

Available online @ [www.iaraindia.com](http://www.iaraindia.com)  
SELP Journal of Social Science - A Blind Review & Refereed Quarterly Journal  
ISSN: 0975-9999 (P) 2349-1655 (O)  
Impact Factor: 3.655(CIF), 2.78(IRJIF), 2.77(NAAS)  
Volume XI, Issue 46  
October - December 2020  
Formerly UGC Approved Journal (46622), © Author

## RETAIL INVESTORS' BEHAVIOR AND PERCEPTION OF MUTUAL FUND IN SELECTED DISTRICT IN TAMILNADU

**Dr. S. SUDHA CHRISTY JOY**

Principal,  
BWDA Arts and Science College,  
Kolliyangunam – 604304

&

**Dr. V. GANESHKUMAR**

PG Head, Department of Commerce,  
BWDA Arts & Science College,  
Kolliyangunam – 604304

### Abstract

*Mutual funds play an important role in mobilizing savings of millions of investors across the country. In mutual funds, savings of small investors are mobilized, invested and returns are distributed in the same proportion to the unit holders. Now-a-days bank rates have become very low so, keeping large amount of money in bank does not give higher returns. People can invest in stock market. But a common investor is not well informed about the complexities involved in stock market movements. Here mutual funds play an important role in helping common public to get higher returns. A small investor is not safe in share market. In mutual industry there is no such risk. Mutual funds help to reduce the risk of investing in stocks by spreading or diversifying investments. Small investors enjoy the benefit of diversification.*

**Keywords:** Investors, Companies, Government, Risk, Return, Tax.

### Introduction

The mutual fund has been operating for the last two decades. Thus, it is too early to evaluate its operations. However one should not lose sight to the fact that the formation years of any institution is very important to evaluate as they could be able to know the good or bad systems get evolved around this time. Following are some of the shortcomings in

operation of mutual fund. The mutual funds are externally managed. They do not have employees of their own. Also there is no specific law to supervise the mutual funds in India. There are multiple regulations. While UTI is governed by its own regulations, the banks are supervised by Reserved Bank of India, the Central Government and insurance company mutual regulations funds are regulated by

Central Government At present, the investors in India prefer to invest in mutual fund as a substitute of fixed deposits in banks; about 75 percent of the investors are not willing to invest in mutual funds unless there was a promise of a minimum return, Sponsorship of mutual funds has a bearing on the integrity and efficiency of fund management which are keys to establishing investor's confidence. So far, only public sector sponsorship or ownership of mutual fund organizations had taken care of this need. Unrestrained fund rising by schemes without adequate supply of scripts can create severe imbalance in the market and exacerbate the distortions Many small companies did very well last year, by schemes without adequate imbalance in the market but mutual funds cannot reap their benefits because they are not allowed to invest in smaller companies. Not only this, a mutual fund is allowed to hold only a fixed maximum percentage of shares in a particular industry. The mutual fund in India is formed as trusts. As there is no distinction made between sponsors, trustees and fund managers, the trustees play the role of fund managers. The increase in the number of mutual funds and various schemes has increased competition. Hence it has been remarked by Senior Broker "mutual funds are too busy trying to race against each other". As a result they lose their stabilizing factor in the market While UTI publishes details of accounts their investments but mutual funds have not published any profit and loss Account and balance sheet even after its operation.

### Sampling Design

The sample size covered 500 investors of Tamil Nadu who were spread through five different districts namely, Cuddalore, Coimbatore, Chennai, Madurai and Trichy districts of Tamil Nadu. These districts where large numbers of MFs investors are available are identified for this study using Purposive Sampling Method. In order to collect referred

information from the retail investors, the sampling design was carefully decided and properly chosen for the study. From each identified districts, five approved brokers of were chosen and twenty MF investors were contacted with the help of brokers. Thus, this study was based on the responses by 500 selected respondents.

