

A Study on Investors Perception towards Investing in Mutual Funds

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ABSTRACT

Investment is the process of involving money in any good or service to create wealth either directly or indirectly. In this millennium money saved is not money earned. Money invested is wealth created. Idle money is invested in many investment tools among which mutual funds, a new, profitable and reliable investment tool on which this study is about. Mutual fund a profitable investment tool, in which many investors' monies are pooled in either equity or debt or both. The main motive of mutual funds is to reduce the risk of market trends by scattering the funds into many sectors, in order to gain huge returns in long runs. This study is conducted to analyze the existing investors' and potential investors' perceptions and preferences towards mutual funds. Mutual funds have evolved as the new millennium investment tool and has its own pros and cons in regard to that aspect. Investors seeking safety and growth towards their funds tend to constraint their investment flow due the nature of risk and conventional investors tend to avoid new investment tool. This study considers both primary and secondary data. Responses were analyzed with percentage analysis concerning the expected findings of the study. The study has been undertaken considering aspects such as Income of the Investor, Demography, Awareness and Reliability-availability ratings of mutual funds. The results of the study are the basic awareness of this particular investment tool is in the growing stage among potential investors. Existing investors are highly concerned about market fluctuations and are looking forward for safer and highly profitable plans. Though mutual fund is a fast growing investment tool among investors it needs a strong push up in terms of returns and reliability to witness growing investor population.

Keywords: Investors, Mutual funds, Perception, Awareness, Reliability

INTRODUCTION

Investment is the process of involving money or wealth in one or more investment tools and plans in order to create wealth. A Mutual Fund is an investment vehicle that pools funds from various investors and invests the funds in stocks, bonds, short-term money-market instruments, other securities or assets or some combination of these investments. Investment decisions are carefully taken by the fund managers after sound research and the decisions will be in the significance of the unit holders. Mutual funds are the sub products of shares and debentures. The main process in mutual fund is to scatter the money invested into different fields of investment in order to reduce the risk and increase the returns. In general, mutual funds are a safer and reliable form of investment tool when compared to other equity and debt tools. Mutual funds give small or individual investors access to professionally managed portfolios of equities, bonds and other securities. Each shareholder, therefore, participates proportionally in the gains or losses of the fund. Mutual funds invest in a vast number of securities, and performance is usually tracked by the changes in the total performance of the original portfolio. Even though mutual funds are sub-products of company's original shares and debentures they mutual fund investors do not get the equal privilege of that of the shareholders who are the real owners of the company. The major advantage of mutual fund is that it does not require huge investments and does not demand all time tracking and management. Usually mutual funds are managed by professional financial advisors who track numerous investment tools in debt-equity market and consolidate the fairly performing plans to suggest to their clients. In mutual funds, the investors will not have knowledge about the area in which their money is invested. Separate investment plans with their own identity is shown and their performance is determined with past trend tracks. . Mutual fund schemes are usually open- ended (perpetually open ended for claims and redemptions) and close ended(for fixed period)There are different types of Mutual funds plans based on premium intervals, payback periods, size of premium amount etc. The largest category is that of equity or stock funds. As the name implies, this sort of fund invests principally in stocks. Within this group is various sub-categories. Some equity funds are named for the size of the companies they invest in small-, mid- or large-cap. Others are named by their investment approach: aggressive growth, income-oriented, value, and others. Equity funds are also categorized by whether they

invest in domestic (U.S.) stocks or foreign equities. There are so many different types of equity funds because there are many different types of equities. Mutual funds are measured on the basis of Net Asset Value (NAV). The NAV is the actual value of a unit of a fund in a given day.

While considering the investor perception towards mutual funds, the investors are highly relying only on the past performances and overall trend dynamics of the plan. Even though mutual fund is a rapidly growing investment tool, the inner working processes and other plan related detailed awareness is not present among a mass of potential investors. For countries that are facing a rapid economic growth mutual funds are a great investment tool to accumulate more investment and create more wealth.

