

A Study on Perception of Investors Towards Investment in Mutual Funds

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ABSTRACT

The Mutual fund industry has a drastic success changes from long way from the time of inception in 1963. The industry has growth on all parameters with given schemes available for common investors in India. A funds and schemes take a track record that may be the single most significant influence that an investor checks before opting for a mutual fund product. Hence assessing capitals is important before participating. But it is actively increasing imperative for investors to take note of other parameters too, while deciding between mutual funds. In change, stockholders are to know the essential to weigh their investments on various funds that will show the performance record before comparing any various investment avenues for their investment. Over the past decades mutual funds have grown intensely in popularity and have practiced a substantial growth rate.

Keywords: Growth, Mutual Funds, Investment Avenues.

INTRODUCTION

Mutual funds are funds formed by collecting money from various investors for the common purpose of investing them in the capital market and earning high returns. To invest in equity shares or other capital market instruments and to obtain returns, the investors must possess knowledge regarding the stock market, the risks associated with different securities etc. The investors must also have the capability to estimate the performance of various companies. Small investors do not usually possess such knowledge. Hence mutual funds provide a platform for small investors to invest in Indian Stock Market and maximize their returns.

Mutual Funds use professional experts and investment consultants to conduct analysis of investments and to frame productive portfolios to invest the funds. Since professionals and experts in the field are involved in mutual funds, the risk involved for investors is much less in mutual funds when compared to investing directly in the stock market.

REVIEW OF LITERATURE

RAGHAVENDRA YADAV K.M (2012) – INVESTOR’S PERCEPTION TOWARDS MUTUAL FUNDS

This report is an attempt to provide an analysis of the perception of an investor towards mutual funds. This study examined that employees were interested to invest in mutual funds provided, sufficiently educated and a know-how was provided on its working. Though the self-employees were investing in mutual funds and insurance, they were investing small amounts in them because they did not want to take high risks. This study also concluded that most of people didn’t know the advantages of mutual funds and the various types of mutual funds.

SIMRAN SAINI, DR BIMAL ANJUM, RAMANDEEP SAINI(2011) – INVESTORS’ AWARENESS AND PERCEPTION ABOUT MUTUAL FUNDS

This study had been conducted to analyze investors’ awareness and perception about mutual funds. In this study, a special column was provided for investors to give their suggestions. This report highlighted the suggestions gives by the investors. The main suggestions included –more schemes that provide liquidity and secure income should be introduced, efforts should be made to enhance or promote online trading of mutual funds as it would save time and cost, and the documents should contain terms and conditions in a simpler manner and should be free of technicalities.

PRITAM P. KOTHARI and SHIVGANGA C. MINDARGI (2013) – A STUDY OF INVESTORS ATTITUDE TOWARDS MUTUAL FUND WITH SPECIAL REFERENCE TO INVESTORS TO INVESTORS IN SOLAPUR CITY

This study was conducted to understand investors attitude towards mutual fund in solapur city. This study observed that people from middle-income group were more attracted to this market and were ready to bear

the risk. It observed that 75% investors had invested in open ended schemes rather than investing in closed ended schemes in mutual fund. The study observed that most investors had invested in mutual funds for tax more savings and fixed deposits.

SINGH, B.K., (2012) – A STUDY ON INVESTORS ATTITUDE TOWARDS MUTUAL FUNDS AS INVESTMENT OPTION

Singh .B.K conducted this study on Indian investors and observed that most of the respondents were not aware about the various benefits of mutual funds and were hesitating the idea regarding investment in mutual funds. The study found that some factors like gender, income and educational qualification had impact over the investors attitude towards mutual funds. However, factors like age and occupation did not to have an impact on investors attitudes.

WALIA. N and KIRAN.R (2009) – AN ANALYSIS OF INVESTORS RISK PERCEPTION TOWARDS MUTUAL FUNDS SERVICES

This study was conducted to analyze investors risk and return perception towards mutual funds services. The study examined investors perception towards investment in mutual funds in comparison to other financial avenues. The study investigated the problems faced by investors due to unprofessional services of mutual funds. The study found that majority of individual investors did not consider mutual funds as highly risky investment. The study also reported that the income level towards mutual funds investment.

STATEMENT OF THE PROBLEM

As tiny drops of water makes a mighty ocean, it becomes important for companies to obtain funds from a larger group of small investors. Investments are a key to make profitable assets to the company. In order to encourage small investors to invest in companies through the channel of Mutual Funds, it is very important to study the perception of investors towards investment in mutual funds. Hence this study throws light on to study the perception of investors towards investment in mutual funds.

OBJECTIVES OF THE STUDY

1. To find out awareness level of investors regarding Monthly Income Plan fund.
2. To study the investment pattern of Bangalore Investors.
3. To find out the importance of factors like liquidity, higher return, company reputation and other factors that influence investment decision of mutual fund holder.
4. To find out the awareness level of investors regarding mutual funds.

