



STUDY OF GOAL PLANNING THROUGH MUTUAL FUND

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Abstract: *Financial planning is the most important part of any person's life. If the planning of their finances are in the proper direction then the person will get the better returns from their investments and also the regular income can be generated from the investments. People are getting aware about the mutual fund due to the advertisement of the AMFI. Nowadays the investments in mutual fund are increasing due to the decreasing bank interest rates. The total AUM of the industry has increased 3.40 times within 5 years and 3 months from 5.87 trillion to 19.97 trillion. So the investors are choosing this avenue for their goal planning. But still there are markets in which awareness is also required and the people are also not investing in mutual funds. There are markets like rural areas and semi urban areas where the awareness is low so they are not investing. According to the data issued by AMFI still 80% of the investments in mutual fund comes from Tier-1 cities.*

Key words: *Goal Planning, Mutual Funds, Investment Avenues.*

Introduction of the topic:

Planning of finances is essential for each and every one, be it a school-going kid or a retired citizen. The more early you begin to manage your money the better it is. Let's suppose you choose not to plan and keep spending as and when you like and one day you wish to purchase a house but then you cannot as you hardly have any savings left. This is what happens when you don't plan and end up overspending.

Mutual fund are becoming the tool for the investment for achieving any person's goal because it gives better returns compared to Bank FD's, post office savings scheme, money back insurance policies, etc. Nowadays even the small investors who are investing Rs.1000 or less per month through SIP have also started investing in mutual fund. The investor who has to invest in the stock market directly or indirectly but don't want to take risk for their money then there are other instruments which are debt-typed investments in which the fear of capital erosion is very less or no fear of capital erosion. Even there are many investments in which the person can invest even for 5 days which are liquid funds which gives better returns or somewhat

higher returns to the investor. In liquid investments in mutual funds it gives returns more than saving's account interest.

Through the mutual fund's advertisement by AMFI the people are getting aware about different types of schemes. The investor who wants to take less risk that investor can invest in hybrid fund which is the mixture of debt and equity. The investor who can able to take risk then that investor should invest in the equity fund which gives higher returns.

Literature Review

Goel & Dr. Rajendra K. Khatik, in their study on investors' awareness and preference towards mutual funds as an investment option, aims to know the investors awareness and preference towards mutual fund as an investment option. The current scenario is of modernization. Earlier investors' preferred avenues such as Bank deposits, saving account deposits and PPF for investment. As people are becoming more aware, investment in traditional avenues are no longer enough and these people try to diversify their investments to meet their goals. One way in which Investors' can diversify their goals, is by investing in mutual fund. Mutual fund provides various investment options with benefits

such as liquidity, professional management, tax advantage and better returns. This findings show that majority of investors' are aware about mutual fund as an avenue for investment but are not investing in it because of lack of knowledge regarding plethora of schemes. The paper suggests that companies and government should come forward in getting investors more literate and train their advisors in a way so to build more confidence among investors for taking initiative to invest in mutual funds. In 2009, Parihar, Rajeev Sharma, & Deepika Singh parihar concluded that due to lack of awareness about the concept and working of mutual fund investors are still not ready to invest in mutual funds. Return, liquidity, flexibility, affordability and transparency are the factors responsible for influencing the investors. Education and occupation have not been found influencing the attitude of investors. (Vyas, 2012) The research is conducted in Indore city and it was found that investors doesn't have much knowledge about mutual fund therefore depending upon their broker and agent.

Equity and SIP mode of investment are top priority of investors. It was also found that investors invest in mutual fund are not more than 3 years and they quit if didn't get the desired result. Barber & Terrance Odean, 2001 in their research showed that in the area of finance men are more overconfident than women. Men trade excessively than women therefore net returns of men is reduced by 2.65% as compared to 1.72% points for women. (Adhikari & Virginia E. O'Leary, 2008) The study conclude that women take less risk than men. However, risk taking capacity of individual depend on the level of investment knowledge rather than on sex and marital status.

Further conclude that women invest less of their wealth in risk assets because they consider themselves to be less knowledgeable about financial products. The study indicate there is a need to educate women investors to increase their confidence to succeed in the world of finance. Shah & Dr. Narayan Baser, 2012 found in their research paper that relation of age and occupation on

investors preference towards mutual fund in Ahmedabad city. They concluded that occupation is a variable that affect the investor's preference but age does not play any important role. Wang, 2011 in his article "Younger Generations' Investing Behaviors in Mutual Funds: Does Gender Matter?" published in The Journal of Wealth Management, Spring 2011 concluded that This study aims to understand younger generations' investing behaviors in mutual funds in order to help wealth advisors understand how better to work with younger generations. His study reveals that knowledge, experience, and income are important factors that influence younger generations' investing behaviors in mutual funds. Moreover, gender emerges as the most important factor that differentiates younger generations' investing behaviors in mutual funds. The findings point out challenges for younger women's wealth management, as they tend to exhibit fewer investing behaviors in mutual funds than their counterparts do.

