

## AN ANALYSIS OF INVESTORS PERCEPTION TOWARDS MUTUAL FUNDS

### (A STUDY MADE FOR SELECTED INVESTORS IN MYSORE CITY)

**SHRUTHI.M.T**

Assistant Professor, Maharaja's college,  
University of Mysore  
Mysore.

#### *Abstract*

Day by day Indian financial market is becoming competitive and the supply of various financial instruments needs to be in equilibrium to the demand perspectives of the investors. The prime drive of any investment is to get maximum return with a minimum risk and mutual funds provide the opportunity for the investors. The research provides an insight into the types of risks which exist in a mutual fund scheme. The data was collected from mutual fund investors as well as non-mutual fund investors of this industry. The research focuses on the relationship between investment decision and factors like liquidity, financial awareness, and demography. It was found low risk funds and liquidity of fund scheme is having impact on the investor's perception for investing in the mutual fund.

Mutual funds act as a medium for retail investors to invest their savings in the professional funds management system, irrespective of the sum invested. It enables masses to enter the Indian Financial Market with much more ease. Indian Mutual Funds industry is growing rapidly which is reflected with the growth in assets under management under various AMC's year on year. Investment in mutual funds is less risky when compared to investment in equities market. Less risk combined with moderate returns and professional management act as a magnet for the risk averse investors to invest their savings in the financial markets.

**Keywords:** Mutual Fund, Financial Markets, Investors, savings, Liquidity..

#### 1. INTRODUCTION

World domination largely depends upon economy and technological development of a country which requires huge all kind resources. To mobilize these resources in order to meet out the diversified fund requirement for overall growth and global economic competition

central banks as the apex body and wide spectrum of financial intermediaries have come into existence across the world. Efforts to achieve these internal and external objectives, government has drastically and dramatically adopted and implemented policies and procedures of liberalization, privatization, and

globalization which resulted high degree of competition in Indian economy and created unexplored opportunities to all players with new high breed diversified product range and operational efficiency. In order to strengthening the efforts GOI & regulator of mutual fund industry requires effective and efficient execution of adopted strategy for financial liberalization.

It is noted that the mutual funds industry in India has also attained maturity and has grown dramatically over the last twenty years which can be assessed by the quantum of secondary trading and variety of funds offered by the issuers. Due to its stupendous growth mutual fund industry is socially bound to be transparent in quality of financial reporting; and is subject to a large amount of research which ethically contributes to our knowledge and provides appropriate answers to the everlasting issues like performance measurement, style, managers' compensation. Some issues however remain obscure and need attention to learn their peculiarity and develop ultimate solution as well. It is found that in India the concept of a socially responsible fund and schemes especially focusing upon the clientele in select age group are not common and investors are largely unknown to such type of financial instruments which are also known as ethical funds and aims to cater the need of a population segment with personal ethical codes under certain predetermined amount of risk.

It is been observed that under the ages of globalization demand for finance has grown many fold and fueled the capital market. With flood of new and high breed financial instrument in market it became necessary to understand the meaning, use, importance and benefit of mutual fund which are also known as Investment Trust, Investment Company, Money Fund etc. In general, the term mutual denote that all gains or losses

resulting from the investment accrue to all the investment in proportion to their subscription.

## 2. LITERATURE REVIEW

**D. Rajasekar (2018)** The study was conducted with a sample size of 150 respondent by using the Statistical tools like percentage analysis, chi square, weighted average, with an objective to know about the investor's perception on their profile, income, savings pattern, investment patterns and their personality criteria. The study was concluded by taking into consideration various parameters involved in investors decision making keeping in mind investors perception towards mutual fund investment.

**RasheedHaroon, Qadeer Abdul (2012)** in their study investigates the performance of survivorship biased twenty five open ended mutual fund schemes in Pakistan and managers ability of stock selection and also measured the diversification. The study revealed that overall performance of the funds remains best as compare to market but mismanagement observed in mutual fund industry during the study period .Further study also revealed that portfolio was not completely diversified and contains unsystematic risk.

**Nishant Patel (2011)** In his study examined fund sensitivity to the market fluctuations in term of Beta and found that the risk and return of mutual funds schemes were not in conformity with their stated investment objectives further sample schemes were not found to be adequately diversified.

**KunduAbhijit (2009)** In his study examines the fund manager's ability to outperform the market and to appraise the schemes in the context of ex-post risk, return and diversification and found that over 'the period' mutual fund schemes on an average have failed to outperform the market even after taking a risk higher than that of the market and concluded that fund manager though have succeeded to some

extent on the diversification front, but failed to earn significant positive returns by selecting miss valued securities in their portfolios.

**Singh and Jha (2009)** conducted a study on awareness & acceptability of mutual funds and found that consumers basically prefer mutual fund due to return potential, liquidity and safety and they were not totally aware about the systematic investment plan. The invertors' will also consider various factors before investing in mutual fund.

