A COMPARATIVE STUDY ON PERCEPTION TOWARDS INVESTMENT IN MUTUAL FUNDS AND BANK DEPOSITS

Corresponding Author:

VIGNESH.V,
Naranapuram,
Ponnapuram(PO),
Dharapuram (TK),
Tirupur (DT).
Pin code : 638657

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Mr.M.A.PRASAD, M.Com., M.Phil.,Assistant Profeesor(SG), Department of commerce, Dr.N.G.P Arts and Science College, Coimbatore

VIGNESH.V, Third Year B.com., Dr.N.G.P.Arts and Science College, Coimbatore

ABSTRACT:

Fixed deposits, or FDs, are a popular way to save money. If you want to invest some of your savings and earn more interest, then a fixed deposit is the right choice. This is because FDs offer fixed returns on your principal amount (the amount you have invested), which means that the amount of money you put in each month will always be the same. Bank deposits are a traditional and secure form of investment where individuals deposit money into a bank account, allowing the bank to use those funds for various financial activities, such as lending to borrowers. Mutual funds are another great investment option. Mutual funds are investment vehicles that pool money from numerous investors to invest in a diversified portfolio of stocks, bonds, or other securities. These funds are managed by professional fund managers, and the returns generated are distributed among the investors based on their proportionate investments.

INTRODUCTION:

Fixed deposits are a form of bank account held by the bank for a fixed amount of money, usually for a specific period. The main advantage of this deposit account is that it only gives you access to interest on your money once it is withdrawn. In mutual funds, investors invest in a pool of assets whose value fluctuates by the performance of an underlying index. Mutual funds differ from individual stocks because they are managed by professionals and have professional managers who decide how to allocate assets among various investments. Mutual funds and bank deposits represent two distinct investment options catering to different risk appetites and financial goals. Mutual funds offer the potential for higher returns with increased risk, while bank deposits provide safety and stability but with comparatively lower returns. Choosing between the two depends on individual preferences, financial objectives, and risk tolerance.

SCOPE OF THE STUDY:

The scope of the study is to track out the investors' preferences, priorities and their awareness towards different mutual fund schemes and bank deposits. To assess an awareness of mutual funds and bank deposits among investors and to explore the factors responsible for preferring the mutual funds as an investment option, this research study is conducted. The main objective of this study is concerned with getting the opinion of investors regarding mutual funds and what they feel about mutual fund investment. Data for the study is collected from a sample of 200 investors.

STATEMENT OF THE PROBLEM:

In a competitive situation with multiple mutual funds operating in Indian Market, itis necessary to know about the performance of different mutual funds as the Performance of mutual fund decides about the future of Mutual Fund Company. When compared with other financial instruments, investments in mutual funds are safer and also yield higher returns on the portfolio investment. The focus of this study is to identify the factors that are responsible in increasing the mutual fund investment. Therefore, Mutual fund companies should promote financial awareness amongst the respondents so as to channelize their income and savings towards mutual funds.

METHODOLOGY OF THE STUDY

Methodology refers to the study of methods from which we can obtain knowledge. It is one of the scientific ways of solving problem. The following methodology used in the study.

AREA OF THE STUDY:

The study has been undertaken in Coimbatore district.

SOURCES OF DATA:

Both primary and secondary data were used for the study.

TOOLS FOR ANALYSIS:

- Ranking method
- Chi-square analysis

SAMPLE SIZE:

A Sample of 175 respondents has taken for the study with the help of questionnaire.

SAMPLE TECHNIQUE:

Convenient sampling: It is a non-probability sampling technique where subjects are selected because of their convenient accessibility and proximity to the researcher. This method is often used in exploratory research where the aim is to get an initial understandingof a situation without requiring statistically representative results.

LIMITATIONS OF THE STUDY:

- The data is collected based on the questionnaire; thus, the result may vary according to the respondents.
- The study was conducted only for the selected period
- The conclusion drawn from the research study cannot be taken as the opinion of the whole population.

REVIEW OF LITERATURE:

1. **(Kumar & Kumar., 2019)** "An Empirical Study on Investors Behavior towards Mutual Funds Investment" explored the perception of female investors concerning the Indian share market and the demographic factors that can influence women investors' perceptions. Sample collected at random from 400 women investors from the state of Haryana, and analysis was done using ANOVA to identify the difference between demographic factors on women investor perception. The study concluded that the qualification, occupation, experience, and income of women investors have a significant relationship with the perception of women investors. Thus, it can be supposed that most of the studies conducted taking into consideration high-risk securities like equity or other instruments like insurance or specifically mutual funds. Therefore, this study fills the gap by exploring and analysing

potential determinants of investors' perception of fixed deposit and mutual funds investment.

