

## A Study on Investor's Perception Towards Investing In Mutual Funds

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**Abstract:** Diversified investment is an important feature of mutual funds hence it is the most suitable investment for the common man. Investor's preference plays a vital role in the financial markets. This paper makes an attempt to study the customer perception towards investment in mutual funds when other investment avenues are also available in the market.

**Key words:** Mutual funds, investors, customer perception

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### I. Introduction

Mutual funds pool cash from various financial specialists and put resources into various speculation sources like stocks, shares, bonds and so on. An expert fund manager deals with these and returns are paid in type of profits. These days, Mutual Fund is the most reasonable speculation for the regular man as it offers a chance to put resources into a differentiated, expertly overseen mass of protections at a general ease. A Mutual Fund is a speculation apparatus that permits little financial specialists access to a well-expanded arrangement of values, securities and different protections. Every investor takes an interest in the increase or loss of the reserve.

Because of the development of mutual fund industry, the financial specialists favour shared assets as a venture. Mutual fund organizations offer assortment of plans for all kind of speculators. Presently, a financial specialist can begin his speculations from Rs.100. Interest in common assets has become quick and has spread to even the remotest place of the nation where a stock trade does not work. The primary explanations behind putting resources into shared assets are broadening, adaptability, proficient administration, minimal effort and so forth. The investment behaviour of the general population is primarily founded on the accessibility of reserve, accessibility of venture roads, venture objective, span of speculation, chance, nature of speculation, determination of store, behaviour towards speculation and furthermore the issues experienced in contributing on common assets. Indian speculators have not been completely comprehensible and sound in their venture conduct and their venture choices are constantly influenced by the plain social variables. The individual speculators numbering millions comprise the foundation of common store industry. Their dynamic contribution in the business encourages the corporate division to prepare adequate supports required for improvement. Speculator's conduct assumes an indispensable job in the budgetary markets. It impacts the value, volume of exchange and different other monetary activities. The investor's desire is likewise significant.

### II. Literature Review

J.Lilly and Dr. Anasuya (2014) distributed an examination paper —An experimental investigation of execution assessment of chose ELSS common store schemes distributed on International diary of logical research which inspected the presentation of 49 chose expense sparing else conspires by applying Sharpe proportion, Treynor proportion, Sortino proportion and Jensen's alpha measure and discovered LIC NOMURA MF GROWTH and profit plans has the most noteworthy return and are hazard borne when contrasted with different plans.

V. Rathnamani (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. It can be said that the Mutual Fund as an investment vehicle is capturing the attention of various segments of the society, like academicians, industrialists, financial intermediaries, investors and regulators for varied reasons and deserves an in depth study.

Lonnie L. Bryant, Hao-Chen liu (2011) published a research paper —Mutual fund industry management structure, risk and the impacts to shareholders published on Global finance journal investigates the effects of a multiple fund management structure on the risk volatility of the funds managed with the help of Sharpe ratio .They found out the impacts that mutual fund management structure has in fund risk volatility using

a sample of 1480 funds managed by 407 managers. They also found out that the multiple fund management structure appears to be motivated by the need to achieve economies of scale and reduce cost of the shareholders, fund managers which are driven by strategic reason.

Gupta (1994) made a household investor survey with the 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.

Dr. Binod Kumar Singh(2012) In this paper, structure of mutual fund, operations of mutual fund, comparison between investment in mutual fund and bank and calculation of NAV etc. have been considered. In this paper, the impacts of various demographic factors on investors' attitude towards mutual fund have been studied. For measuring various phenomena and analyzing the collected data effectively and efficiently for drawing sound conclusions, Chi-square test has been used and for analyzing the various factors responsible for investment in mutual funds, ranking was done on the basis of weighted scores and scoring was also done on the basis of scale. 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. On the other hand the other two demographic factors like age and occupation have not been found influencing the attitude of investors' towards mutual funds. As far as the benefits provided by mutual funds are concerned, return potential and liquidity have been perceived to be most attractive by the invertors' followed by flexibility, transparency and affordability. Apart form the above, in India there is a lot of scope for the growth of mutual fund International Journal of Research in Management ISSN 2249-5908 Issue2, Vol. 2 (March-2012) Page 68 companies provided that the funds satisfy everybody's needs and sharp improvements in service standards and disclosure .

