The Perception of Individual Investors towards the Performance of Mutual Funds

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Abstract: *The mutual fund is a trust that pools the savings of a number of investors who share a common financial goal. This pool of money is invested in accordance with a stated objective. Mutual funds provide a mechanism to invest in the stock market without knowing the complexities of the stock market. Mutual funds provide the best option to the investors who have no knowledge of the stock market. Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. The objectives of the study are to analyze the perception of individual investors towards the performance of mutual funds. The study aims at finding out the perception of the small and household investors towards investment in mutual funds in twin cities of Hyderabad and Secunderabad. The necessary data are collected by administering a structured questionnaire to 200 randomly selected investors based on simple random sampling method. Simple statistical tools like Cross Tables and Chi square test are used for analysing the data.*
Keywords: Mutual Funds, Investors, Perception.

I. Introduction

Economic liberalization and globalization have brought a fervent environment for medium and small investors. There are a large number of small investors, who have the ability to save and make an investment in the corporate sector. The investment is very important to park the surplus fund of an individual for the purpose of earning additional income or capital appreciation or both.

People have plethora of investment options (with each option have its own distinct risk-return characteristic) not only to save money but also to see that it grows over a period of time. All investment avenues differ from one another and hence all are not equally attractive or distractive. In addition, investors are facing a problem in choosing the best alternative from the available investment options in the financial market. It is so because of lack of necessary information with regard to market fluctuations, time to analyze the market and expertise in the investment decisions. This has increased the necessity for tailor made instruments (investment options) that provide safety and security to investors. Hence the mutual funds are very suitable for the household sector and individual investors considering their lack of knowledge and expertise in financial market. There is a galore of mutual fund schemes available for investment for those who want to channelise their savings via mutual fund scheme ranging from money market mutual fund schemes to sector funds suiting well to the requirements of varied investors on the basis of risk return appetite of investors.

The investor has to consider various factors while making an investment decision, these are as follows: risks associated with the investment, tax benefits, liquidity, and marketability of the instruments, corporate earnings, stock affordability, dividend announcements, Price earnings ratio, Momentum effect, Contrarian effect, Investment behaviour of FIIs, firm's reputation, socially responsible investing, Current economic indicators, Opinion from family/friends/colleagues, broker's recommendation, and other professional advice. In this study very little research has been done to study the perception of individual investors towards the performance of mutual funds.

II. Review of Literature

Seema Sharma (2015) attempted to assess the overall investor perspective using a research design and she found that the Service quality and customer satisfaction have been conceptualized as distinct, but closely related constructs. There is a positive relationship between the two constructs. Tarak Paul (2014) studied the gap between the degree of expectation and the degree of perceived experience towards mutual fund investment from the viewpoint of customer communication dimension of marketing mix. It is being observed that Investors experienced lack of sufficient education required for investment and finds it difficult in understanding all the contents of the application form. The significant gap between the degree of expectation and degree of experience is indicative of the fact that there is a lot of scope for improvement in the area of customer communication. Mohindroo Amit and Singh Sureet (2013) opined that Mutual Funds, which have become an important portal for the small investors are also influenced by their financial behaviour. At an individual level,

investors are unique and are a highly heterogeneous group. Hence, their fund/scheme selection behaviour also widely differs. This necessitates the Asset Management Companies (AMCs) to understand the fund/scheme selection/switching behaviour of the investors to design suitable products to meet the changing financial needs of the investors. Vasudevan. R (2013) endeavored to throw a light on the investors' perceptions of Mutual Fund risks. Understanding the requirements of investors of the Mutual Fund Companies has become necessary to accelerate the required pace of growth. A detailed analysis of risk perceptions of the investors was made in his study. Survey findings of his study have got significant implications that can be adopted by the Fund companies either by adding to the existing practices or by replacing. Rathnamani.V. (2013) concluded that many investors are preferred to invest in mutual fund in order to have high return at low level of risk, safety liquidity. Agrawal and Mini Jain (2013) an attempt is made to study mainly the investment avenue preferred by the investors of Mathura, and we have tried to analyze the investor's preference towards investment in mutual funds when other investment avenues are also available in the market. Sanjay Das (2012) conducted a study for identify the small investor's perceptions on mutual funds and the factors affecting small investors' towards investment in mutual funds in Assam by adopting convenience sampling, 250 respondents living in five different commercial towns of Assam. Gupta (1993) conducted a study with an objective to provide data on the investor preferences on mutual funds and other financial assets. The findings of the study were more appropriate at that time, to the policy makers and mutual funds to design the financial products for the future.

