference the original researcher as the source, further increasing their position. However, the researcher retains full control over the data, as the data owner.

Primary data collection is the process of gathering original data directly from the source for a specific research purpose. The data is collected by the researcher or research team, and it is notpreviously available or published. Primary data collection methods are used when the researchquestion cannot be answered by existing data or when the existing data is insufficient for the research purpose.

Primary data collection methods can provide rich and detailed data, allowing researchers to answerspecific research questions in depth. However, primary data collection can also be time-consumingand expensive, and requires careful planning and implementation to ensure the data is valid and reliable.

• SECONDARY DATA COLLECTION

Secondary data refers to data that has already been collected by someone else for a different purpose and is available for use in new research. Secondary data can come from a wide range of sources, including government agencies, academic institutions, research organizations, and privatecompanies.

Some examples of secondary data sources include:

- GOVERNMENT STATISTICS

Government agencies collect a wide range of data on topics such as demographics, economics,health, and education, which can be used for research purposes

- ACADEMIC LITERATURE

Published research articles, books, and reports can provide valuable secondary data on a wide rangeof topics.

- MARKET RESEARCH REPORTS

Private companies and market research firms collect data on consumer behaviour, market trends,and other business-related information.

- SOCIAL MEDIA

Social media platforms like Twitter, Facebook, and LinkedIn can provide valuable data on publicopinion, consumer behaviour, and social trends.

- HISTORICAL DOCUMENTS

Historical documents such as archives, newspapers, and diaries can provide insights into pastevents and behaviours.

- ORGANIZATIONAL DATA

Organizations may have internal data sources such as sales records, customer databases, oremployee performance data that can be used for research purposes.

SAMPLE SIZE

65 respondents were selected as sample size for the research project.

GEOGRAPHICAL AREA OF THE RESEARCH

The respondents belong to Thane local areas.

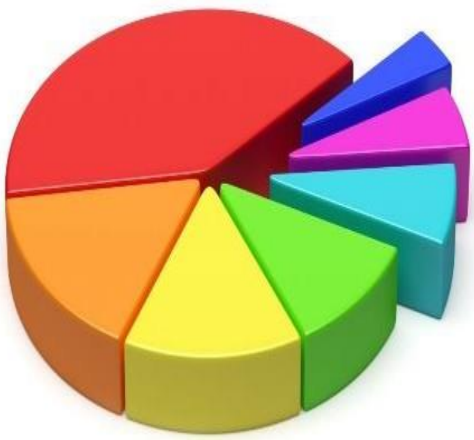
AGE GROUP UNDER STUDY

Individuals from every age group were considered under the research study to know how investors select and prefer mutual fund as an investment option under different demographic factors.

TOOLS AND TECHNIQUES USED

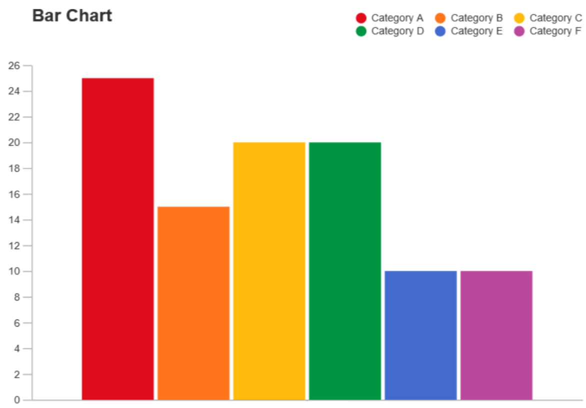
- PIE CHARTS

A pie chart is a type of graph that represents the data in the circular graph. The slices of pie show the relative size of the data, and it is a type of pictorial representation of data. A pie chart requires alist of categorical variables and numerical variables. Here, the term “pie” represents the whole, andthe “slices” represent the parts of the whole.



- <u>BAR GRAPHS</u>

A bar chart or bar graph is a chart or graph that presents categorical data with rectangular bars withheights or lengths proportional to the values that they represent. The bars can be plotted vertically or horizontally. A vertical bar chart is sometimes called a column chart. A bar graph shows comparisons among discrete categories. One axis of the chart shows the specific categories being compared, and the other axis represents a measured value.



<u>CHAPTER 04</u> –

DATAANALYSIS, INTERPRETATION & PRESENTATION

4.1 COMPANY PROFILE OF MUTUAL FUND

The investment fund industry is one of the emerging industries in India. Currently, there are 40 players in the mutual fund company in India. The number of players in public places has decreasedfrom 11 to 5. The public place was gradually demoted to legacy as it caught up with the big wave of the market in proportion to the players in the private land.

The Investment Trusts Association in India is a business entity that promotes the growth of investment trust companies in India. It enforces an experienced and vigorous position in identifyingthe steps that need to be taken to protect investors and encourage the field of mutual funding.

It is worth noting that the. AMFI is not a self-regulatory company (SOR) and that the hints do not bind the members of the company. By its very nature, AMFI plays the role of advisor or counsellorwithin a mutual price point company. The recommendations emerge as mandatory and most convenient if they are included in the regulatory framework that the Securities and Exchange Commission (SEBI) of India has prescribed for mutual budgeting.

Indian mutual fund companies follow a three-tier system as demonstrated below.

- ✓ Sponsor
- ✓ Trust
- ✓ Asset management

- SPONSOR

Sponsors are those who are thinking of starting a mutual fund. Sponsors will conduct SEBI routine procedures for market regulators and also0mutual fund. Not everyone can start a joint fund. SEBI grants the right to open a joint fund for integrity. This is because the financial quarters and the largespending on the sector and the simple factors they should make are simple factors.

- TRUST

Once SEBI is satisfied with the proposed sponsor's credibility and eligibility, the sponsor then agrees to the Indian Trust Act of 1882, and the trust cannot enter into a contract because it has no criminal identity in India. Therefore, the trustee is a legal individual to act on behalf of believing. The contract is in the name of the trustee. Once the trust is created, it is registered with SEBI and isknown as a general trust fund.

- ASSET MANAGEMENT

The trustee appoints AMC, which has been established as a corporation, to manage the cash of the investor. In the case of mutual funds, AMC pays for the service instead of this money management.This price must be an investor and is deducted from the money raised by them.

4.2 DATA PROCESSING

MEANING

Data processing occurs when data is collected and translated into usable information. Usually performed by a data scientist or team of data scientists, it is important for data processing to bedone correctly as not to negatively affect the product, or data output.

