# A Study On Investor's Preference Towards Mutual Fund Investments In Comparison To Other Investment Avenues With A Special Reference To Systematic Investment Plans

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**Abstract:**
Today, investors have to choose from a variety of investment avenues. Amongst fund raisers there is stiff competition, each attracting investors with well marketed schemes. In this environment of choice and competition, investment decisions have become difficult. The various investment modes have advantages & disadvantages. A prudent investor tries to balance these benefits and shortcomings of different investment modes before investing in them. Amongst the various investment modes, Mutual Fund is the most suitable investment mode for laymen. It offers an opportunity to invest in a diversified and professionally managed portfolio at a relatively low cost. The objective of this research is to study the mutual fund investment avenue, understand the reasons for opting for this mode and factors influencing investor's decisions. Secondary data was collected, gaps identified, and a questionnaire prepared. Responses of about 70 respondents were statistically analyzed and the findings are that age, education, family size, income levels and such personal characteristics influence investment decision and can be reflected in the portfolio assets. There is a tendency towards mutual fund investments and to SIP in mutual funds of a particular type of investor. Given the need for funds for economic growth, awareness could make earning people of all age groups and education levels include mutual funds in their portfolio. The trust of the mutual fund industry must be to ensure liquidity, safety and returns to investors.

**Keyword's:** Investors, Choice, Decision, Data, Mutual Funds

## 1. Introduction

**1.1 Description**: A Mutual Fund is a trust that pools the savings of several investors who share a common financial goal. The money thus collected is invested by the fund manager in different types of securities depending upon the objective of the scheme. These could range from shares to debentures to money market instruments. The income earned through these investments and the capital appreciations realized by the scheme are shared by its unit holders in proportion to the number of units owned by them (pro - rata). Thus, a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. Anybody with an investible surplus of as little as a few thousand rupees can invest in Mutual Funds.

A mutual fund is a collaborative investment tool that brings together funds from numerous investors to be invested in a variety of assets, including stocks, bonds, and government securities. Professional fund managers handle the pooled money, making investments in accordance with the fund's specific objectives. After accounting for expenses and fees, the income and gains generated from this collective investment effort are distributed among the investors based on the scheme's "Net Asset Value" or NAV. In exchange for its services, the mutual fund charges a modest fee. A mutual fund represents a shared pool of funds contributed by multiple investors and expertly managed by a professional Fund Manager. In India, mutual funds are structured as Trusts under the Indian Trust Act of 1882, governed by SEBI (Mutual Funds) Regulations of 1996. The fees and expenses associated with managing a scheme are regulated and subject to SEBI's specified limits.

### 1.2 Current scenario in India:

As of August 31, 2023, the Indian Mutual Fund Industry's Assets Under Management (AUM) amounted to ₹46,63,480 crore. Over a decade, from August 31, 2013, to August 31, 2023, the AUM of the Indian Mutual Fund Industry has increased by more than six times, rising from ₹7.66 trillion to ₹46.63 trillion.
In a shorter span of five years, from August 31, 2018, to August 31, 2023, the AUM of the industry has doubled, growing from ₹25.20 trillion to ₹46.63 trillion. The industry reached several significant milestones during its growth journey: In May 2014, it crossed the ₹10 trillion (₹10 Lakh Crore) AUM mark. By August 2017, the AUM had more than doubled, exceeding ₹20 trillion (₹20 Lakh Crore). November 2020 marked the surpassing of ₹30 trillion (₹30 Lakh Crore) in AUM. As of August 31, 2023, the industry's AUM reached ₹46.63 trillion (₹46.63 Lakh Crore).
Furthermore, in May 2021, the mutual fund industry achieved a significant milestone by exceeding 10 crore folios. As of August 31, 2023, the total number of accounts (referred to as folios in mutual fund terminology) reached 15.42 crore (154.2 million). Among these, approximately 12.30 crore (123 million) folios were in Equity, Hybrid, and Solution Oriented Schemes, with most investments coming from the retail segment.

The strong performance of the equity markets and net inflows to equity schemes led to an increase in the asset size of the mutual fund (MF) industry. For the quarter ended December 31, 2021, the average assets under management (AAUM) of the industry were worth INR 36.17 trillion, registering a growth of nearly 30% over a year.

The value of the assets held by individual investors in mutual funds increased from INR 17.18 lakh crore in February 2021 to INR 21.02 lakh crore in February 2022, an increase of 22.32%. The value of institutional assets increased from INR 15.11 lakh crore in February 2021 to INR 17.54 lakh crore in February 2022, recording an increase of 16.08%.



**Source:** https://www.amfiindia.com/research-information/other-data/industry-data-analysis
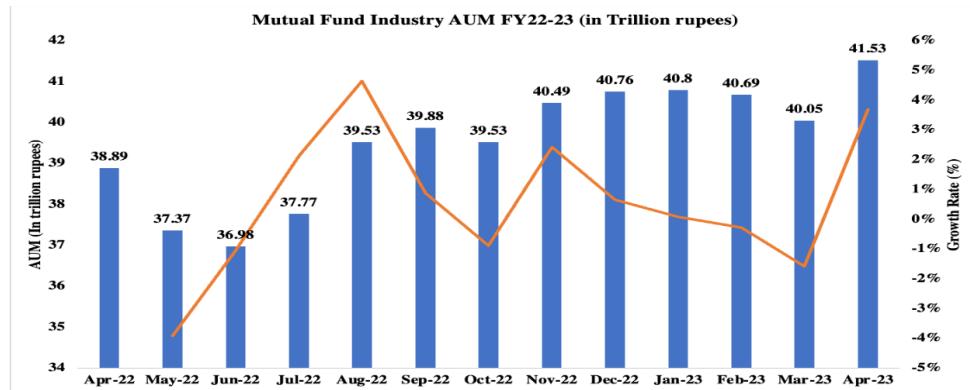
## 2. Review of Literature:

- **Sarish and Ajay Jain (2012)** concluded that for the purpose of investment of saving, the investors are having options to invest money in mutual funds and other financial instruments like equity shares, debentures, bonds, warrant, bank deposits. Awareness of mutual fund avenue is low amongst the common people.
- **V. Ratnamani (2013)** concluded that many investors have preferred to invest in mutual fund in order to have high return at low level of risk, for the safety and liquidity features perceived by them. . It can be said that the Mutual Fund as an investment vehicle is capturing the attention of various segments of the society, like academicians, industrialists, financial intermediaries, investors and regulators for varied reasons and deserves an in depth study. He has studied the investment mode preferred by the investors in Mathura and to check the preference given to investment in mutual funds amidst availability of other traditional investment avenues.
- **Deepa. P., & Latha, A. (2018)** aimed to access the satisfaction level of mutual fund investors. The study was conducted in Tirupur District with a sample size of 50 respondents. The study found that most of the investors in Tirupur district exhibit a high degree of satisfaction with the return and liquidity factors on mutual fund investments.
- **Bajracharya, RB., & Mathema, SB. (2017)** identified investors' preference towards mutual fund in Kathmandu metropolitan city. The study found that the investors are not feeling sure in investing in mutual fund as they think that the mutual fund is unsafe than the other asset opportunity. The most preference of the investors is the bank deposit because they believe it is secure and returns are fixed. The study concluded that there are a variety of problems in selecting mutual fund by investors as an investment option. There are share market uncertainties and risk associated with it so investors avoid investing in mutual fund.
- **Dr. Rao, Mallikarjuna (2016)** disclosed that the investors' perception is dependent on the demographic profile and assesses that the investor's gender, age, education, marital status and occupation, Annual income and annual savings have direct impact on the investor's choice of investment. The study further revealed that investors' satisfaction is the most important ingredient for the success of the mutual fund industry.
- **Neelima, S., & Rao, D., Surya Chandra (2016**) conducted a survey amongst 302 investors in Tirupati urban center to study the factors influencing the fund/scheme selection behavior of retail investors by applying factor analysis tool. The study revealed that majority of the investors preferable savings avenues are Life insurance, and they save mainly with an objective to meet contingencies.
- **Sharma, P., & Agrawal, P. (2015)** examined preference of mutual funds investors and Performance Evaluation of the preferred schemes by the investors. The survey is undertaken on 50 professional investors of Udaipur city, and the major findings reveal the buying behavior of mutual fund investors is influenced by the sources of information that investors rely more on.