Dr. Ravi Vyas(2016) conducted study on mutual fund investor's behavior and perception in Indore city It was found that mutual funds were The SIJ Transactions on Industrial, Financial & Business Management (IFBM), Vol. 4, No. 2, February 2016 ISSN: 2321-242X © 2016 | Published by The Standard International Journals (The SIJ) 32 not that much known to investors, still investor rely upon bank and post office deposits, most of the investor used to invest in mutual fund for not more than 3 years and they used to quit from The fund which was not giving desired results. Equity option and SIP mode of investment were on top priority in investors' list. It was also found that maximum number of investors did not analyze risk in their investment and they were depending upon their broker and agent .

Dr. D. Rajasekar(2016) A Study on Investor's preference of mutual funds with reference to reliance private limited a project which is mainly carried out to know about the investor's perception with regard to their profile, income, savings pattern, investment patterns and their personality traits. In order to The SIJ Transactions on Industrial, Financial & Business Management (IFBM), Vol. 4, No. 2, February 2016 ISSN: 2321-242X © 2016 | Published by The Standard International Journals (The SIJ) 33 understand the level of investor's preference, a survey was conducted taking in to consideration various parameters involved in investors decision making. For the purpose of evaluation, a questionnaire survey method was selected keeping in mind objectives of the study. The data was collected from primary and secondary sources. The primary sources were collected from the investors who invested in various avenues. The secondary sources are from books, journals and internet. Since the investor population is vast a sample size of 150 was taken for the project. The data was analyzed using the statistical tools like percentage analysis, chi square, weighted average. The report was concluded with findings and suggestions and summary. From the findings, it was inferred overall that the investor are highly concerned about safety and growth and liquidity of investments. Most of the respondents are highly satisfied with the benefits and the service rendered by the reliance mutual funds.

Dr. GeetaKesavaraj (2012) The researcher carried out the study with the aim to measure the —Customer Perception towards various types of Mutual Funds". It focuses its attention towards the possibilities of measuring the expectations and satisfaction level of more mutual fund products. It also aims to suggest techniques to improve the present level of perception. The study will help the firm in understanding the expectations, future needs and requirements and complaints of the consumers. The study had been dedicated mainly towards the promotion of product or concept in the Chennai Market. The researcher used the Descriptive type of research design in her study. The researcher used the Primary data collection method in her study by framing a structured Questionnaire. The researcher went with convenient type of sampling method in her study. The sample is taken as 204 by the researcher. For the purpose of Analysis and Interpretation the researcher used the following statistical tools namely Simple Percentage Analysis, Chi-Square Test, Karl Pearson's Correlation and One way ANOVA. Based on the Analysis and Interpretation the researcher arrived out with the major findings in her study and Suggestions are given in such a way so that the customers can attain the wealth maximization.

Pritam P. Kothari & Shivganga C. Mindargi (2014) This study analyses the impact of different demographic variables on the attitude of investors towards mutual funds. Apart from this, it also focuses on the benefits delivered by mutual funds to investors. To this end, 200 respondents of Solapur City, having different demographic profiles were surveyed. The study reveals that the majority of investors have still not formed any attitude towards mutual fund investments.

Dhimen Jagdishbhai Jani, Bhautik Alpeshkumar Patel & Rajeev V. Jain (2015) This study focused on the consumer's perception towards mutual fund as an investment option in Valsad city from Gujarat. They revealed that Consumers perception were positive toward investment in mutual funds.

**Objectives of the Study**

- To identify whether there is any relation between income and investor's perception on expected rate of return.
- To understand whether there is any relation between occupation and investor's perception on expected rate of return.

**HYPOTHESIS TO BE TESTED**

H1 – There is relation between income of the investor and investor's perception on expected rate of return.

H2- The people belong to different groups of occupation will have same perception on expected rate of return.

H3- The level of income of investor will influence the level of investment in mutual fund

**RESEARCH METHODOLOGY**

Data for the study is primarily collected through survey in the form of questionnaires. 88 complete survey responses obtained from individual investors. The questions were entered into SPSS Software. For testing the hypothesis, Chi-Square Test & Correlation test is used.

**ANALYSIS OF THE STUDY**

Hypothesis 1

H0– There is no relation between income of the investor and investor's perception on expected rate of return.