### Collection of Data

The researcher was used survey method for data collection. This study gathered the desired data through both primary and secondary sources. Primary data were collected through a structured questionnaire from the retail investors living in selected districts of Tamil Nadu and invested in MF schemes. The secondary was collected from different investment periodicals, magazines, various newspapers, RBI reports, AMFI reports, SEBI annual reports; securities market reviews, study of existing literature of different authors in the related field etc.

**Table 1**

**Percentage of savings**

Sl. No	Percentage of Savings	No. of Respondents	Percentage
1.	Up to 10	132	26.40
2.	11 to 20	259	51.80
3.	21 to 30	78	15.60
4.	Above 30	31	6.20
	<b>Total</b>	<b>500</b>	<b>100</b>

**Source:** Primary data.

Out of the 500 respondents, 26.40 per cent of the respondents save up to 10 per cent of their earnings, 51.80 per cent of the respondents save 11 to 20 of their earnings, 15.60 per cent of the respondents save 21 to 30 per cent and 6.20 per cent of respondents save above 30 of their earnings. It is found that majority of the respondents save 21 to 30 per cent of their earnings in different forms.

**Table 2**  
**Objectives of savings**

Sl. No	Objective	No. of Respondents	Percentage
1.	Son/daughter wedding	107	21.40
2.	Provide for my retirement	58	11.60
3.	Buying an Assets	50	10.00
4.	Tax benefits	71	14.20
5.	Children's education	40	8.00
6.	Earn more money	163	32.60
7.	For contingencies	11	2.20
	<b>Total</b>	<b>500</b>	<b>100</b>

**Source:** Primary data

According to table the main objective of the respondents behind savings in different forms is earning more money followed by Son/daughter wedding (21.40%), Tax benefits (14.20%), Provide for my retirement (11.60 %), Buying an Assets (10.00%), Children's education (8.00%) and for contingencies (2.20%). Therefore earning more money is the main motive of the investors behind their investment in mutual funds.

**Table 3**  
**Objectives behind investing in mutual funds**

Sl. No	Objective	Mean score	Rank
1.	Expertise	3.20	8
2.	High Returns	5.14	2
3.	Regular Savings	4.38	6

4.	Regular Income	4.84	4
5.	Safety	5.10	3
6.	Diversification	4.24	7
7.	Liquidity	4.64	5
8.	Tax Benefit	5.86	1

**Source:** Primary data

According to Table the main objective of the respondents behind investing in MFs is the tax benefits offered by it followed by high return and safety of the schemes. Therefore getting tax benefits from the scheme is the main motive of the investors behind their investment in MFs.

**Table 4**  
**Sources of investment information**

Sl. No	Sources of Information	No. of Respondents	Percentage
1.	Friends and relatives	101	20.20
2.	Business News Channels	64	12.80
3.	Brokers	182	36.40
4.	Magazine or Newspapers	38	7.60
5.	Investment websites	55	11.00
6.	Professional Advisers	60	12.00
	<b>Total</b>	<b>500</b>	<b>100</b>

**Source:** Primary data

The table reveals that for majority of the respondents brokers (36.40%) are the main source of information followed by friends/relatives (20.20%), news channels (12.80 %), professional advisers (12%), investment websites (11%) and magazines or news papers.

**Table - 5**

**Investments in different types of funds**

Sl. No	Types of Funds	No. of Respondents	Percentage
1.	Equity	154	30.80
2.	Income	191	38.20
3.	Index	67	13.40
4.	Debt	76	15.20
5.	Balanced	198	39.60
6.	Asset	103	20.60
7.	Liquid	74	14.80

Source: Primary data

Investors invest mainly in Equity funds as shown in the above table as the number of investors is 39 in number. And the next preferred type of fund is the Liquid fund with a response from 32 investors. 23 investors have invested in income funds, 10 investors in index funds, 9 investors in debt funds, 21 investors in balanced funds and 11 investors in assets funds.

