



**FACTORS DETERMINING MUTUAL FUND INVESTMENTS IN  
COIMBATORE CITY**

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**Abstract**

In all of the world's capital markets, mutual funds have developed as a significant intermediary. Mutual funds have played, and therefore will continue to play, a critical part in India's capital market development. A few of the grounds for mutual funds' rapid popularity is that they combine low risk with income security, making them perfect for median and smaller investors who would otherwise be unable to participate in the stock market. Investing in mutual funds over other financial products may appeal to investors for a variety of reasons. This research may look into the elements that influence investors' decisions to invest in mutual funds.

**Keywords:**Mutual Funds, CapitalMarkets,Low Risk, Financial Instruments.

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**Introduction**

In India, the financial sector is divided into two categories: organized and unorganised. Financial institutions, non-banking financial firms (NBFCs), financial intermediaries (DFIs), collective investment schemes, insurance firms, and pensioners, and provident funds are all included in the first category. The public sector's dominance has been weakened by the advent of private commercial banks, mutual funds, and insurance businesses. Numerous younger iteration public sector banks are developed to successfully compete with traditional public sector

banks. UTI and government service mutual funds have lost a considerable amount of their market share to local and international private sector mutual funds. The financial firms that operate in the organized sector can be classified into the following groups, as shown below.

The Unit Trust of India was established by the Government of India in 1963, and this was the beginning of the Mutual Fund Sector in India. "The UTI's main goal was to enable widely accepted investors to participate in the capital market's prosperity through investment management aimed at a reasonable return, liquidity, and safety, as well as to contribute to India's industrial development by channelling domestic savings into corporate investment," according to the UTI. By 1993, UTI had approximately 80% of the market share and had grown significantly in proportion to the number of investors, alternative investment funds, and reserves, as well as a broad marketing network and effective leadership.

In the shifting economic landscape of Indian economic and capital markets, the mutual funds' sector as an investment route is playing a crucial role. Even though mutual funds' penetration is confined to city environments and does not reach rural or retail investors, their asset base has increased dramatically, contributing to the economy's growth. Savings are essential for each country's investment. In comparison to other wealthy countries, India's economic expansion is relatively high. However, these monies are not efficiently channelled into mutual funds. UTI, which was the only player until 1987, was unable to attract savings and meet the needs of investors. After two and a half decades, the UTI monopoly was shattered by enabling financial institutions and insurance institutions to participate in the communal fund business. Numerous participation of private institutional investors arrived as a result of the liberalization of economic and social policies and liberalization of the mutual fund business. Competitiveness and efficiency between the government and industry have increased since then.

### **Literature reviews**

Tanuja Gadde (2020) discovered the characteristics that influence mutual fund investment habits. And it was discovered that internally and externally factors influence investors' investment decisions and that investors are in a quandary when it comes to deciding which investment routes to pursue. According to Sanjay and Bhavana (2019), the mutual fund industry in our country is facing a slew of issues, including a lack of investor awareness due to low

financial literacy, investors' desire to invest in non-financial assets, available mutual fund schemes failing to meet investors' needs and expectations, the dominance of unorganized investment avenues, a scarcity of investment advisors, and so on. Hemalatha (2019) discovered that gender, age, occupation, internet usage, computer knowledge, and online trading usage all influence investment selection. Shankar R (2018) stated that numerous elements have a role in influencing investors' decisions to invest in programmes.

### **Statement of the Problem**

Mutual funds are a component of the Indian financial industry that has grown in contribution to the economy because the liberalisation process began in 1992. The rapid rise of the mutual fund industry, fuelled by financial-economic liberalization and economic expansion, is a strong indicator of the industry's future growth. Mutual funds now account for less than a tenth of the financial services industry's total size. At the moment, just a small amount of money is routed through mutual funds to the capital markets. The share of savings that enter the financial system through mutual funds will gradually increase in the future. Including both retail and corporate investors, mutual funds are an unduly appealing investing medium in the capital market. They are inexpensive, straightforward, and do not demand an investor to determine which assets to invest in. Building a great mutual fund brand, as well as new product development, packaging, distribution, client education, and penetration, will go a long way toward making the mutual fund sector a preferred investment vehicle for our country's investors. As a result, the study's goal is to find a remedy for the subsequent research objective based on the given parameters.