## 3. OBJECTIVES OFTHE STUDY

- To find out the most preferred Investment Avenue of the investors.
- To analyse the investor's preference towards investment in mutual funds when other investment avenues are also available in the market.
- To study the factors that influence investor's preference towards investing in Mutual Funds.

▪ To study about the preference among Investor's about MF SIP.(systematic investment plan)

## 4. RESEARCH METHODOLOGY

▪ Universe of the Study: Mumbai
▪ Sample Size: 80 Investors.
▪ Sampling Unit: Small & Big Investors.
▪ Sampling Procedure: Snowball Sampling.
▪ Sampling Time-frame: August, 2023 – September,2023
▪ Research Instrument: Structured Questionnaire.
▪ Investment Avenues covered in this paper: Banks, LIC, PPF, Bonds, Mutual Funds, Real estate, Commodity Market, Gold, Equity Shares, Futures & Options and Post Office monthly income schemes and instruments like NSC and KVP.

## 5. PRIMARY DATA
## 5.1 FINDINGS:

**PART 1:** Demographics and other personal information
i. Gender

| Table 1: Gender | | |
|---|---|---|
| | Frequency | Percent |
| Male | 56 | 72.7 |
| Female | 21 | 27.3 |
| Total | 77 | 100.0 |



**Chart 1: Gender**
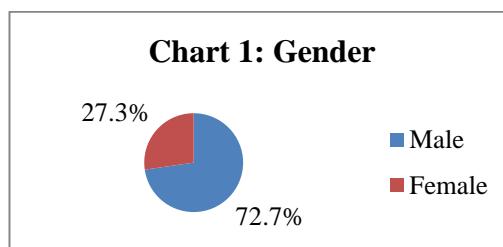
**The study involves 27.3% Female and 72.7% Male**
**ii.** Age

| Table 2: Age Group | | |
|---|---|---|
| | Frequency | Percent |
| 21 to 40 | 19 | 24.7 |
| 41 to 55 | 27 | 35.1 |
| Above 55 | 31 | 40.3 |
| Total | 77 | 100.0 |



**Chart 2: Age Group**
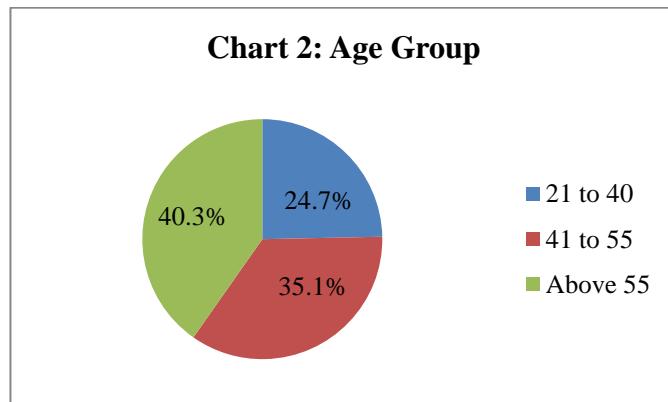
**Finding: maximum number of respondents lies in the age group "Above 55"**
iii. Education

| Table 3: Education | | |
| --- | --- | --- |
| | Frequency | Percent |
| HSC | 1 | 1.3 |
| Graduate | 12 | 15.6 |
| Post Graduate | 64 | 83.1 |
| Total | 77 | 100.0 |

**Chart 3: Education**
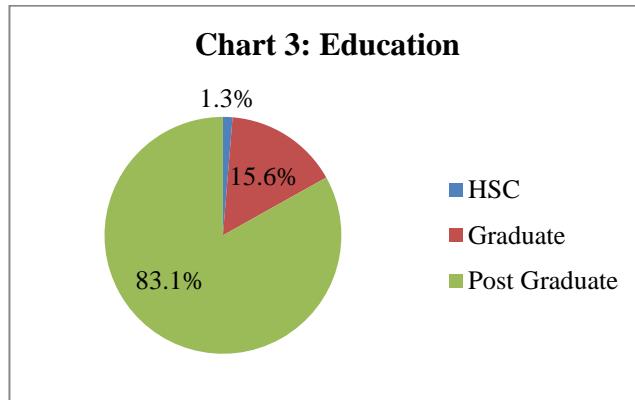


**Finding: Maximum number of respondents, under study has pursued Post Graduation.**
iv. Occupation

| Table 4: Occupation | | |
| --- | --- | --- |
| | Frequency | Percent |
| Business | 4 | 5.2 |
| Service | 50 | 64.9 |
| Profession | 23 | 29.9 |
| Total | 77 | 100.0 |
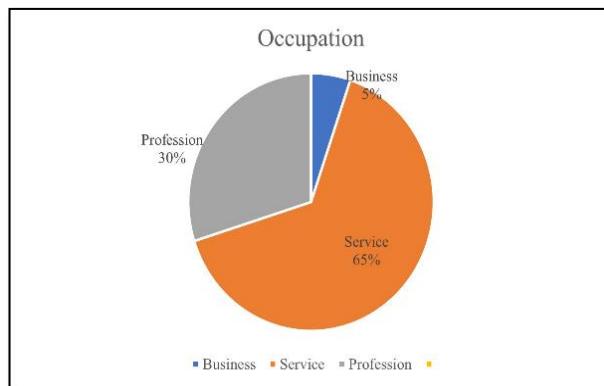


**Finding: Occupation of most respondents is Service.**
v. Income Level

| Table 5: Monthly Income | | |
| --- | --- | --- |
| | Frequency | Percent |
| Less than 25,000 | 2 | 2.6 |
| 25,000 to 50,000 | 13 | 16.9 |
| 50,000 to 75,000 | 12 | 15.6 |
| Above 75,000 | 50 | 64.9 |
| Total | 77 | 100.0 |

## Chart 5: Monthly Income

2.6%
16.9%
15.6%
64.9%

- Less than 25,000
- 25,000 to 50,000
- 50,000 to 75,000
- Above 75,000
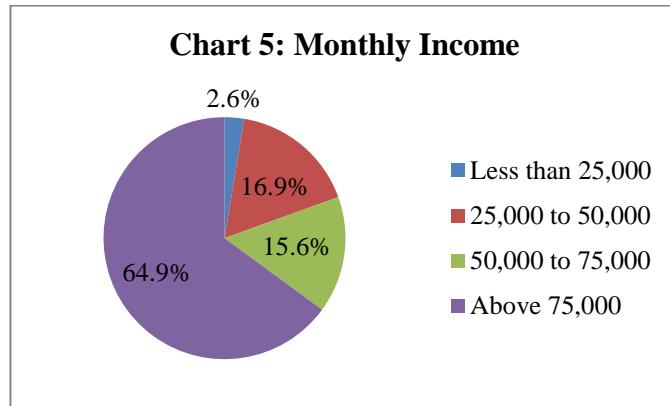
**Finding: Monthly income of most respondents fall under the category 'Above 75,000'**

vi. Family Size

| Table 6: Family Size | | |
|---|---|---|
| | Frequency | Percent |
| Less than 4 | 42 | 54.5 |
| 4 to 6 | 35 | 45.5 |
| Total | 77 | 100 |

