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The Study on Investors' Attitude towards Investing in Mutual Funds

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Abstract: *The objective of the study is to ascertain the investors' attitude on mutual funds. The study examined investors' impression of mutual funds as the dependent variable, with fund scheme, risk and return, and level of investors' expertise as independent variables. This study investigates the influence of fund scheme, risk and return, and the level of investors' expertise on investors' perspective. The researcher employed questionnaires as a study instrument for data collecting, which was subsequently analyzed using the SPPS program. The analysis involved utilizing descriptive statistics, correlation, and regression techniques. Correlation and regression analysis were employed to determine the links and quantify the effects between the variables. The analyzed result indicates that the variable of the investor's level of knowledge has a positive and large impact on investors' attitude in mutual funds. However, the fund scheme and risk & return have a small impact on investors' attitude in mutual funds.*

Keywords: Investors, Mutual Fund, Risk & Return, Fund Scheme

I. INTRODUCTION

A mutual fund is a collective investment vehicle that consolidates the funds of numerous individuals with similar investment goals. A mutual fund is an investment vehicle that offers tax advantages, skilled management, affordable investment expenses, easy conversion to cash, and portfolio diversity (Chawla, 2014). It is appropriate for the average investor as it provides them with the chance to put their funds in a varied and expertly managed collection of securities at reasonably affordable expenses. The significance of mutual funds has been amplified due to shifts in economic conditions, reduced interest rates on bank deposits, decline in capital markets, and the negative experiences of investors with direct investments in capital market instruments. They have a significant impact on facilitating financial transactions, promoting the growth of capital markets, and contributing to the overall development of the financial industry. The significant role of investment funds in promoting economic growth is demonstrated by their prominent participation in financial and capital markets (Bajracharya, A Study of Investors' Attitude towards Mutual fund in Kathmandu City, India, 2017). Over the past few years, there has been a significant increase in the size and popularity of mutual funds. The collaboration between brokerage firms and fund managers has led to the outcome of educating investors and raising awareness about mutual fund schemes through several advertising methods (Brigham &Gapenski, 2007).

Mutual funds originated in the Netherlands during the 18th century and subsequently expanded to Switzerland, Scotland, and the United States of America during the 19th century. The primary motivation for investing in mutual funds is to offer investors a diverse range of financial options. In today's day of intense rivalry and global interconnectedness, the prosperity of an industry hinges on the market performance of its stock. Investors want to allocate their investments towards stocks of companies that have the most potential for profitability. The Indian financial sector started a new era of mutual funds with the debut of the NCM mutual fund in 2050 BC (1993 AD). The initiative was publicly accessible and resulted in a net profit of only Rs 100 million. Currently, investment bankers are providing significantly greater sums of money, ranging from five to ten times the previous levels. This has now become a crucial aspect of India's financial industry. NIDC Capital Market is a leading mutual fund institution in India that introduced the "NCM 2050 Mutual Fund" in 1993 and the "NCM-2059 Mutual Fund" in 1993/94. The 'Citizen Unit Scheme 2052', which is administered by the Citizen Investment Trust, was created in 1994/95 as an open-ended mutual fund and is still in existence today. These three mutual funds function in a setting that is deficient in sufficient

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supervision and regulation. The Securities and Exchange Board of India (SEBON) was founded in 1993 with the primary role of overseeing and regulating the stock market. Subsequently, the Securities Act 2006, the Mutual Fund Regulation Act 2010, and the Securities Dealers (Commercial Banks) Regulations 2008 were established and implemented. These laws facilitated the licensing, supervision, and effective management of mutual funds, as well as investment banking activities in India (Shrestha, 2020). In India, mutual funds are managed by merchant bankers, who are sponsored by 'A' class commercial banks authorized by India Rastra Bank. Merchant bankers who are direct subsidiaries of commercial banks are the only ones who can issue and manage mutual funds. Consequently, commercial banks completely own mutual fund firms.

Mutual funds in India are not as popular as other financial assets for investment purposes. Term deposits are the predominant and preferred financial vehicle among Indian investors. (Dangol & Shakya, 2017). Moreover, investors opt to invest in shares instead of mutual fund schemes, notwithstanding the fact that mutual fund investments provide benefits such as allocations in public offerings and the avoidance of double taxation, in addition to the dividends disbursed to investors. Various factors impact investors' opinions of investments. Investors are universally recognized as the fundamental element of any financial market. Investor behavior is dynamic. The variation may be distinct across various geographical areas and financial instruments. Therefore, it is crucial to identify the factors that impact investor attitudes. Gaining a comprehensive understanding of how investors allocate their funds to securities is essential for enhancing investment strategies and formulating relevant theories and policies (Aruna & Bajracharya, 2016).

II. LITERATURE REVIEW

Chawla (2014) gathered data from 431 participants through convenience sampling in order to examine the purchasing patterns of retail investors in mutual funds. A digital poll was carried out to gather feedback from individuals who had invested in mutual funds. The main point of this essay is the diverse attributes that investors deem significant while investing in mutual funds. Two significant underlying factors are identified. The reliability and qualities of the fund are as follows. Additionally, it is worth mentioning that mutual fund investors should take into account factors such as underwriting, growth funds, and the historical performance of tax-advantaged capital funds. According to the firm's research, over 54% of investors anticipate higher returns and improved capital value while also seeking minimal risk and tax savings. These investors are requesting fund managers to reduce potential hazards. This indicates that the corporation anticipates attaining substantial profits while maintaining a low level of risk.

