

## **The Study of the Preference towards Mutual fund verses direct Investment in Stock Market in Kolkata region**

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### **ABSTRACT**

*The professionally managed Mutual fund is becoming one of the most sought investment avenue for the investors in India during the last couple of years. The increase in the financial awareness has led to the growth of investment in the fund houses. But the low proportion of Mutual fund investment to the savings is the current scenario of the investment pattern in India. The aim of the study is to understand the investing pattern of the investors towards direct investing in financial market and through Mutual fund. The factors affecting the selection of the investment avenues is also a part of the study. This investor perception on mutual fund market has given a glimpse of the factors considered by investors before investing.*

*Keyword: Mutual Funds, Investment, Investors, Perception*

### **I. INTRODUCTION**

Investments play a vital role in shaping the economy of a country as it mobilises the savings of an individual to the companies or the capital market which require it for their further expansion, modernisation or growth. The participation of investors in the growth story of the economy makes a huge difference to the investors return as well as to the development of the country as a whole. The indirect contribution to the capital market through Mutual Fund is gaining momentum during the last couple of years which is seen by the AUM data published by AMFI. Investors are majorly concerned about the maximum return from the investment with minimum amount of risk. The existing trade-off between risk and return bewildered the investors towards the selection of appropriate investment avenues which also depends upon their risk appetite. Mutual fund fills this gap by providing professional management of fund with transparency to all necessary information regarding funds to the contributors of the fund and mitigating a substantial amount of risk contributed by diversification. Though in India the penetration is still in the period of outset as compared to other developed countries, the investment in Mutual Fund is showing a increasing trend over the years.

An investor buying directly the shares from the stock market need to spend time finding out the performance of the company whose share is being purchased, understanding the future business prospects of the company, finding out the track record of the promoters and the dividend, bonus issue history of the company etc. An informed investor needs to do research before investing. However, many investors find it cumbersome and time consuming to pore over so much of information, get access to so much of details before investing in the shares.

People who are interested in investing in shares but do not have adequate knowledge or the time to do the required research can invest in mutual fund schemes. Mutual fund takes the responsibility of investing in shares after due analysis and research. So, mutual fund is another investment option available to the investors. This research is an attempt to find out whether investors prefer to invest directly in shares or through the mutual fund schemes. Both the investment options have their own advantages and disadvantages. An attempt has been made to find out which option is most preferred and the reason which influenced their decision.

## II. LITERATURE REVIEW

The study to understand the consumer's behaviour towards mutual funds made by Barreda et al (2011) found that the main guiding force towards individuals' criteria for investment are returns and diversification. Participants invest significantly more in a fund when they are explicitly informed about its social responsible in nature.

Walia and Kiran (2009) studied investor's risk and return perception towards mutual funds. The study examined investor's perception towards risk involved in mutual funds, return from mutual funds in comparison to other financial avenues, transparency and disclosure practices. The study revealed the problems of investors encountered due to unprofessional services of mutual funds. The study found that majority of individual investors doesn't consider mutual funds as highly risky investment

The study by Noor Nahar Begum & Sarabia Rahman (2016) was conducted on the fundamental objective of investment in mutual fund. Good return with relatively low risk was preferred by the investors. The main purpose of the research was to analyse the investors' preference towards mutual fund and factors affecting the investors' preference towards mutual fund.

Kaurinderjit, KaushalK.P.(2016) made a study on the investment of mutual funds in India with the objective of understanding the factors that control the investment behaviour of investors towards mutual funds. The study concluded that the investment behaviour is influenced by awareness, perception and socioeconomic characteristics of investors. The other factors affecting the awareness towards the Mutual Fund were age, gender, occupation, income and education of investors.

The recent trends of investment was studied by Mital Bhayani (2017) which identifies type of investor on the basis of the risk appetite. It was observed that there is huge scope of growth for mutual funds industry. Acharya et al (2017) shows that the present study focus on the past studies conducted by various academicians, researchers to know the investor's preference towards mutual funds.

R.Nandhini & V.Rathnamani (2017) conducted the study of Mutual fund as an instrument of investing funds and found that the amount of investment in Mutual Fund has increased over the years due to increase in awareness campaign by fund houses.