**Table 6**

**Effect of personal variables on the respondents' perception towards investment in mutual funds**

Independent Variables	B	Std. Error	t	Sig.
(Constant)	78.140	0.843	-	-
Gender	-0.189	0.371	-0.381	Ns
Age	0.457	0.136	2.722	**
Educational status	-0.134	0.185	-0.589	Ns
Monthly income	-0.471	0.403	-1.98	*

			7	
Occupation	-0.245	0.425	-0.590	Ns
Residential area	-0.506	0.357	-1.721	*

Source: Primary Data \*

Significant at 5% Level \*\* Significant at 1% level

R	R Square	F	Result
0.215	0.041	3.341	**

Table shows that there has been a low degree of correlation (0.215) between the perception level of the respondents towards investment on mutual funds and the selected independent variables. The R square indicates that 3.34% of variation in the perception level of the respondents is explained by all independent variables taken together. The F value indicates that the multiple correlation coefficients are significant at 1% level. It is inferred that gender, educational and occupation status have no significant effect on the acceptance level of the respondents towards to invest on mutual funds.

**Suggestions**

1. Fear of frauds was one of the factor discouraging Mutual fund investors. Government should see that Mutual Fund companies follow corporate governance regulations. All mutual fund investors want transparency. Strict regulations should be enforced by SEBI with regard to Corporate Governance. SEBI should enforce strict regulations on mutual fund companies where frauds are committed. There has been a conflict of personal interest of fund managers in the past. SEBI should enforce, strict regulations, so that other mutual fund companies will be deterred from committing frauds in future.

2. Besides relying on brokers, friends, media, newspapers, professional advisors, mutual fund investors should be encouraged to use other sources of information such as financial journals, internet and brochures of mutual funds. Mutual Fund Companies should take this aspect into consideration. Female respondents prefer to get information about mutual funds through professionals. Therefore the Mutual Fund Companies should try to tap this particular segment in the market.
3. During the period of study, it was found that the majority of the investors invest their money through the income scheme, Growth schemes and SIP plan scheme. This indicates that more efforts have to be made by the Mutual Funds to create awareness among the investors regarding the earnings potential of other schemes.
4. It should be mandatory for mutual fund companies to establish investor grievance cell. A separate ombudsman scheme should be initiated for redressing the grievances of mutual fund investors effectively. Each mutual fund should be required to establish its own investor's grievance cell. This will help to sort out investor's grievance problems.
5. It should be mandatory for mutual fund companies to establish investor grievance cell. A separate ombudsman scheme should be initiated for redressing the grievances of mutual fund investors effectively. Each mutual fund should be required to establish its own investor's grievance cell. This will help to sort out investor's grievance problems.

### Conclusion

Mutual Investors should choose the right Mutual Fund Scheme which suits their requirements. The offer document of

the Mutual Fund Scheme should be thoroughly read and scrutinized. Some factors to evaluate before choosing a particular Mutual Fund are the track record of the performance of the fund over the last few years in relation to the appropriate yard stick and similar funds in the same category. Other factors could be the portfolio allocation, the dividend yield and the degree of transparency as reflected in the frequency and quality of their communications. It is suggested that the investors should not consider only one or two factors for investing in mutual fund but they should consider other factors such as higher return, degree of transparency, efficient service, fund management and Reputation of mutual fund in selection of mutual funds.

### References

1. Muthappan. P. K and Damodharan. E (2006), " Risk-Adjusted Performance Evaluation of Indian Mutual Funds Schemes", *Finance India*, Vol.20, No.3, PP. 965-983.
2. Narasimham M. S. & Vijaya Lakshmi S. "Performance Analysis of Mutual Funds in India", *Finance India*, March 2001, Pp. 155-174.
3. Paula A Tkac. 2004. 'Mutual Funds: Temporary Problem or Permanent Morass?', *Financial Markets Conference*, 2004 .
4. Priti Pandey and Subesh (2005), "Evaluating Stock Selection Abilities of Indian Fund Managers: An Empirical Study of Indian Capital Market", *Management and Change*, Vol.9, No.3 PP. 49-64.
5. Saini, S., Anjum, B., and Saini, R. (2011). "Investors' Awareness and Perception About Mutual Funds", *International Journal Of Multidisciplinary Research*, Vol. 1 No. 1, PP. 14-29.