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A Comparative Study between Mutual Funds and Stock Market Investment w.r.t Bengaluru West Region

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ABSTRACT: Mutual funds and stock market investments are two core strategies for wealth accumulation, each offering distinct advantages. Mutual funds pool money from multiple investors to create a diversified portfolio of stocks, bonds, or other securities, managed by professionals. This structure provides investors with diversification and expert management, making mutual funds a convenient option for those seeking a balanced approach with varying risk levels. In contrast, stock market investments involve directly purchasing shares of individual companies, granting investors partial ownership and the potential for significant returns. However, this method carries higher risks and requires active management, including monitoring market trends, company performance, and economic indicators. Understanding these differences is essential for investors to align their choices with their financial goals and risk tolerance. This study provides a comprehensive comparative analysis of mutual funds and stock market investments, focusing on their unique characteristics, advantages, and risks. By analysing the risk-return profiles, management styles, and cost structures of both investment avenues, this research aims to offer valuable insights for investors. Mutual funds provide diversification, ease of access, and a balanced risk-reward approach, making them attractive for stable, long-term growth with relatively lower risk. Conversely, stock market investments, while potentially offering higher returns, demand constant monitoring and a higher tolerance for volatility. The findings will help investors understand the complexities and benefits of each option, empowering them to make informed and strategic investment decisions

KEY WORDS: Mutual Funds, Stock Market Investments, Diversification.

I. INTRODUCTION TO THE STUDY

Mutual funds and stock market investments are two core strategies for wealth accumulation, each offering distinct advantages. Mutual funds pool money from multiple investors to create a diversified portfolio of stocks, bonds, or other securities, managed by professionals. This provides investors with the benefits of diversification and expert management, making mutual funds a convenient option for those seeking a balanced approach with varying risk levels. In contrast, stock market investments involve directly purchasing shares of individual companies, granting investors partial ownership and the potential for significant returns. However, this approach carries higher risks and requires active management, including monitoring market trends, company performance, and economic indicators. Stock market investments offer greater control over portfolios but demand more attention and knowledge. Understanding these differences is essential for investors to align their choices with their financial goals and risk tolerance.

II. NEED FOR THE STUDY

Investors face a crucial decision when choosing between mutual funds and direct stock market investments for portfolio diversification and wealth accumulation. Despite the variety of financial products available, many struggle to understand the benefits, risks, and costs of these two options. The complexity of financial markets, differing investment goals, and varying risk tolerances add to the challenge. This study will benefit investors, financial advisors, and policymakers by offering insights into optimal investment strategies.

In Bengaluru's evolving financial landscape, investors have diverse options. Mutual funds provide professional management and diversification, while direct stock investments offer more control but higher risks. This research

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compares the risk, return, and cost-efficiency of both to help Bengaluru's tech-savvy, growing middle-class make informed investment decisions, offering personalized insights for financial advisors and institutions

III. OBJECTIVES OF THE STUDY

- To know the reasons why investors, prefer the stock market investment and mutual fund investments.
- To compare the risk and return associated with mutual funds and stock market.
- To asses and compare the pros and cons offered by the two investment channels.

IV. HYPOTHESES

- **Hypotheses 1**

H0-There is no significant difference between Income level and Risk Tolerance Level of Investors.
H1- There is a significant difference between Income level and Risk Tolerance Level of Investors.

- **Hypotheses 2**

H0-There is no significant difference between Income level and Investment. ($r \neq 0$)
H1- There is a significant difference between Income level and Investment. ($r = 1$)

- **Hypotheses 3**

H0-There is no significant relationship Occupation and Investment Vehicle.
H1-There is a significant relationship Occupation and Investment Vehicle.

- **Hypotheses 4**

H0-There is no significant association between Age and The Risk Level of Stock Market Investment.
H1-There is a significant association between Age and The Risk Level of Stock Market Investment.

- **Hypotheses 5**

H0**-**There is no significant association between Age and The Risk Level of Mutual Fund Investment.
H1-There is a significant association between Age and The Risk Level of Mutual Fund Investment.

V. REVIEW OF LITERATURE

Kevin Brown and Lisa Green (2023) study indicates indicated that mutual funds are more appropriate for long-term investment due to their systematic approach, while direct equity investments are preferred by those seeking short-term returns with higher risk tolerance. **Kevin Brown and Lisa Green (2022)** The study revealed that mutual funds are better suited for long-term goals because of their structured and systematic nature, while direct stock investments are favoured by investors looking for short-term gains but willing to take on higher risks. **Robert Wilson and Laura Martinez (2021)** The study concluded that mutual funds generally offer better risk-adjusted returns compared to direct stock portfolios, making them a more stable option for risk-averse investors. **Hitesh Singh, Hemanshi Dobariya, and Prof. Samir Thakkar (2020)**, the study revealed that mutual funds are more suitable for systematic, long-term investing, while direct equity is better for those able to actively manage their portfolios. **Supriya D (2019)** the study found that mutual funds were preferred due to their professional management and diversification, while direct equity investments were chosen for their potential for higher returns. **John Doe and Jane Smith (2018)** the findings indicated that mutual funds provided more stable returns over time compared to direct stock market investments, making them a less volatile choice for investors.