Data processing starts with data in its raw form and converts it into a more readable format (graphs,documents, etc.), giving it the form and context necessary to be interpreted by computers and utilized by employees throughout an organization.

Stages of data processing

- DATA COLLECTION

Collecting data is the first step in data processing. Data is pulled from available sources, includingdata lakes and data warehouses. It is important that the data sources available are trustworthy and well-built, so the data collected (and later used as information) is of the highest possible quality.

- DATA PREPARATION

Once the data is collected, it then enters the data preparation stage. Data preparation, often referredto as "pre-processing" is the stage at which raw data is cleaned up and organized for the following stage of data processing. During preparation, raw data is diligently checked for any errors. The purpose of this step is to eliminate bad data (redundant, incomplete, or incorrect data) and begin tocreate high-quality data for the best business intelligence.

- DATA INPUT

The clean data is then entered into its destination (perhaps a CRM like Salesforce or a data warehouse like Redshift) and translated into a language that it can understand. Data input is the firststage in which raw data begins to take the form of usable information.

- DATA PROCESSING

During this stage, the data inputted to the computer in the previous stage is processed for interpretation. Processing is done using machine learning algorithms, though the process itself mayvary slightly depending on the source of data being processed (data lakes, social networks, connected devices etc.) and its intended use (examining advertising patterns, medical diagnosis from connected devices, determining customer needs, etc.).

- DATA OUTPUT/INTERPRETATION

The output/interpretation stage is the stage at which data is finally usable to non-data scientists. It istranslated, readable, and often in the form of graphs, videos, images, plain text, etc.). Members of the company or institution can now begin to self-serve the data for their own data analytics project

4.3 DATA ANALYSIS

MEANING

Data analysis is a process of inspecting, cleansing, transforming, and modeling data with the goal of discovering useful information, informing conclusions, and supporting decision-making. Data analysis has multiple facets and approaches, encompassing diverse techniques under a variety of names, and is used in different business, science, and social science domains. In today's business world, data analysis plays a role in making decisions more scientific and helping businesses operate more effectively.

DATA INTERPRETATION

MEANING

Data interpretation is the process of reviewing data and drawing meaningful conclusions using a variety of analytical approaches. Data interpretation aids researchers in categorizing, manipulating, and summarizing data in order to make sound business decisions. The end goal for a data interpretation project is to develop a good marketing strategy or to expand its client user base.

There are certain steps followed to conduct data interpretation:

- ✓ Putting together the data you’ll need (neglecting irrelevant data)
- ✓ Developing the initial research or identifying the most important inputs.
- ✓ Sorting and filtering of data.
- ✓ Forming conclusions on the data.
- ✓ Developing recommendations or practical solutions.

Finally, data interpretation aids in the improvement of processes and the identification of issues.Without at least some data gathering and analysis, it is difficult to expand and make consistent changes.

TYPES OF DATA INTERPRETATION

The purpose of data interpretation is to assist individuals in understanding numerical data that hasbeen gathered, evaluated, and presented.

QUALITATIVE DATA INTERPRETATION

MEANING

To evaluate qualitative data, also known as categorical data, the qualitative data interpretation approach is utilized. Words, instead of numbers or patterns, are used to describe data in this technique. Unlike quantitative data, which can be studied immediately after collecting and sortingit, qualitative data must first be converted into numbers before being analyzed. This is since analyzing texts in their original condition is frequently time-consuming and results in a high number of mistakes.

The analyst's coding should also be defined so that it may be reused and evaluated by others.

- ✓ Observations: a description of the behavioral patterns seen in a group of people. The length of time spent on an activity, the sort of activity, and the form of communication used mightall be examples of these patterns.
- ✓ Groups of people: To develop a collaborative discussion about a study issue, group peopleand ask them pertinent questions.
- ✓ Research: Like how patterns of behavior may be noticed, different forms of documentationresources can be classified and split into categories based on the type of information they include.
- ✓ Interviews are one of the most effective ways to get narrative data. Themes, topics, and categories can be used to group inquiry replies. The interview method enables extremelytargeted data segmentation.

The following methods are commonly used to produce qualitative data:

- ✓ Transcripts of interviews
- ✓ Questionnaires with open-ended answers
- ✓ Transcripts from call centers
- ✓ Documents and texts
- ✓ Audio and video recordings are available.
- ✓ Notes from the field

QUANTITATIVE DATA INTERPRETATION

MEANING

Quantitative data, often known as numerical data, is analyzed using the quantitative data interpretation approach. Because this data type contains numbers, it is examined using numbers rather than words. Quantitative analysis is a collection of procedures for analyzing numerical data.It frequently requires the application of statistical modeling techniques such as standard deviation,mean, and median.

- ✓ MEDIAN

The median is the middle value in a list of numbers that have been sorted ascending or descending,and it might be more descriptive of the data set than the average.

- ✓ MEAN

The basic mathematical average of two or more values is called a mean. The arithmetic mean approach, which utilizes the sum of the values in the series, and the geometric mean method, whichis the average number of products, are two ways to determine the mean for a given collection of numbers.

- ✓ STANDARD DEVIATION

The positive square root of the variance is the standard deviation. One of the most fundamental approaches to statistical analysis is the standard deviation. A low standard deviation indicates thatthe values are near to the mean, whereas a large standard deviation indicates that the values are significantly different from the mean.

VISUALIZATION TECHNIQUES IN DATA INTERPRETATION

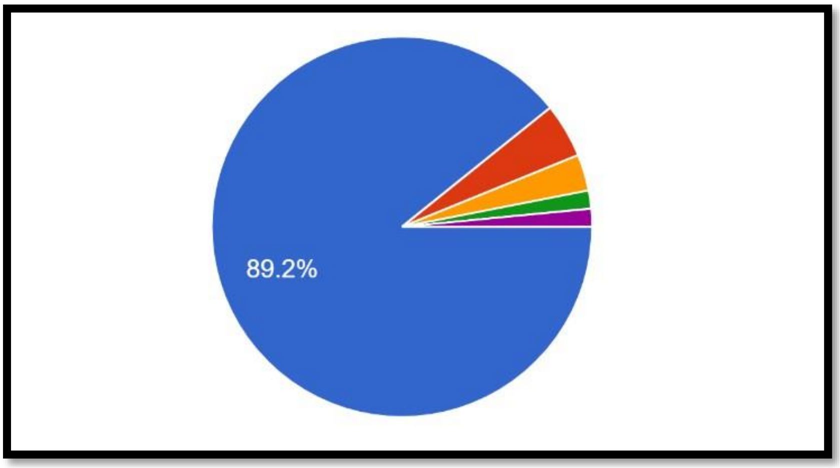
A graphical depiction of information and data is referred to as data visualization. Data visualizationtechniques make it easy to identify and comprehend patterns, outliers, and relationships in the data by employing visual components like charts, maps, and graphs. In today’s world, we have a lot of information in our hands, thus data visualization tools and technologies are essential for analyzing huge volumes of data and making data-driven choices.