Consistent with previous research on wealth management among older generations, gender differences have significant implications for wealth advisors. As a result, wealth advisors should help younger women enhance their wealth management and financial future by facilitating their acquisition of necessary financial knowledge and experiences and their involvement with their wealth management. Wealth advisors are also urged to consider helping their clients manage their wealth by being aware of gender-predicted differences in client situations. If the household head was self-employed or worked for someone else, they were more risk tolerant than households headed by an individual who was retired and not working. As income increased, the household heads were more likely to be risk tolerant. The relationship between net worth and subjective risk tolerance was as expected. Mane, 2016 in his research indicated that people like to invest more in postal saving schemes, recurring deposits, bonds, and shares. People are hesitant to invest in mutual funds therefore prefer to avert risk by investing in less riskier investment avenues.

Prabhavathi & N.T. Krishna Kishore, 2013 in this study concluded that Mutual fund gave an opportunity to a common man to earn high rate of interest compared to traditional sources of investment. SIP is the most popular source of investment. Investors depends upon advisors and banks for investing in mutual fund. The reasons for investing in mutual funds are professional fund management and better returns and assessed funds mainly through Net Asset Values and past performance.

Krishnamoorthi, 2009 in his research showed that with the development in the capital market/ economic conditions there is change in investment behaviour. Investors like to invest regularly due to education background, their reading habit regarding investment news and time taken for investment decision making process

Objectives of study:

- To study how demographic factors affect goal planning.
- To study preference of investors for goal planning.

Data collection Sources:

Primary data: The present study is based on primary data sources which is based on Structure questionnaire and Secondary data is collected through reports, Journals, websites, newspaper.

Sampling plan:

In the sample size of 157 there are salaried persons, students, housewives, retirees and business person are being included. By the way of structured questionnaire, non-probability convenience sampling taken the respondents who are investors and the non-investors in mutual fund.

Profile of the study

Characteristics	Percentage(%)
Gender	
Male	60.5
Female	39.5
Marital Status	
Married	54.8
Unmarried	45.2
Education	
12 th	3.2
Graduate	37.6
Post Graduate	45.9
Professional	13.4
Occupation	
Govt. employee	8.3
Professional	8.3
Private firm employee	52.2
Business person	19.1
Others	12.1

Table:1 Profile of the study

Characteristics	Percentage(%)
Age	
20-30	54.8
30-40	21.7
40-50	12.1
50-60	8.9
Above-60	2.5
Income Details	
>Rs.3lakhs	21.7
Rs3-5lakhs	25.5
Rs5-10lakhs	36.9
Rs.10-25lakhs	12.7
Rs25-50lakhs	3.2

In our study there are 61% males and 39% females. Out of that 55% are married and 45% are unmarried. Out of the total respondents 3% have studied till 12th, 38% are graduates, 46% are post graduates and 13% are professional. Out of total respondents 8% are government employees, 8% are professionals, 52% are private firm employee, 19% are business person and 13% belongs to other

category. 55% are in the age group of 20-30, 22% are in the age group of 30-40, 12% are in the age group of 40-50, 9% are in the age group of 50-60 and 2% are in the age group of above 60. 22% of respondents are in the salary class of less than 3 lakhs, 26% are in the salary class of 3-5 lakhs, 37% are in the salary class of 5-10 lakhs, 13% are in the

salary class of 10-25 and 2% are in the salary class of 25-50 lakhs.

Relationship between Occupation and goal planning:

Occupation	Major financial Objective (Based on high preference)						
	Retirement	Child Education	Child Marriage	Buying a car	Planning for vacation	New Businesses	Buying a house
Govt. Employee	0	0	1	0	2	0	1
Professional	2	1	2	2	3	2	2
Private Employee Firm	6	2	11	15	23	1	5
Business	4	1	2	5	6	0	2
Others	0	0	0	1	1	1	0
Chi square	0.032	0.335	0.025	0.937	0.868	0.002	0.844

From the above table we can interpret that there is relation between Occupation and goal planning because the chi square value of goal planning of retirement and starting of new business is less than 0.05 i.e. for retirement (0.032<0.05) and starting of new business (0.002<0.05).

Gender and Goal Planning:

Gender	Major financial Objective (Based on high preference)						
	Retirement	Child Education	Child Marriage	Buying a car	Planning for vacation	New Business	Buying a house
Male	10	3	11	14	21	4	7
Female	5	1	9	10	15	0	3
Chi square	0.352	0.074	0.092	0.804	0.048	0.002	0.39

From the above table we can interpret that the gender do affect the goal planning of vacation and starting of new business because the chi square value is less than 0.05 i.e. for vacation (0.048<0.05) and starting of new business (0.002<0.05).

