



## **A STUDY ON DEMOGRAPHICS FACTORS INFLUENCING THE INVESTMENTS IN MUTUAL FUNDS**

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### **Abstract:**

*A mutual fund is an investment company that creates a bridge between individual investors or retail investors and corporate giants. Mutual funds provide an investment option for investors who are not aware about stock market and prefer to invest in a nominal amount of money. This paper attempts to describe the association between the demographics and the factors influencing investors decision in Mutual fund investments. The sample size for the study is restricted to 126 respondents in Hyderabad city using purposive sample method. The study used demographics variables namely age, marital status, gender, education, income and occupation and factors influencing investors decision such as liquidity, risk (diversification), Capital Appreciation, Tax benefit, Low cost, Future requirement, Safety & Return.*

**Keywords:** *Investors Decision, Investments, Mutual Funds, Investors Attributes.*

### **INTRODUCTION**

Investment refers to the process of commitment of funds with the objective of earning additional income or capital appreciation or both. Savings form an important part of the economy of any nation. With savings invested in various options available to the people, the money acts as the driver for the growth of the country. Though certainly not the best or deepest of markets in the world, it has ignited the growth rate in mutual fund industry to provide reasonable options for an ordinary man to invest in savings.

A mutual fund is an investment company that creates a bridge between individual investors or retail investors and corporate giants. Mutual funds provide an investment option for real investors or individual investors those who are not aware about stock market still they want to invest their funds in stock market with a small amount of money. A Mutual Fund is a pure intermediary which performs basic function of buying and selling security on behalf of its investors. It mobilizes savings from a large number of investors and invests these funds in share and other securities.

### **Literature Review:**

Priyanka, Sharma and Payal, Agrawal (2015) have attempted to study Investors' Perception and attitude towards mutual Fund as an Investment option in Udaipur City. The study was conducted on 50 educated investors of Udaipur by using a structured questionnaire. Descriptive statistical tools like Rank and Chi-square test have been used for analysing the data. The findings reveal that a fund manager should consider buying behaviour of investors to invest in mutual funds, sources that investor rely more while making investment and preferable mode to invest in mutual funds market. It has problems such as low awareness, too many formalities, difficult to select investment plans. It is concluded that the MFs business in Udaipur is still in as embryonic stage. So, concerted efforts are needed for its success. Some

of the suggestions are the investors' perception is dependent on the demographic profile and assesses that the investor's age. Marital status and occupation have direct impact on the investors' choice of investment.

Noor Nahar, Begum and Sarabia, Rahman (2016) is to analyse the investors' preference towards mutual fund and factors affecting the investors' preference towards mutual fund Dhaka city, Bangladesh. The study conducted a sample of 120 individual investors through convenience sampling technique method. In this study data collected through primary and secondary method using various articles, books and websites, descriptive statistical techniques like chi square test, factor analysis were used to analyse the data. It is found that, the demographical factors- gender, income and Safety have significant influence on the investor's attitude towards mutual funds investment. Investors prefer mutual fund as safety of life and return on investment. It is identified that, most of the investors are not satisfied with their investment. Most of the investors prefer Mutual Funds for the returns and feel that it is a safe measure of investment. 55% of the respondents are not satisfied by investing in mutual fund and 60% of the respondents are not satisfied with their returns. Almost 55% respondents showed their negative attitude towards mutual fund. So, initiative should be taken to increase the satisfaction of investors. Policy maker can undertake action to ensure sufficient return on investment so that investor may become happy. Planners should encourage private companies to raise fund through mutual fund. To create awareness among the market participants Security and Exchange Commission can take both education and training program. The study has suggested some important policy measures such as regulatory change, creating investors awareness, encouraging the private companies to raise fund through mutual fund.

K, Alamelu, G, Indhumathi (2017) evaluated the investors' preference towards mutual fund in the district of Madurai, Tamilnadu. The study used convenience sample technique to select sample. The data was collected from 200 respondents. The study found that mostly the lower net worth individuals have positive approach towards investing in mutual funds. It is concluded that the Mutual funds business is still in a growing phase. The study revealed that investor's attitude is dependent on the demographic profile and assesses that the investor's age, marital status and occupation has direct impact on the investor's choice of investment. Fund managers should take steps to tap the female segment and higher income group segment to enhance more investment in mutual fund Investment Avenue which would really help the industry to flourish.