SCOPE OF THE STUDY

1. The analysis helps in understanding how much preference mutual funds are given over the other investment avenues.
2. The study is conducted in order to analyze the perception of investors towards investment in mutual funds in Bangalore.
3. It also deals with understanding the factors influencing investment in mutual funds and investors expectations from mutual funds.
4. It involves understanding the basic concept of mutual funds and the various schemes of mutual funds.

Research Methodology is a way to solve the research problem. Data was collected freshly for the purpose of research using the following methodology . The study is Descriptive in nature and Questionnaire method is used to collect data regarding the perception of investors towards mutual funds. *Inclusion criteria: Individuals who are at least partially aware of the Stock market and Mutual Funds.*Exclusion criteria: Those who are not aware of Investments and Mutual Funds

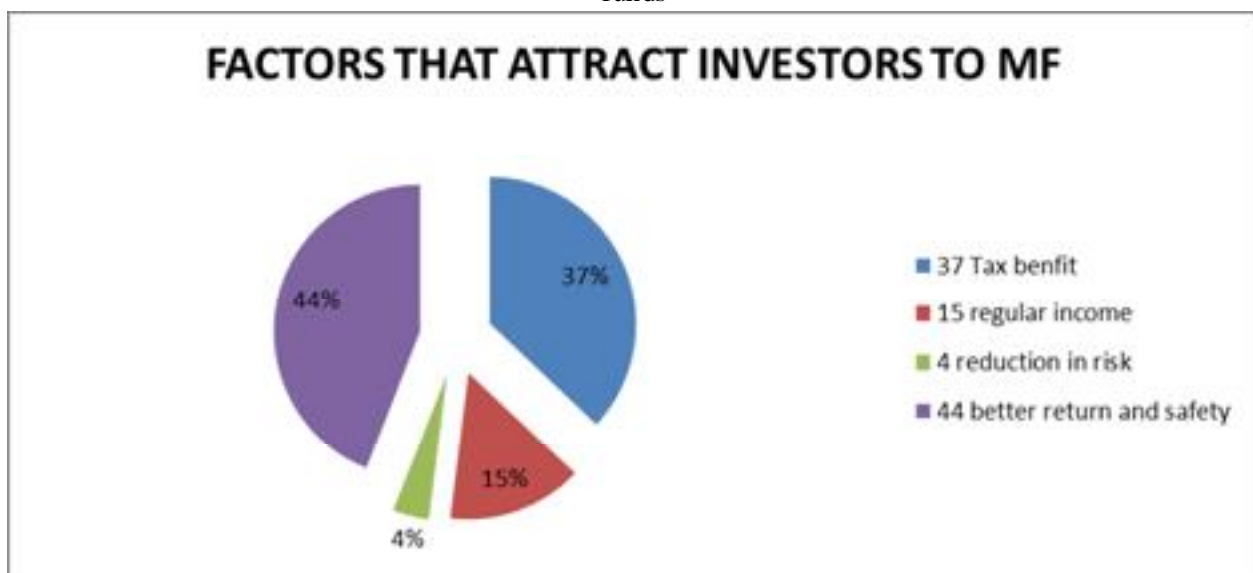
Table 1.1

Table showing classification of respondents on the factor that attracts them towards mutual funds

PARTICULARS	FREQUENCY	PERCENTAGE
Tax Benefit	15	37
Regular Income	6	15
Reduction in risk	2	4
Better Return and Safety	18	44
TOTAL	41	100

ANALYSIS : The above table shows that out of 41 respondents who have invested in mutual funds earlier, 37% of them are attracted to the Tax Benefit associated with mutual funds, 44% of them are attracted to better return and safety, 15% of them are attracted to regular income and 4% of them are attracted to the reduction in risk associated with Mutual Fund Investments.

Chart-1.1: Chart showing classification of respondents based on the factor that attracts them towards mutual funds



INTERPRETATION

These are various features of mutual funds that investors get attracted to. The above chart shows that out of the respondents who have invested in mutual funds earlier, most of them feel there is better return and safety in mutual fund investments and this attracts them the most . About 37% of them attracted to mutual fund investments for Tax Benefit.

Table-1.2: Table showing classification of respondents based on their preferred duration for holding MF investments