**Anand and Murugaiah (2008)** in their study examined the components and sources of investment performance in order to attribute it to specific activities of Indian fund managers by using Fama's methodology and revealed the fact that the mutual funds failed in expectations to compensate the investors for the additional risk taken by them. The study also observed that from the selectivity, expected market risk and market return factors have shown closer correlation with the fund return.

**Guha (2008)** in his study found the "Style Benchmarks" of each of its sample of equity funds as optimum exposure to 11 passive asset class indexes. Further the study also revealed the relative performance of the funds with respect to their style benchmarks and found that the funds never been able to beat their style benchmarks on the average.

**Agarwal (2007)** in his study provides an overview of mutual fund performance in emerging markets and analyzed prevailing pricing mechanism, their size and asset allocation.

**Desigan et al (2006)** conducted a study on women investors' perception towards investment and found that women investors' basically are indecisive in investing in mutual funds due to various reasons like lack of knowledge about the investment protection and their various investment procedures, market fluctuations, various

risks associated with investment, assessment of investment and redressal of grievances regarding their various investment related problems. Savings is a habit specially embodied into women. Even in the past, when women mainly depended on their spouses' income, they used to save to meet emergencies as well as for future activities. In those days, women did not have any awareness about various investment outlets. But as time passed, the scenario has totally changed.

**Ramamurthy and Reddy (2005)** conducted a study to analyze recent trends in the mutual fund industry and draw a conclusion that the main benefits for small investors' due to efficient management, diversification of investment, easy administration, nice return potential, liquidity, transparency, flexibility, affordability, wide range of choices and a proper regulation governed by SEBI. The study also analyzed about recent trends in mutual fund industry like various exit and entry policies of mutual fund companies, various schemes related to real estate, commodity, bullion and precious metals, entering of banking sector in mutual fund, buying and selling of mutual funds through online.

**Anand and Murugaiah (2004)** had studied various strategic issues related to the marketing of financial services. They found that recently this type of industry requires new strategies to survive and for operation. For surviving they have to adopt new marketing strategies and tactics that enable them to capture maximum opportunities with the lowest risks in order to enable them to survive and meet the competition from various market players globally.

### 3. RESEARCH OBJECTIVES

- 1) To understand the concept of Mutual Fund.
- 2) To study investor's perception relating to liquidity and investment decision.

- 3) To study the financial awareness of mutual fund investment
- 4) To study the effect of gender difference on investment decision.

#### 4. RESEARCH METHODOLOGY

**Research Design:** This research study is an analytical and descriptive research. It is related to the investment towards mutual funds in India. **Sample Size:** Primary source of data collection is used for present study with the sample size of 200 respondents in Mysore city. Chi square analysis was carried out to test the hypothesis.

**Testing of Hypothesis:** The study is based on the formulation of the following Null Hypothesis:

**H<sub>10</sub>** = There is association between liquidity factors and investment decision in mutual funds.

**H<sub>20</sub>** = There is direct relationship between financial awareness level and investment behavior in mutual fund.

**H<sub>30</sub>** = There is association between gender and investment decision in mutual fund.

#### 5. DATA ANALYSIS & INTERPRETATION:

**Table 5.1**

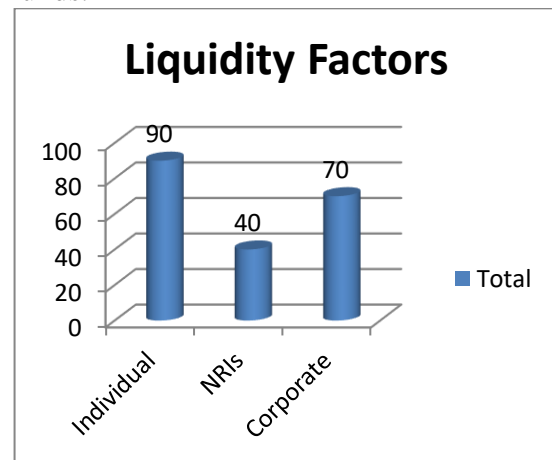
**Liquidity Factors and Mutual Fund Investment Decision**

Catego ry	Very Importa nt	Ne utr al	Not so Important	Tot al
Individ ual	75	10	5	90
NRIs	30	8	2	40
Corpora te	55	12	3	70
Total	160	30	10	200

**H<sub>10</sub>**= There is association between liquidity factors and investment decision in mutual funds.

**Interpretation:** Table value of chi square at .05 level of significance with df 4 is 9.49 and our calculated value 2.56 which is less than table value. Hence the