Objective of the Study

The objective of the research is to analyze the perception of individual investors towards the performance of mutual funds. The area under study includes twin cities of Hyderabad.

III. Research Methodology

To analyze the perception of investors towards mutual funds necessary data are collected by administering a structured questionnaire to 200 randomly selected investors based on simple random sampling method. Respondents are screened and the inclusion is purely on the basis of their knowledge about Financial Markets, especially the Mutual Fund.

The analysis of primary data collected through administering a structured questionnaire from investors have been made by making use of statistical tools like tabulation, percentage, ranking and Chi Square test etc.

IV. Summary of Findings

The analysis reveals that the demographic profile (refer Table 1) of investors has a significant impact on the investors' decisions related to investments and particularly mutual fund investments. From the analysis it is noted that most of the sample respondents are male respondents belonging to the higher income class earning more than Rs. 3,00,000 a year. Most of the respondents are employed (42 percent), belonging to the age group of 31years to 45 years. Majority of the respondents are under graduates (73 percent), married (73 percent), and saving below Rs. 20,000 per month (54 percent). Investors expressed high preference towards financial need (refer Table 2) to invest in long term savings (78.5 percent) with the investment objective of safe growth oriented investments (45.5 percent), but intend to play it somewhat safe for time period of 6-10 years (a time period of less than 5 years (59.5 percent)). Investors prefer bank deposits than other investment avenues and they are willing to take modest risk for higher returns in little volatility.

Most of the respondents prefer bank deposits (rank1) followed by equity shares, P.O Saving schemes and mutual funds among various investment avenues available to them. The investors are interested to invest in mutual funds based on a combination of return, safety, liquidity, profitability and tax benefits provided by the schemes. Growth oriented bank sponsored Indian mutual funds are highly preferred by the investors on the basis of quality of the product and services, risk and research factors. Brokers / agents are the main source of information about mutual funds. The investors are selecting the mutual funds for the benefits of convenience and professional management. The factors that influence the choice of Mutual Fund Organisations are past performance (rank 1) followed by suggestions. Further, the analysis reveals that the choice of the scheme is made based on objective of the fund (rank 1) and return on the investment and benefits.

V. Conclusion

The study concluded that Mutual fund investors are not satisfied with industry performance and services but are satisfied towards the investment opportunities in industry. All the investors strongly agreed that mutual funds are less risky compared to that of shares. Further, respondents strongly agree that mutual funds are more suitable to small investors for their positive high returns in the capital markets. Chi Square (χ2) test results reveal that the investors' investment behaviour is similar within the demographic variables namely, age, occupation, education, marital status, income and saving groups except gender group.

Appendix

1. Profile of Investors

The data required for the study was collected from 200 individual investors in mutual funds from Hyderabad twin cities. Their gender, marital status, age, education, occupation, monthly income and Monthly Savings have been analyzed and presented in Table 1.

Table 1: Profile of Investors

Demographic Variables	Categories	No. of Respondents	Percent
Gender	Male	126	63.0
	Female	74	37.0
	Total	**200**	**100.0**
Age	Below 30years	35	17.5
	31-45 years	91	45.5
	46-60 years	55	27.5
	Above 60 years	19	9.5
	Total	**200**	**100.0**
Occupation	Business	65	32.5
	Professional	37	18.5
	Employed	98	49.0
	Total	**200**	**100.0**
Education	Up to Higher Secondary	15	7.5
	Undergraduate	146	73.0
	Postgraduate	39	19.5
	Total	**200**	**100.0**
Marital Status	Married	174	87.0
	Unmarried	26	13.0
	Total	**200**	**100.0**
Monthly Income	Below Rs.1,00,000	27	13.5
	Rs.1,00,001-3,00,000	67	33.5
	Rs. 3,00,000 – 6,00,000	80	40.0
	Above Rs. 6,00,000	26	13.0
	Total	**200**	**100.0**
Monthly Savings	Below Rs.20,000	108	54.0
	Rs.20,001-40,000	63	31.5
	Rs.40,000 – 80,000	24	12.0
	Above Rs 80,000	5	2.5
	Total	**200**	**100.0**

Source: Primary Data

2. Attitude towards Investment.

For analysis of attitude of sample respondents towards investment, the required data is collected from 200 individual investors in mutual funds from Hyderabad twin cities. For the analysis the information is collected with regard to financial needs, investment objective, time horizon, willingness to take risk, fluctuation in the value of one's portfolio and experience in the field of investments.