### III. OBJECTIVES OF THE STUDY

The present study was an attempt to understand the various modes of investment available to investors and to determine their preference towards Mutual fund schemes or direct investment in share market. The factors contributing towards the selection of the investment modes is also a part of the study in the paper. To be specific the main objectives of the paper are as follows:

- 1) To understand the various modes of investment available to investors.
- 2) To determine whether the public prefers to invest in Mutual fund schemes or direct investment in share market.
- 3) To study the influence of various factors on the choice of investment.

### IV. METHODOLOGY

The paper is based on information collected from primary sources through questionnaire from 240 respondents in Kolkata region. After the detailed study, an attempt has been made to present comprehensive analysis of preference of the public of their choice of investment option. A descriptive research is performed to identify the factors of importance to investors. Reliability test has been performed to check the internal consistency of data. Descriptive Analysis and Chi square test is utilised to determine whether there is relationship between the variables.

### V. DATA ANALYSIS AND INTERPRETATION

The data collected reveals that most of the investors are in the age group of 18-28 and the service holders are investing the most as compared to Business group and Professionals. The annual income was found to be greater than 2 lakh in 73.4% of cases. The inclination of direct investment in shares is found to be high as compared to Mutual Fund investment. On the other hand investment in both modes is also remarkable at 23.3%

		AGE			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-28	136	56.7	56.7	56.7
	29-39	64	26.7	26.7	83.3
	40-50	24	10.0	10.0	93.3
	51-61	16	6.7	6.7	100.0
	Total	240	100.0	100.0	

**Table1: Distribution of Age of the Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid service	120	50.0	50.0	50.0
business	48	20.0	20.0	50.0
professional	72	30.0	30.0	100.0
Total	240	100.0	100.0	

**Table2: Distribution of Occupation of the Respondent**

**Annual Income**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid less than Rs 100000	16	6.7	6.9	6.9
Rs 100000 - Rs 200000	40	16.7	17.2	24.1
Rs 200001 - Rs 500000	88	36.7	37.9	62.1
Above 500000	88	36.7	37.9	100.0
Total	232	96.7	100.0	
Missing System	8	3.3		
Total	240	100.0		

**Table3: Distribution of Annual salary of the Respondents**

**Whether Invest in MF or Directly in Shares**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Mutual fund Schemes	72	30.0	30.0	30.0
Trade in shares	112	46.7	46.7	76.7
Both	56	23.3	23.3	100.0
Total	240	100.0	100.0	

## FACTORS INFLUENCING THE INVESTMENT IN MUTUAL FUND

### Risk

**H<sub>0</sub>**: There is no significant influence of Risk on the choice of investment.

**H<sub>1</sub>**: There is significant influence of Risk on choice of investment.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.835 <sup>a</sup>	3	.020
Likelihood Ratio	13.544	3	.004
Linear-by-Linear Association	.002	1	.963
N of Valid Cases	32		

Table 5: Risk

The calculated value is 9.835 while the tabulated value is 7.82. since the calculated value is more than tabulated value we accept H<sub>1</sub> at 5% significance level. The p value is less than 0.05 so it is statistically significant. Thus it can be said that there is significant influence of risk on choice of investment.

### Return

**H<sub>0</sub>**: There is no significant influence of Return on the choice of investment.

**H<sub>1</sub>**: There is significant influence of Return on choice of investment.



	Value	df	Asymp. Sig. (2-sided)
<b>Pearson Chi-Square</b>	<b>8.803<sup>a</sup></b>	<b>3</b>	<b>.021</b>
<b>Likelihood Ratio</b>	<b>9.039</b>	<b>3</b>	<b>.045</b>
<b>Linear-by-Linear Association</b>	<b>5.429</b>	<b>1</b>	<b>.035</b>
<b>N of Valid Cases</b>	<b>128</b>		

Table 8: Liquidity

### Liquidity

**Ho:** There is no significant influence of Liquidity on the choice of investment.

**H1:** There is significant influence of Liquidity on choice of investment.

The calculated value is 8.803 while the tabulated value is 7.82. Since the calculated value is more than tabulated value we accept H1 at 5% significance level and as the p value is less than 0.05, it is statistically significant. Thus it can be said that there is significant influence of Liquidity on choice of investment.

## VI. FINDINGS AND CONCLUSION

It is observed that risk and liquidity are the only factors affecting the selection of Mutual fund while financial Awareness of Mutual Fund, return of the investment are not considered while investing in Mutual Fund. This may be attributed to the fact that the awareness level of investors is still low when taking into account the return of the fund while the investors are very much aware about the liquidity of Mutual Fund. The financial awareness of the Mutual Fund does not affect the investment decision of the fund

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