2. **(Goel and Khatik., 2017)** "Identification of Factors Influencing Investors' Perception towards Investment in Mutual Fund" conducted similar research on investors' awareness of and preference for mutual funds as an investment alternative. The study's conclusions showed that although investors are aware of mutual funds, they haven't taken the initial step to invest because of their fears regarding the stock market and mutual funds. However, some respondents contradicted this by indicating that they would be inclined to do so in the near future in order to receive higher returns

DATA ANALYSIS

RANKING ANALYSIS

RANKING THE FUNCTIONS OF MUTUAL FUNDS

CATEGORY	1(5)	2(4)	3(3)	4(2)	5(1)	TOTAL	RANK
Lesser period	8 40	21 84	58 174	68 136	20 20	175 454	**1**
Flexible determination	14 70	18 72	54 162	49 98	40 40	175 442	**2**
Risk	9 45	20 80	58 174	40 80	48 48	175 427	**3**
Future benefit	7 35	8 32	66 198	46 92	48 48	175 405	**4**
More return	19 95	14 56	19 57	73 146	50 50	175 404	**5**

INTERPRETATION

From the table, it is found that lesser period (rank 1) is the most preferred function of therespondents and more return (rank 5) is the least preferred function of the respondents.

CHI-SQUARE ANALYSIS

RELATIONSHIP BETWEEN AGE AND KNOWLEDGE ABOUT MUTUAL FUNDS

CATEGORY	18-25 YEARS	26-35 YEARS	36-45 YEARS	ABOVE 45 YEARS	TOTAL
Advertisement	43	3	15	6	67
Banks	16	1	20	6	43
Financial advisors	9	2	3	3	17
Peer group	15	4	23	6	48
Total	83	10	61	21	175

CATEGORY	18-25 YEARS	26-35 YEARS	36-45 YEARS	ABOVE 45 YEARS	TOTAL
Advertisement	31.77714286	3.828571429	23.35428571	8.04	67
Banks	20.39428571	2.457142857	14.98857143	5.16	43
Financial advisors	8.062857143	0.971428571	5.925714286	2.04	17
Peer group	22.76571429	2.742857143	16.73142857	5.76	48
Total	83	10	61	21	175

P value - 0.0182

INTREPRETATION

The above table reveals that, calculated p-value is 0.0182 are significant. The calculated p value is less than 5% (0.05) level of significance. So, the null hypothesis is notaccepted. Hence, there is significant difference between age and knowledge about mutual funds.

FINDINGS OF THE STUDY:

FINDINGS FROM RANK ANALYSIS:

These are the findings form the rank analysis, they are as follows

- The study found that lesser period (rank 1) is the most preferred function of the respondents and more return (rank 5) is the least preferred function of the respondents.

FINDINGS FROM CHI-SQUARE ANALYSIS:

These are the findings from chi-square analysis, they are as follows

- The study found that the p-value is 0.0182 are significant. The calculated p-value is less than 5% (0.05) level of significance. So, the null hypothesis is not accepted. Hence, there is significant difference between age and knowledge about mutual funds.

SUGGESTIONS:

- Individuals must to be informed about the potential risks and scams associated withinvesting in various mutual fund sectors.
- Public sectors and other entities ought to spread the word about investing in mutualfunds.
- Mutual funds should be subject to specific government regulation in order to preventinsider trading and even to protect investors from potential fraud.

CONCLUSION:

The financial markets provide lot of investment opportunities to investors these days. There are various investment avenues that investors can invest, such as debentures, bonds, bank deposits etc. Since the wealth management services provided by the various institutions are very costly, mutual funds are providing secure services to investors. Todaythe mutual fund industry has become very competitive with more and more new entrants. Only few of the investors prefer mutual funds. The investors are generally interested in investing for a short term as all investors like quick returns. Investors mostly prefer investing in risk less investment avenues like fixed deposits. Hence mutual funds are the highly profitable investment plan. Bank deposits offer high liquidity, allowing investors toaccess their funds quickly and easily when needed. While bank deposits may not offer significant growth potential compared to other investment options such as stocks or real estate, they can serve as a crucial component of a diversified investment portfolio. By balancing higher-risk investments with safer options like bank deposits, investors can mitigate overall portfolio risk.

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