Table 2: Attitude towards Investment

Variables	Categories	No. of Respondents	Percent
Financial Needs	Depend somewhat on investments for income and emergency needs	19	9.5
	Depend on investments to serve only in an emergency	24	12.0
	Devote investments to long - term savings.	157	78.5
	Total	**200**	**100.0**
Investment Objective	First priority for Income and second priority for Growth	34	17.0
	Balanced preference for income and growth	27	13.5
	Basically, growth oriented, but intends to play it somewhat safe	91	45.5
	Maximize growth, as income is not critical	48	24.0
	Total	**200**	**100.0**
Time Horizon	In 5 years	13	6.5
	6-10 years	153	76.5
	11-15 years	31	15.5
	Above 15 years	3	1.5
	Total	**200**	**100.0**
Willingness to Take Risk	Willing to take as much risk as possible	14	7.0
	Willing to take modest risk	157	78.5
	Avoid taking risk	29	14.5
	Total	**200**	**100.0**
Fluctuation in The Value of Your Portfolio	Accept lower long run returns with maximum stability	9	4.5
	Accept little volatility for higher returns.	160	80.0
	Accept higher volatility as growth is the goal	12	6.0
	Accept substantial volatility, as maximum appreciation is the goal	19	9.5
	Total	**200**	**100.0**
Experience in the field of investments	Less than 5 years	119	59.5
	6-10 years	56	28.0
	11-15 years	19	9.5
	16-20 years	6	3.0
	Total	**200**	**100.0**

Source: Primary Data.

Table. 3. Investments Statistics				
Investment Avenues	**N**	**Mean**	**Std. Deviation**	**Rank**
	Valid			
Bank Deposits	200	2.77	1.744	1
P.O. Saving Schemes	200	3.77	1.820	3
Bonds and Debentures	200	4.18	1.871	5
Equity Shares	200	3.59	3.244	2
Mutual Funds	200	3.82	.935	4
Insurance Policies	200	5.47	1.941	6
Real Estate	200	5.89	1.832	7
Gold & Silver	200	6.52	1.349	8

Source: Primary Data

Table. 4. Degree of Safety

Investment Avenues	N	Mean	Std. Deviation	
	Valid			Rank
Bank Deposits	200	5.00	0.000	1
P.O. Savings Scheme	200	5.00	0.000	2
Bonds and Debentures	200	3.01	0.071	3
Equity Shares	200	2.17	0.377	8
Mutual Funds	200	3.00	0.000	4
Insurance Policies	200	3.00	0.000	5
Real Estate	200	2.43	0.496	7
Gold & Silver	200	2.71	0.556	6

Source: Primary Data

Table.5. Objective of selecting Mutual Funds (Statistics)

	N	Mean	Std. Deviation
Objective	Valid		
Return	200	2.00	0.437
Stability	200	2.71	0.656
Marketability Tax	200	1.00	0.000
Benefit	200	2.65	0.627

Table.6: Investors' Preference towards Scheme Objective

	N	Mean	Std. Deviation	Rank
Scheme Objective	Valid			
Growth	200	1.33	.480	1
Income	200	3.49	1.835	4
Balanced	200	3.29	.823	3
ELSS	200	4.61	1.151	5
Money Market	200	5.88	.891	6
Gilt	200	6.61	.664	7
Tax Saving	200	2.81	1.063	2

Source: Primary Data

Table.7. Factors Determining Success of Mutual Funds

Factors	N	Mean	Std. Deviation	Rank
	Valid			
Quality of service	200	4.03	0.622	4
Suitability of product	200	5.00	0.000	1
Research	200	4.26	0.440	3
Risk orientation	200	4.83	0.381	2
No: of investor service center	200	3.73	0.768	5