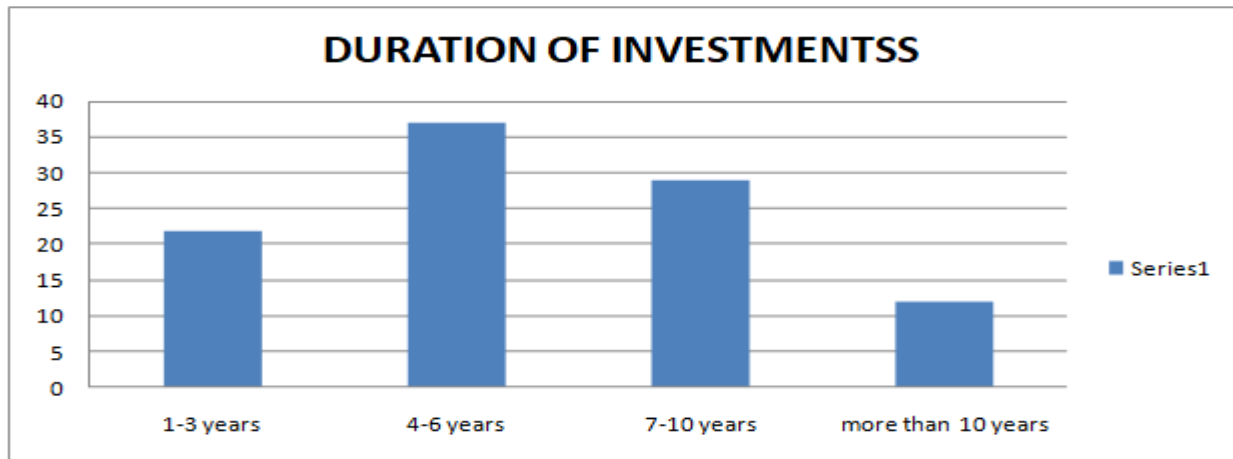
YEARS	FREQUENCY	PERCENTAGE
1-3	9	22
4-6	15	37
7-10	12	29
More than 10 years	5	12
TOTAL	41	100

ANALYSIS

The above table shows that out of the 41 respondents who have invested in mutual funds earlier, 37%prefer holding their MF Investments for 4-6 years, 29% prefer holding their MF Investments for 7-10 years, 22%

prefer holding their MF Investments for 1-3 years and 12% prefer holding their MF Investments for more than 10 years.

Chart-1.2: Chart showing classification of respondents on their preferred duration for holding MF investments



INTERPRETATION

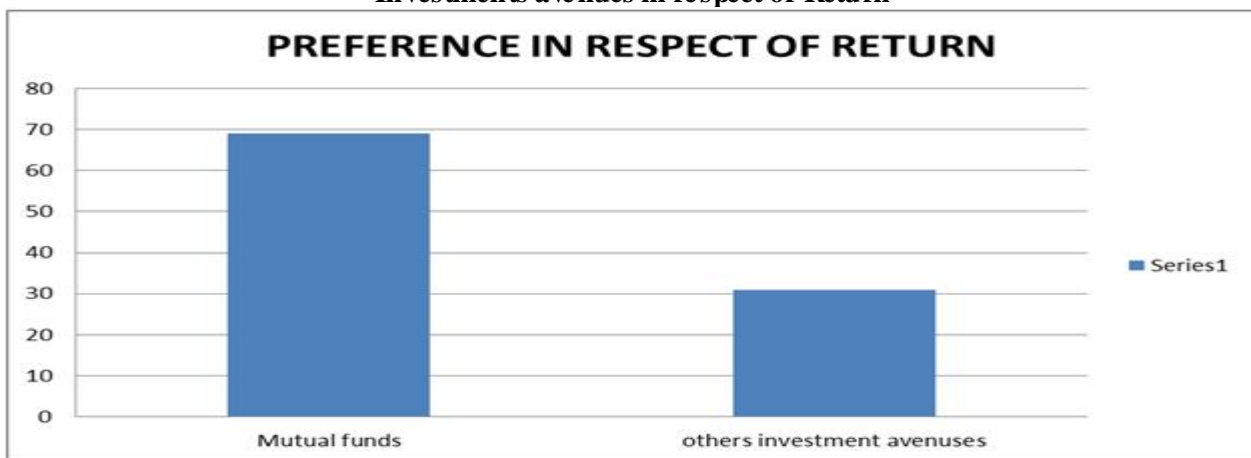
The duration of investments in mutual funds may vary from investor to investor. The above chart shows that 37% of the respondents prefer holding their investments for 4-6 years. We can infer that investors prefer short term investments over long term investments.

Table-1.3: Table showing classification of respondents on their preference of Mutual Funds over other Investments avenues in respect of Return

PARTICULARS	FREQUENCY	PERCENTAGE
Mutual Funds	52	69
Other Investment Avenues	23	31
TOTAL	75	100

ANALYSIS: The above table shows that out of 75 respondents, 69% prefer Mutual Funds over other investment avenues in respect of return and 31% prefer other investment avenues.

Chart-1.3: Chart showing classification of respondents on their preference of Mutual Funds over other Investments avenues in respect of Return



INTERPRETATION

The above chart clearly shows that majority of the respondents prefer Mutual Funds over other investment avenues in respect of Return. 69% of the respondents feel that they can earn better returns in mutual funds than other investment avenues. Earlier we saw that only 54% of the respondents have invested in mutual funds. However, 69% of the respondents feel returns are better in mutual funds. We may infer that 15% of

the respondents who have not invested in mutual funds earlier have said that they would prefer mutual over other investment avenues in respect of return. This means that the 15% of the respondents may not be investing in mutual funds due to other factors.