Some of the key benefits of data visualization:

- ✓ It is an effective tool for analyzing data and producing presentable and understandablefindings.
- ✓ It is a fundamental stage in the pre-processing section of the data mining process.
- ✓ It aids in data cleansing by detecting inaccurate data and damaged or missing values.
- ✓ It also aids in the construction and selection of variables, which implies deciding whichvariables to include and exclude from the study.
- ✓ It also plays an important part in the Data Reduction process when merging the categories.
- ✓ Data visualization is a graphical representation of information and data. By using visual elements like charts, graphs, and maps, data visualization tools provide an accessible way tosee and understand trends, outliers, and patterns in data.
- ✓ In the world of Big Data, data visualization tools and technologies are essential to analyzemassive amounts of information and make data-driven decisions.

4.4 DATA INTERPRETATION (QUESTION WISE)

AGE OF
RESPONDENTS



INTERPRETATION

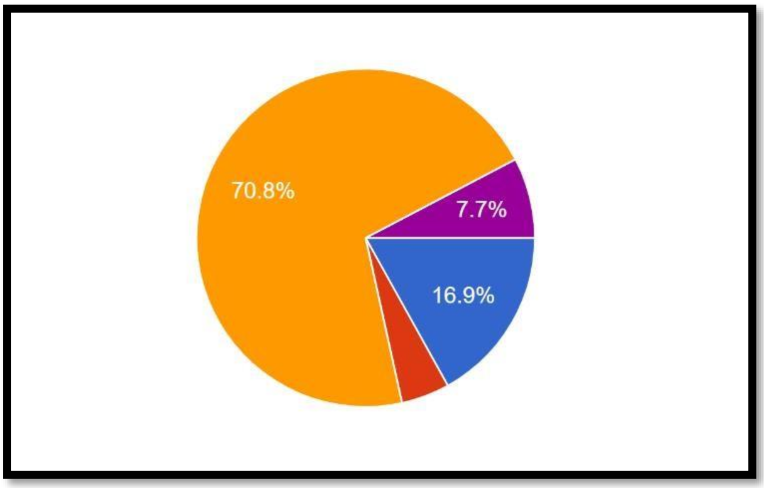
The above pie chart denotes the age group of the respondents,For the survey, 65 responses were collected.

Among the responses received majority that is 89.2% respondents belong to 26-35age group,

4.6% belongs to 18-25,

3.1% belongs to 36-45 age group, 1.5% belong to 46-55 age span and
1.6% belongs to more than 55 age group.

WHAT IS YOUR CURRENT EMPLOYMENT STATUS?

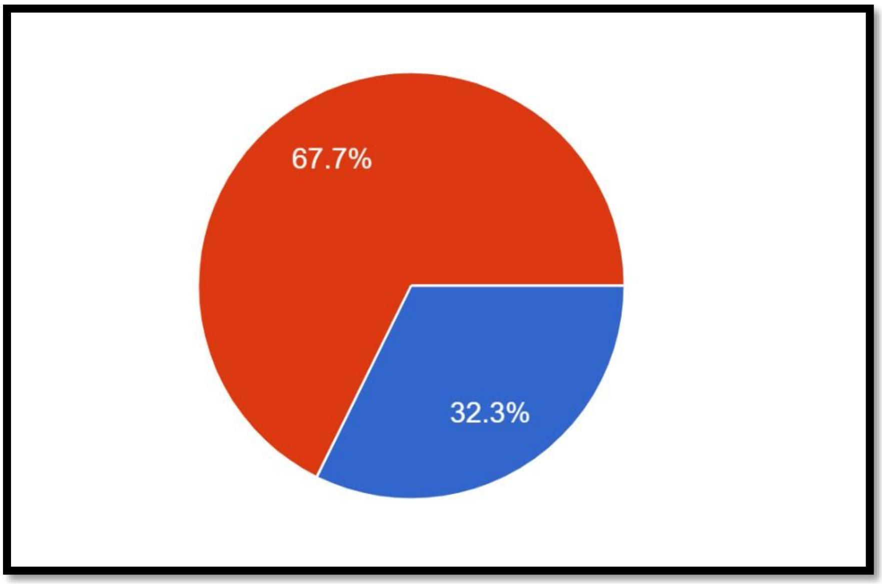


INTERPRETATION

The above pie chart denotes the current employment status of the respondents,Among which 70.8% are fully employed,
7.7% are self-employed/business owner,16.9% are students,
4.6% are unemployed and

0% of the respondents are retired.

HAVE YOU EVER INVESTED IN MUTUAL FUNDS?



- **<u>INTERPRETATION</u>**

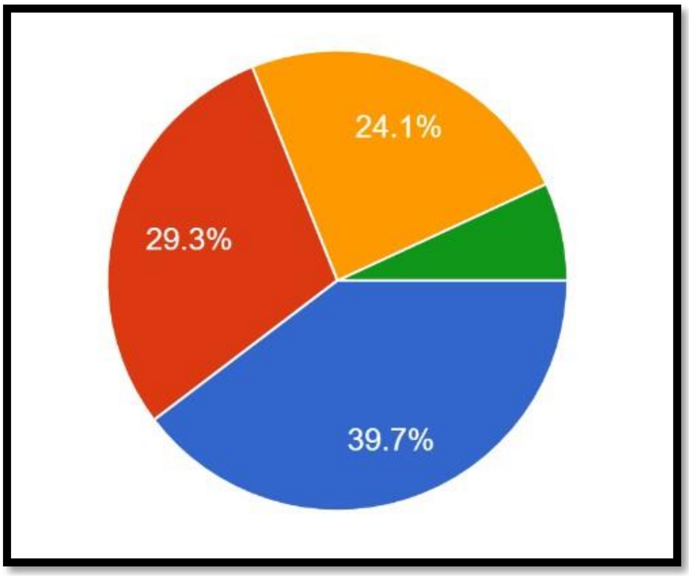
The above pie chart shows that majority of the investors have invested in themutual funds,

the total response received is of 65 respondents.

