

# Comparison Between Mutual Fund And Other Investment Options

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**Abstract-** In this paper, study has been made to analyse and compare the mutual fund and other investments. The Indian stock market and companies have become profitable for outside investors. This enlarge liquidity in the market and expand the money in the hands of people and thus investment. A mutual fund is the perfect investment vehicle for today's world and financial scenario. The global growth of mutual funds was kindled by the expanding the growth of finance and expanding presence of large multinational financial groups in a large number of countries. The fast-track growth of mutual funds peak a need for comparative analysis of mutual fund and other investments.

**Keywords-** Mutual Fund, Comparison, Other investment

- To collect opinion from few public regarding their preferred investment avenue and analysing those information.

## STATEMENT OF PROBLEM

The mutual funds industry has grown rapidly in recent days. As of now big dispute for the mutual fund industry is to collect an investor awareness about new schemes in the market, and other investment options like bank fixed deposit, gold etc., preferences and the investors insight regarding the mutual fund and other investment options. So, this study focuses on the investors insight in comparison between mutual fund and other investment options.

## I. INTRODUCTION

Investment is an asset or item that is purchased with a hope that it will generate income or appreciate in the future. It is a passive income. In later years, 1990s our savings and investing decisions were dependent on the government. Indian households women choose gold and real estate as saving sink. In post 1991, change came suddenly and cracked of the Indian economy knock over to finance. In 1994, the screen based National Stock Exchange (NSE) was set up, breaking the practical monopoly of the Bombay Stock Exchange (BSE). The Unit Trust of India (UTI) was hardly reduced when public sector entities such as banks and insurance companies were allowed to enter the mutual fund in 1987. But real change began in 1993 when private sector was allowed. In 1956, all 245 insurance companies were nationalized to form the government owned LIC. In 1975, Indian pension scheme have been introduced. In recent days, there are more investments like gold etc., Eighty three years of household finance in India have become a big changes in the market.

## OBJECTIVE

- To provide basic about Investment.
- To study about some mutual fund and other investment options.
- To differentiate between mutual and other investments.

## II. REVIEW OF THE LITERATURE

Assets Under Management (AUM) of Indian Mutual Fund Industry for the month of March 2022 stood at 37,70,296 crore.

**Friend, et al ., (1962)** made an extensive and systematic study of 152 mutual funds found that mutual fund schemes earned an average annual return of 12.4 percent, while their composite benchmark earned a return of 12.6 percent. Their alpha was negative with 20 basis points. Overall results did not suggest widespread inefficiency in the industry. Comparison of fund returns with turnover and expense categories did not reveal a strong relationship.

**Treynor and Mazuy (1966)** are the first to investigate and present their findings of mutual fund manager's ability to time market returns, i.e. adjust the fund's exposure prior to market advances or declines. They stated that in the presence of market timing ability, the relationship between a fund's return and the market return is convex. This means that during times of positive market returns, funds ride along or increase systematic risk, whereas during down markets fund's decrease market exposure and outperform the market.

**Vaid, Seema's (1994)** study revealed that the industry showed a continuous growth in savings mobilization and the number

of unit holders during the period 1987 to 1992. 58.40 percent of resources mobilized by the industry were through income schemes. UTI accounted for 83.90 percent of industry mobilization. Pure growth schemes displayed a sound investment pattern with 81.80 percent of portfolios in equity scrips and had identified that semi-urban and rural areas were not adequately tapped by the mutual funds in spite of satisfactory returns. Offshore funds showed best performance during 1985-86

**Gupta Amitabh (2000)** identified that the IMFI had come a long way since its inception in 1964. The transformation in the previous decade was the outcome of policy initiatives taken by the Government of India to break the monolithic structure of the industry in 1987 by permitting public sector banks and insurance sectors to enter the market.

**Singh, Jaspal and SubhashChander (2003)** identified that past record and growth prospects influenced the choice of scheme. Investors in mutual funds expected repurchase facility, prompt service and adequate information. Return, portfolio selection and NAV were important criteria's for mutual fund appraisal. The ANOVA results indicated that, occupational status; age had insignificant influence on the choice of scheme. Salaried and retired categories had priority for past record and safety in their mutual fund investment decisions.

