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A Study on Identifying Mutual Fund as an asset class for Alternative Investment with special reference to Mutual Fund amongst Generation Z

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Abstract
The word Savings and Investments are interchangeable in nature which plays an utmost importance in every person's life. Savings on one hand is to put money safely in a bank account while investing on other hand is to create a gradual increase in the wealth. There are various types of investment avenues available in India. People across various generations depending upon their objectives invest their money into various avenues available. Generation Z who are from mid 1990 to 2010 are the targeted population undertaken in this study. The study is an attempt to understand the awareness and the perception level of Generation Z population towards mutual funds as an investment objective. The sample chosen were from Mumbai city using simple random as the sampling technique. The three major variables studied were risk, returns and liquidity with respect to awareness and perception. The data was analyzed using regression and ANOVA technique. The study showed the investment pattern dependency was more on liquidity.

Key Words: Mutual funds, Generation Z, Risk, Return, Liquidity, Investment, Volatility, Regression.

Introduction

Savings and Investment are the major component of a financial system. Savings is the one where the individuals keep the non-consumption capital with themselves, but due to the changes in the external environment and discounting of money the value of money goes down. Hence, Investment plays a very crucial role in increasing the worth of saved money. Investment is a multiplier where the money is invested in various avenues to increase it worth. Diversification is one of the fundamental principal of investment as it helps to reduce the risk of losing the money. There are various investment avenues depending upon the risk taking appetite of the individual. Few such avenues are PPF, Equity Share, Mutual Funds, Post Office Schemes, Hedge funds, Bonds investment, Government Securities etc.

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Mutual Fund is one of the popular investment in recent times. The mutual fund company pools money from various investors and invest in various portfolios (like stock, bonds, G-secs). Generally investors trust this investment is it has diversified vehicle of investment and is professionally managed. There are various schemes of mutual fund investment line

There are various types of mutual funds based on the Asset class structure and investment goals. Mutual Funds based on Asset classes includes equity funds, debt funds, money market mutual funds and balanced funds (hybrid funds).

Balanced funds are the optimal feasible mix of stock and bond which bridge the gap between equity funds and debt funds. Majority times the investing portion of Debt:Equity is 40:60. These type of funds are suitable for those investors who want extreme risk (or Low risk tolerance) for certain time tenure. The key feature of Mutual Fund are safety, income and capital appreciation, as the allocation of asset with them does not change materially in their asset mix. They have medium to low risk but at the same time they outspace inflation and supplements the growth. Hence, mutual funds are suitable options for such investors whose investment period is medium time. Generally these type of funds satisfies both expectations and safety through equity exposure and inflation risk.

Generation Z (also called as Zoomers) are those demographics who succeeds millennial and precedes Generation Alpha. The age group is between mid-1990 to early 2010.

Objectives of the study

1. To understand the level of awareness and perceptions of Generation Z towards mutual funds.
2. To evaluate the investment objectives of Generation Z comparing their risk and return setoff.

Literature Review

MS Shalini Goyal et.al 2013, have studied mutual funds in India according to research a mutual fund is a professionally managed investment from different investors and invested in equity and dead market. Mutual funds are either open end or closed end funds. The modern mutual fund was developed in Belgium in 1822. Mutual fund has a prospectus which is considered to be a legal document that includes all the information about the mutual funds which includes tables, graphs and other data. Prospectus is shared with the investor so that they remain informed about the investment decisions and risk associated with the investment. There are certain things which are mentioned such as investment objective fees and expenses risks associated with the investment management which includes the names of the managers and other information of the mutual fund company. Initially mutual funds were more popular in the United States later on LIC established its mutual fund in June 1989 followed by UTI unit trust of India. 8 types of mutual fund share classes such as Distressed, hard asset, cyclical, speculative growth, aggressive growth, classic growth, slow growth and high yield. Mutual fund is a professionally managed investment where a fund manager is a person who invests on behalf of the investors and they're expected to know the cost, gains, and risks associated with the scheme. Rankings of funds are based on their performance, Annual returns. There is a five star system where five stars is considered to be the best. Mutual fund companies are bound to send their investors an annual report which includes financial statements, clarification on funds management and how it performed annually. Investors have to adapt two things for successful investment i.e. sense of proper timing and investment discipline. Studied on performance evaluation of equity share and mutual funds. According to the study, in a declining economy investors find it difficult to make decisions on investment as investors have to consider many factors such as risk, volatility and liquidity