1. Determine the elements that influence mutual fund schemes in Coimbatore.

### **Research Methodology**

The research relies on primary data. The target audience is comprised of Coimbatore-based mutual fund investors. Using the snowball sampling method, a total of 100 participants from the city are chosen and data is collected using questionnaires.

### **Factors influencing the respondents to make mutual fund investments**

<b>Table 1: KMO and Bartlett's Test</b>
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Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.774
Bartlett's Test of Sphericity	Approx. Chi-Square	3628.124
	df	55
	Sig.	.002**

KMO value is 0.774 and that shows all the variables are positively correlated and further Bartlett's test of Sphericity significance value of .000 says that Factor Analysis can be performed further.

	<b>Initial</b>	<b>Extraction</b>
Market analysis	1.000	.522
Risk tolerance	1.000	.612
Contemporary Economic and political conditions	1.000	.551
Investors' opinion	1.000	.519
Media information	1.000	.754
Cash flows	1.000	.612
Personal income and wealth	1.000	.656
Market volatility	1.000	.519
Expected growth of market	1.000	.550
Past growth of the market	1.000	.612
Sustainable competitive advantages	1.000	.688
Quantity of trade undertaken	1.000	.511
Different schemes	1.000	.589
Positive industrial trends	1.000	.582
Brokers' assistances	1.000	.652
Extraction Method: Principal Component Analysis <sup>6</sup>		

The above table shows the verification of individual variances that has been shown in the communalities that the 15 variables have their variances ranging from 0.511 to 0.754 and this implies that the 15 variables are statistically significant.

	<b>Component</b>		
	<b>1</b>	<b>2</b>	<b>3</b>
Market analysis	.739	.379	.005
Risk tolerance	.674	.345	.109
Contemporary Economic and political conditions	.700	.253	.386
Investors' opinion	.269	.680	.365
Media information	.116	.653	.176
Cash flows	.815	.178	.153
Personal income and wealth	.426	.623	.335
Market volatility	.837	.193	.286
Expected growth of market	.292	.254	.522
Past growth of the market	.304	.147	.520
Sustainable competitive advantages	.133	.033	.606
Quantity of trade undertaken	.417	.664	.226
Different schemes	.611	-.009	.183
Positive industrial trends	.669	.252	.023
Brokers' assistances	.129	.674	.232
Extraction Method: Principal Component Analysis.			
Rotation Method: Varimax with Kaiser Normalization.			
a. Rotation converged in 6 iterations.			

Rotated Component Matrix indicated the correlation of each variable with each factor. Variable with high factor loading are considered first and have great importance. Such factors are identified and presented below;

**Table 4: Factors loaded**

<b>S. No</b>	<b>Variables Loaded</b>	<b>Name of Factors</b>
<b>First set of Factors</b>	Market analysis	<b>Logical factor</b>
	Risk tolerance	

	Contemporary Economic and political conditions	
	Cash flows	
	Market volatility	
	Different schemes	
	Positive industrial trends	
<b>Second set of Factors</b>	Investors' opinion	<b>Private factor</b>
	Media information	
	Personal income and wealth	
	Quantity of trade undertaken	
	Brokers' assistances	
<b>Third set of factors</b>	Expected growth of market	<b>Development factor</b>
	Past growth of the market	
	Sustainable competitive advantages	

The table above represents the factors loaded in each component of the factor analysis. The first component is loaded with 7 factors namely Market analysis, Risk tolerance, Contemporary Economic and political conditions, Cash flows, Market volatility, Different schemes and Positive industrial trends and they are named as logical factor. The second component is loaded with 5 factors and named as private factor and third component is loaded with 3 factors and named as development factor.

### Conclusion

The mutual fund business in India has played a vital role in the financial market. The mutual fund business has grown to become a significant part of India's financial market, particularly in terms of channelling millions of people's savings into equities and debt investments. Mutual funds appear to be the most straightforward and stress-free method of stock

market investing. Investor impression plays a significant impact in the mutual fund sector. Also, with a rising number of mutual fund companies, each one must enlighten clients and the broader population on different elements of mutual fund investments, revealing their perspective and attitude toward such investments. Inside the forthcoming years of financial development, the determinants may vary depending on the period of the sector's growth.

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