**Sondhi and Jain (2010)** examined the market risk and investment performance of equity mutual funds in India. The study used a sample of 36 equity fund for a period of 3 years. The study examined whether high beta of funds have actually produced high returns over the study period. The study also examined that open-ended or close-ended categories, size of fund and the ownership pattern significantly affect risk-adjusted investment performance of equity fund. The results of the study confirmed with the empirical evidence produced by Fama (1992) that high beta funds (market risks) may not necessarily produce high returns. The study revealed that, the category, size and ownership have been significant determinants of the performance of mutual fund schemes.

**Ayelen Banegas, Gabriel Montes-Rojas, Lucas Siga (2016)** studied the link between monetary policy and mutual fund flows, and the potential risks to financial stability that might arise from such flows, from their study they found that monetary policy can have a direct influence on the allocation decisions of mutual fund investors.

### III. METHODOLOGY

The information used is obtained from the survey of comparing mutual fund and other investment plans. Primary data and Secondary data are used for the study. The study illustrates the public awareness and their knowledge about some investment types. It includes collecting information from books, publications and websites. The public opinions are collected through a google form.

#### STATISTICAL TOOLS USED

- Percentage Analysis

#### OVERVIEW

##### INVESTMENT OPTIONS

There are various investment options and listed some of the best investment options in 2022 which offers high returns.

##### DIRECT EQUITY

Equities means buying the shares of the company. An investor who knows to balance risk and return can invest in this option. One can start investing in Indian equities by participating in primary markets (applying for IPO's) and also by purchasing securities from secondary markets (stock exchange). It seems to be riskiest asset over a shorter time frame. While a person is doing investment via equities he should be aware of economic legal political factors that determine the company's business prospectus. Additionally knowledge on interest rates and competition is important.

##### BANK FIXED DEPOSIT

Bank deposit is safest of all and it have been a pillar of financial systems in India. Fixed deposit is kind of investment method provided by the banks which renders the provision of saving money. It allows premature withdrawal with an interest deduction making them a liquid investment. The person who doesn't wish to take the risk or be exposed to an equity. The minimum period of investment is 7 days. It is payable month to month, quarterly or yearly, it is based on bank rules.

##### POST OFFICE SCHEMES

Post office scheme is the earlier method of investment in India. This scheme has a highest possible authority which is backed by a government. It has a interest rate of 4% and low risk. It offers monthly income plans which are apt for the

retired person meeting their medical and other requirements. The maturity period is 5 years, from the date account is opened.

**PUBLIC PROVIDENT FUND**

Public provident fund is a long term investment options that offers an attractive rate of interest and returns on the amount invested. In PPF, the interest is earned and returns are not taxable under Income Tax. It has a investment period of 15 years. The disadvantage of having a PPF account is the withdrawal can happen at the end of 6<sup>th</sup> year.

**DIRECT COMMODITIES (I.E GOLD, SILVER)**

Investment in direct commodities is one of the most looked up investment options since older times. The only form of investment which most of our mothers would believe in. The investment in gold can be planned through a Gold deposit scheme, Gold ETF (Exchange Traded Fund), Gold mutual funds etc., The maximum of the persons invest in Gold ETF, which is the combination of gold investment and stock. It can be bought and sell with any company stock easily. It provides a high liquidity. It can be used as a security for secured loans and make transaction in a short time.

**REAL ESTATE INVESTMENT**

Real estate is one of the ever-growing sector in India. It has a high tangible asset value. It holds great hope in various sectors like housing, retail, manufacturing, commercial and hospitality. In real estate, risk is considerably low because the rate of property increases within 6 months. The advantage of real estate are listed as passive income, tax advantages, leverage, stable cash flow and leverage.

**MUTUAL FUND**

Mutual fund is one of the well known investment platform. It offers high returns over the long term. It pools money from many investors and invests the money in securities such as stocks, bonds and short term-debt. Mutual funds have a diversified investment portfolio and help to attain the investment objective. Investment in mutual fund schemes are also beneficial as exempted from the wealth tax. The income obtained from collective investment is distributed among the investors after deducting some expenses, by calculating a scheme “NET ASSET VALUE (NAV)”.

