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A Study of Recent Trends of Mutual Funds and Analysis of Determinants Influencing Investor's Behaviour Towards Mutual Funds.

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ABSTRACT
A mutual fund is always popularized as a tool for personal investments. In the last four and a half years, more and more investors have begun to maintain their faith in mutual funds. Fund managers began constructing MF accountsand their numbers have constantly climbed. Mutual funds, among other investment options, are gaining popularity among investors due to their convenient nature while also delivering the convenience of uncomplicated operations at good returns. Mutual fund industry has developed considerably in many countries since the 1990s. Its evolution is mainly explained by its economic and financial determinants. We draw on a dynamic set of measures of socio-cultural values to explain the differential development of mutual funds across the world. We also explain the positive relationship between individuals' preference for private ownership and the development of mutual funds. Moreover, we show that the industry is larger in developed countries with greater stock market liquidity, with low ratios of remittances to GDP, and in which the industry is older.However, it is relevant to know the determinants of mutual fund returns. This case provides an overview. The case provides additional information on the various possible determinants of mutual funds and facilitates solving the problem.The Sultanate of Oman's behavioural elements influencing investment strategy and decisions are examined in this paper. Numerous factors, both directly and indirectly, are assumed to have an impact on how investors make decisions. The paper classifies these elements as heuristic factors, prospect factors, and herding factors. By focusing primarily on the mathematical outcomes, the rational method ignores the investor's linked psychological and sociological aspects. In the Muscat Securities Market (MSM), this study aims to pinpoint the behavioural elements that affect individual investors' choices. The study's specific goal was to pinpoint the variables most frequently affecting participants' investing choices.

The study is being undertaken on 200 persons to determine the factors that influence an investor's decision to invest in mutual funds. The paper also attempts to highlight the patterns of the last few years in the Indian mutual funds business, as well as the causes that drove Indian investors to invest in mutual funds.

INTRODUCTION
An expertly managed investment portfolio is a mutual fund. A mutual fund is a type of collective investment that invests money from investors in bonds, stocks, and other securities. Due to the proliferation of investment products, there is currently intense rivalry in the financial revenues. People have a variety of financial options from which to pick. I researched the factors that affect Indian inventors' attitudes regarding mutual funds as a form of investing. The mutual fund industry's recent trends are also being analysed concurrently. This paper attempts to pinpoint the numerous factors that affect mutual fund investors and market movements.

Mutual funds charge a sales commission, called a charge, as well as a management fee for administering the fund. Although all funds charge a management or administration fee, some funds in the market are no-load, which means they do not charge a sales commission. A mutual fund's returns are based on the performance of its constituents.

However, since mutual funds typically incorporate hundreds of different securities, this gives investors the advantage of diversification in their portfolios. The value of a share of a mutual fund is called net asset value per share or net asset value. The price is determined by taking the net value of all securities in the fund and dividing by the shares outstanding.

Mutual funds can be open-ended or closed-end. An open-ended mutual fund issues an unlimited number of shares in the open market and buys them back at market value from investors. The price of a share of an open-ended fund is based on the net asset value of its constituents. Closed-end mutual funds work in the opposite direction i.e. they issue a fixed number of shares and redemption is not allowed. Instead, the only way an investor can "buy back" a stock is to sell it to someone else.

REVIEW OF LITERATURE

According to Singh and Jha's 2009 study, "Awareness and Acceptability of Mutual Funds," people are more interested in investing in mutual funds than in the stock market because of their non-risky nature, liquidity, high return on investment, and diversified portfolios. Additionally, they learn that fewer people are familiar with SIPs (Systematic The researcher discovered while examining opinions that, in the near future, investors will give more attention to a company's growth and reputation.Consequently (Investment Plans). The researchers looked into additional criteria that investors took into account before making mutual fund purchases. The banking industry also has a significant impact on mutual funds, which aids in comprehension of investor view.

Dr.Vechalekar N.M. (2014), "Perception of Indian Investor Toward Investment in Mutual Fund"; survey was done in the city of Pune to assess an investment perception towards mutual funds. The study reveals the degree to which investors are aware of the monthly income schemes they choose. The researcher discovered while examining opinions that, in the near future, investors will give more attention to a company's growth and reputation. Investors therefore favour those assets that have low risk and better return policies. It was also shown that diversified portfolios with significant tax advantages are the preferred mutual funds for investment.

MitalBhayani,(2017) "A Study Of Recent Trends In Indian Mutual Fund Industry": The latest trends in the Indian mutual fund business are defined in a paper. Mutual funds have reportedly grown to play a significant role in available investing possibilities. In India, the investment business is undergoing several changes, including rapid reinventions and adjustments to the government's monetary and political policies. The study also notes significant developments in the mutual fund sector, which can be selected as an investment choice.

TYPES OF MUTUAL FUNDS

Basically, there are four types of mutual funds. These are the following:

Equity Mutual Funds: Equity mutual funds consist of collections of company stocks. Investors can allocate funds to funds according to their objectives. For example, growth funds focus on stocks of companies with significant growth potential in the future. Income funds include stocks of companies that pay regular dividends.