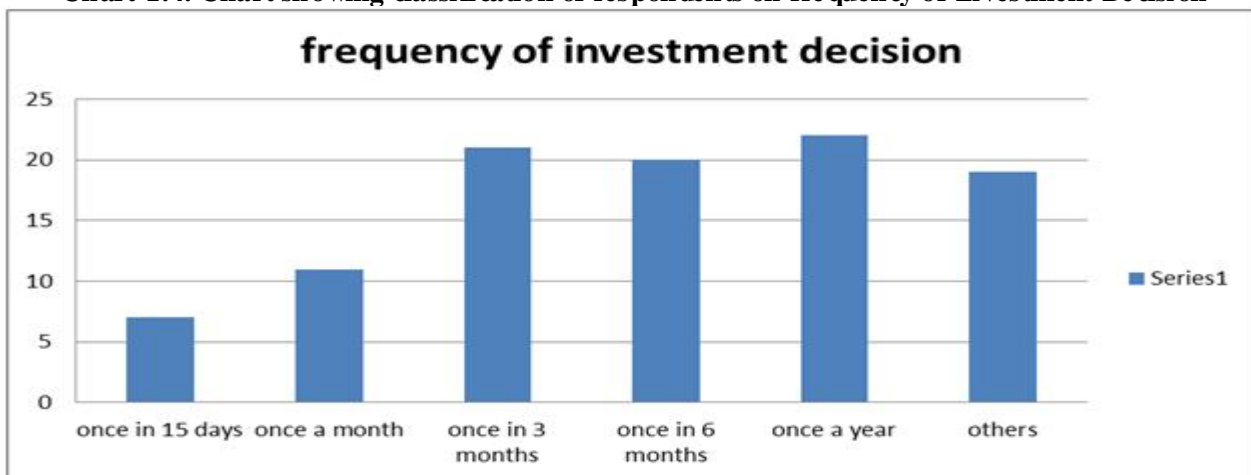
Table-1.4: Table showing classification of respondents on frequency of Investment Decision

PARTICULARS	FREQUENCY	PERCENTAGE
Once in 15 days	5	7
Once a month	8	11
Once in 3 months	16	21
Once in 6 months	15	20
Once a year	17	23
Others	14	18
TOTAL	75	100

ANALYSIS

The above table shows that out of 75 respondents, 23% of them make an investment decision once a year, 21% of them make an investment decision once in 3 months, 20% of them make once in 6 months, 11% of them make once a month and 7% of them, once in 15 days. 18% respondents have opted the option others.

Chart-1.4: Chart showing classification of respondents on frequency of Investment Decision



INTERPRETATION

The above chart shows that most of the respondents take decisions on their investments once in a year. Most of the other respondents take investment decisions once in 3 or 6 months. This shows that very few investors take investment decisions on a monthly basis

Table 1.5

Table showing classification of respondents on their view on Risks associated with Mutual Funds

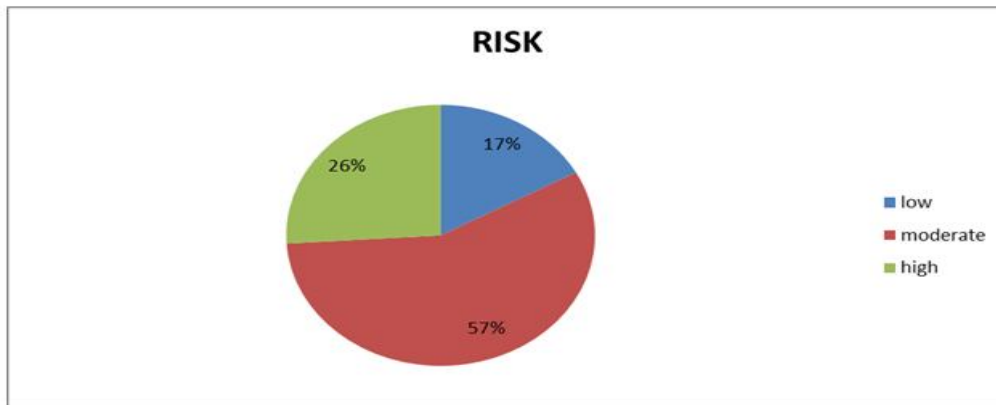
RISK LEVEL	FREQUENCY	PERCENTAGE
Low	13	17
Moderate	43	57
High	19	26
TOTAL	75	100

ANALYSIS

The above table shows that out of 75 respondents, 57% of them rate risks associated with mutual funds as Moderate. 26% rate the risks associated with mutual funds as high and 17% of them rate risks associated with mutual funds as low.

Chart 1.5

Chart showing classification of respondents on their view on Risks associated with Mutual Funds



INTERPRETATION

The above chart shows that out of 75 respondents, majority of the respondents have rated the risks associated with mutual funds as moderate. We can infer that investors don't find mutual funds as a very risky investment avenue. This may be due to their awareness that all investments come with a factor of risk associated with them and it is wise to choose an investment with a better return and comparatively lower risk.