Among which 67.7% of the respondents have invested,

and 32.3% investors have not invested in the mutual fund market.

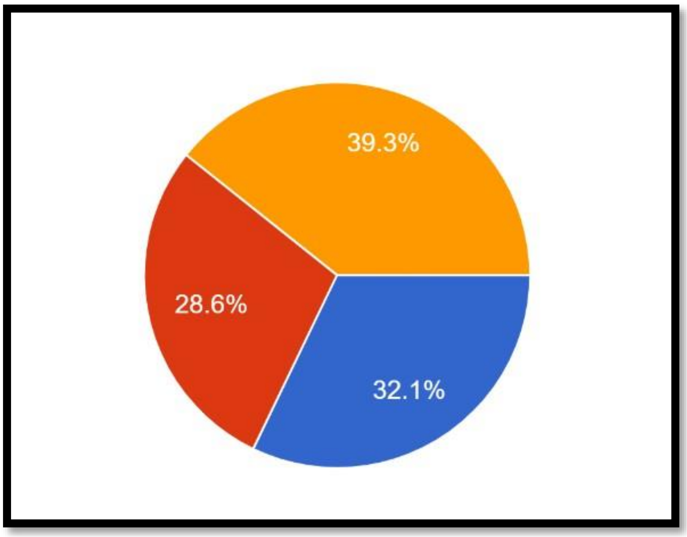
WHAT IS YOUR INVESTMENT MOTIVE?



- **INTERPRETATION**

The above pie chart shows the investment motive of the investors.
Among 65 respondents.
39.7% respondents invest for capital appreciation, 29.3% invest for regular income, 24.1% invest for wealth preservation and 6.9% respondents invest for tax benefits.

WHAT IS YOUR INVESTMENT HORIZON?



- **INTERPRETATION**

The above pie chart shows the investment horizon among the respondents.

The investment cycle of the respondents differs between long term, medium termand short-term mutual fund plans.

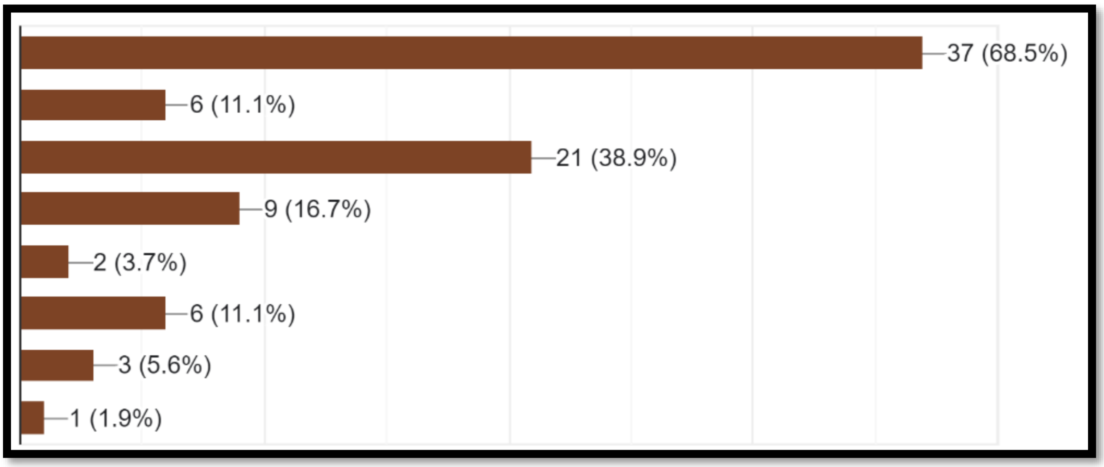
From the survey collected,

Majority of the respondents that is 39.3% invest for long term which is more than 3years.

28.6% invest for medium term that ranges from 1-3 years.

and 32.1% investors invest for shorter duration which is less than a year.

WHAT TYPE OF MUTUAL FUNDS DO YOU PREFER TO INVEST IN?

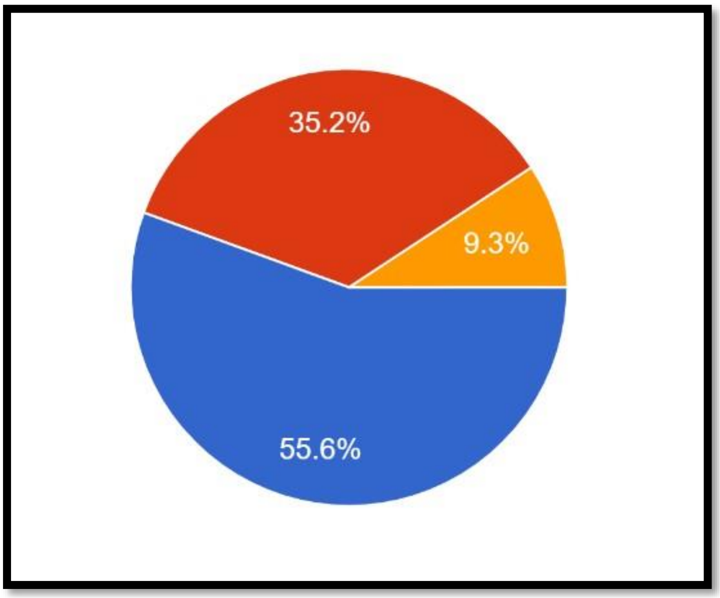


- **INTERPRETATION**

The above bar diagram shows the preference of mutual fund scheme to invest bythe respondents.

Around 68.5% respondents invest in equity,11.1%
prefer debt,
38.9% respondents invest in balanced funds,
16.7% respondents prefer index funds,
3.7% invest in specific sector mutual fund plans,
5.6% respondents invest in international funds,
and 6-7% respondents invest in other kinds of funds like new age fund etc.

HOW MUCH EMPHASIS DO YOU PLACE ON THE FUND MANAGER'S EXPERIENCE WHEN SELECTING A MUTUAL FUND?