## Chart 6: Family Size

45.5%
54.5%
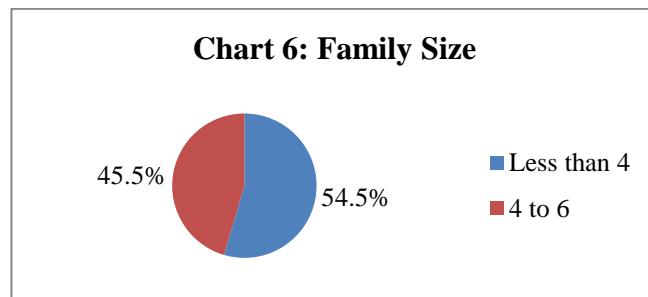
- Less than 4
- 4 to 6

**Finding: Most of the respondents belong to family size "Less than 4"**

vii. Number of Earning Members in Family

| Table 7: Number of Earning Members | | |
|---|---|---|
| | Frequency | Percent |
| 1 | 35 | 45.5 |
| 2 | 34 | 44.2 |
| 3 & Above | 8 | 10.4 |
| Total | 77 | 100.0 |

## Chart 7: Number of Earning Members

10.4%
45.5%
44.2%

- 1
- 2
- 3 & Above
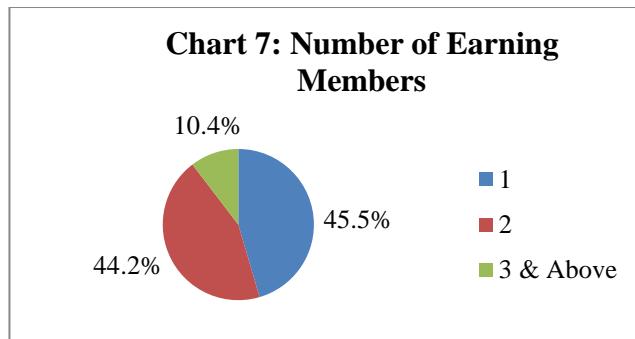
**Finding: The number of earning members in the family is either '1' or '2'.**

viii. Marital Status

| Table 8: Marital Status |
|---|

|  | Frequency | Percent |
|---|---|---|
| Married | 74 | 96.1 |
| Unmarried | 3 | 3.9 |
| Total | 77 | 100.0 |



**Chart 8 :Marital Status**
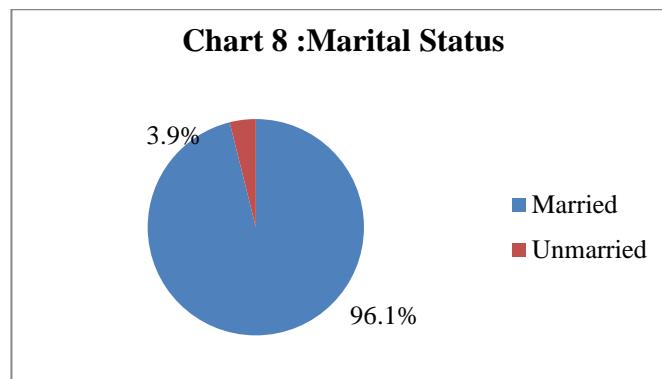
**Finding: Most of the respondents, under study are 'Married'.**

ix. Number of Children

| Table 9: Number of Children | | |
|---|---|---|
|  | Frequency | Percent |
| 1 | 12 | 15.6 |
| 2 | 25 | 32.5 |
| 2 & Above | 40 | 51.9 |
| Total | 77 | 100.0 |



**Chart 9: Number of Children**
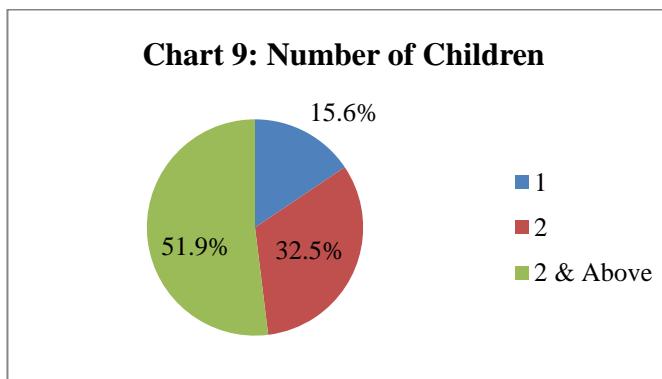
**Finding: Maximum number of children in the family are '2 & Above'**
*Part 2: Investment Profile*
i. Do you invest your Money?

| Table 1: Money Investment | | |
|---|---|---|
|  | Frequency | Percent |
| Yes | 74 | 96.1 |
| No | 3 | 3.9 |
| Total | 77 | 100.0 |

**Chart 1: Do you invest your money?**

3.9%

96.1%

- Yes
- No
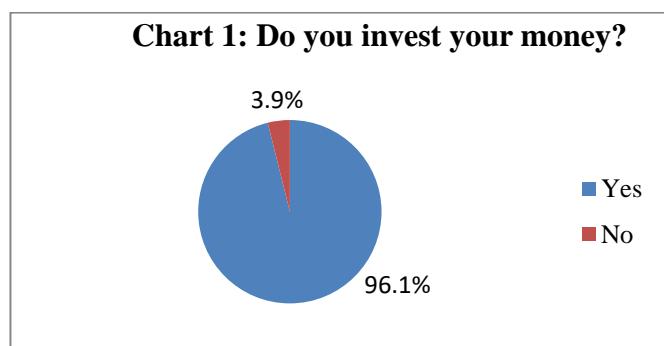
**Finding: According to the response, most of them invest their savings.**

ii. Preferred Investment Option

**Table 2 :** Preferred Investment Options

| Investments preferred the most | | Ranking | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Savings Account | Frequency | 15 | 7 | 12 | 8 | 5 | 7 | 11 | 3 | 2 | 4 |
| | Percent | 20.3 | 9.5 | 16.2 | 10.8 | 6.8 | 9.5 | 14.9 | 4.1 | 2.7 | 5.4 |
| Bank Fixed Deposits | Frequency | 21 | 21 | 8 | 8 | 9 | 3 | | 2 | | 2 |
| | Percent | 28.4 | 28.4 | 10.8 | 10.8 | 12.2 | 4.1 | | 2.7 | | 2.7 |
| Post Office Saving Schemes/KVP/NSC | Frequency | | 3 | 12 | 8 | 9 | 8 | 5 | 15 | 7 | 7 |
| | Percent | | 4.1 | 16.2 | 10.8 | 12.2 | 10.8 | 6.8 | 20.3 | 9.5 | 9.5 |
| PPF/Pension Schemes | Frequency | 9 | 13 | 11 | 13 | 4 | 3 | 11 | 2 | 6 | 2 |
| | Percent | 12.2 | 17.6 | 14.9 | 17.6 | 5.4 | 4.1 | 14.9 | 2.7 | 8.1 | 2.7 |
| Bonds/Debentures | Frequency | | 1 | 3 | 5 | 10 | 8 | 13 | 14 | 15 | 5 |
| | Percent | | 1.4 | 4.1 | 6.8 | 13.5 | 10.8 | 17.6 | 18.9 | 20.3 | 6.8 |
| Insurance Policies | Frequency | 3 | 7 | 9 | 8 | 6 | 14 | 9 | 10 | 4 | 4 |
| | Percent | 4.1 | 9.5 | 12.2 | 10.8 | 8.1 | 18.9 | 12.2 | 13.5 | 5.4 | 5.4 |
| Equity Shares | Frequency | 12 | 4 | 8 | 4 | 12 | 4 | 13 | 6 | 7 | 4 |
| | Percent | 16.2 | 5.4 | 10.8 | 5.4 | 16.2 | 5.4 | 17.6 | 8.1 | 9.5 | 5.4 |
| Mutual Funds/ELSS/ULIPS | Frequency | 12 | 12 | 6 | 8 | 8 | 9 | 4 | 7 | 6 | 2 |
| | Percent | 16.2 | 16.2 | 8.1 | 10.8 | 10.8 | 12.2 | 5.4 | 9.5 | 8.1 | 2.7 |
| Bullion (Gold/Silver Ornaments) | Frequency | 1 | 2 | | 6 | 6 | 12 | 4 | 9 | 21 | 13 |
| | Percent | 1.4 | 2.7 | | 8.1 | 8.1 | 16.2 | 5.4 | 12.2 | 28.4 | 17.6 |
| Real Estate | Frequency | 1 | 4 | 4 | 6 | 5 | 6 | 4 | 6 | 7 | 31 |
| | Percent | 1.4 | 5.4 | 5.4 | 8.1 | 6.8 | 8.1 | 5.4 | 8.1 | 9.5 | 41.9 |