Money Market Mutual Funds: Money market mutual funds invest in short-term debt securities issued by corporations, governments, states and municipalities. For example, they could invest in US Treasury bills and debt securities issued by established companies like Apple Inc. or Exxon. The objective of this type of mutual fund is to generate income while minimizing risk.

Bond Funds: Bond funds are considered conservative investments and provide fixed income to investors in these funds. Like money market mutual funds, their investment portfolio is limited to government and corporate debt. They are generally favoured for retirement planning.

Balanced funds: Balanced funds seek to strike a balance between equity and bond investments. These are long-term funds that include a combination of stocks and bonds in a given ratio. For example, they might have 60% stocks and 40% bonds. The periodic rebalancing of these funds makes it possible to adapt their composition to current economic conditions. Some are rebalanced based on the investor's goals. For example, they could incorporate a more cautious approach to approaching retirement.

OBJECTIVES

1.To study the recent trends that help us to identify the growth of mutual funds asan investment option.

2.To evaluate the impact of various determinants on the performance of mutual funds, such as historical returns, expense ratios, fund manager expertise, investment strategies, and market conditions.

3. To Investigate the influence of fund manager experience, skill, and investment decisions on the fund's performance over time.

4.To understand how different investment strategies, such as active management, passive management (indexing), and factor-based approaches, impact the returns and risk profile of mutual funds.

DETERMINANTS OF MUTUAL FUND

A mutual fund is an investment portfolio professionally managed by a fund manager or fund house. Mutual funds are best known for portfolio diversification, as they consist of a mix of bonds, stocks, and other securities. Such diversification evenly spreads risk across the entire investment, making it almost negligible in the long run. There are various other factors affecting the performance of mutual funds, here are a few;

Performance and investment risk: Share price and market performance are directly proportional to each other. The change in the value of funds occurs as any type of change occurs in the market. Due to diversification, the risk of the portfolio is spread over a number of securities, which makes it less volatile compared to other direct investments like stocks, which makes it less risky. Although the returns from mutual funds are not as high as those from investing in stocks, the risks are not as high as investing directly in stocks.

Sector performance: Sector performance is another important factor determining the performance of any mutual fund. If the sector is doing well, so will the stocks in your funds. For example, as there are a lot of infrastructure constructions across the country, the price of raw materials like cement, iron, etc. expected to increase due to increased demand. Therefore, their share price will also increase. Thus, for people who have invested in cement plants, the returns will be greater. The same applies to all other companies supplying raw materials.

Expense ratio and management expenses: Management expenses and expense ratio are two costs that directly affect your returns or income. The gain you earn on a particular fund is the total gain minus expenses and management fees (profit earned = total gain-expenses-management fees). According to a study conducted by the New York Times, fund houses charge 1.44% on average per year.

Cash flow: More investors mean more money, in such a scenario where many investors are investing in a particular stock, it gives the fund manager an opportunity to further diversify the portfolio and invest in larger funds which provide better yields. Investors' cash flows therefore determine the performance of the fund as well as that of a fund manager. In difficult times when the fund is performing poorly, most investors withdraw their investment, the manager is required to sell the holdings, which decreases the overall cash flow.

Fund size: The next factor influencing a fund's performance is its size. The larger the size of the fund, the more skills it requires. Like any other liability, increasing the size of the fund would mean an increase in the liability of the fund and the burden on its investors. The size of a fund has a finite limit beyond which it will become difficult to manage. A big mismanaged fund is not a good choice to make with your hard-earned money. Once this fund limit is reached and the fund house has reached saturation, it can call it a "soft close", which means that no further investments will be made on that particular fund.[1]

Performance of the underlying securities

A mutual fund invests in a basket of securities based on the asset allocation defined in the plan documents. Thus, if a fund has specified that it will invest approximately 80% of its investable corpus in equities and equity-related instruments and the remaining 20% in debt and money market instruments, then the fund manager ensures that this ratio is maintained while investing.

Because the fund invests in certain securities, the fund's performance depends on the performance of those securities. In the example above, if the stock markets crash, 80% of the fund's portfolio is affected.

However, while investing in securities, fund managers can diversify sectors, market capitalizations, geographies, etc. based on their understanding of economics.If fund managers have diversified and/or hedged effectively, the impact can be largely mitigated. In a nutshell, the fund will behave according to the performance of the underlying securities.

Economic changes in certain sectors/industries

One of the most important factors that influence mutual fund investments is the performance of a specific sector or industry in which the fund is invested. Some policy changes implemented by the government may affect different sectors in different ways. Let's say that some policy changes stimulate the demand for real estate in the country.

This leads to a sudden increase in the number of construction projects and a subsequent increase in the demand for materials like steel, cement, etc. As a result, the stock price of companies producing these materials increases.

If the mutual has invested in these sectors, it will experience an improvement in its performance. On the other hand, if a change in policy has a negative impact on a sector or industry, the shares of companies in the sector and those associated with it lose value and cause a negative ripple effect on the fund regime. mutual fund.