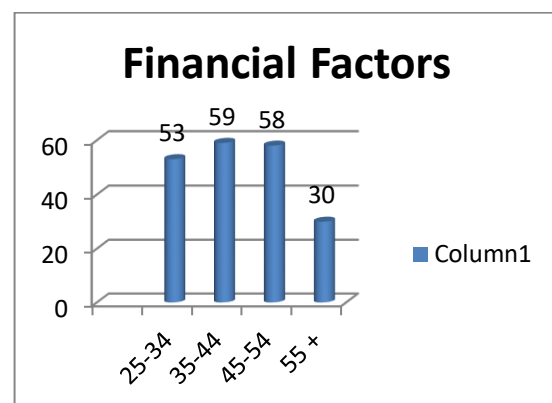
hypothesis is accepted. It proves that there is a relationship between liquidity of mutual funds and investments in mutual funds.



**Table 5.2**

**Financial Factors and Mutual Fund Investment Decision**

Age	Financial Awareness		Total
	Yes	No	
25-34	35	18	53
35-44	43	16	59
45-54	40	18	58
55 +	22	8	30
Total	140	60	200



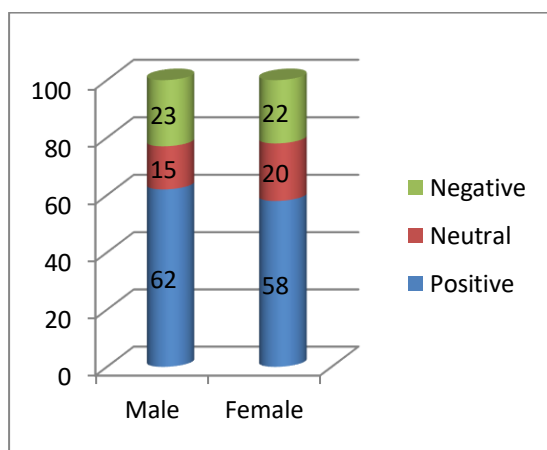
**H<sub>20</sub>**= There is direct relationship between financial awareness level and investment behavior in mutual fund.

As, calculated value of Chi square is less than Table value, our hypothesis holds true. Thus acceptance of the hypothesis proves that there is a direct relationship between the financial awareness and mutual fund investment by customers.

**Table 5.3**

**Gender and Mutual Fund Investment**

Category	Positive	Neutral	Negative	Total
Male	68	15	23	100
Female	52	20	22	100
Total	120	35	45	200



**H<sub>30</sub>**= There is an association between gender and investment decision in mutual fund.

**Interpretation:**

The Table value of chi square at 5 percent level of significance with degrees of freedom 2 is 5.99 and our calculated value is 0.97. As, calculated value of Chi square is less than Table value, our hypothesis holds true. Thus, the acceptance of the hypothesis proves that there is a direct relationship between the gender and mutual fund investment by them.

**6. FINDINGS:**

The Study was aimed at identifying the level of attitude towards the mutual funds.

The study

Shows that out of respondents

- The low risk funds attract the investors in mutual fund schemes.
- Males are more interested in mutual fund investments than the females.
- The youths and the elderly people are less aware about the mutual fund information.
- The mutual fund investors consider the liquidity of fund schemes as also an important factor for investment in such.

**7. SUGGESTIONS**

- Mutual fund has been focused as an investment avenue in past few years only. The financial growth and stability of an economy plays a vital role in this area.
- Gradually educated citizens are gaining the knowledge of saving and investment cycle and its effects in an economy. Many have opted for SIP. But still there are some lacking in our economy especially in the field of mutual fund investment criteria. Many people still hesitate to enter to this field.
- The research paper implies the various areas on which this industry has to struggle. The various target group, their awareness and financial literacy, their age group and gender differences play a vital role to upgrade the mutual fund industry.
- The age groups of people also affect their investment decisions. But mutual fund actually is the simplest and easiest technique of return generation. It is more convenient for senior citizens as they remain dependent on others in various aspects.

**8. CONCLUSION:**

The study shows that most of respondents are still confused about the mutual funds and have not formed any attitude towards the mutual fund for investment purpose. It has been observed that most of the respondents having lack of awareness about the various function of mutual funds. Moreover, as far as the demographic factors are concerned, gender, income and level of education have significantly influence the investors' attitude towards mutual funds.

Mutual fund industry has still to struggle to gain more investors. Financial literacy among females and youths will definitely bring a huge success to this industry. For that reason the government is looking to provide financial studies in school level. Adults who are already mutual fund investors should not withdraw from the same as they attain experience in the field. In Indian market where financial instruments are capturing almost every unit of society, mutual fund industry has a great scope if it gives more attention to some factors which will ultimately lead to satisfaction of investors which will help the mutual fund industry to boom up. The organization to boost the mutual fund investment company shall educate the public to the benefits of mutual funds through the advertisement, publicity campaigns having stall exhibition.

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