Chart 2: Preferred Investments

- Savings Account
- Bank Fixed Deposits
- Post Office Saving Schemes/KVP/NSC
- PPF/Pension Schemes
- Bonds/Debentures
- Insurance Policies
- Equity Shares
- Mutual Funds/ELSS/ULIPS
- Bullion (Gold/Silver Ornaments)
- Real Estate
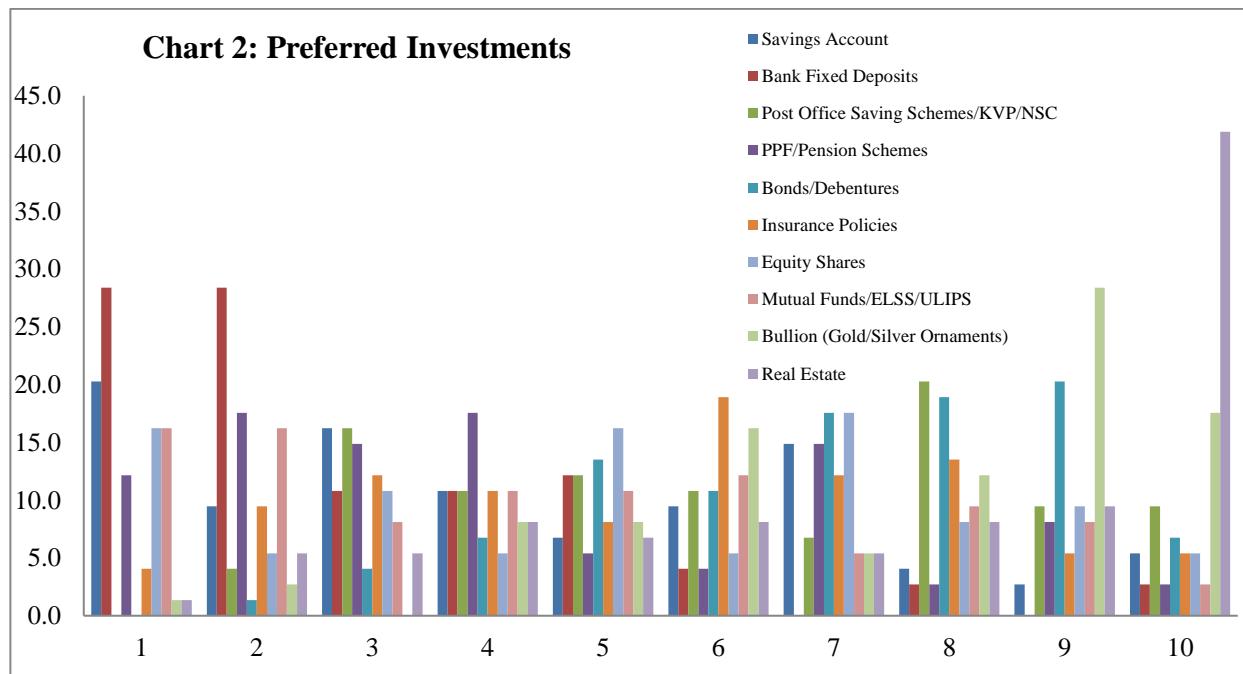
**Finding: Above table gives the distribution of investments and the ranking. From the graph, we can observe that according to the respondents, the most favored investment is 'Bank Fixed Deposits' and the least favored investment is 'Real Estate'**

iii. Time Horizon Investments

| Table 3: Time Horizon of your Investments | | |
|---|---|---|
| | Frequency | Percent |
| 1 Year to 3 Years | 27 | 36.5 |
| 3 Years to 5 Years | 19 | 25.7 |
| 5 Years to 10 Years | 17 | 23.0 |
| More than 10 Years | 11 | 14.9 |
| Total | 74 | 100.0 |



**Chart 3: Time Horizon of your Investments**
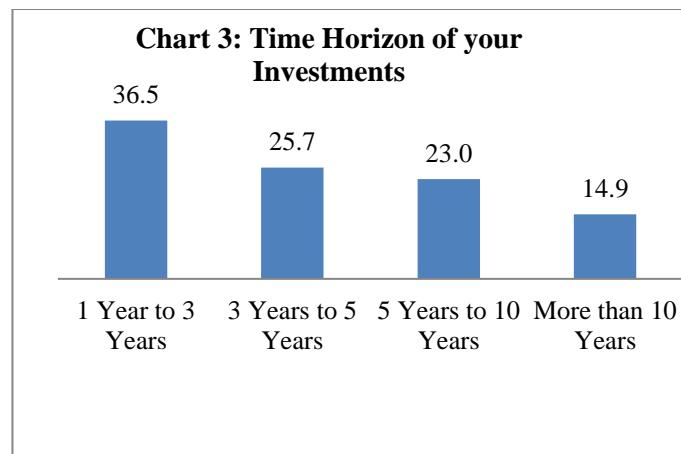
**Finding: Generally, investors make their investments for a time horizon of 1 year to 3 years**

iv. Awareness about Mutual Fund Investments

| Table 4: Do you know about Mutual Funds? | | |
|---|---|---|
| | Frequency | Percent |
| Yes | 75 | 97.4 |
| No | 2 | 2.6 |
| Total | 77 | 100.0 |



**Chart 4: Do you know about Mutual Funds?**
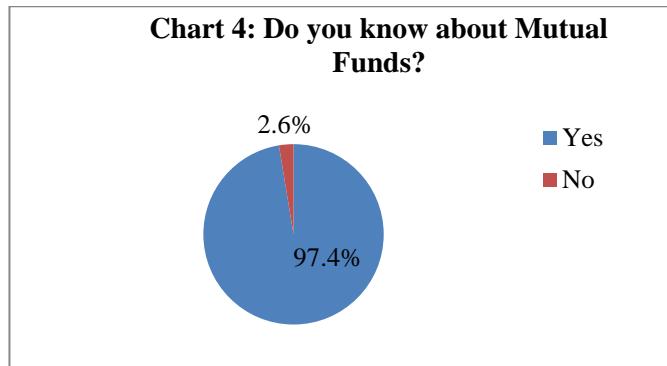
**Finding: 97.4%% of respondents say that they are aware about Mutual Funds.**

v. Investments in Mutual Funds

| Table 5: Invested in Mutual Funds | | |
|---|---|---|
| | Frequency | Percent |
| Yes | 71 | 94.7 |
| No | 4 | 5.3 |
| Total | 75 | 100.0 |