Source: Primary Data

Table.8. Sources of Information on Mutual Fund

	N	Mean	Std. Deviation	Number of Responses	Rank
	Valid				
Brokers/ Agents	200	1.00	0.000	200	1
Prospectus	200	0.04	0.184	7	9
Advertisement	200	0.23	0.419	45	6
Annual Reports	200	0.36	0.480	71	5
Newspapers	200	0.52	0.501	104	4
Magazines	200	0.11	0.307	21	7
Friends and Relatives	200	1.00	0.000	200	2
Television	200	0.09	0.280	17	8
Mail	200	0.00	0.000	0	10
Stores Display	200	0.82	0.389	163	3

Source: Primary Data

Table.9. Benefits of Investing in Mutual Funds

Benefits	N Valid	Mean	Std. Deviation	Number of Responses	Rank
Portfolio diversification	200	.01	.071	1	16
Tax Shelter	200	.83	.381	165	3
Lower cost	200	.07	.247	13	10
Liquidity of investment	200	.14	.348	28	7
Assured allotment	200	.17	.372	33	6
High Yielding	200	.80	.405	159	4
Convenience	200	1.00	0.000	200	1
Quality of service	200	.05	.208	9	13
Innovation in Schemes	200	.06	.229	11	11
Profitability	200	0.00	0.000	0	17
Transferability	200	.05	.218	10	12
Repurchase Facility	200	.04	.196	8	15
Capital appreciation	200	.56	.498	111	5
Loan Facility	200	.09	.287	18	9
Professional Management	200	1.00	0.000	200	2
Wide investment opportunities	200	.10	.294	19	8
Transparent in operation	200	.05	.208	9	14

Source: Primary Data

Table.10. Factors Influencing the choice of MF Organization

Factors	N Valid	Mean	Std. Deviation	Rank
Goodwill	200	4.70	.462	3
Volume of business	200	1.44	1.059	9
The Sector represented	200	1.57	1.087	8
Investor services	200	3.51	.501	5
Past performance	200	5.00	0.000	1
Infrastructure	200	3.59	.834	4
Suggestions	200	4.85	.363	2
Background Experience	200	1.69	1.222	7
Investment Philosophy & Methodology	200	2.25	1.482	6

Source: Primary Data

Table.11. Factors Influencing the choice of MF Scheme

	N Valid	Mean	Std. Deviation	Rank
Capital Appreciation	200	4.24	.428	6
Objective of the fund	200	5.00	0.000	1
Return on Investment	200	5.00	0.000	2
Tax benefit	200	4.39	.488	3
Liquidity	200	4.31	.462	4
Safety	200	4.30	.457	5
Loan facility	200	3.64	.483	7
Convenience of reinvestment	200	3.64	.771	8
Fund Managers Background	200	1.53	1.143	9
Early Bird Incentive	200	1.49	1.037	10

Source: Primary Data

Table.12. Degree of agreement relating to Mutual Funds (Statistics)

Specific Attitude Statements	N Valid	Mean	Std. Deviation
Investing in funds is less risky compared to shares.	200	5.00	0.000
Mutual Funds are more suitable to small investors who are otherwise hesitant about entering into the capital market.	200	5.00	0.000
Risk and return characteristics of Indian MFs are not in conformity with their stated objectives.	200	3.90	.605
Investing in funds is much better in terms of returns than depositing money in banks.	200	3.42	.828
Growth schemes are highly preferred to income schemes.	200	4.71	.455
Mutual Fund investing gives a definite positive return.	200	4.79	.408
MF returns and Principal are fully protected and guaranteed by the Association of Mutual Funds (AMFI)	200	3.64	.673
Bank sponsored Mutual Funds give a definite positive return which is greater than Bank fixed deposit rate for a similar period.	200	2.55	.800
Entry and exit out of Mutual Funds is easy	200	2.37	.636
Due to professional investment, a good return can be expected of Mutual	200	4.24	.428

Funds			
There are many MF schemes to meet the varied needs of investors	200	3.95	.416
AMFI protects the interests of MF industry and the unit holders	200	3.87	.337

Source: Primary Data

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