The study conducted by Singal&Manrai (2019) took place in the SDMC region of Delhi. The researcher employs an exploratory and descriptive study design.The study used the approach of proportionate quota sampling, with a sample size of 226 citizens.The study demonstrates that essential factors such as historical performance, skill of the fund manager, return, risk, and diversification all significantly impact an investor's decision-making process. Due to their risk aversion and limited understanding of funds and their management, the influence of liquidity and volatility on investment advice is minimal. The study includes elements from characteristics that influence mutual fund investment into a perceptive analysis. Investor attitude plays a pivotal role in the decision-making process of investors.

Kandel (2018) conducted a study in the Kathmandu Valley with a sample size of 156 and used data analysis tools such as Microsoft Excel and SPSS. The research employs a Descriptive and analytical methodology. The study's population consists of investors from various industries working in the Kathmandu Valley.The primary discovery of the study indicates that investors possess a limited level of knowledge regarding bonds, debentures, and money market instruments, a moderate level of knowledge regarding shares, and a substantial level of knowledge regarding fixed deposits. According to this analysis, it was concluded that mutual funds might be a beneficial institution for bridging the gap between individual savers and established firms in India. It could serve as a means to entice and gather small investors in India with the purpose of assisting them in accessing the Indian securities market. The establishment of various laws by the Indian government is crucial in order to familiarize the public with them.

Investment Program

Fund schemes have a crucial role in shaping investors' impression of investment opportunities. Mutual fund plans are regarded as the most optimal equity plans, with income plans, balanced plans, and other sectoral or special plans following suit. Equity-based programs are prioritized above debt schemes. Given the limited duration of mutual funds in India, variations in the investing climate and disparities in financial expertise, financial lessons, character, and education of these schemes can result in substantial deviations from expected norms. The amendment(s) made to the Mutual Fund Regulations, 2010 have opened up possibilities for insurance firms and other financial institutions to establish and manage different mutual fund schemes. These new regulations could potentially lead to a rise in the number of mutual fund managers. Simultaneously, foster the growth of the mutual fund business as a highly competitive sector. However, there is still a significant danger of being unable to attract and satisfy investors for mutual funds due to the present investor antipathy towards them. In order to attract investments, fund managers must customize mutual fund schemes to cater to the individual preferences and needs of different groups of investors (Shrestha, 2020).

Investment Risk and Potential Return

This variable is crucial for determining whether the risk or expected return is lower than the goal return over its sustainability period. Assets are allocated resources based on their risk and return attributes in an efficient manner. The primary objective of investors is to mitigate investment risk and optimize investment return. Price increases or inflation gradually diminish the purchasing power of money. Investments or assets allocated to mitigate the impact of inflation. If the investment does not benefit from price increases, the actual rate of return will be negative. Hence, the primary objective of the investor should be to optimize returns, mitigate risks, and safeguard against inflation. Risk attitude refers to how investors evaluate the level of risk associated with financial assets, taking into account their concerns and past experiences. Risk attitude is based on the belief that risk is impartial or unpredictable, and that the severity, extent, and length of the outcomes for individuals, groups, or society are a crucial aspect in making informed decisions in risky situations. The presence of risk tolerance and risk attitude among all investors adds complexity to the analysis of financial risk. Hence, the primary determinant influencing investor attitude is the investor's assessment of risk (Saleem, 2021).

Investors' level of knowledge

The efficacy of mutual funds is contingent upon the investors' level of knowledge and confidence. Investment preferences differ based on factors such as occupation, education, gender, and age. Investors who allocate their cash to mutual funds are able to access investing opportunities that may otherwise be restricted due to a lack of expertise or resources. Mutual funds can effectively fulfill investors' requirements by employing appropriate selection methods and implementing robust monitoring processes and controls. Investor awareness of mutual funds is significantly limited, while some individuals choose to invest in mutual funds as a means of mitigating risk and avoiding the possibility of losing their cash. Policy makers are likely familiar with strategies to guarantee sufficient profits on investments in mutual funds. Planners must also provide incentives for private enterprises to generate cash through investment funds. The Security Council of India has the authority to implement measures to enhance the education and training programs related to mutual funds. The study conducted by Bajracharya in 2016 analyzes the performance of mutual fund units in India. Investors' understanding of neurological information is crucial in their decision-making process. In this study, the term "neural information" refers to the investors' comprehension of recent changes in mutual fund prices, the present economic indicators (such as the business cycle and GDP), and the fluctuations and developments in the mutual fund index. The efficacy of the mutual fund is contingent upon the investors' level of knowledge and confidence. The investing pattern varies based on factors such as occupation, education, gender, and age. The purpose of this investigation is to determine the level of expertise among the investors. The study indicates that in the current market context, income structures and open systems are necessary, while development programs and closed systems are not as relevant. Investors prioritize the protection of their principal, followed by the appreciation and profitability. Journals and newspapers are the primary sources of information for procuring mutual funds. The investment schemes that are influenced by and cater to an investor are a significant determinant (Shrestha, 2020).

III. CONCLUSION

Ultimately, the research on investors' opinion of mutual funds in India illuminates the many factors that shape investors' perspectives on these investment instruments. The results emphasize the crucial significance of investors' knowledge in influencing their attitudes, emphasizing the necessity for ongoing educational programs to improve comprehension and

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assurance in mutual fund investments. Although the study indicated that the particular fund scheme and perceived risk-return profile had no significant effect on investors' attitudes, it highlights the need of taking into account larger factors that influence investor sentiments. To promote a more inclusive and strong mutual fund market in India, stakeholders should acknowledge and address these subtle factors and provide a regulatory environment that provides support. In summary, the research provides essential knowledge for professionals, politicians, and scholars who seek to encourage well-informed decision-making and investor involvement in India's financial sector.

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