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return associated with the investments. Objectives of the study are to compare and analyze the equity fund schemes in respect of bare risk and return. To compare, analyze the mutual fund schemes in respect of bare risk and return. To investigate the average risk and average return of selected companies of mutual funds. To study average risk and average return of selected companies of equity shares. To investigate the relationship between risk and return of equity shares and mutual funds. tools of Research methodology includes calculation of beta sharpe ratio Alpha ANOVA for data interpretation. Research design descriptive research method is used. Secondary data is collected & considered for the research. Sample size is 10 companies. Risk and returns of these 10 companies are interpreted in the data. Various statistical tools such as mean, standard deviation, beta, Alpha, sharpe ratio, anova are considered for data interpretation. Equity share schemes have higher risk and higher return and mutual fund schemes have lower risk with lower return (Ms. Ankita Sharma et.al (2020)). Dr Mayank Malviya et.al (2020), have studied the performance of the mutual fund industry in India. According to the study, a mutual fund is a type of investment where the funds are pooled from a variety of investors and are invested in accordance with an objective. Your investors are given access to a well diversified portfolio of equity and death which is managed by a professional who can be called a fund manager. The base calculation in a mutual fund is through NAV net asset value, WHICH VARIES ON A DAILY BASIS BASED ON THE PERFORMANCE. Basic objective is to find the past performance of different mutual fund schemes based on the historical data of NAV. Sample sizes three schemes and following statistical tools are used for analysis i.e. analyze return, standard deviation beta sharpe ratio. Large cap midcap small cap funds are taken for analysis. It has been concluded that large cap funds give better returns in the initial stage as compared to midcap and small cap funds. It has been found out that unawareness and least knowledge of the investment factors of the mutual fund and opportunity to earn returns cannot be achieved. Few studied on penetration of mutual funds in India opportunities and challenges. According to the research, the top 15 cities of India have contributed the highest aum in the country among which the top five cities are Mumbai Delhi Chennai Kolkata and Bangalore. It has been found out that penetration of mutual funds outside the top 15 cities is very low buddy causes remains unascertained. Opportunities and challenges in investing in mutual funds are explained further. Independent financial advisers IFAs stand on a very crucial role in distribution of funds as they interact with the investors on a daily basis and render suggestions and advice on selection of schemes asset allocation and asset diversification. They have highly potential to influence the investors and to sell more mutual fund schemes. Trillions from a flight 2007 to Fy2010. The Planned value of Indian rupee may also impact the mutual fund industry in various aspects. One of the major challenges that the mutual fund industry is facing is the lack of participation from different parts of the country. According to the data findingsUK has the highest percentage of people above 15 years of age operating a savings account at a formal institution. USA Has the highest percentage of population of 15+ years of age WE HAVE SAVED MONEY AT A FINANCIAL INSTITUTION IN IN THE YEAR 2012. ONE SIGNIFICANT CHALLENGE OF THE MUTUAL FUND INDUSTRY IS THE EXPANSION OF AMCS IN THE COUNTRY. Population is more indulged in saving rather than investing in different investment schemes and the expansion of AMCsin the country. According to the study Mumbai alone contributes 58.25% to the entire Nations AUM which means for every 5 rupees invested RS 3 is coming from Mumbai. Investor awareness has to be improved, distribution channels should be expanded. Mutual fund sales are considered homogeneous sales by the independent financial agents (Mr Rajesh Chakrabarti et.al). Shivam Tripathi, has studied on an empirical study of mutual fund awareness among the people of Ahmedabad. According to the research a mutual fund is a

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type of investment where the money is the investors and is invested in various asset classes such as equity and debt. Objectives of the mutual fund used to understand the outlook of customers towards investment with special reference to mutual funds, to identify the relationship between the risk and return activities of the investor. For the research methodology sample areas elected as Ahmedabad sample size is 100 respondents sampling unit is businessman, government servant students others.

It was an attempt to understand and study the awareness about the mutual funds in Ahmedabad based on the data received from 100 respondings of Ahmedabad. It is also found that most people are aware of mutual funds but very if you are investing in the same which is because of lack of awareness, knowledge etc. Investors are investing in mutual funds because it is a professionally managed investment, also due to higher returns, low cost, diversification, liquidity tax benefits and others. Also it has been concluded that mutual funds are considered risky but still people are investing in it.