Chart 5: Have you ever invested in Mutual Funds?
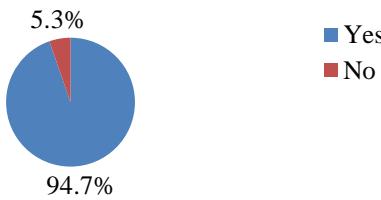
**Findings : Of all the respondents, who are aware about Mutual Funds, 94.7% say that they have invested in Mutual Funds.**

vi. Share of Mutual Fund Investment in Portfolio

| Table 6: Percentage of total investible funds invested in Mutual Funds | | |
|---|---|---|
| | Frequency | Percent |
| Less than 5% | 19 | 26.8 |
| 5% to 10% | 18 | 25.4 |
| 10% to 15% | 15 | 21.1 |
| 15% to 25% | 10 | 14.1 |
| More than 25% | 9 | 12.7 |
| Total | 71 | 100.0 |



Chart 6: Percentage of total investible funds invested in Mutual Funds
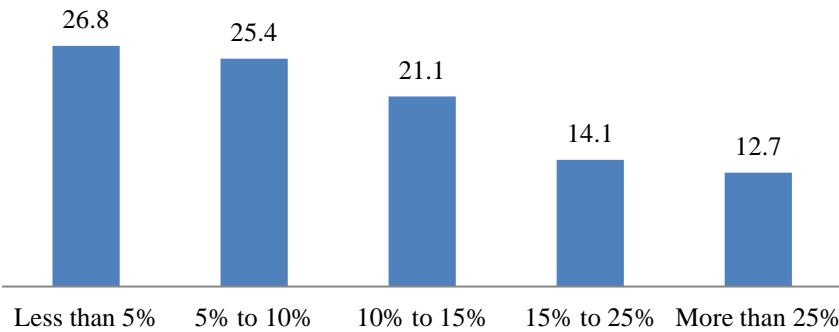
**Finding: Most of the respondents generally invest 'Less than 5%' i.e. ' 5% to 10% of their total invested funds.**

vii. Parameters/Characteristics considered by Investors

**Table 7:Parameters/Characteristics considered by Investors**

| Features of MF | | LEVEL OF IMPORTANCE | | | |
|---|---|---|---|---|---|
| | | Very High | High | Low | Very Low |
| Regular Income | **Frequency** | 5 | 30 | 27 | 9 |
| | **Percent** | 7.0 | 42.3 | 38.0 | 12.7 |
| Capital Appreciation/ Growth in NAV | **Frequency** | 27 | 36 | 6 | 2 |
| | **Percent** | 38.0 | 50.7 | 8.5 | 2.8 |
| Safety of Principal | **Frequency** | 26 | 37 | 6 | 2 |
| | **Percent** | 36.6 | 52.1 | 8.5 | 2.8 |
| Liquidity | **Frequency** | 14 | 44 | 11 | 2 |
| | **Percent** | 19.7 | 62.0 | 15.5 | 2.8 |
| Tax Benefit | **Frequency** | 9 | 23 | 29 | 10 |
| | **Percent** | 12.7 | 32.4 | 40.8 | 14.1 |
| Professional Management | **Frequency** | 30 | 34 | 5 | 2 |
| | **Percent** | 42.3 | 47.9 | 7.0 | 2.8 |
| Variety of Schemes for Investment | **Frequency** | 11 | 44 | 13 | 3 |
| | Percent | 15.5 | 62.0 | 18.3 | 4.2 |
| Choices of receiving Income /Profits | Frequency | 16 | 42 | 10 | 3 |
| | Percent | 22.5 | 59.2 | 14.1 | 4.2 |

| Accessibility/Affordable Investments | Frequency | 12 | 50 | 7 | 2 |
|---|---|---|---|---|---|
| | Percent | 16.9 | 70.4 | 9.9 | 2.8 |
| Reputation of MF Company | Frequency | 37 | 30 | 4 | |
| | Percent | 52.1 | 42.3 | 5.6 | |



Chart 7: Features of Mutual Funds
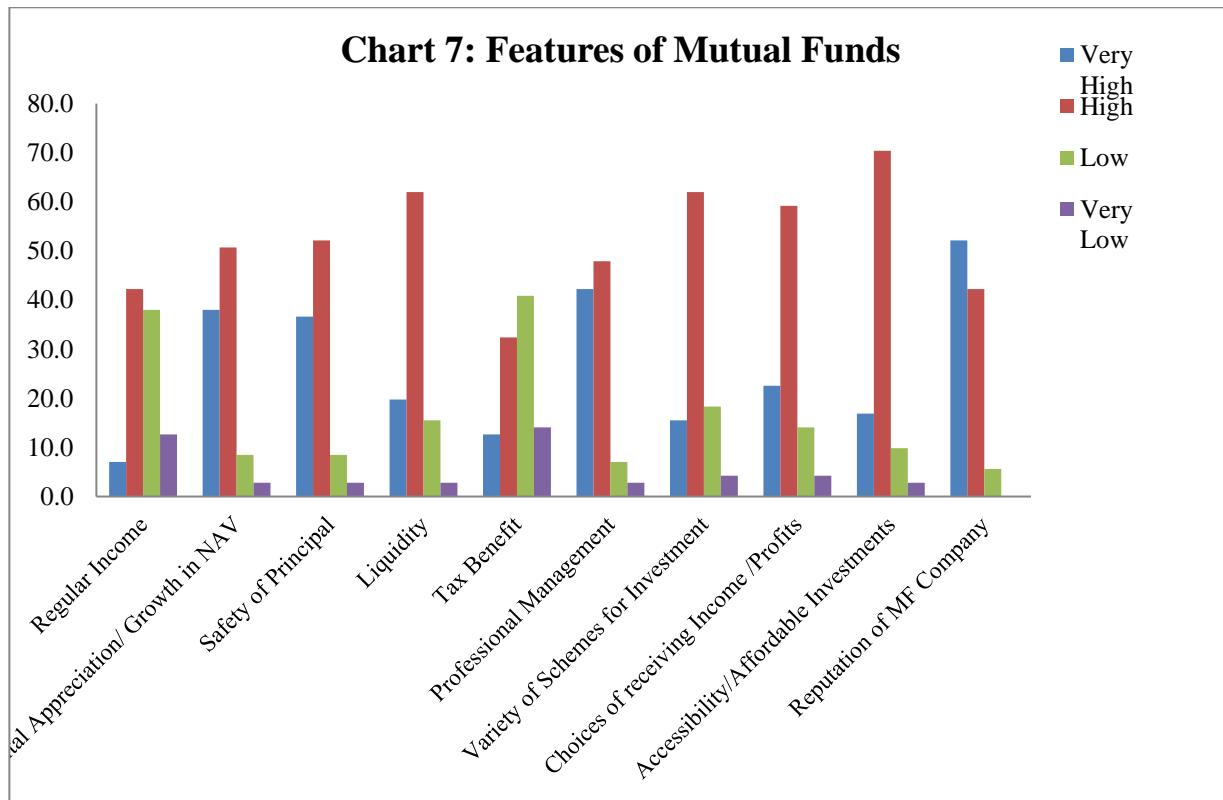
Above table gives the distribution of the importance given to the features by the investors while investing money in Mutual funds.