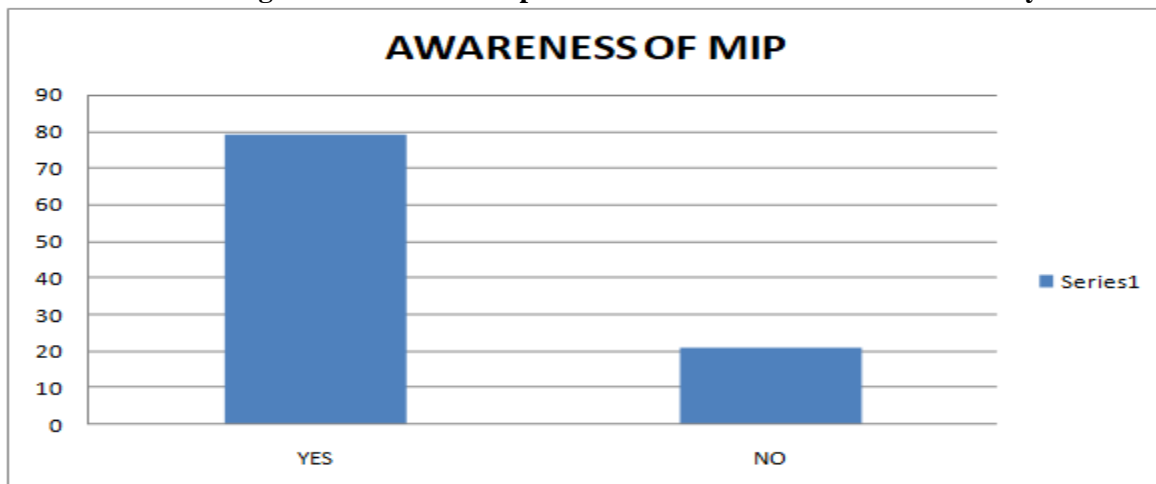
Table-1.6: Table showing classification of respondents based on Awareness of Monthly Income Plans

PARTICULARS	FREQUENCY	PERCENTAGE
Yes	59	79
No	16	21
TOTAL	75	100

ANALYSIS

The above table shows that out of 75 respondents, 79% of them are aware of Monthly Income Plans and 21% of them are unaware.

Chart 1.6: Chart showing classification of respondents based on Awareness of Monthly Income Plans



INTERPRETATION

There are many investment schemes and plans available in the market. It is not necessary that all the investors are aware of all the schemes available. This chart clearly shows that out of 75 respondents, majority are aware of Monthly Income Plans.

Table 1.7: Table showing classification of respondents based on whether they have ever invested in MIP

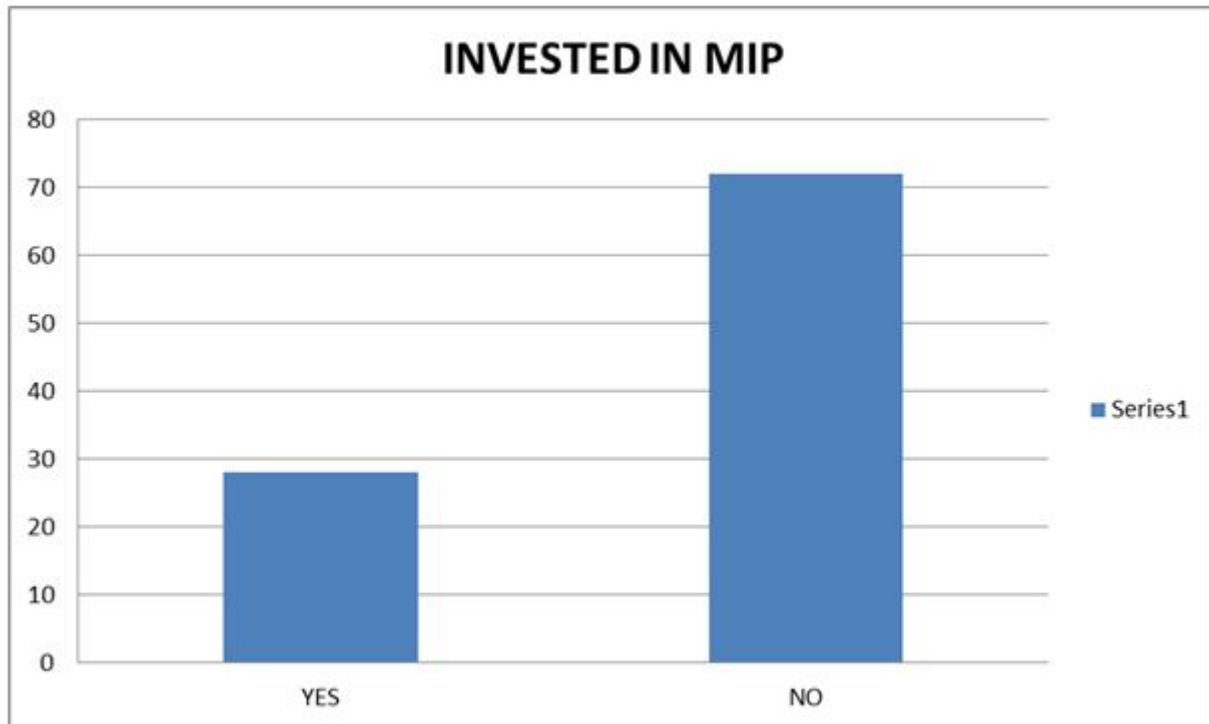
PARTICULARS	FREQUENCY	PERCENTAGE
Yes	21	28