Marital status and Goal Planning:

Pooled Within-Groups Matrices								
		Retirement	Child Education	Child Marriage	Buy Car	Vacation	New Business	House
Correlation	Retirement	1	0.248	0.279	-0.172	0.097	0.075	0.041
	Child Education	0.248	1	0.922	-0.225	-0.084	-0.224	-0.115
	Child Marriage	0.279	0.922	1	-0.161	-0.033	-0.195	-0.102
	Buy Car	-0.172	-0.225	-0.161	1	0.284	0.085	0.124
	Vacation	0.097	-0.084	-0.033	0.284	1	-0.054	0.13
	New Business	0.075	-0.224	-0.195	0.085	-0.054	1	0.257
	House	0.041	-0.115	-0.102	0.124	0.13	0.257	1

From the above table we can interpret that the child education and child marriage shares a large common shared variables. They are having more correlation between them. Here the standard value would be 0.75. If the variables are having correlation value more than 0.75 than that variables are known to be more correlated amongst their groups. If the correlation values are less than 0.75 then there seems to be no problem in the correlation.If more variables are having the high value means more than 0.75 then the reliability of the model would be less.

Eigenvalues				
Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	.445a	100	100	0.555

From the above table we can interpret that 30.80% of the variance in the discriminating model are between the married and unmarried which is due to

the changes in the factors like retirement, child education, child marriage, buying a car, planning for vacation, starting new business, buying of house.

$$[(0.555)^2=0.308025] \quad 0.308025*100= 30.80\%$$

Wilks' Lambda				
Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	0.692	28.55	7	0.000

From the above table we can interpret that the goals between married and unmarried respondents differ. In the above table we can able to see that the significant value is less than 0.05 so the null hypothesis gets rejected. So the goals of the married and unmarried differ due to their age and thinking because unmarried will be mostly of the between 20-30 so they will plan more for buying a car and vacations. But the married respondents will plan more for their children education and marriage and they will not plan for vacation or buying a car.

Age and Goal Planning of Child Education:

	Child Education
Chi-Square	14.14
df	4
Asymp. Sig.	0.007

From the above table we can interpret that the age do affect the goal planning of child education because the respondents in the age group of 20-30 will not plan more towards this goal because they are unmarried or they are not having child. (0.0007<0.05).

Age and goal planning of child marriage:

	Child Marriage
Chi-Square	9.721
df	4
Asymp. Sig.	0.045

From the above table we can interpret that the goal planning of child marriage is less seen in the age group of 20-30 because they are still unmarried or married but not having child. So the age do affect goal planning of child marriage. (0.045<0.05).

Age and goal planning of buying a car:

	Buy Car
Chi-Square	11.251
df	4
Asymp. Sig.	0.024

From the above table we can interpret that the goal planning of buying car do differ with the age because the respondents in the age group of 50-60 and above 60 will plan towards some other goal and will not think or plan for buying of the car. But the respondents in the age group of 20-30 will plan for the buying of the car. In this manner the goal of buying a car will differ from different age groups. (0.024<0.05).

Age and goal planning of planning for vacation:

	Vacation
Chi-Square	11.695
df	4
Asymp. Sig.	0.02

From the above table we can interpret that the goal planning of vacation because the respondents in the age group of 20-30 will plan more towards the vacation and the respondents in the age group of 50-60 will plan towards their retirement.

Conclusion:

- 63% of male and 37% of females invest in mutual funds. People save in Mutual Funds for different purposes i.e. children education, children marriage, buying a house, retirement planning, buying a car, vacation planning and so on. It was found that main purpose of savings in Mutual Fund by the respondents was for retirement planning (22.9%), for children

education (29.6%), children marriage (55.1%). In case of the relationship between monthly income and purpose of savings, a unique trend has emerged.

- As the income increases, priority is given to tax planning. Majority of the respondents gave the first preference to children marriage followed by children education and retirement planning.
- Bank FD, precious metals and public provident fund saving scheme are the popular tools of investment by respondents. Out of total respondents 60% gave preference to Bank FD, 58% gave preference to precious metals, and 53% gave preference to PPF.
- The influencing factors for selection of mutual fund scheme are capital appreciation, tax benefits, quick gain, and diversification of assets holding, liquidity and safety in their order of priority. The popular source through which respondents invest in mutual funds are through advisors (33.7%), friends and relatives (21.7%) and spouse (4.8%).
- Out of 157 respondents, 49.4% are investing through SIPs, 7.2% through lump-sum and 43% through both (SIP and Lump-sum). .SIP is popular scheme among mutual funds respondents.
- Fear of frauds, poor timing of investment, portfolio manipulation, lack of investor's education and lack of transparency are the main common factors discouraging investment in Mutual Funds. Private firm employee focused on retirement planning as compared to other respondents. They are more focusing on retirement planning because they will not receive any pension for post-retirement period.

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