Comparative Analysis about Mutual Fund Investments among Generation X and Generation Y Investors

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Abstract

A mutual fund is an investment security that allows investors to pool their money into one professionally managed investment. Mutual funds can invest in stocks, bonds, cash or a combination of these assets. Basic types of securities, called holdings, are combined into one mutual fund, also called a portfolio.
Mutual funds are the most popular types of investments for the everyday investor. Why? Because they are simple investments to understand and easy to use - in many ways they are 'investments for dummies'. In fact, if you're not already one of the millions of mutual fund shareholders, you'll only need to take about two or three minutes out of your day to read this article and you'll be ready to start investing.
Moreover, the simplicity of investing in mutual funds is not only attractive to novice investors; the affordability, versatility and easy-to-understand structure of mutual funds create powerful investment vehicles for all kinds of investors, including professionals, and can be suitable for a variety of savings and investment goals, including college and retirement.

Keywords: Mutual Fund Investments, Investors

Introduction

A mutual fund is a professionally managed investment fund that pools money from many investors to buy securities. These investors can be retail or institutional in nature. Mutual funds have advantages and disadvantages compared to direct investment in individual securities. The primary advantages of mutual funds are that they provide economies of scale, a higher level of diversification, provide liquidity and are managed by professional investors. The negative is that mutual fund investors have to pay various fees and expenses. The primary mutual fund structures include open-end funds, mutual funds, and closed-end funds. Exchange-traded funds (ETFs) are open-end funds or mutual funds that trade on an exchange. Mutual funds are also classified according to their main investments as money market funds, bond or fixed income funds, stock or equity funds, hybrid funds or others. Funds can also be categorized as index funds, which are passively managed funds that match the performance of an index, or actively managed funds. Hedge funds are not mutual funds; hedge funds cannot be sold to the general public and are subject to various government regulations. It is also important to understand that an investor does not actually own the underlying securities they hold, but rather a representation of those securities; investors own mutual fund shares, not unit shares. For example, if a certain mutual fund includes shares of Apple, Inc. (AAPL) among other portfolio holdings, the mutual fund investor does not directly own shares of Apple. Instead, the mutual fund investor owns shares of the mutual fund. However, an investor can still benefit from the appreciation of shares in AAPL. Because mutual funds can hold hundreds or even thousands of stocks or bonds, they are described as diversified investments. The concept of diversification is similar to the idea of strength in numbers. Diversification helps an investor because it can reduce market risk compared to buying individual securities.

Objectives of the Study:

1. To study the awareness among both type investors about mutual funds
2. To find out perception about "Mutual Fund Investments" among Genration X and Generation Y Investors
3. To compare the view of both investors regarding Mutual Fund Investments

Hypotheses of the Study:

H_o- There is no significant difference between the perception of Genration X and Generation Y Investors about Mutual Fund Investments
H_1- There is no significant difference between the perception of Genration X and Generation Y Investors about Mutual Fund Investments

Scope of the Study

Generation X is the demographic cohort after the baby boomers and before the millennials. Researchers and popular media use the mid to late 1960s as the starting year of birth and the late 1970s to early 1980s as the birth years, with a generation generally defined as people born between 1965 and 1980 .
Millennials, also known as Generation Y, are the demographic cohort following Generation X and preceding Generation Z. Researchers and popular media use the early 1980s as the starting year of birth and the mid-1990s to early 2000s as the end of the year of birth, with is usually defined as people born between 1981 and 1996.
Investors from Generation X and Generation Y, both are equally important for the development of our country. Between the two of them, one contains excitement, speed, power, etc., while the other has accuracy, sustainability, and experience. The researcher tried to understand the point of view of both of them on the latest burning issue, i.e. investment in mutual funds.

Research Methodology of the Study

The study is based on critical evaluation and analysis of basically Primary Data. The primary sources include Generation X and Generation Y investors. A study is undertaken in the sampled regions to see its impact for which a detailed questionnaire is prepared to collect relevant information from the primary source for the guidance of the researchers. With the help of the questionnaire, detailed discussions were made with the certain sources of primary data to understand their views, thinking and attitude which would help to give the researchers useful recommendations, if any. The questionnaire is processed with the help of statistical tools like tabulations, grouping, percentages, averages, testing of hypothesis etc. Questionnaire is used mainly to analyze the opinion of the students.
Basically here the term investors is used in the sense, the person who had invested in any means, which may be in terms of FD, mutual funds, Post savings, bonds etc. Also Generation X and Generation Y investors.

