

Mutual Fund Investment: A Study on Investors of Kolkata

Abstract

The mutual fund industry, in India, came into existence in the year 1963 with the establishment of the first mutual fund, 'Unit Trust of India' and the first mutual fund scheme was launched in the year 1964 by the Unit Trust of India, namely, 'US-64'. At the end of 1964, the AUM was Rs. 25 crores. With the passage of time, the Indian mutual fund industry has gone through a lot of changes and at present, the picture of the industry is much glossier as compared to the year of its inception. However, it has been witnessed that there is a lack of participation of the individual investors in mutual fund. A mere 10% of the urban population of India participates in mutual fund investment (SIS, 2015). Lack of participation is due to lack of awareness about mutual fund as an investment avenue (Mane, 2016). In this paper, we seek to explore the investment pattern of the individual investors of Kolkata and their perception towards mutual fund as an investment avenue. We try to identify the factors considered by non mutual fund investors and also the factors considered by mutual fund investors. For conducting this study, we have collected primary data using a structured questionnaire from 450 individual investors, wherein, 309 of them are mutual fund investors and 141 individual investors are non mutual fund investors. We have analyzed the data by using the softwares SPSS and STATA. After examining the investment pattern details, a binary probit regression analysis has been conducted for understanding the probable factors determining investment in mutual fund. We have also taken various other factors into consideration and resorted to the usage of a 5-point Likert scaling, computing familiarity index separately for each investment avenue, which is then reduced to a single index of Composite Familiarity Index (CFI) using the Principal Component Analysis (PCA). The index shows that the individual investors who invest in mutual fund are more familiar about various other investment avenues as compared to those who do not invest in mutual funds. In order to increase investor awareness about mutual fund, investor awareness programs have to be organised and distribution network has to be improved for better providing better access to the investors who desire to invest in mutual fund.

Key Words: investor, mutual fund, familiarity, mutual fund investor, non mutual fund investor

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