KEY TRENDS IN MUTUAL FUND

Mutual fund market is expecting to witness these major trends:

Mass Adoption

The majority of Mass Adoption Fund houses are quite optimistic about the industry's future. Their expectations have grown significantly as AUM climbed by Rs. 5.5 trillion (or Rs. 5.5 lakh crore) between March 2017 and March 2019.

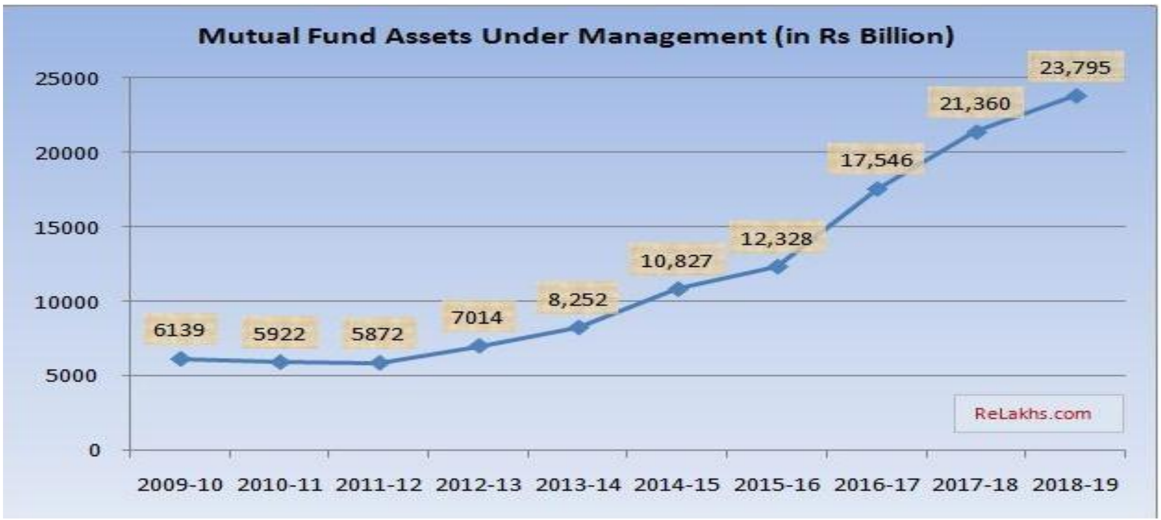
SIPs will continue to rise

Systematic investment plans (SIP) appear to be the MF industry's backbone. From April 2016 to March 2017, SIP inflows surged by 158% (from Rs. 3,122 crore Rs. 8,055 crore).

Regulatory Environment changes

According to several recent releases, there may be an increase in strategy-based ETFs (Exchange Traded Funds). Distributors may try to market insurance-cumulative-investment products in order to obtain bigger advance commissions.

Trends of Mutual funds in India



Total Mutual Fund AUM-Data : 2009 to 2019

The asset under management (AUM) of the mutual fund business in India is rapidly increasing. In August 2019, the total AUM was around Rs 25.50 lakh crore. At the end of August 2019, the assets under administration of Debt, Equity, and Hybrid schemes total Rs 13.22 lakh crore, Rs 7.16 lakh crore, and Rs 3.38 lakh crore, respectively in India, there are millions of mutual funds available, and an investor must select the finest mutual plan depending on their investing objectives.

FINDINGS

1.The age group of 21-30 years invests in mutual funds since they are risk takers at such a young age.

2. A large proportion of respondents do not invest in mutual funds because they believe they are too risky.

3. Investors who have invested in mutual funds have a limited understanding of their investments.

4. The nature of the fund is regarded as the most crucial factor when selecting a mutual fund. The nature of the fund refers to whether mutual funds are open-end funds, unit investment trusts, or closed-ended funds such as equity funds, balanced funds, and so on.

5. Most people prefer to invest only 10-20% of their whole savings in mutual funds via Systematic Investment Plans.

LIMITATIONS

1. The majority of respondents are unwilling to provide their genuine information.

2. The study was not carried out over a long period of time, taking into account both market ups and downs. The state of the market has a substantial impact on investors' purchasing strategies and preferences. Such scenarios are not captured by the study.

3. Because the study is limited to few investors, the conclusions cannot be generalized.

SUGGESTIONS

1. Mutual fund product designers must devise strategies for introducing novel goods in order to broaden the scope of the mutual funds market.

2. Proper information and expertise should be offered to investors in order to build their loyalty and trust.
3. Financial consultants must provide openness and accountability, as well as be capable of meeting the needs of individual investors and marketing mutual fund products.

CONCLUSION

Mutual funds have arisen as an important component of financial intermediaries that cater to the demands of regular investors. The type of the fund, personal considerations, the fund management, and performance are the primary elements affecting retail investors' investment decisions. SIP systems are the most popular. When examining investment possibilities, bitter prior experience is the most significant deterrent. Investor satisfaction with mutual fund investors can be scaled to the average.

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