Research Area

Researchers selected investors from Mumbai city. Sample size of 150 investors have been taken which includes 75 Generation X and 75 Generation Y investors. Researcher collects data through Primary and Secondary sources. Researcher distributed 150 questionnaires among the respondents.

Review of literature

Paper posted via Dr. Binod Kumar Singh. (2012), 'A examine on buyers' mind-set in the direction of mutual finances as an investment option' on this paper, shape of mutual fund, operations of mutual fund, comparison among funding in mutual fund and financial institution and calculation of NAV and so on. In this paper, the affects of various demographic factors on buyers' attitude toward mutual fund had been studied. For measuring diverse phenomena and reading the accrued statistics efficaciously and efficaciously for drawing sound conclusions, Chi-square check has been used and for reading the various factors chargeable for funding in mutual funds, ranking changed into carried out on the basis of weighted rankings and scoring become additionally completed on the basis of scale. A Mutual Fund pools the money of human beings with sure funding desires. The cash invested in various securities depending at the goals of the mutual fund scheme and the income (or loss) are shared among investors' in proportion to their funding. Investments in securities are unfold throughout a wide move-phase of industries and sectors. Diversification reduces the chance because all stocks won't circulate in the identical path within the equal proportion on the same time. Mutual fund issues units to the buyers' according with quantum of money invested via them. Traders' of mutual finances are called unit holders. The earnings or losses are shared via the investors' in share to their funding. The mutual price range typically pop out with a number of schemes with different investment targets that are released every now and then. A mutual fund is required to be registered with Securities and trade Board of India (SEBI) which regulates securities markets earlier than it can collect funds from the general public. A Mutual fund is a agree with that pools the financial savings of a number of investors' who percentage a common economic aim. The money amassed from investors' is invested in capital marketplace tool together with stocks, debentures and different securities. The income earned thru those investments and the capital appreciations found out are shared by way of its unit's holder in share to the variety of gadgets owned through them. For this reason a Mutual Fund is the most suitable funding to the common guy because it offers an possibility, to invest in a different, professionally controlled basket of securities at quite low fee.

Paper by Arathy B, Aswathy A Nair, Anju Sai P, Pravitha N R, "A have a look at on factors Affecting funding on Mutual price range and Its desire of Retail investors", in worldwide magazine of medical and studies guides, quantity five, trouble eight, August 2015, Mutual budget provide a platform for a common investor to participate in the Indian capital market with expert fund management regardless of the amount invested. The Indian mutual fund industry is developing swiftly and this is contemplated in the growth in assets underneath management of diverse fund houses. Mutual fund investment is much less risky than at once investing in shares and is therefore a safer alternative for risk averse buyers. This challenge targets at finding out the factors affecting investment selection on mutual price range and its choice over retail investors. This project additionally aims at locating approximately the elements that prevent the people to spend money on mutual price range. The findings will assist mutual fund corporations to identify the regions required for improvement and can also improve their advertising strategies. It will help the MF corporations to create new and revolutionary product in line with the orientation of investors. The Indian Mutual fund industry has witnessed huge boom given that its inception in 1963. The staggering boom in the Indian Mutual fund industry in recent years can largely be attributed to different factors inclusive of growing family financial savings, complete regulatory framework, favorable tax rules, and introduction of several new merchandise, investor training campaign and position of vendors. The driving force of mutual fund is the protection of essential guaranteed, plus the added benefit of capital appreciation collectively with the earnings earned inside the form of interest or dividend humans decide upon mutual funds to financial institution deposits , lifestyles insurance, chit funds and even bonds, because with little money they can get into the funding game. You can actually very own a string of blue chips like ITC, TISCO, Reliance and many others through mutual finances . Consequently mutual budget act as a gateway to enter into huge corporations hitherto inaccessible to an ordinary investor with his small funding. In financial markets, "expectancies" of the traders play a important position. They have an impact on the charge of the securities; the quantity traded and determines pretty a lot of factors in real practice. Those 'expectations' of the investors are prompted with the aid of their "belief" and people generally relate belief to movement. We find sufficient proof for the extensive incidence of any such mental kingdom among Mutual Fund (MF) investors in India. It's far widely believed that MF is a retail product designed to target small traders, salaried people and others who're intimidated by means of the inventory market but, however, want to attain the benefits of stock marketplace investing. At the retail level, traders are unique and are a notably heterogeneous organization. Many merchandise are offered within the mutual fund enterprise. This heightens the customer confusion in his selection of the product. He is confused as to the way to sift the grain from the chaff? Except the MF schemes are tailor-made to his changing needs, and until the AMCs apprehend the fund choice/switching behavior of the traders, survival of finances may be tough in future.