**Finding: From the graph, we can observe that most of the features have been rated as of high importance by the respondents.**

viii. Objective of Investment:

Table 8 : Investment Objective

| Investment Objective | | Highly Satisfied | Satisfied | Dissatisfied | Highly Dissatisfied |
|---|---|---|---|---|---|
| Regular Income | Frequency | 8 | 45 | 17 | 1 |
| | Percent | 11.3 | 63.4 | 23.9 | 1.4 |
| Capital Appreciation/ Growth in NAV | Frequency | 10 | 34 | 27 | |
| | Percent | 14.1 | 47.9 | 38.0 | |
| Safety of Principal | Frequency | 9 | 39 | 22 | 1 |
| | Percent | 12.7 | 54.9 | 31.0 | 1.4 |
| Liquidity | Frequency | 20 | 43 | 7 | 1 |
| | Percent | 28.2 | 60.6 | 9.9 | 1.4 |
| Tax Benefit | Frequency | 9 | 48 | 13 | 1 |
| | Percent | 12.7 | 67.6 | 18.3 | 1.4 |
| Diversification | Frequency | 9 | 54 | 8 | |
| | Percent | 12.7 | 76.1 | 11.3 | |

**Chart 8: Investment Objective**
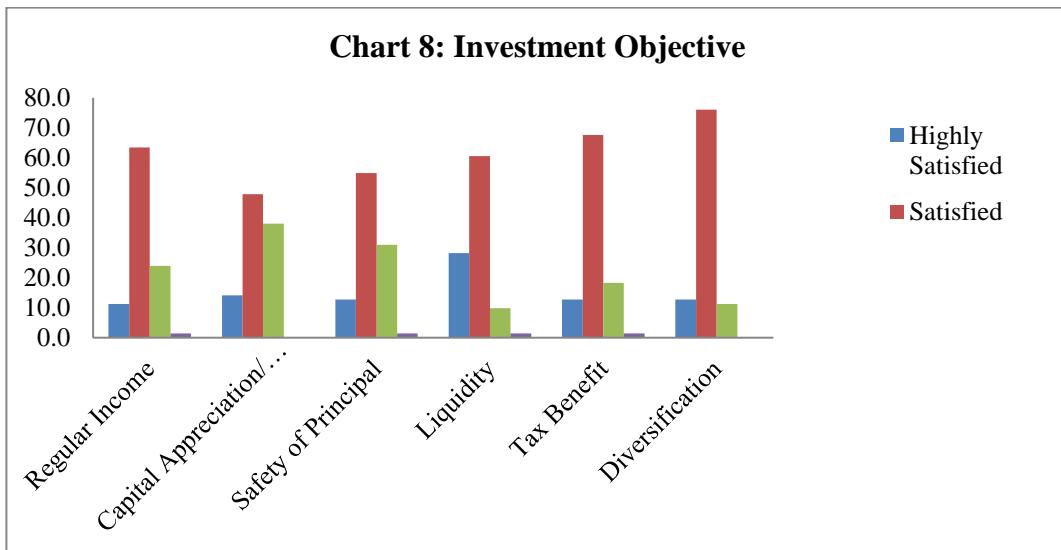
**Interpretation:**
Above table gives the distribution of the satisfaction level achieved in the mentioned investment objective by the investors

**Finding: From the graph, we can observe that investors are satisfied by the investment objective under study.**
ix. Type of Scheme

**Table 9 :** Type of Scheme

| Type of Schemes | | Highly Favourable | Favourable | Less favourable | Not at all Favourable |
|---|---|---|---|---|---|
| Equity/Growth Schemes | Frequency | 20 | 42 | 8 | 1 |
| | Percent | 28.2 | 59.2 | 11.3 | 1.4 |
| Balanced Schemes | Frequency | 18 | 41 | 12 | |
| | Percent | 25.4 | 57.7 | 16.9 | |
| Tax Saving Schemes | Frequency | 9 | 31 | 30 | 1 |
| | Percent | 12.7 | 43.7 | 42.3 | 1.4 |
| Debt/Income Schemes | Frequency | 2 | 29 | 35 | 5 |
| | Percent | 2.8 | 40.8 | 49.3 | 7.0 |
| Index Scheme | Frequency | 3 | 25 | 34 | 9 |
| | Percent | 4.2 | 35.2 | 47.9 | 12.7 |
| Money Market/Liquid Schemes | Frequency | 7 | 27 | 31 | 6 |
| | Percent | 9.9 | 38.0 | 43.7 | 8.5 |



**Chart 9: Type of Schemes**
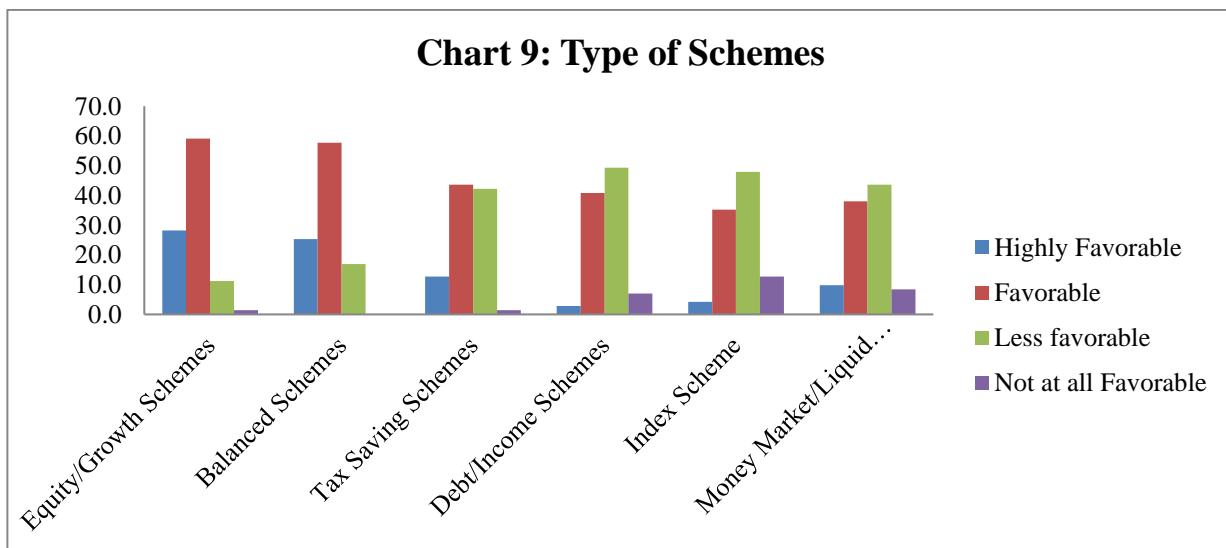
**Above table gives the distribution of the types of schemes/ funds favored for investments.**

**Finding: From the graph, we can observe that investors favor 'Equity/Growth', 'Balanced Schemes' and 'Tax Saving' schemes over other schemes/funds for investments.**
X. Preferred mode of investing in Mutual Funds  - Lumpsum or SIP

| Table 10 : Preferred mode of investing in Mutual Funds | | |
|---|---|---|
| | Frequency | Percent |
| One time investment | 27 | 38.0 |
| Systematic Investment Plan (SIP) | 44 | 62.0 |
| Total | 71 | 100.0 |