- **INTERPRETATION**

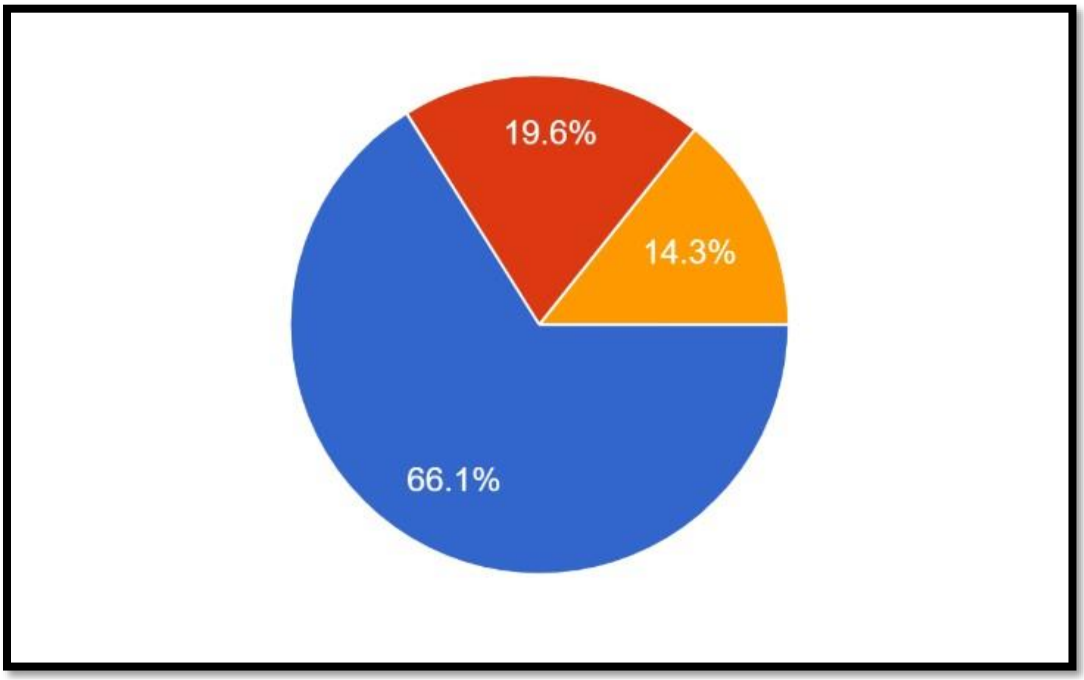
The above pie chart denotes the emphasis on the fund manager’s experience whileselecting the mutual fund.

56.6% respondents feel it’s very important to check the fund manager’s experiencebefore selecting the mutual fund,

9.3% don’t find it important to know the experience.

And 35.2% respondents’ states that it’s somewhat important to know theexperience.

WHAT IS YOUR PREFERRED INVESTMENT STRATEGY WHEN SELECTING A MUTUAL FUND?

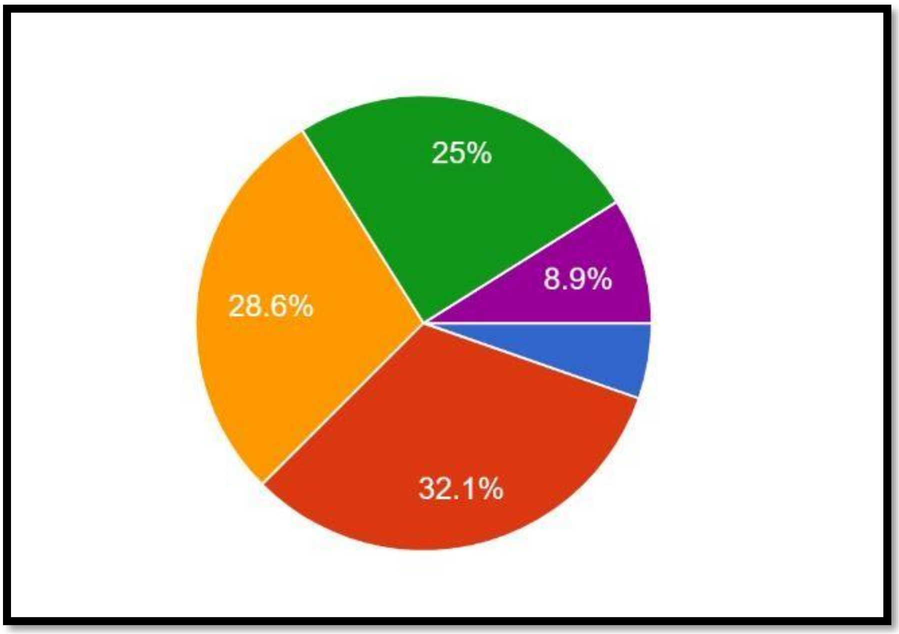


- **INTERPRETATION**

The pie chart shows the investment strategy of the respondents to select the mutualfund.

66.1% invest with growth strategy, 19.6% have value strategy preference and14.3% invest with income gain strategy.

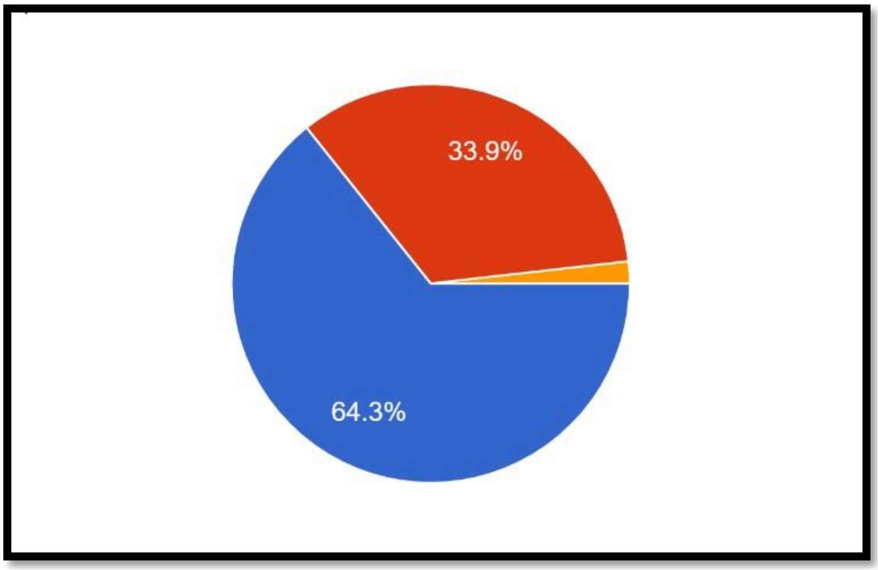
WHAT IS THE MINIMUM RETURN THAT YOU EXPECT FROM A MUTUAL FUND INVESTMENT?