**Table showing the Correlation between the Monthly Income and the Expected Rate of Return**

Correlations			
	Monthly income		Expected return
Monthly income	Pearson Correlation	1	.272*
	Sig. (2-tailed)		.010
	N	88	88
Expected return	Pearson Correlation	.272*	1
	Sig. (2-tailed)	.010	
	N	88	88

\*Correlation is significant at the 0.05 level ( 2-tailed)

From the above table, it is inferred that monthly income and expected rate of return are correlated to each other i.e., the significance level is (.010) which is less than 0.05. Thus alternative hypothesis is accepted.

**Hypothesis 2**

H0- Occupation of the investor and investor's perception on expected rate of return are independent.

**Table showing Result of Chi-Square Test**

	Value	df	Asymp.Sig. (2-sided)
Pearson Chi-Square	4.298*	6	.636
Likelihood Ratio	6.107	6	.411
Linear-by-Linear association	.617	1	.432
N of Valid Cases	88		

\*4 cells (33.3%) have expected count less than 5. The minimum expected count is .74

From the above table it's found that the significance (0.636), this shows that occupation of the investors and perception on expected rate of return are independent. In other words significance level is greater than 0.05. Therefore reject alternative hypothesis.

**Hypothesis 3**

H0- Income level of the investors and level of investment in mutual fund are independent.

Table showing Result of the Chi-Square Test

	Value	df	Asymp.Sig. (2-sided)
Pearson Chi-Square	41.427*	16	.000
Likelihood Ratio	42.718	16	.000
Linear-by-Linear association	24.203	1	.000
N of Valid Cases	88		

\*18 cells (72.0%) have expected count less than 5. The minimum expected count is 0.25.

From the above table it's found that the significance (0.000), this shows that monthly income and Mutual fund savings are dependent. In other words significance level is less than 0.05. Therefore, accept alternative hypothesis.

### **FINDINGS**

- The main investment objective is wealth creation. This is followed by the tax-saving objective. Thus, the tax benefits provided by government on mutual funds are another attractive feature of this mode of investment.
- Out of the 88 respondents, 53 investors were male while 35 were female. Thus, almost 60 per cent of the mutual fund investors are male investors. This indicates that males are more interested in investing in mutual funds.
- People between the age group 20-35 years are more interested in investing in mutual funds. On the contrary, people between the age group 65-75 years show the least interest in investing in mutual funds.
- Almost 54 per cent of the respondents are married. Thus, married youngsters find mutual funds an attractive avenue to invest their savings. Also, 45 per cent of the respondents are single and not married. Since there is only a small difference between the two percentages, it is evident that, marital status of an investor does not play a significant role in their investment preferences or patterns.
- Almost 48.9% invest into mutual funds from information gathered through online media. 25% get information about the schemes from the bank itself. Investors least use the financial magazines and business channels.
- The investors are mainly youngsters who have just begun their career. They are willing to pool in their savings into mutual funds.
- The study also reveals that, the educational background of the investors is not an impediment in knowing about mutual funds and their investment.
- The income level of the investors affects the expected rate of return of the investors.
- The occupation of the investors and the expected rate of return of the mutual fund investors are independent.
- Monthly income, however, of the investors affect the investment levels in mutual funds.
- The rate of interest in banks has declined considerably and so the mutual fund schemes have become an attractive avenue of investment. Mutual funds provide higher rate of returns than banks.

### **III. Suggestions**

- As per the study the investor's wants safe returns on their investment. All investors are aware about the risk in share market which is the main reason why investors are reluctant to invest in mutual funds.
- Every investor should be given a personnel assistance to give him/her a regular & consistent service.
- Investor's satisfaction and value retention should be given focused to maintain goodwill of the company.
- Age is an important factor that dominates investor's behaviour. Thus, the bank should develop strategies to attract investors of all age groups. This will increase their customer base and investments into mutual funds.

### **IV. Conclusion**

The study analyses the mutual fund investments in relation to investor's behaviour. It is very important to judge the investors' behaviour in a market like India, where the competition increases day by day due to the entry of large number of players with different financial strengths and strategies. The present investigation outlined that mostly the investors have positive approach towards investing in mutual funds. In order to maintain their confidence in mutual funds they should be provided with timely information relating to different trends in the mutual fund industry. For achieving heights in the financial sector, the mutual fund companies should formulate the strategies in such a way that helps in fulfilling the investors' expectations. Today the main task before mutual fund industry is to convert the potential investors into the reality investors. New and more innovative schemes should be launched from time to time so that investor's confidence should be maintained. All this will lead to the overall growth and development of the mutual fund industry.

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