No	54	72
TOTAL	75	100

ANALYSIS

The above table shows that out of 75 respondents, 28% of them have invested in MIP before and 72% of them have never invested in MIP

Chart 1.7: Chart showing classification of respondents based on whether they have ever invested in MIP



INTERPRETATION

The above chart shows that out of 75 respondents, only 28% of the respondents have invested in MIP before. Earlier we have seen that 79% of the respondents are aware of MIP but here we see that only a small percentage of the respondents have actually invested in MIP before. This clearly tells us that spreading awareness of schemes are not enough to attract investors to actually invest in those schemes.

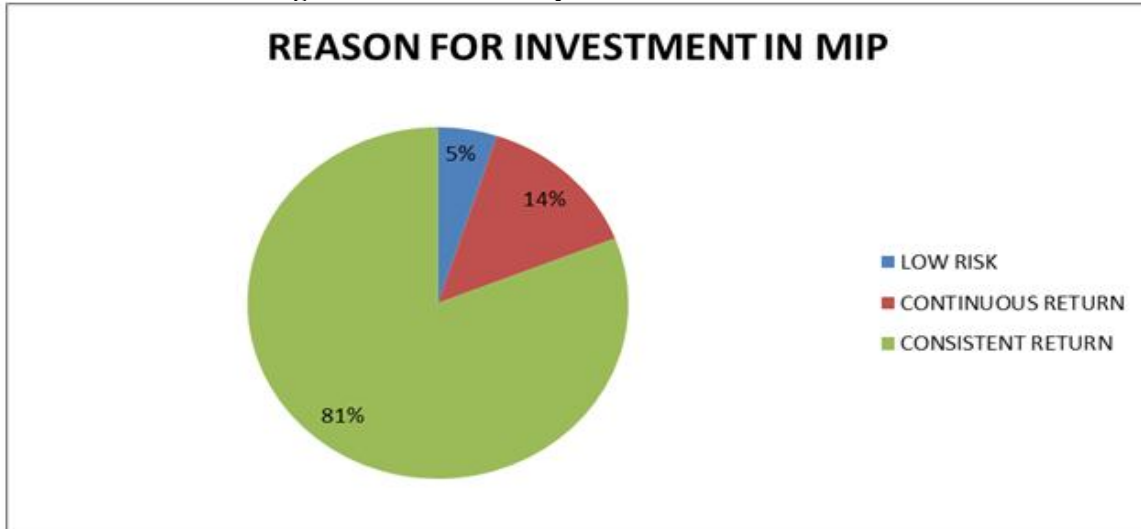
Table 1.8: Table showing classification of respondents based on Reason for investment in MIP

PARTICULARS	FREQUENCY	PERCENTAGE
Low Risk	1	5
Continuous return	3	14
Consistent return	17	81
TOTAL	21	100

ANALYSIS

The above table shows that out of 21 respondents who have invested in MIP before, 81% of them say the reason for their investment is Consistent Return, 14% say the reason is Continuous Return and 5% say the reason is low risk.

Chart 1.8: Chart showing classification of respondents based on Reason for investment in MIP



INTERPRETATION

The above chart clearly shows that out of 21 respondents who have invested in MIP before, majority of them have invested for obtaining Consistent Returns. This tells us that investors are looking out for consistent returns than lower risk or continuous return.

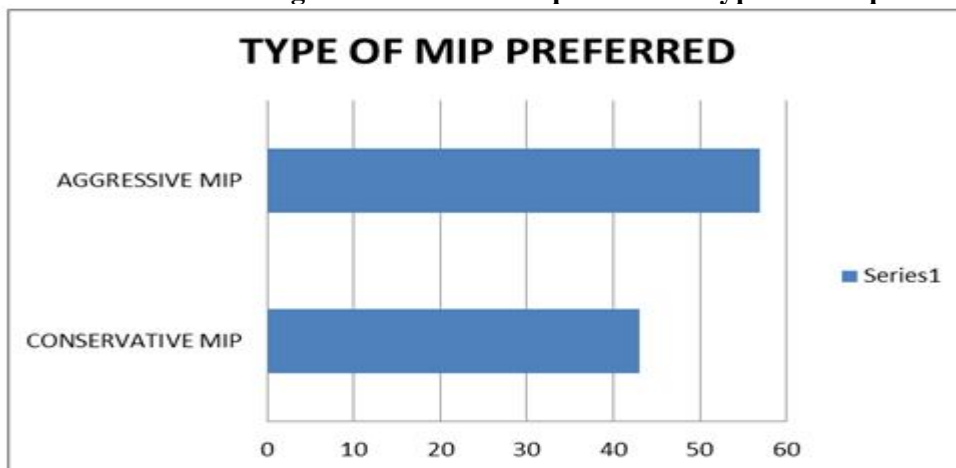
Table 1.9: Table showing classification of respondents on type of MIP preferred

PARTICULARS	FREQUENCY	PERCENTAGE
Aggressive MIP	12	57
Conservative MIP	9	43
TOTAL	21	100

ANALYSIS

The above table shows that out of the 21 respondents who have invested in MIP before, 57% prefer aggressive MIP and 43% prefer Conservative MIP.