- **<u>INTERPRETATION</u>**

The above pie chart shows the expectations of the return among the respondents.Less than 5% return is expected by 5.4% respondents,
5-10% return is expected by 32.1% respondents,
10-15% return is expected by 28.6%,
15-20% return is expected by 25% and around 8.9% respondents expect more than 20% return.

HOW IMPORTANT IS THE EXPENSE RATIO WHEN SELECTING A MUTUAL FUND?



- **<u>INTERPRETATION</u>**

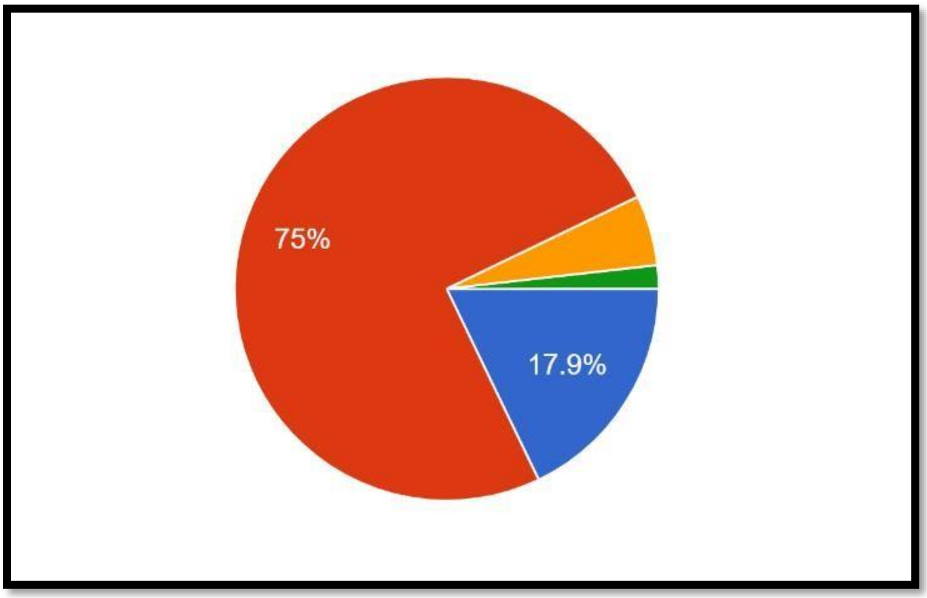
The above pie chart denotes the importance of expense ratio for purchasing themutual fund.

64.3% respondents find very important to know the expense ratio for selecting the mutual fund,

33.9% respondents find it some what important.

and 1.8% respondents feels it’s not important for selection of mutual fund.

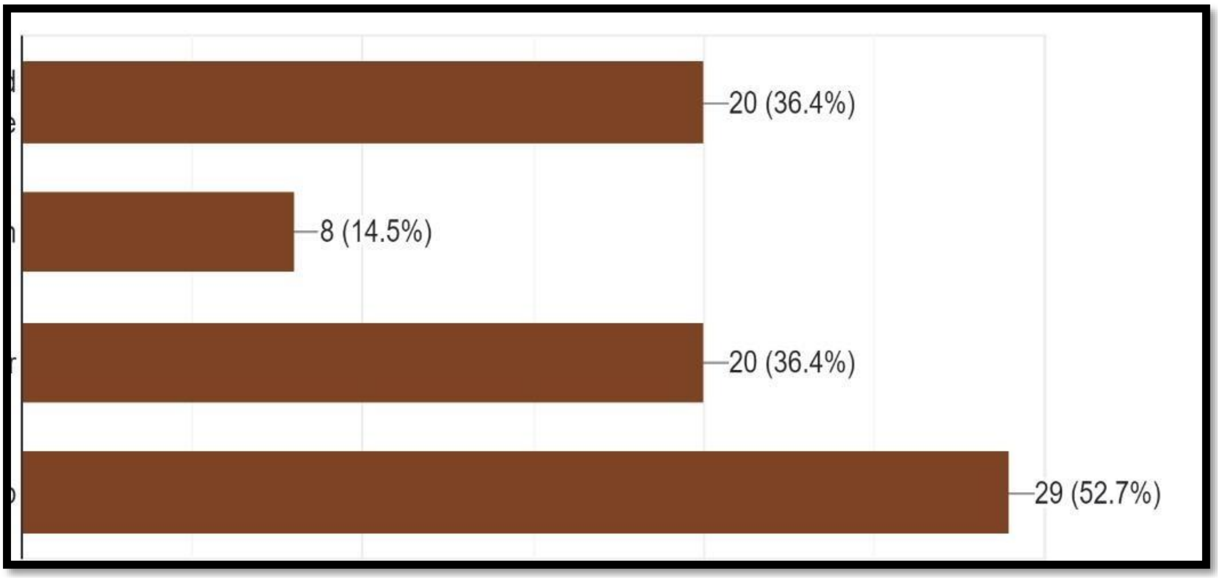
WHAT IS YOUR PREFERRED MODE OF INVESTMENT IN MUTUALFUNDS?



- **INTERPRETATION**

The pie chart shows the mode of investment preferred by the respondents.Lumpsum mode is preferred by 17.9%,
Systematic investment plan is preferred by 75% of the respondents,
5.4% respondents prefer systematic transfer plan mode and
1.8% prefer some other mode of investment.

HOW DO YOU KEEP TRACK OF YOUR MUTUAL FUND INVESTMENTS?