REVIEW OF LITERATURE

1. Sundar and Prakash (2014) have examined in their study that the awareness among the investor in choosing the best mutual fund scheme by conducting a comparative analysis of the mutual funds of three AMCs. This study also disclosed that large amount information about mutual funds is not available publicly. There is no information about the fund style that allow the comparison of mutual funds in the market.
2. Ms. Avani Shah and Dr. Narayan Baser (2012) have highlighted in their survey that they have taken two variables of age and occupation and found the impact of the two variables on preference of the investors towards mutual funds and came to a conclusion that occupation as an independent variable affect the preference of the investor but age does not play any role.
3. Saini Ramandeep (2011) has analyzed in her study the relationship between the investors behavior and investors opinion and the factors attracting them to invest in the mutual funds. The study also highlights that the investors are influenced effectively by the financial advisors where they select the funds that is recommended by them without any study.
4. Shanmugam (2000) in his survey of 201 participants who are the investors in mutual fund studied that the perception of the investors on various dimensions of investment strategy and the factors that motivate the investors in decision making are the psychological, sociological and economic factors. The economic factors dominate the investment decisions.
5. G. Prathap and Dr. A. Rajamohan (2000) have outlined in their study that most of the investors have high-level of awareness and a positive approach towards investing in mutual funds. This study was carried out in Tamil Nadu related to the awareness among investors and their satisfaction level and issues faced by the investors like the rate of return, safety, maturity period, tax consideration and growth perspective.

OBJECTIVES OF THE STUDY

- To study the investment pattern of investors and potential investors.
- To study the investors preference towards Mutual Funds as an investment option.

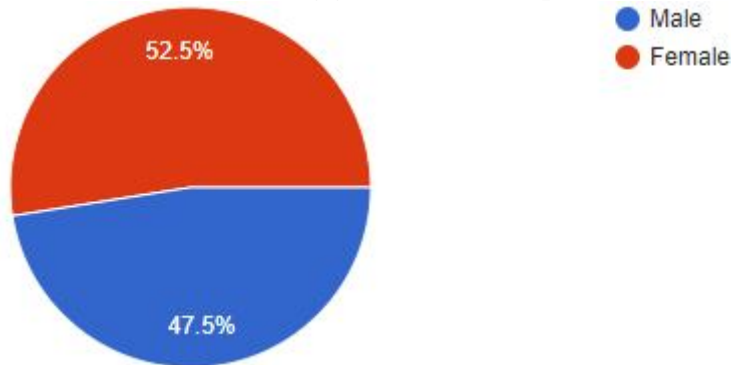
RESEARCH METHODOLOGY

Research methodology is a way to solve the research problems in a systematic manner. It includes the overall research design, the sampling procedure, data collection and analysis procedure. The research type used in this study are descriptive and analytical research which includes surveys and facts, findings, enquiries of different kinds. The major purpose of the descriptive research is the state affairs as it exists at present. The data collected are both primary data and secondary data. The sampling size selected for the study is 100. The statistical tool used is percentage analysis.

LIMITATIONS OF THE STUDY

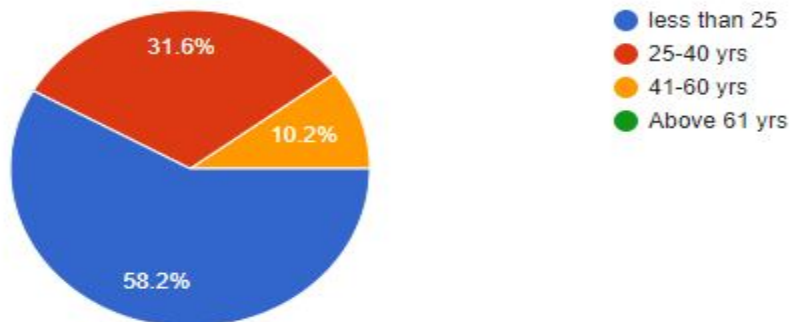
- The data is restricted only to Bangalore city.
- Sample size of the study is limited to 100.
- Time and resource constraint was also a major factor during the study.
- This study was conducted using convenience sampling method, which could result in selection bias and sampling errors.

Chart 1: Showing gender of the respondents



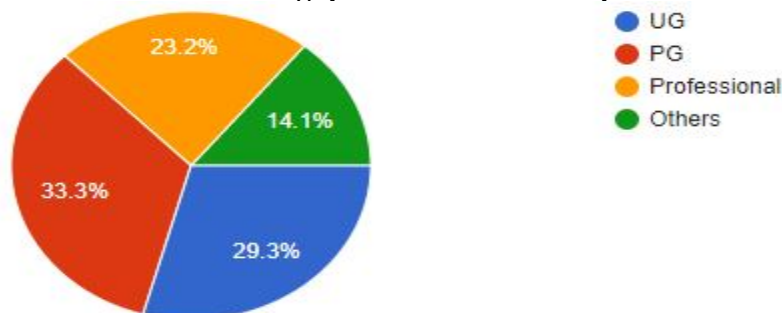
From the above chart it is interpreted that out of 100 respondents 52.5% are female and 47.5% are male. Hence, it is inferred that majority of the respondents are female.