To apprehend investor's notion and choice a survey has been carried out amongst 2 hundred mutual fund investors from special towns. This paper will spotlight the factors influencing the fund/scheme selection behavior of Retail traders. It'll additionally assist the mutual fund enterprise to undertake new and modern advertising and marketing strategies.

The findings of the observe will help the mutual fund companies to enhance upon their vulnerable areas regarding the factors that influence investor's choice making as regard to choice of a mutual fund, the facilities or alternatives they assume from a mutual fund

Limitations of the study

1. The study is based on limited geographical area.
2. Further variables could be added for the purposes of detail study.

Data Analysis

Researcher prepared the questionnaire for respondents and distributed it among them. After receiving the questionnaire researcher analyse the questionnaire.

Table No1
Information of questionnaire

SN	Age groupwise	Questionnaire distributed	Questionnaire received	Questionnaire rejected (due to incomplete, wrongly filled etc)	Net Sample size for study
1	Generation X	75	67	2	65
2	Generation Y	75	69	3	66
Total		**150**	**136**	**5**	**131**

Testing of Hypothesis

H_0 : There is no significant difference between the perception of Generation X and Generation Y Investors about Mutual Fund Investments

H_1 : There is significant difference between the perception of Generation X and Generation Y Investors about Mutual Fund Investments

Mathematically

Sr No	Issues asked in accordance with mutual fund investments	Proportion of Generation X investors whose having positive perception with the corresponding issues to the mutual fund investment	Proportion of Generation Y investors whose having positive perception with the corresponding issues to the mutual fund investment	H_0	H_1	Z value	p value	Decision
1	**Security**	0.42	0.58	$P_X = P_Y$	$P_X \neq P_Y$	-1.91	0.0278	Reject H_O i.e.($P_X > P_Y$)
2	**Growth**	0.43	0.77	$P_X = P_Y$	$P_X \neq P_Y$	-4.24	0.0000	Reject H_O i.e.($P_X > P_Y$)
3	**Simplicity while withdrawing at maturity**	0.42	0.58	$P_X = P_Y$	$P_X \neq P_Y$	-1.85	0.0320	Reject H_O i.e.($P_X > P_Y$)
4	**Market risk involvement**	0.45	0.63	$P_X = P_Y$	$P_X \neq P_Y$	-2.21	0.0137	Reject H_O i.e.($P_X > P_Y$)
5	**Proper use of power of compounding**	0.44	0.72	$P_X = P_Y$	$P_X \neq P_Y$	-3.49	0.0002	Reject H_O i.e.($P_X > P_Y$)
6	**Cosideration of Finantial Goals before investing**	0.42	0.58	$P_X = P_Y$	$P_X \neq P_Y$	-1.76	0.0389	Reject H_O i.e.($P_X > P_Y$)

****Here level of significance is 0.05**

Thus, our null hypothesis There is no significant difference between the perception of Generation X and Generation Y Investors about Mutual Fund Investments is rejected. Alternatively we accept our alternative hypothesis There is significant difference between the perception of Generation X and Generation Y Investors about Mutual Fund Investments

Conclusion

From the above analysis, we can conclude that, the Generation X Investors still not wholly believing in mutual funds as an investment tool as that of Generation Y Investors

Findings

1. The most vital factor about Mutual Fund Investments among the respondents' perception is that, "involvement of market risks". This is the main key factor which stops Generation X Investors to invest with the mutual fund

2. The one more important issue is came out from this analysis is that, the Generation X Investors are still not using the poser of compounding, even though they admit it.

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