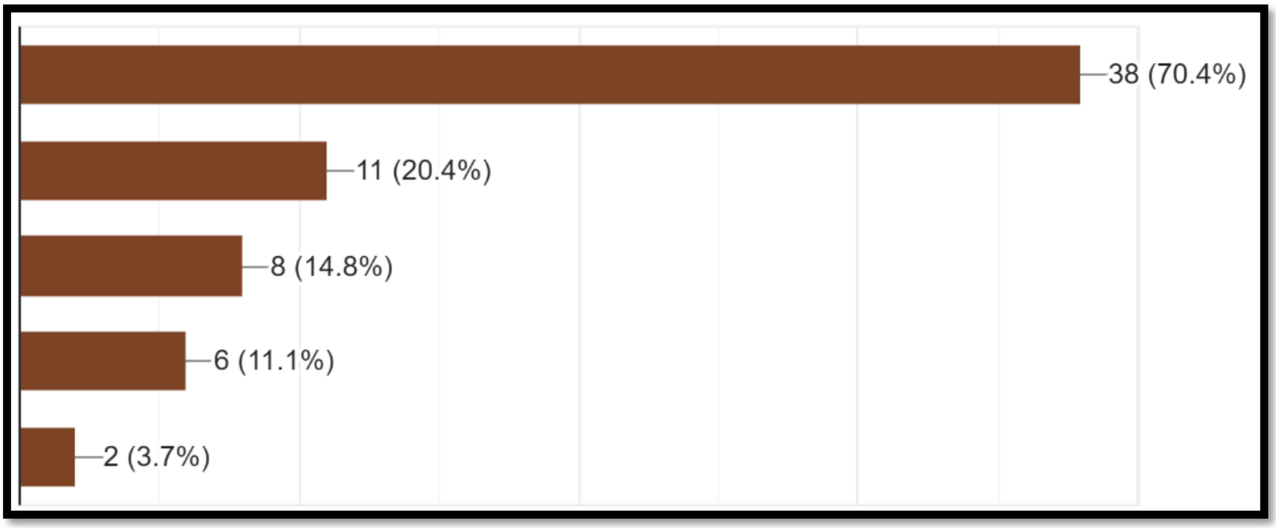


- **INTERPRETATION**

The bar graph shows the investment tracking source of the respondents. 36.4% track their investment through the mutual fund company's website,14.5% through a third-party platform,
35.4% through a financial advisor and

52.7% respondents use the mobile app to keep track on their investments.

HOW OFTEN DO YOU REVIEW YOUR MUTUAL FUND PORTFOLIO?



- **INTERPRETATION**

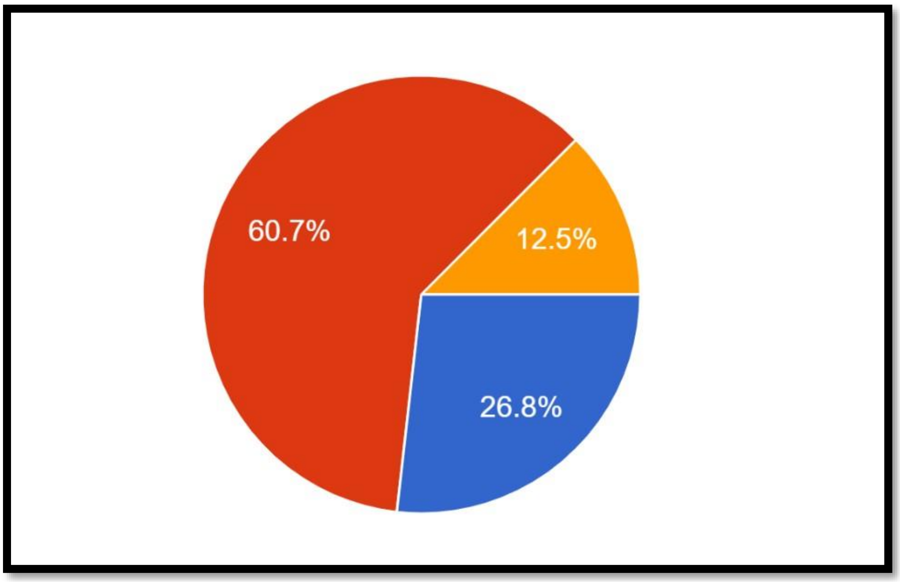
The above bar graph shows the mutual fund portfolio review period of theinvestors.

70.4% review their portfolio monthly,
20.4% reviews it quarterly,
14.8% review it semi-annually,

11.1% respondents review annually and

3.7% respondents review less frequently that is less than annually.

WHAT IS YOUR RISK TOLERANCE LEVEL WHEN INVESTING IN MUTUAL FUNDS?



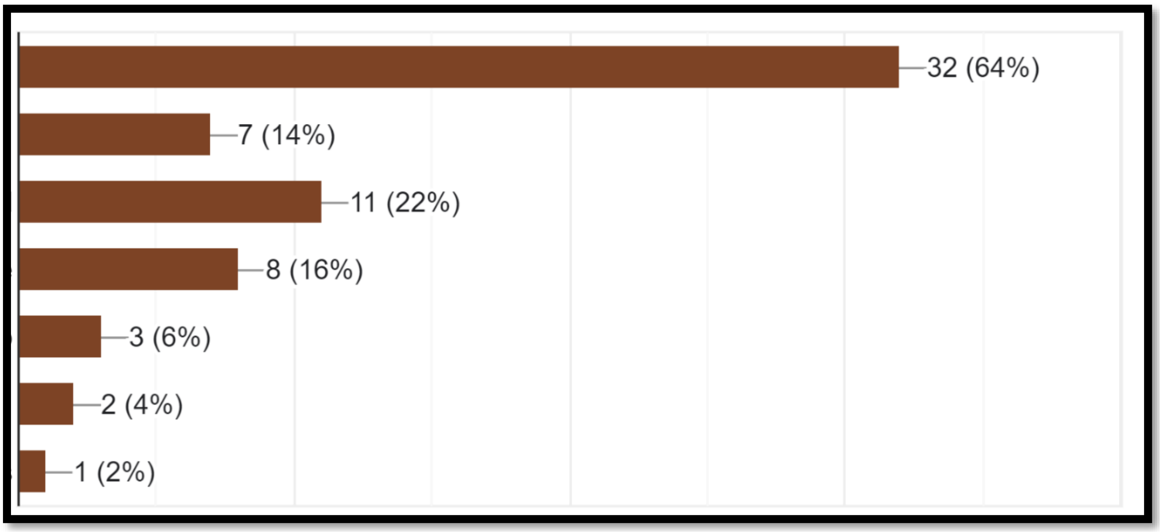
- **<u>INTERPRETATION</u>**

The above pie chart shows the risk tolerance capacity of the respondents whileinvestors in mutual funds.

High risk tolerance capacity is borne by 12.5%, 60.7% have medium risk bearing capacity and 26.8% respondents have least risk tolerance level.

HAVE YOU EVER SWITCHED FROM ONE MUTUAL FUND TO ANOTHER?

IF YES, WHAT WAS THE REASON FOR THE SWITCH?



- **<u>INTERPRETATION</u>**

The above bar chart shows the reasons for switching from one mutual fund to another by the respondents.