VI. RESEARCH GAP

The research gap in comparing mutual funds and stock market investments lies in the limited focus on localized investor behaviours, especially in fast-growing financial hubs like Bengaluru. While broader studies examine risk-return dynamics, they often overlook how regional factors like income distribution, financial literacy, and investment preferences shape decision-making. Bengaluru's unique mix of tech professionals, entrepreneurs, and a rising middle class creates a distinct investment landscape. Existing research also generalizes investment choices without addressing specific local factors like cost structures and financial advisory access. This study aims to provide deeper insights into

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how these regional elements influence investment behaviours in Bengaluru, leading to more tailored financial strategies.

Limitations of the study

1. Limited sample size and lack of diversity can affect the generalizability of the findings.
2. The study may not account for varying market conditions over different time periods, potentially skewing results.
3. The impact of investor psychology and behavioural biases on investment decisions may not be fully considered.

VII. TYPE OF RESEARCH

Descriptive research is the most suitable approach for this study, systematically outlining the characteristics, behaviours, and preferences of investors in Bengaluru regarding mutual funds and direct stock market investments. This method clarifies how investors perceive risk, return, and cost-efficiency, providing a factual basis for comparison. The study focuses on a comparative analysis of mutual funds and the stock market, assessing their performance, risk profiles, and cost structures. Its primary objective is to evaluate and compare returns, volatility, and investment efficiency, considering management fees, transaction costs, and liquidity. Additionally, it examines investor preferences and behaviours from the perspective of retail investors, utilizing quantitative performance data and qualitative insights from surveys

Sampling method population and size

The study focuses on retail investors in the Bengaluru region, comprising a population of approximately 750 individuals participating in the Indian capital market. The sampling unit consists of 100 retail investors, selected using a convenient sampling method through interviews and questionnaires. This approach allows for effective data collection to analyse investor behaviours and preferences in the context of mutual funds and stock market investments.

Statistical tools and techniques

The data is analysed by using SPSS and Excel software. The tools used for this study are annova, correlation and chi-square. For identifying the significance between the variables considered for this study.

VIII. DATA ANALYSIS AND INTERPRETATION

Table no 1: showing mutual funds preferences over investment on stock market

Response	Percentages (%)	Counts
Strongly Agree	40%	40
Agree	35%	35
Neutral	13%	13
Strongly Disagree	7%	7
Disagree	5%	5

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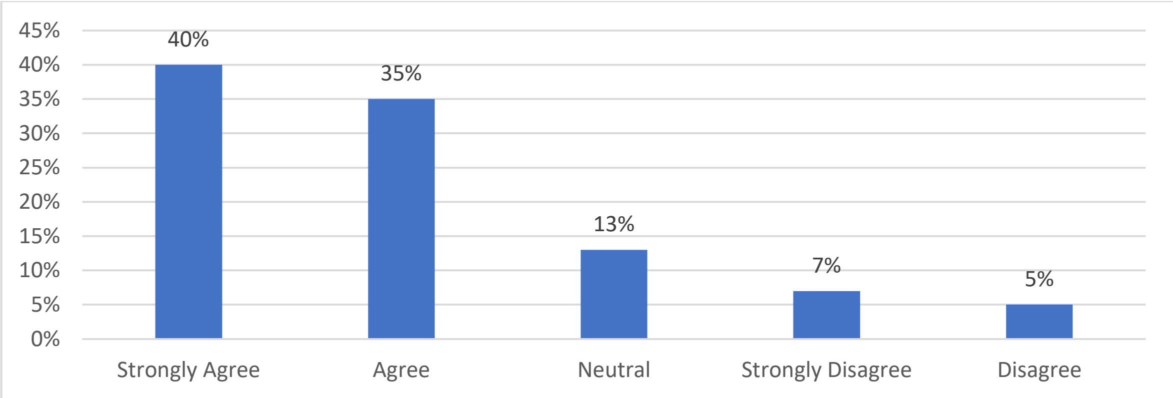
Graph no 1: showing mutual funds preferences over investment on stock market