Research Methodology

The population for the study was selected from the Mumbai City, Maharashtra, India. Simple random and convenience sampling method was undertaken for the same. Data collected for the study was from both primary and secondary means. Primary Data was collected by using Structured Questionnaire. The total responses were 70 but out of them 6 were unaware of the concept hence the total responded reduced to 64. The secondary data used in the study was collected from various journals as a reference article.

The study herewith exhibited was an exploratory research inorder to understand the level of awareness towards mutual funds in this Generation Z and also to pacify their perception towards the same.

The data was analyzed using various statistics tools like Regression and ANOVA with the help of SPSS software

Data Analysis and Interpretation

The descriptive statistics showed 42 as male respondents and 22 as female respondents. The age group studied was from 15 years to 30 years. The major occupations of the observed sample where students and young entrepreneurs.

The analysis showed the following findings –

There was awareness about mutual funds in all the age group. The significance value ($p = 0.420$) was less than the table value that showed a positive correlation between age and awareness.

It was also found that the age and investment had a positive correlation. As the standard deviation was 0.479 and the p value was 0.488 that is also less than the table value. Hence that showed a relationship between age and Investment in mutual funds

Table 1 – Investment Avenues

		Percent	Valid Percent	Cumulative Percent
Investment Avenues	Mutual funds	43.8	43.8	43.8
	Debt	12.5	12.5	56.3
	Shares	29.7	29.7	85.9
	Gold	1.6	1.6	87.5
	Others	12.5	12.5	100.0
	Total	100.0	100.0	

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The above table showed the preference of investors towards various avenues, out of the total 43.8 (percent) were keen towards investing in mutual funds, 29.7 (percent) in shares, 12.5 (percent) towards debt then followed by other markets like commodity and the least preference towards Gold 1.6 (percent).

As the descriptive statistics showed a relationship between the variables (factors). The level of dependency of investing pattern was observed using Regression and ANOVA between three major variables Risk, Return and Liquidity.

Table 2 – Investing Pattern

Investing on the basis of	F value	P value (Sig.)
Risk	0.025	0.874
Return	0.002	0.963
Liquidity	0.272	0.0264

The above table shows that Investing pattern was dependent on all three variables.
As the p value (0.874), f value (0.25) was more than the table value that clearly indicated that investing of the Generation Z was not dependent on the risk. Hence these group can be considered as the high risk taker.
Also the p value (0.963), f value (0.02) was more than the table value which showed that Generation Z investors are also not dependent with the stable and regular returns.
The p value (0.0264), f value (0.272) for the liquidity variable was less than the table value that showed a positive relationship between the variable, that exhibits that the investing amongst the group is totally dependent on the liquidity.

Future Directions and Limitations

Investment is the fundamental principle or objective to increase the wealth of an individual. Across all the generations in order to create wealth, savings are converted to investment by wisely selecting various options from varied investment avenues. One of the most professionally management avenue is Mutual Fund. Over the years, due to wide spread of promotion towards Mutual Fund population of Generation Z are aware towards this investment vehicle. From the above study, it was clearly observed that the majority of respondent were in the early phase of Generation Z and were aware of mutual fund as an investment option and majority of them had invested certain sum of their money into this avenue.
The study tried to find a relationship between investment pattern dependencies on three major factors or variables which were Risk, Returns and Liquidity. By using regression and ANOVA technique as a statistical tool, it was clearly seen that the dependency of investing was on liquidity rather than returns and risk which maybe because of the age of the population who had a less investing vision towards time horizon but at the same time doesn't wanted to take risk as time was one of the constraint for them. Hence it can be concluded, that majority of Generation Z were aware of mutual funds and are the active investing participants in various schemes of mutual funds may be equity, debt or balanced fund.
Few suggestions drawn from the study were that the new comer Generation Z has to understand the importance of risk- return trade-off for a long term vision of wealth creation which is not only dependent on liquidity. One should also try to invest in safe avenues so that the inflation risk can be mitigated. The perception towards mutual funds as a risky investment

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has to be changed by procurement of more knowledge towards various schemes of mutual funds and its long-term benefits.

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