Chart 1.9: Chart showing classification of respondents on type of MIP preferred



INTERPRETATION

The above chart shows that majority of the respondents who have invested in MIP before have preferred aggressive type of MIP. Aggressive plans are plans where 15-30% of the investment is made in equity shares. This makes these plans give more return than conservative plans and it also has higher risk involved. Hence, we can infer that the investors here are choosing the aggressive type of MIP as they want more return, even if they need to face a little higher risk than the Conservative Plans.

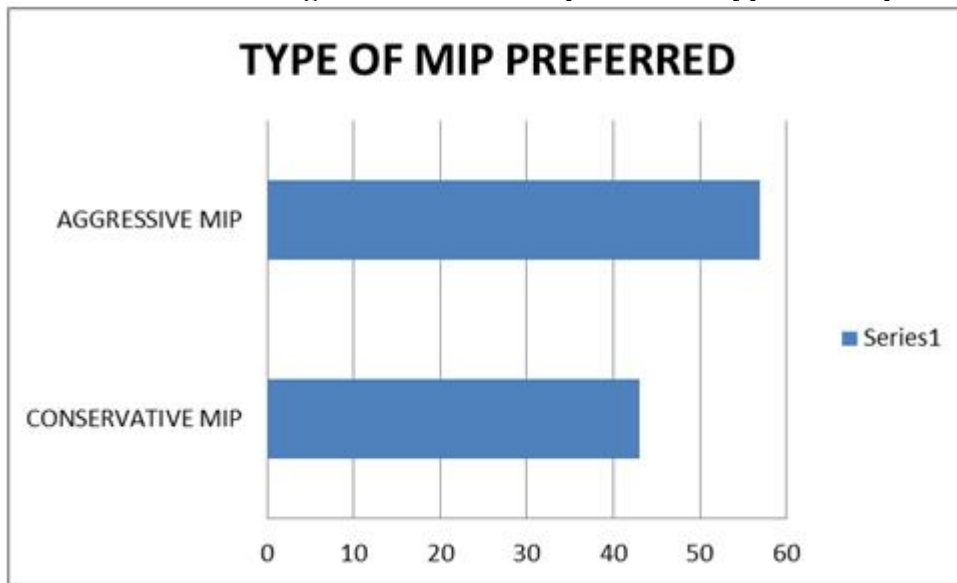
Table 1.10: Table showing classification of respondents on type of MIP preferred

PARTICULARS	FREQUENCY	PERCENTAGE
Aggressive MIP	12	57
Conservative MIP	9	43
TOTAL	21	100

ANALYSIS

The above table shows that out of the 21 respondents who have invested in MIP before, 57% prefer aggressive MIP and 43% prefer Conservative MIP.

Chart 1.10: Chart showing classification of respondents on type of MIP preferred



INTERPRETATION

The above chart shows that majority of the respondents who have invested in MIP before have preferred aggressive type of MIP. Aggressive plans are plans where 15-30% of the investment is made in equity shares. This makes these plans give more return than conservative plans and it also has higher risk involved. Hence, we can infer that the investors here are choosing the aggressive type of MIP as they want more return, even if they need to face a little higher risk than the Conservative Plans.

