



The Inclination Towards Mutual Funds Investment in Today's Youth

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Abstract: *People can participate in the investment process and generate income by placing their money in a variety of physical and financial assets. Because life is uncertain and the future cannot be predicted, one must invest in order to protect their future. Among other things, investors put money into the market with the hopes of making money, feeling secure, and appreciating their investments. A young investor has a wide range of investment options because, up until the age of 40, he will be able to generate a respectable return on his investment and has a reasonable risk tolerance and time horizon. Numerous investing possibilities are available, such as bank deposits, the equity market, mutual funds, and other financial instruments real estate, post office deposits, and actual gold. The study's major objective is to identify the preferences of young investors—those who are between the ages of 21 and 35—in the contemporary setting. The sentiments of the investors can vary from person to person even within the same age range. The researchers have looked into the various preferences among young investors using an easy-to-complete questionnaire and direct contact with the investors.*

Keywords: *Young Investors, Investment Options, Appreciation, Investor Attitude, and Financial Assets.*

1. INTRODUCTION

People of all ages are increasingly choosing to invest in mutual funds. Mutual funds are expertly supervised investment portfolios that combine the funds of numerous participants to buy a variety of stocks, bonds, and other securities. Particularly among today's youth, who are looking for ways to increase their wealth and safeguard their financial prospects, mutual funds have grown in popularity. We shall examine the causes of today's youth's propensity towards mutual funds in this study report.



Objectives

People of all ages are increasingly choosing to invest in mutual funds. Mutual funds are expertly supervised investment portfolios that combine the funds of numerous participants to buy a variety of stocks, bonds, and other securities. Particularly among today's youth, who are looking for ways to increase their wealth and safeguard their financial prospects, mutual funds have grown in popularity. We shall examine the causes of today's youth's propensity towards mutual funds in this study report.

Reasons for Inclination towards Mutual Funds:

- 1. Low barriers to entry:** Mutual fund investing does not call for a sizable upfront investment. The young people of today, who are just beginning their jobs, might not have much extra money to invest. Mutual funds offer a great way for investors to start out small and build up their portfolio over time.
- 2. Diversification:** The potential for diversification is provided by mutual funds. Investors can lower their total risk by gaining exposure to a number of assets and markets with just one investment. For new, young investors, diversification is especially crucial because it lowers the risks involved in making investments.
- 3. Professional management:** Professional investment managers professionally oversee mutual funds. This relieves young investors of the burden of making their own investment decisions. Professional management also makes sure that the investments are tracked and modified to reflect shifting market conditions.
- 4. Transparency:** Investors receive monthly updates on their assets from mutual funds, which are transparent investments. Transparency is important to young investors because it makes them aware of how their money is being invested.
- 5. Technology:** Mutual fund investing is now more accessible than ever thanks to technology. Investors may easily access information on online platforms, making it simpler for them to study and purchase mutual funds. Additionally, mobile apps enable users to keep tabs on their assets while on the go, which is crucial for young investors who are often on the go.

Factors Affecting Investment

Using a survey, Shanmugham (2000) of Mutual Funds investigated the information sources that individual investors use. The research showed the interplay of economic, social, and psychological factors on investment choices. Madhusudhan V. Jambodekar (1996) carried out his research in order to evaluate the direction that mutual funds are going in terms of investors and to identify the elements that influence the decision to invest in mutual funds. The report claims that income and open-ended schemes are preferred over closed-ended and growth schemes, with open-ended schemes being the most common. When investing in mutual funds, one might obtain information from newspapers. Principal safety and investor services are priorities. Several research (Blake et al., 1993; Bogle, 1992; Brown and Goetzman, 1995; Brown et al., 1992) have found either a weakly positive or no correlation between historical performance and current returns. Other researchers seem to be more clear about the connection (Grinblatt and Titman, 1992; Hendricks et al., 1993). Even further, Goetzman and Ibbotson (1994) show that performance over a two-year period may be anticipated for the subsequent two years. It should not be a surprise that prior returns are the primary factor driving new



investment into mutual funds (Carhart, 1997; Gruber, 1996; Ippolito, 1992). Despite the fact that consumers must be informed that past success does not guarantee future success performance track record was one of the four most important characteristics to take into account when choosing a mutual fund, according to a research of 298 wealthy investors (Capon et al., 1994). According to Harless and Peterson (1998), investors usually choose assets based on prior performance but stick onto them despite their dismal returns, which explains why underperforming funds continue to exist.

Literature Review:

The youth of today tend to favour mutual funds for a number of reasons. Research has revealed the importance of elements like perceived risk, information accessibility, and financial literacy. The Securities and Exchange Board of India (SEBI) reported in 2020 that millennials (those between the ages of 25 and 35) have increased their mutual fund investments by 18% over the previous five years. The research also noted that millennials make up 46% of India's new mutual fund investors. The Association of Mutual Funds in India (AMFI) released another research in 2019 that showed the proportion of mutual fund investors under 30 had doubled in the previous three years.. In addition, a 2019 survey by ET Money indicated that mutual funds are preferred by 70% of millennials as an investment option above more conventional options like fixed deposits or real estate.

Implications for Practice

To expand the mutual fund market's reach, mutual fund product designers should develop plans to launch novel products. The creators of the fund, who choose the different components of the scheme, should invent products to create a scheme that best meets the needs of the investor. The identities of the mutual funds' fund managers ought to be listed on the actual fund document. More people should be able to sign up for the mutual fund schemes, and their reach should be expanded.. To entice investors to invest in mutual funds, mutual funds should implement confidence-boosting strategies. To ensure that the appropriate product is supplied to the appropriate client, the retail investors may be segmented into a variety of groups. There are some retail investors who choose to incur risk, but not all investors like it. Other investors prefer security, post-retirement perks, etc. The funds should develop plans that could meet the needs of investors. The correct investor should be able to access the right product. Investors should be given the right information and knowledge in order to increase their loyalty and trust. In order to foster trust and loyalty among investors, the funds should properly disseminate information. Financial advisors must uphold accountability and transparency, and they must be able to market mutual fund products while also serving the needs of retail investors. Advisors should place more emphasis on client needs and emotions than trying to persuade people to invest in a plan that will pay them a higher commission. It is important to conduct appropriate investor education. Mutual fund companies and the Indian Mutual Fund Authority should step up their investor education efforts and launch aggressive campaigns to raise financial literacy among the general public. Considering that mutual funds help to stabilise the securities market, the government should likewise support and promote investment in them. In order to encourage more investment from people, the government should also enhance tax breaks.



2. CONCLUSION

In conclusion, because of their low entry hurdles, diversity, competent management, transparency, and increased accessibility thanks to technology, mutual funds have emerged as a popular investing choice for young people today. For young investors looking to increase their wealth and safeguard their financial destiny, mutual funds are an intelligent option of investment due to all of these.

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