**Chart 10 : Preferred mode of investing in Mutual Fund**
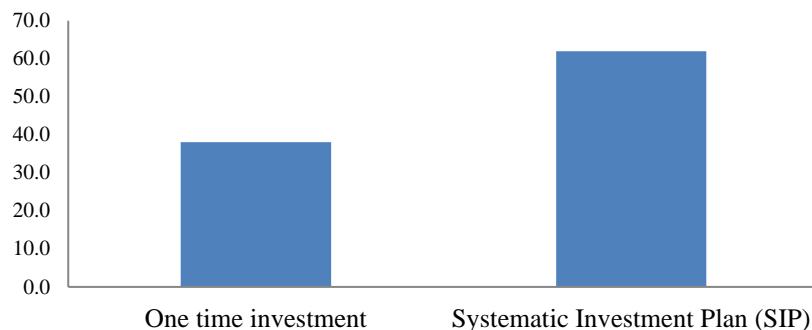


**Finding: From the response, Systematic Investment Plan is preferred mode of investing in Mutual Funds.**

xi. Features of SIP considered

| Table 11 ; Features of SIP | | Very High | High | Low |
|---|---|---|---|---|
| Small and Regular Investments | Frequency | 21 | 22 | 1 |
| | Percent | 47.7 | 50.0 | 2.3 |
| Discipline Investment | Frequency | 21 | 21 | 2 |
| | Percent | 47.7 | 47.7 | 4.5 |
| Ease of Investing | Frequency | 18 | 24 | 2 |
| | Percent | 40.9 | 54.5 | 4.5 |
| Power of Compounding | Frequency | 18 | 24 | 2 |
| | Percent | 40.9 | 54.5 | 4.5 |
| Rupee Cost Averaging | Frequency | 11 | 27 | 6 |
| | Percent | 25.0 | 61.4 | 13.6 |
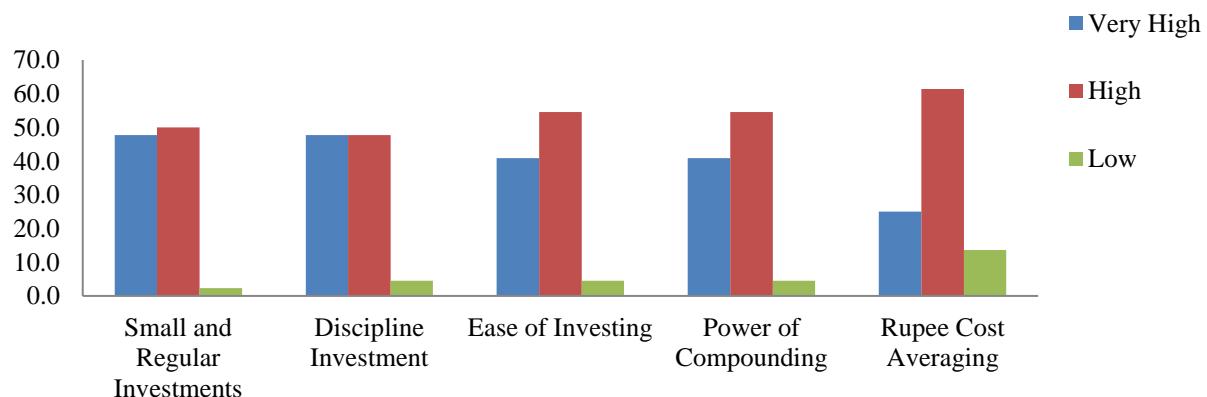


Above table gives the distribution of the importance given to the factors while opting for SIP mode of investment in Mutual Funds.

**Finding: From the graph, we can observe that investors give high importance to the above mentioned factors while opting for SIP mode of investment in Mutual Funds.**

**5.2 Analysis of Findings**

**Reliability Statistics**

| Description | Cronbach's Alpha Value | Decision | Conclusion |
|---|---|---|---|
| **Features of Mutual Funds** | .791 | Reliable | It shows a good level of internal consistency for all the measures under consideration. |
| **Investment Objective** | .776 | Reliable | It shows a good level of internal consistency for all our factors under consideration. |
| **Type of Scheme** | .452 | Poor Reliability | It shows a poor level of internal consistency for all our factors under consideration. |

**Factor Analysis to study the factors that influence investor's preference towards investing in Mutual Funds.**

**Factor Analysis:** TABLE 1

| **Communalities** | | |
|---|---|---|
| | **Before exclusion** | **After exclusion** |
| Regular Income | .781 | .842 |
| Capital Appreciation/ Growth in NAV | .811 | .818 |
| Safety of Principal | .672 | .701 |
| Liquidity | .473 | |
| Tax Benefit | .380 | |
| Professional Management | .621 | .616 |
| Variety of Schemes for Investment | .519 | |
| Choices of receiving Income /Profits | .673 | .840 |
| Accessibility/Affordable Investments | .632 | .713 |
| Reputation of MF Company | .701 | .775 |

Communality is the amount of variance a variable shares with all other variables being considered. Variables having low communalities (lower than 0.6), don't contribute much to measuring the underlying factors. After extraction, some of the factors are retained, others are dismissed. This leads to data reduction. After excluding the unimportant factors and rerunning the entire analysis, we obtained the following results.

**TABLE 2**

| **KMO and Bartlett's Test** | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .697 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 146.243 |
| | Df | 21 |
| | Sig. | .000 |

➤ **KMO:**

The KMO measures the sampling adequacy. The value 0.697 (approximately 0.7) says that the sample is adequate to perform factor analysis.

➤ **Bartlett's test of Sphericity**

Since Sig. value = 0.000 < 0.05, we say that the value of Bartlett's test of        Sphericity is significant. Thus, based on the results, it is appropriate to proceed with factor analysis for this  variables under consideration.

**TABLE 3 :** Total Variance Explained

| | **Rotation Sums of Squared Loadings** | | |
|---|---|---|---|
| Factor/ Component | Total | Percentage of Variance | Cumulative Percentage |
| 1 | **2.140** | **30.573** | **30.573** |
| 2 | **1.816** | **25.945** | **56.518** |
| 3 | **1.347** | **19.245** | **75.763** |
| 4 | .570 | 8.136 | 83.899 |
| 5 | .466 | 6.651 | 90.549 |
| 6 | .375 | 5.353 | 95.902 |
| 7 | .287 | 4.098 | 100.000 |

The above table shows the actual factors that have been extracted. Only those factors are extracted that meet the cut-off criterion, that is eigen values greater than 1. Three factors were extracted because their eigenvalues is greater than 1. 3 factors have been extracted with 75.763% of variance explained. These 3 factors together explain most of the variability, nearly 76% of the variability in the original seven variables, so you can considerably reduce the complexity of the data set by using these 3 factors, with only a 24% loss of information.

**TABLE 4 :** Rotated Component Matrix

|  | **Component 1** | **Component 2** | **Component 3** |
|---|---|---|---|
| Regular Income | .050 | .113 | .909 |
| Capital Appreciation/ Growth in NAV | .884 | -.087 | .170 |
| Safety of Principal | .447 | .439 | .555 |
| Professional Management | .738 | .228 | .140 |
| Choices of receiving Income /Profits | -.062 | .897 | .175 |
| Accessibility/Affordable Investments | .397 | .738 | .098 |
| Reputation of MF Company | .672 | .448 | -.351 |

Rotated Component Matrix helps you to determine what the factors represent. We conclude that out of the original 10 variables, the above 7 variables are important features considered by investors while investing money in Mutual Funds. Hence, we can say that these factors influence investor's preference towards investing in Mutual Funds. The highlighted part represents the high correlation within the factor column. Further, we divide the variables under each factor column. The bifurcation is explained in the table below.