**DEBENTURES/BOND**

Corporate’s need money and they don’t buy money from banks every time to fulfill their needs, they have two options to raise money – come up with an Initial Public Offering(IPO) or issue bond with fixed term to maturity and fixed coupon payments. They function just like the government bonds and the only difference is that they are a bit riskier compared to government bonds. Returns offered by these bonds are higher compared to government bonds.

Difference between mutual fund and other investment options can be analyzed through the following table.

Product	Return	Liquidity	Safety, Risk	Convenience	Tax Benefit
Equity	High	High or Low	High	Moderate	No
Bank Fixed Deposit	Low	High	High	High	No
Post office	Moderate	Low	High	High	Yes
PPF	Moderate	Low	High	Moderate	Yes
Direct Commodities (Gold, Silver)	Moderate	High	High	High	No
Real Estate	High	Low	Low	Moderate	Yes
Mutual Fund	Moderate	High	Moderate	High	Yes
Debenture	Moderate	Low	Moderate	Low	No
Bond	Moderate	Moderate	Moderate	Moderate	Yes

**IV. ANALYSIS AND INTERPRETATION OF DATA**

The following is the consolidated analysis of the survey.

**ANNUAL INCOME**

INCOME RANGE	NUMBER OF RESPONSES	PERCENTAGE
Below 1,00,000	62	56.4
1,00,000 – 3,00,000	38	34.5
Above 3,00,000	10	9.1
<b>Total</b>	<b>110</b>	<b>100</b>

**INTERPRETATION**

The group of people taken into consideration in my analysis has a salary range below 1L with 56.4%, 1L -3L with 34.5% and above 3L with 9.1%.

**PREFERABLE KIND OF INVESTMENT**

KINDS	NUMBER OF RESPONSES	PERCENTAGE
Bank Fixed Deposit	40	36.4
Direct Bond	6	5.5
Direct Equities	6	5.5
Mutual Fund	20	18.2
Post office	16	14.5
Direct Commodities	14	12.7
Real Estate	7	6.4
PPF	1	0.9
<b>Total</b>	<b>110</b>	<b>100</b>

**INTERPRETATION**

The maximum number of samples has opted for Bank Fixed Deposit investment with 36.4%. As per the study, this seems to be a preferred method due to the following

- Assured rate of return
- Tax threshold for interest
- Flexible tenure

**FACTORS FOR INVESTMENT**

INVESTMENT FACTORS	NUMBER OF REPOSES	PERCENTAGE
Liquidity	15	13.6
Low Risk	64	58.2
High Return	26	23.6
Company Reputation	5	4.5
<b>Total</b>	<b>110</b>	<b>100</b>

**INTERPRETATION**

The samples have considered low risk as the primary factor that influences the peoples to invest. In the survey, 58.2% people consider the low risk and 23.6% people consider the high return.

**SALARY ALLOCATION**

SALARY PERCENTAGE	NUMBER OF RESPONSES	PERCENTAGE
Below 15%	52	47.3
15% - 30%	47	42.7
Above 30%	11	10
<b>Total</b>	<b>110</b>	<b>100</b>

**INTERPETATION**

The table shows that 47.3% of respondents are allocating the salary amount of below 15% for investing and 42.7% of respondents are about 15% to 30% of their salary.

**INVESTMENT INFLUENCES**

INFLUENCES	NUMBER OF RESPONSES	PERCENTAGE
Advertisement	19	17.3
Financial Advisors & Banks	33	30
Website	8	7.3
Friends & Family	50	45.5
<b>Total</b>	<b>110</b>	<b>100</b>

**INTERPRETATION**

The table shows that 45.5% of respondents are related to family & friends. The most responses in the list got to know about investment by their family and friends. It is one of the trusted way to invest.

**SOURCE OF MUTUAL FUND**

SOURCE	NUMBER OF RESPONSES	PERCENTAGE
SBI	68	61.8
UTI	12	10.9
HDFC	10	9
Reliance	8	7.2
Muthoot	2	1.8
ICICI	6	5.7
Axis	4	3.6
<b>Total</b>	<b>110</b>	<b>100</b>

**INTERPRETATION**

The analysis says that best source for mutual fund investment is State Bank of India (SBI). It has a responses of 61.8%.