Rajesh, Trivedhi, Prafulla Kumar, Swain and Manoranjan, Dash (2017) have identified that research provides an insight into the types of risks which exist in a mutual fund schemes in India. The research study selected a sample size of 200 respondents from India. The data was collected from mutual fund investors as well as non- mutual fund investors of this industry. The research focuses on the relationship between investment decision and factors like liquidity, financial awareness, and demography. It was found low risk funds and liquidity of fund schemes are having impact on the investor's perception for investing in the mutual fund. Descriptive statistical tools like Chi square have been used to analyse the data. The low risk funds attract the investors in mutual fund schemes. Males are more interested in mutual fund

investments than the females. The youths and the elderly people are less aware about the mutual fund information. The organization to boost the mutual fund investment company shall educate the public to the benefits of mutual funds through the advertisement, publicity campaigns having stall exhibition. The district adoption program [DAP] and the investor awareness program [IAP] done by each AMC are aimed at improving awareness about mutual funds in locations that have nil or minimal penetration of mutual funds. AMCs have held 6,600 IAP across 250 cities covering 0.26 million participants in the first six months of the current fiscal year.

Sampath Kumar, Shilpa, S, Umamaheshwari, K Reddy, Kusuma (2019), has attempted to identify the influence of various factors influencing investors' perception towards mutual funds in Bengaluru city, Karnataka. The study collected a sample of 103 respondents in Bengaluru through convenience sampling method. In this study descriptive statistical tools like "Chi-Square Test" and "Correlation" were applied to analyse the data. Majority of the respondents involved in research are female and a maximum of the respondents are of the age group 20-30years. Most of the respondents are students followed by employed with a post-graduation and under graduation educational qualifications. Most of the respondents are having a monthly income level below Rs.50, 000 followed by respondents having income level Rs. 50,000-Rs. 100,000 (18.4%). Further the research has found demographic variables such as age, educational qualification and occupation / profession has no significant association with the various influential factors like high return on investments, risk involved in investment, liquidity of the company, regular income from investment, tax benefit from investment, flexibility of investment, broker's advice and performance of schemes of investment. Measures should be taken to increase the confidence and morale of the investors. This can be done through proper communication and by educating investors to invest in mutual funds. The mutual fund industry must also help people in mobilizing their Safety in such a way that they can get maximum benefits out of them. The companies must try to increase the investments in moderate to high risk investments by highlighting the rewards and returns on such funds.

### **Objectives of the study:**

- To analyze demographic profile of investors towards mutual fund
- To determine the factors influencing investors decision in Mutual funds

### **Methodology of the study:**

The nature of this study is done by primary data using structured questionnaire and the response is collected from existing investors in mutual funds. The sample size is 126 through purposive sample in Hyderabad city. The study used demographics variables namely age, marital status, gender, education, income and occupation. Further variables such as Risk, Diversification, Liquidity, Low Cost, return, safety, tax benefit, capital appreciation, are used as a proxy for investors attributes for investment. Descriptive statistics such as frequency, graphs were applied using SPSS IBM 20 software.

**Analysis:**

The study attempts to evaluate and analyze the preferences of investors in Hyderabad city while investing in mutual funds. Demographics plays an important role as a variable for understanding how the investors socio-economic conditions influence investments in mutual funds such as age, marital status, gender, annual income, occupation, educational qualificationsetc.

**Table 1: Demographic Factor**

		%			%
<b>Gender</b>	Male	61.90%	<b>Marital Status</b>	Single	66.67%
	Female	38.10%		Married	33.33%
<b>Age</b>	< 25 Years	20.63%	<b>Education Level</b>	SSC	0.00%
	25-30	26.19%		Intermediate	2.40%
	30-40	25.40%		Graduation	25.60%
	40-50	19.05%		Post-Graduation	54.40%
	>50 Years	8.73%		Professional	17.60%
<b>Income</b>	< 2 Lakhs	9.60%	<b>Occupation</b>	Housewife	5.56%
	2-3 Lakhs	14.40%		Private	55.56%
	3-4 Lakhs	11.20%		Government	6.35%
	4-5 Lakhs	17.60%		Business	7.14%
	> 5 Lakhs	47.20%		Retired	5.56%
				Other	19.84%

The Table 1 depicts that the majority of the investors are male (61.09%), and the respondents age group range from 25 to 40 years are (72.22%). Most of the respondents were unmarried(66.67%) and working in a private company (55.56%). The majority of the respondents were also earning more than 5 lakhs per annum (47.20%)and indicate that they probably investors. It is also evident from the literature that educated people tend to invest more and our study found that most of the investors were post-graduates(54.40%).