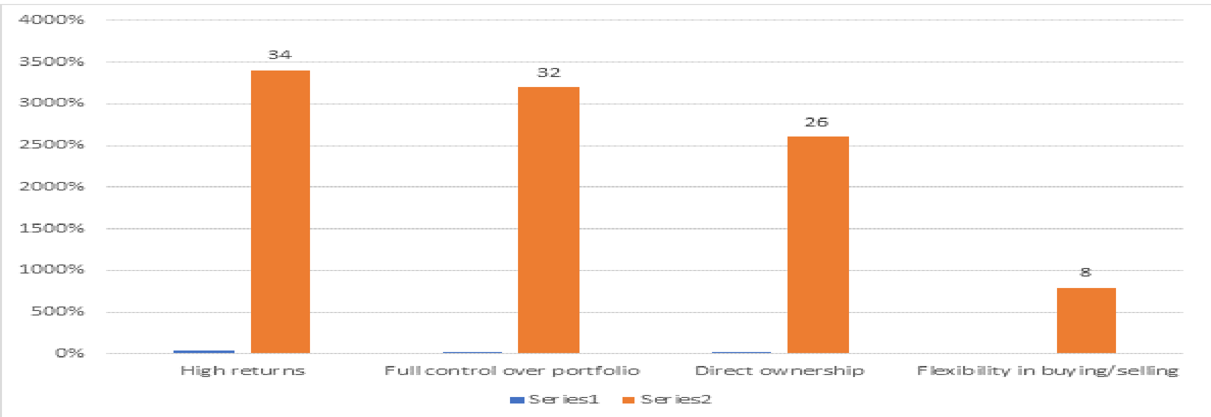
Interpretation

The majority perceives mutual-funds as a safer investment option compared to the stock market, with 75% either strongly agreeing or agreeing. This sentiment reflects a broader understanding of mutual funds as professionally managed investments, which typically involve diversification and risk mitigation strategies. However, a notable 13% remain neutral, suggesting some investors are either unsure or recognize that safety can depend on specific circumstances or investment strategies.

Table 2: showing Advantages of Stock Market Investments

Advantages	Percentages(%)	No. of Respondents
High returns	34%	34
Full control over portfolio	32%	32
Direct ownership	26%	26
Flexibility in buying/selling	8%	8

Graph 2: showing Advantages of Stock Market Investments



Interpretation

Investors highlight high returns and control as primary benefits of stock market investments, with 66% emphasizing these features. This reflects a desire for autonomy and potential profitability, appealing to risk-takers willing to navigate

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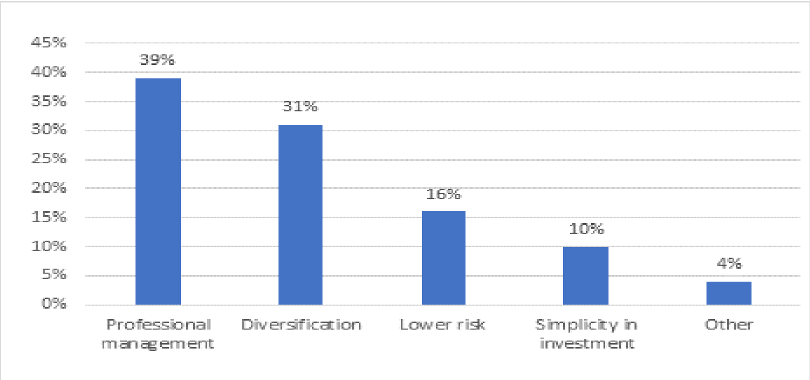
market volatility. However, the lower percentage for flexibility suggests that while important, it may not be a driving factor for most investors, who prioritize potential returns and the ability to manage their investments actively.

Table 3: showing the Advantages of Mutual Fund Investments

Advantages	Percentages(%)	No. of Respondents
Professional management	39%	39
Diversification	31%	31
Lower risk	16%	16
Simplicity in investment	10%	10
Other	4%	4

Graph 3: showing the Advantages of Mutual Fund Investment



Interpretation: The data reveals that the primary advantages of mutual funds are centered around professional management and diversification, which resonate with 70% of respondents. This highlights a preference for investments that are easier to manage and less unsafe than specific stock selection. The lower emphasis on simplicity suggests that while ease is valued, it is overshadowed by the importance of expert management and the protective benefits of diversification in risk reduction.

Hypothesis

Hypothesis 1

H0-There is no significant difference between Income level and Risk Tolerance Level of Investors.

H1- There is a significant difference between Income level and Risk Tolerance Level of Investors.