**RATING SCALE OF MUTUAL FUND**

SCALE	NUMBER OF RESPONSES	PERCENTAGE
Satisfied	40	36.4
Neutral	67	60.9
Dissatisfied	3	2.7
<b>Total</b>	<b>110</b>	<b>100</b>

**INTERPRETATION**

The table shows that the return scale of mutual fund is 60.9% which is neutral and 36.4% of respondents are satisfied.

**FEATURE ATTRACTS THE MUTUAL FUND**

FEATURE	NUMBER OF RESPONSES	PERCENTAGE
Better return and safety	46	41.8
Reduction in risk & transaction cost	49	44.5
Tax benefit	14	12.7
Optimised operation and return	1	0.9
<b>Total</b>	<b>110</b>	<b>100</b>

**INTERPRETATION**

The important factor led the respondents is reduction in risk & transaction cost with 44.5% and better return & safety with 41.8%.

**MODES OF INVESTMENT**

MODES	NUMBER OF RESPONSES	PERCENTAGE
One time investment plan	55	50
Systematic investment plan (SIP)	55	50
<b>Total</b>	<b>110</b>	<b>100</b>

**INTERPRETATION**

The table shows that the investment plan period is equal for both, one time and systematic.

**RISK LEVEL IN MUTUAL FUND**

LEVEL	NUMBER OF RESPONSES	PERCENTAGE
Low	17	16.5
Moderate	77	70
High	16	14.5
<b>Total</b>	<b>110</b>	<b>100</b>

**INTERPRETATION**

The study shows that the sample risk level is moderate with 70%.

**SAFEST INVESTMENT OPTIONS**

SAFEST ONE	NUMBER OF RESPONSES	PERCENTAGE
Mutual Fund	16	14.5
Direct Equities	25	22.7
Bank Deposits	66	60
Post Office scheme	2	1.8
Bonds	1	0.9
<b>Total</b>	<b>110</b>	<b>100</b>

**INTERPRETATION**

The table shows that bank deposit is safest investment with a percent of 60 and 22.7% of responses for direct equities.

**PERIOD OF MUTUAL FUND**

PERIOD	NUMBER OF RESPONSES	PERCENTAGE
1 to 3 years	71	64.5
4 to 6 years	31	28.2
Above 7 years	8	7.3
<b>Total</b>	<b>110</b>	<b>100</b>

**INTERPRETATION**

The maximum number of respondents have chosen a time period of 1 to 3 years with a percent of 64.5.

## V. FINDINGS

- Majority (56.4%) of the respondents are below 1,00,000.
- Majority (36.4%) of the respondents have chosen a Bank Fixed Deposit.
- Majority (58.2%) of the respondents have chosen a Low Risk Factor.
- Majority (47.3%) of the respondents have allocated a Salary Below 15%.
- Majority (45.5%) of the respondents have influenced by Friends & Family.
- Majority (61.8%) of the respondents have selected a Source of Mutual Fund is SBI.
- Majority (60.9%) of the respondents have opted a Rating scale of Mutual fund is Neutral.
- Majority (44.5%) of the respondents have decided that Reduction in Risk & Transaction Cost which attracts them in mutual fund.
- Modes of investment is equal for both.
- Majority (70%) of the respondents have chosen Moderate level of Risk in mutual fund.
- Majority (60%) of the respondents have decided that Bank Deposits is the Safest Investment Options.
- Majority (64.5%) of the respondents have selected a period of 1 to 3 years of investing in Mutual Fund.

## VI. CONCLUSIONS

The above study about mutual fund has come to an end that mutual fund represents the most appropriate investment options for investors. Investors have a good deal of option for investments. Many of them have their investments in Bank, UTI, Real estate etc., that offers high returns. As every individual is different from their objective behind investments also differs from person to person. But the investment decisions depends upon the objective of the investors. It is necessary to understand the nature of the investor and the ability to take risk.