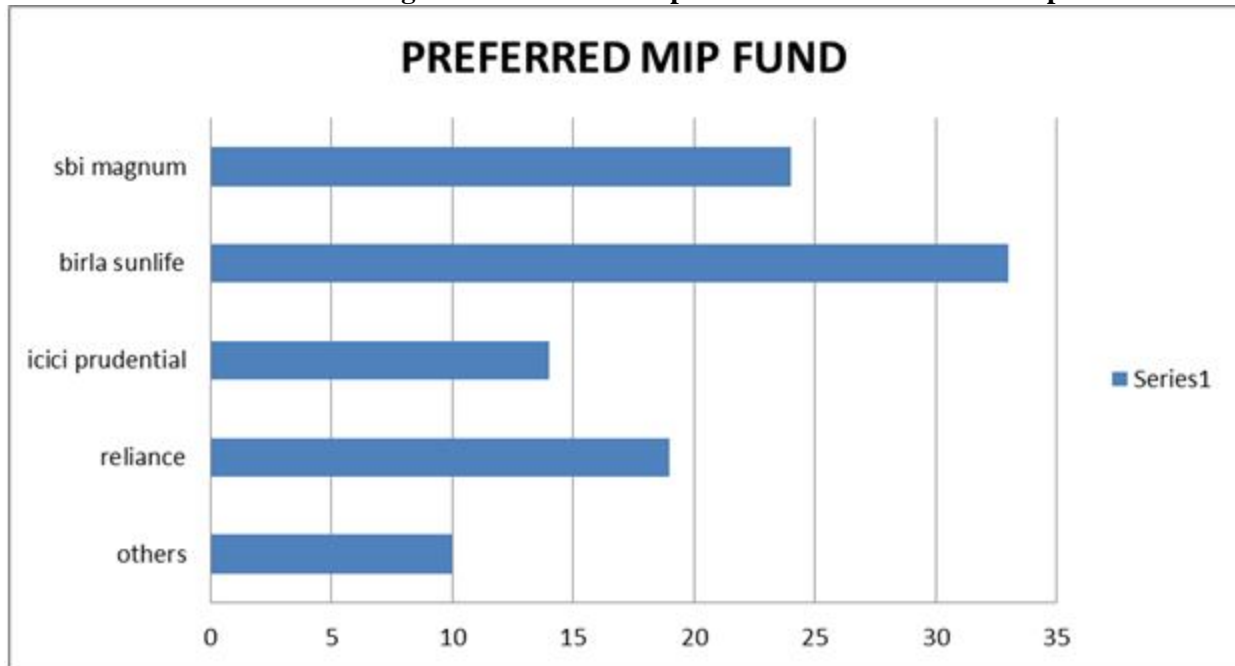
Table 1.11: Table showing classification of respondents based on MIP Fund preferred

PARTICULARS	FREQUENCY	PERCENTAGE
SBI Magnum	5	24
ICICI Prudential	3	14
Birla Sunlife	7	33
Reliance	4	19
Others	2	10
TOTAL	21	100

ANALYSIS

The above table shows that out of the 21 respondents who have invested in MIP before, 33% prefer Birla MIP fund, 24% prefer ICICI Prudential MIP fund, 24% prefer SBI Magnum and 19% of them prefer Reliance.

Chart 1.11: Chart showing classification of respondents based on MIP Fund preferred



INTERPRETATION

The above chart shows that out of the 21 respondents who have invested in MIP before, majority of them preferred Birla sunlife MIP. This may be due to their own past experience or experiences of the peers.

HYPOTHESIS TESTING

Null hypothesis (H0) – Investors don't prefer to invest in Mutual funds

Alternative hypothesis (H1) – Investors prefer to invest in mutual funds

CALCULATION OF CHISQUARE VALUE

DETAILS	OBSERVED	EXPECTED	RESIDUAL	RESIDUAL ²	COMPONENT
Yes	48	50	-2	4	0.08
No	52	50	+2	4	0.08
Total	100				0.16

From the above calculation, chi square statistic value is 0.16

Degree of freedom = n-1 (2-1) =1

Level of significance = 5%

Hence, the table value is 3.841

CONCLUSION

Since the chi square statistic value (0.16) is lesser than the table value (3.841), therefore we accept the null hypothesis and reject the alternative hypothesis.

SUMMARY OF FINDINGS

This study shows the perception of different investors towards mutual fund investments. The respondents for this study belong to different age groups and occupations. There are more male respondents than female.

1. Majority of the respondents prefer liquid fund followed by monthly income plans. As many of the investors give importance to liquidity of funds and low risk of investments, they might prefer the above mentioned funds.

2. Most of the respondents say that the reason for not investing in mutual funds is because lack of knowledge of the market and the risks and returns associated with them. Some of the respondents say that they are not confident of the services provided by mutual funds.
3. Few of the respondents say that due to inefficient advisors, they are not investing in mutual funds.
4. Most of the respondents prefer investing in Fixed deposits followed by mutual funds. It shows that respondents still prefer risk less investments.
5. Most of the respondents prefer short term investments than long term investments. This may be due to their mindset of earning high returns faster.
6. Most of the respondents take decisions on their investments once in a year. Most of the other respondents take investment decisions once in 3 or 6 months. This shows that very few investors take investment decisions on a monthly basis.
7. Liquidity, High return, low risk and company reputation are the few important factors to be considered while making investments. This study shows that majority of the respondents have given highest importance for the factor company reputation followed by the factor low risk. The study also shows that least importance is given to the factor High return.

CONCLUSIONS

The financial markets provide lot of investment opportunities to investors these days. There are various investment avenues that investors can invest, such as debentures, bonds, bank deposits etc. Since the wealth management services provided by various institutions are very costly, mutual funds are providing secure services to investors.

Today the mutual fund industry has become very competitive with more and more new entrants. The industry is trying to allure as many as investors as possible. Only few of the investors prefer mutual funds. The investors are generally interested in investing for a short term as all investors like quick returns. Investors mostly prefer investing in risk less investment avenues like fixed deposits

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