ANOVA					
RATE YOUR RISK TOLERANCE					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	19.643	4	4.911	5.089	.001
Within Groups	91.667	95	.965		
Total	111.310	99			

Interpretation:

In the ANOVA test for Hypothesis 1, the significance value (p = .001) is less than the significance level of 0.05. This indicates that the null hypothesis (H0) is rejected. Thus, there is a significant difference between the income level and

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risk tolerance of investors, which highlights alternative hypothesis is accepted. The F-value of 5.089 also supports that there is a meaningful variance between the groups.

Hypothesis 2
H0-There is no significant relationship Income level and Investment. ($r \neq 0$)
H1-There is a significant relationship Income level and Investment. ($r = 1$)

Correlations				
			INCOME	INVESTMENT
Spearman's rho	INCOME	Correlation Coefficient	1.000	.512
		Sig. (2-tailed)	.	.003
		N	100	100
	INVESTMENT	Correlation Coefficient	.512	1.000
		Sig. (2-tailed)	.003	.
		N	100	100

Interpretation: The output from Correlation test yields a p-value of .003, which is below 0.05. This means the null hypothesis (H0) is rejected and accept the alternative hypothesis (H1), concluding that there is a significant relationship between income level and investment.

Hypothesis 3
H0-There is no significant relationship Occupation and Investment Vehicle.
H1-There is a significant relationship Occupation and Investment Vehicle.

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	23.855[a]	8	.002
Likelihood Ratio	30.822	8	.000
Linear-by-Linear Association	12.915	1	.000
N of Valid Cases	100		

Interpretation: The output from Chi-Square test yields a p-value of .002, which is below 0.05. This means the null hypothesis (H0) is rejected and accept the alternative hypothesis (H1), concluding that there is a significant relationship between occupation and investment vehicle choice.

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Hypothesis 4
H0-There is no significant relationship Age and The Risk Level of Stock Market Investment.
H1-There is a significant relationship Age and The Risk Level of Stock Market Investment.

Chi-Square Tests			
	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	29.616[a]	12	.003
Likelihood Ratio	35.328	12	.000
Linear-by-Linear Association	.066	1	.797
N of Valid Cases	100		

Interpretation: The Pearson Chi-Square value is 29.616 with a significance level of 0.003. Since the p-value is less than 0.05, the null hypothesis is rejected. thus, there is a significant relationship between age and the risk level of stock market investments.

Hypothesis 5
H0-There is no significant relationship Age and The Risk Level of Mutual Fund Investment.
H1-There is a significant relationship Age and The Risk Level of Mutual Fund Investment.

Chi-Square Tests			
	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	30.718[a]	8	.000
Likelihood Ratio	29.347	8	.000
Linear-by-Linear Association	11.600	1	.001
N of Valid Cases	100		

Interpretation: The Pearson Chi-Square test provides a value of 30.718 with a p-value is lesser than significance level of 0.05, indicating a significant relationship between age and the risk level of mutual fund investments. Thus, alternative hypothesis is accepted and null hypothesis is rejected.

IX. SUMMARY OF FINDINGS

- There is a balanced preference between mutual funds and stock market investments, with 32% of respondents preferring mutual funds and 33% preferring stock market investments.
- The majority (56%) of respondents exhibit moderate risk tolerance, while 28% have low risk tolerance. Only 16% are willing to take high risks, suggesting a conservative approach toward investments.
- Most respondents earn between ₹20,001 and ₹30,000 monthly, with no respondents earning above ₹75,000. This shows that mid-income earners are more engaged in investment activities.
- A significant portion of investors (43%) believes mutual funds offer better long-term returns compared to stock market investments (21%), reflecting the perception of mutual funds as a safer investment option.

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X. SUGGESTIONS

- Financial advisors should offer personalized strategies based on income levels and occupation. High-income individuals can be encouraged to explore higher-risk opportunities, while those with lower incomes might focus on conservative, low-risk options.
- There is a need for increased financial literacy programs, particularly to educate younger investors about strategic risk-taking in the stock market.
- Provide educational resources in suburban and rural areas to increase financial inclusion and investment engagement.
- Encourage younger investors to diversify across both mutual funds and stocks to balance risk and returns. Highlight the long-term benefits of mutual fund investments, especially for those starting with low risk tolerance.

XI. CONCLUSION

This study provides a comparative analysis of mutual funds and stock market investments, focusing on factors such as risk tolerance, income levels, occupation, and age among investors in Bengaluru. The findings reveal that mutual funds are preferred for their safety, professional management, and stable long-term returns, while the stock market appeals to those seeking higher returns and greater control. There is no significant relationship between age and risk tolerance in stock market investments, although older investors tend to take on higher risks with mutual funds. The study emphasizes the need for tailored financial advice based on income, age, and profession, alongside recommendations for financial literacy programs and diversification strategies. Policymakers and financial advisors can use these insights to provide more personalized investment guidance, helping different investor groups achieve their financial goals.

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