**TABLE 5** The factors that influence investor's preference towards investing in mutual funds are grouped according to their common characteristics.

| Component 1(Assistance) | Component 2 (Facilities) | Component 3(Benefits) |
|---|---|---|
| Capital Appreciation/ Growth in NAV | Choices of receiving Income /Profits | Regular Income |
| Professional Management | Accessibility/Affordable Investments | Safety of Principal |
| Reputation of MF Company |  |  |

**To study about the preference among Investor's about MF SIP.**

| Mode of investing in Mutual Funds | | |
|---|---|---|
|  | Frequency | Percent |
| One time investment | 27 | 38 |
| Systematic Investment Plan (SIP) | 44 | 62 |
| Total | 71 | 100 |

From the above table, we can say that 62% of the investors prefer Systematic Investment Plan for investing in Mutual Funds.

**Reliability Statistics**

**TABLE 1:** Cronbach's Alpha

| Reliability Statistics | |
|---|---|
| Cronbach's Alpha | Number of Items |
| .850 | 5 |

Reliability statistics obtained Cronbach's Alpha value of 0 .850, which indicates a high level of internal consistency for our scale(factors).

**TABLE 2:** Item Statistics

| Item Statistics | | |
|---|---|---|
|  | **Mean** | **Std. Deviation** |
| Small and Regular Investments | 1.55 | .548 |
| Discipline Investment | 1.57 | .587 |
| Ease of Investing | 1.64 | .574 |
| Power of Compounding | 1.64 | .574 |
| Rupee Cost Averaging | 1.89 | .618 |

The above factors have been rated on a 4-point Likert scale. On an average, we observe that all the variables have a rating of approximately 2 out of 4. It means that while opting for SIP mode of investment, investors give high importance to every factors mentioned in the above table.

Standard deviation is the measure of how much spread out each observations are from each other or from its mean. The values in the standard deviation column lies between approximately 0.5 to 0.7, which tells us that the deviation of all the factors is less. That is,
it does not much deviates from the mean.

**TABLE 3:** Correlation Matrix

| Inter-Item Correlation Matrix | | | | | |
|---|---|---|---|---|---|
| | Small and Regular Investments | Discipline Investment | Ease of Investing | Power of Compounding | Rupee Cost Averaging |
| Small and Regular Investments | 1.000 | .533 | .423 | .571 | .393 |
| Discipline Investment | .533 | 1.000 | .490 | .559 | .375 |
| Ease of Investing | .423 | .490 | 1.000 | .718 | .667 |
| Power of Compounding | .571 | .559 | .718 | 1.000 | .601 |
| Rupee Cost Averaging | .393 | .375 | .667 | .601 | 1.000 |

To have more understanding of the inter-relation among variables, we consider correlation matrix. From the correlation matrix, we can observe that 'Ease of Investing' is highly correlated with 'Power of Compounding' & 'Rupee Cost Averaging', since it is approximately 0.7.

**NORMALITY TEST**

$H_0$: The data under consideration is normal
vs
$H_1$: The data under consideration is not normal

**Test Statistics**: **Kolmogorov Smirnov Test**

**TABLE 1**

| Demographic Factors | | |
|---|---|---|
| | **Kolmogorov-Smirnov Z** | **Asymp. Sig. (2-tailed)** |
| Gender | 4.000 | 0.000 |
| Age Group | 2.266 | .000 |
| Education | 4.373 | 0.000 |
| Occupation | 3.307 | 0.000 |
| Monthly Income | 3.466 | 0.000 |
| Family Size | 3.187 | 0.000 |
| Number of Earning Members | 2.548 | .000 |
| Marital Status | 4.741 | 0.000 |
| Number of children | 2.843 | .000 |

**TABLE 2**

| Investment | | | |
|---|---|---|---|
| | **Kolmogorov-Smirnov Z** | **Asymp. Sig. (2-tailed)** | **Conclusion** |
| Savings Account | 1.305 | .066 | Do not reject null hypothesis |
| Bank Fixed Deposits | 2.072 | .000 | Reject null hypothesis |
| Post Office Saving Schemes/KVP/NSC | 1.443 | .031 | Reject null hypothesis |
| PPF/Pension Schemes | 1.557 | .016 | Reject null hypothesis |
| Bonds/Debentures | 1.337 | .056 | Do not reject null hypothesis |
| Insurance Policies | 1.123 | .160 | Do not reject null hypothesis |
| Equity Shares | 1.218 | .103 | Do not reject null hypothesis |
| Mutual Funds/ELSS/ULIPS | 1.282 | .075 | Do not reject null hypothesis |
| Bullion (Gold/Silver Ornaments) | 1.856 | .002 | Reject null hypothesis |
| Real Estate | 2.000 | .001 | Reject null hypothesis |

**TABLE 3**

| Investment Objective | | |
|---|---|---|
| | **Kolmogorov-Smirnov Z** | **Asymp. Sig. (2-tailed)** |
| Regular Income | 2.902 | .000 |
| Capital Appreciation/ Growth in NAV | 2.159 | .000 |

| Safety of Principal | 2.520 | .000 |
|---|---|---|
| Liquidity | 2.637 | .000 |
| Tax Benefit | 3.021 | .000 |
| Diversification | 3.241 | 0.000 |

**TABLE 4**

| | Kolmogorov-Smirnov Z | Asymp. Sig. (2-tailed) |
|---|---|---|
| Preferred Mode of investing in Mutual Funds | 3.382 | 0.000 |

Except for factors in Table 2, p-value for all the factors is less than 0.05, hence we reject $H_0$. And conclude that the data under consideration is not normal. Hence, we go for Non-Parametric test. Whereas, for the factors in Table 2 whose p-value > 0.05, we do not reject $H_0$. And conclude that the data under consideration is normal. Hence, we go for Parametric test for these few factors.

## 6. Recommendations:

*Mutual funds play an important role in fostering a stable capital market and in rising liquidity on the money market. Based on the analysis, it is clearly learnt that demographic factors have significant difference on mutual fund investment. Hence, it is recommended for the mutual fund companies to design the scheme according the investors' age, income level, education and gender.

*Based on descriptive statistics, it is found that investors' perception and preference towards mutual fund investment is at moderate level. This may because of inefficiency of investors in procurement of adequate and timely market information. Hence, it is suggested for mutual fund companies to provide valuable information about schemes and offer clear picture of technical and fundamental analysis of the companies and market movements in a simple language.

*With an objective to enhance the positive perception of the investors towards Mutual Fund investments, it is suggested that the Mutual Fund companies and SEBI should provide awareness programs including mutual fund's benefits and schemes.

## 7. Conclusion

Benefits: Mutual Funds have emerged with lot of benefits namely liquidity, diversification, tax benefits variety and flexibility of schemes. Types of Investors: It satisfies the requirements of all type and level of investors' to greater extent. Unlike investment in equity shares, moderate knowledge is sufficient to invest in mutual fund investment (Bajracharya, R.B., & Mathema, S.B., 2017). Demographics: Age group of majority of Investors being above 55 years, more stress is on safety and low risk. Mutual fund provides reasonable protection to investors. Preferred Schemes: Among various MF schemes available the most preferred by the Investors are Equity/Growth, Liquid and Tax Saving Schemes and preferably in an SIP mode.
Intervention by Mutual Fund Industry: More initiatives to be taken by mutual fund companies in providing valuable and reliable information about mutual funds to equip the understanding and preference of investors on mutual fund investments.

**Limitations:** Sample was drawn only from the city of Mumbai.

**Managerial Implications:** The research findings indicate that there is scope for further growth of mutual fund industry and highlights the issues the Industry must focus on.

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