**ASSOCIATION BETWEEN DEMOGRAPHIC VARIABLES AND INVESTMENT DECISION**

The Table 2 shows the association between demographic variables and the factors contributing to investment decision in mutual funds. The results indicate that age of investor is associated with liquidity, capital appreciation, safety and returns. Where, liquidity describes to which an asset or security can be quickly brought or sold in the market at a price reflecting its intrinsic value and Capital appreciation is a rise in an investment’s market price. The education of investor is associated with the low cost of investment in mutual funds. It can be inferred that the higher the education of investor prefer to incur low cost on investments. The marital status has association with the tax rate and future requirements of an

investor. For instance, married investors prefer to make investment, decision based upon the future requirements such as children schooling, marriage, retirement plan etc. Further, the income of investor is associated with the tax benefits. It can be inferred that the investors with high income prefer to take advantage of tax benefit. In case of Gender and occupation does not show any association with the objective of investment.

**Table 2: Association between Demographic Factors & Reason for Investment**

Factors	V	DF	S	R	Factors	V	DF	S	R
<b>AGE</b>					<b>Gender</b>				
Liquidity	31.06	16	0.01	A	Liquidity	1.20	4	0.88	R
Diversification	18.78	16	0.28	R	Diversification	5.02	4	0.29	R
Capital Appreciation	28.08	16	0.03	A	Capital appreciation	4.11	4	0.39	R
Tax benefit	9.50	16	0.89	R	Tax benefit	5.33	4	0.26	R
Risk	22.46	16	0.13	R	Risk	4.80	4	0.31	R
Low cost	19.60	16	0.24	R	Low cost	4.05	4	0.40	R
Future requirement	24.31	16	0.08	R	Future requirement	2.24	4	0.69	R
Safety	29.14	16	0.02	A	Safety	1.93	4	0.75	R
Return	26.81	16	0.04	A	Return	6.64	4	0.16	R
<b>Education Level</b>					<b>Marital Status</b>				
Liquidity	14.32	12	0.28	R	Liquidity	5.60	4	0.23	R
Diversification	9.21	12	0.69	R	Diversification	1.51	4	0.82	R
Capital appreciation	19.13	12	0.09	R	Capital appreciation	4.17	4	0.38	R
Tax benefit	17.72	12	0.13	R	Tax benefit	12.39	4	0.02	A
Risk	14.20	12	0.29	R	Risk	4.78	4	0.31	R
Low cost	21.22	12	0.05	A	Low cost	3.28	4	0.51	R
Future requirement	18.26	12	0.11	R	Future requirement	9.87	4	0.04	A
Safety	10.73	12	0.55	R	Safety	5.49	4	0.24	R
Return	15.33	12	0.22	R	Return	2.69	4	0.61	R
<b>Income</b>					<b>Occupation</b>				
Liquidity	16.83	16	0.40	R	Liquidity	13.61	20	0.85	R
Diversification	14.02	16	0.60	R	Diversification	18.22	20	0.57	R
Capital appreciation	19.76	16	0.23	R	Capital appreciation	21.73	20	0.36	R
Tax benefit	26.36	16	0.05	A	Tax benefit	23.28	20	0.28	R
Risk	16.62	16	0.41	R	Risk	17.18	20	0.64	R
Low cost	7.04	16	0.97	R	Low cost	9.79	20	0.97	R
Future requirement	14.71	16	0.55	R	Future requirement	20.87	20	0.41	R
Safety	25.78	16	0.06	R	Safety	12.30	20	0.91	R
Return	21.82	16	0.15	R	Returns	21.58	20	0.36	R

**Note: R=Result, DF=Degree of freedom, S= Significance value, V=Value.**



## CONCLUSION

A Mutual Fund is a pure intermediary which performs basic function of buying and selling security on behalf of its investors. The investor decision can be effect or influenced by many factors. The objectives of making investment in mutual funds can vary from one investor to another investor. In our study, we found that age is associated with liquidity, capital appreciation, safety and returns while investing in mutual funds whereas Education is associated with the low investment cost and marital status has association with the tax rate and future requirements of an investor. The author suggest that Government should take necessary steps to create awareness among the investors about different schemes available in the market which enables them to invest wisely.

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