Among 65 respondents, 50 respondents have switched on from one mutual fund to another. 64%have switched because of better performance of the other fund,

14% respondents were not satisfied with the current mutual fund,
22% switched because of the change in their investment goal,
16% have changed their risk tolerance capacity which made them switch to another mutual fund,2% found new opportunities,

and 10% have not switched to their investment.

CHAPTER 05 - FINDINGS & CONCLUSION

5.1 FINDINGS

Investment perception and selection behavior towards mutual funds varies depending on a range of factors, including investors' financial goals, risk appetite, investment experience, and demographiccharacteristics.

However, some common perceptions and selection behaviors include:

- Perception of Mutual Funds as a Safe and Convenient Investment Option: Many investors perceive mutual funds as a safe and convenient investment option due to their professionalmanagement, diversification, and accessibility.
- Risk Appetite: Investors with a higher risk appetite tend to select mutual funds that have a higher potential for returns, even if they come with higher volatility and risk. Conversely, investors with a lower risk appetite tend to select mutual funds with lower volatility and risk.
- Fund Manager's Reputation: Investors often consider the reputation and experience of the fundmanager before investing in a mutual fund.
- Investment Horizon: Investors with a shorter investment horizon may prefer mutual funds witha lower risk profile and higher liquidity, while those with a longer investment horizon may be more willing to invest in mutual funds with a higher risk profile and potentially higher returns.
- Fees and Expenses: Many investors compare mutual funds based on their fees and expenses,including management fees, transaction costs, and other expenses.
- Diversification is important: Investors tend to prefer mutual funds that provide diversificationacross different asset classes, sectors, and geographies.
- Investor demographics play a role: Factors such as age, gender, and education level caninfluence investors' perception and selection behavior towards mutual funds.
- Recommendations: Investors may also take recommendations from financial advisors, friends,or family members into account when selecting mutual funds.
- Convenience: Many investors prefer mutual funds that are easy to purchase, manage, and monitor. This may include funds that are available through online platforms or mobile apps, orthose that offer automatic investment and withdrawal options.

- Tax implications: For some investors, the tax implications of a mutual fund can be an important factor in their selection. Tax-efficient mutual funds may be favored by investors who are looking to minimize their tax liabilities.
- Investor education: Finally, investors who are more educated and informed about mutual fundsand investing in general may be more likely to select funds based on factors such as fund expenses, performance, and investment style.

5.2 RECOMMENDATIONS AND SUGGESTION

- Consider the investment objectives and investment style of the mutual fund to ensure that it aligns with your investment goals and risk tolerance.
- Look at the historical performance of the mutual fund and compare it to similarfunds to evaluate its track record.
- Pay attention to the fees and expenses associated with the mutual fund,including management fees, expense ratios, and transaction fees.
- Consider the reputation and experience of the mutual fund manager, as well asthe investment philosophy and process of the fund.
- Evaluate the diversification and asset allocation of the mutual fund, as well asthe concentration of holdings within the fund.
- Consider the tax implications of the mutual fund, including the potentialcapital gains taxes that may be incurred.
- Be mindful of the potential risks associated with the mutual fund, includingmarket risk, credit risk, and liquidity risk.
- Consider the investment time horizon for the mutual fund, as well as anypotential liquidity needs you may have.
- Seek advice from a financial advisor to help you select mutual funds that aresuitable for your investment objectives and risk tolerance.
- Finally, regularly review and monitor your mutual fund investments to ensure they continue to meet your investment objectives and risk tolerance.

5.3 CONCLUSION

- The behaviour of investors when it comes to selecting mutual funds is influenced by a wide range of factors, including investment objectives, risk tolerance, historical performance, feesand expenses, diversification, asset allocation, tax implications, and market conditions.
- To conduct research on investor selection and preference behaviour towards mutual funds, itis important to use a combination of quantitative and qualitative research methods, and to be mindful of potential biases and limitations in the research methodology and data sources.
- Based on the findings and recommendations, investors are encouraged to carefully evaluate mutual funds based on their investment objectives and risk tolerance, historical performance, fees and expenses, diversification, asset allocation, tax implications, and potential risks. Seeking advice from a financial advisor and regularly reviewing and monitoring mutual fund investments are also important for ensuring that investments continue to meet investor objectives and risk tolerance.
- Further research is needed to explore the factors that influence investor behaviour towardsmutual funds, including the impact of regulatory changes, marketing and advertising, financial intermediaries, and industry trends.
- Additionally, the ethical and social implications of investor behaviour towards mutual fundsshould also be considered.

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ANNEXURE

1. What is your age?

- 18-25
- 26-35
- 36-45
- 46-55
- 56 & Above

2. What is your current employment status?

- Employed full time.
- Self-employed/Business owner
- Student
- Retired
- Unemployed

3. Have you ever invested in Mutual funds?

- Yes
- No

4. What is your investment motive?

- Capital Appreciation
- Regular income

- Wealth Preservation
- Tax saving

5. What is your investment horizon?
    - Short term (less than 1 year)
    - Medium term (1-3 years)
    - Long term (more than 3 years)

6. What type of Mutual Funds do you prefer to invest in?
    - Equity
    - Debt
    - Balanced
    - Index funds
    - Sector specific
    - International
    - Other

7. How much emphasis do you place on the fund manager's experience whenselecting a mutual fund?
    - Very important
    - Somewhat important
    - Not important

8. What is your preferred investment strategy when selecting a mutual fund?
    - Growth

- Value
- Income
- Other

9. What is the minimum return that you expect from a mutual fund investment?

   - Less than 5%
   - 5-10%
   - 10-15%
   - 15-20%
   - More than 20%

10. How important is the expense ratio when selecting a mutual fund?

    - Very important
    - Somewhat important
    - Not important

11. What is your preferred mode of investment in mutual funds?

    - Lump-sum
    - Systematic Investment Plan (SIP)
    - Systematic Transfer Plan (STP)
    - Other.

12. How do you keep track of your mutual fund investments?

- Through the mutual fund company's website
- Through a third-party platform
- Through a financial advisor
- Through a mobile app
- Other.

13. How often do you review your mutual fund portfolio?
    - Monthly
    - Quarterly
    - Semi-annually
    - Annually
    - Less frequently than annually

14. What is your risk tolerance level when investing in mutual funds?
    - Low
    - Medium
    - High

15. Have you ever switched from one mutual fund to another? If yes, what was thereason for the switch?
    - Better performance of the other fund
    - Dissatisfaction with the current fund's performance
    - Change in investment goal.
    - Change in risk tolerance.
    - Other