Chart-2: Showing age of the respondents



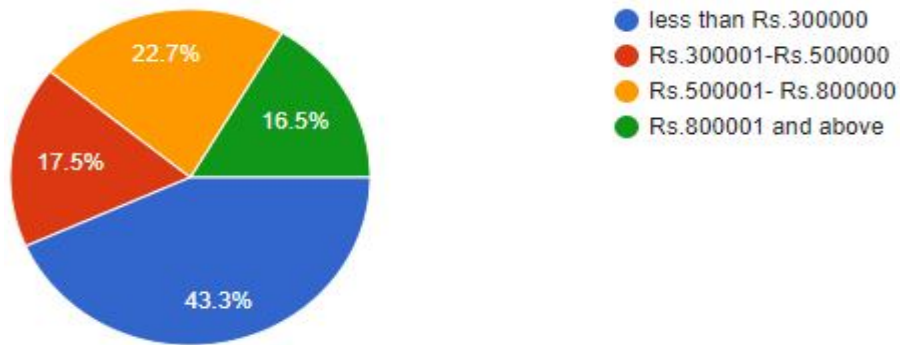
From the above chart it is interpreted that out of 100 respondents 58.2% of the respondents are of the age group less than 25 yrs, 31.6% of the respondents fall between 25-40yrs, 10.2% of the respondents fall between 41-60yrs. Hence, it is inferred that majority of the respondents are between the age group less than 25yrs.

Chart-3: Showing qualification of the respondents



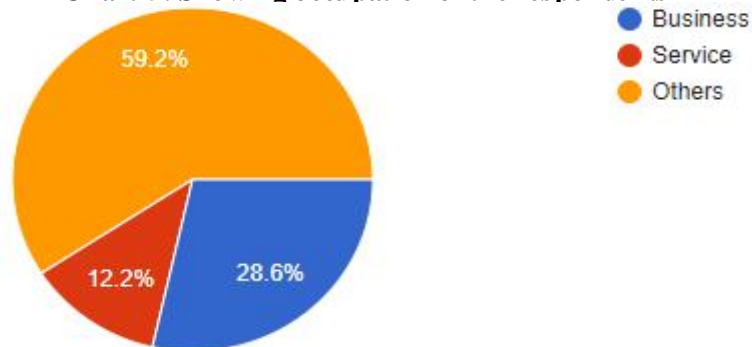
From the above chart it is interpreted that out of 100 respondents 29.3% are under graduate, 33.3% are post graduate, 14.1% of the respondents comes under the category are others and 23.2% are professionals. Hence, it is inferred that majority of the respondents are post graduate.

Chart-4: Showing income of the respondents



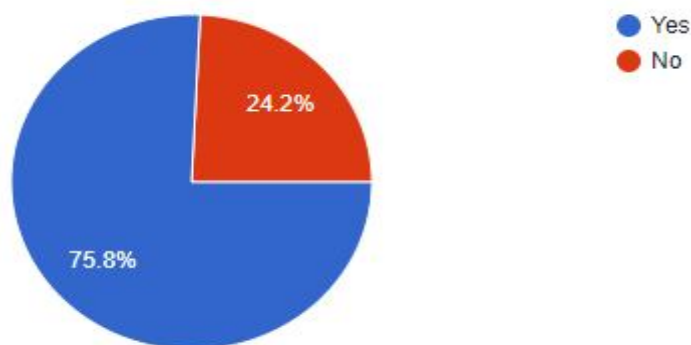
From the above chart it is interpreted that out of 100 respondents 43.3% are respondents with income of less than Rs. 300000, 22.7% are respondents of income from Rs. 500001-800000, 17.5% of the respondents income is Rs. 300001-500000 and 16.5% of the respondents income is Rs:800001 and above. Hence, it is inferred that majority of the respondents income are less than Rs. 300000.

Chart-5: Showing occupation of the respondents



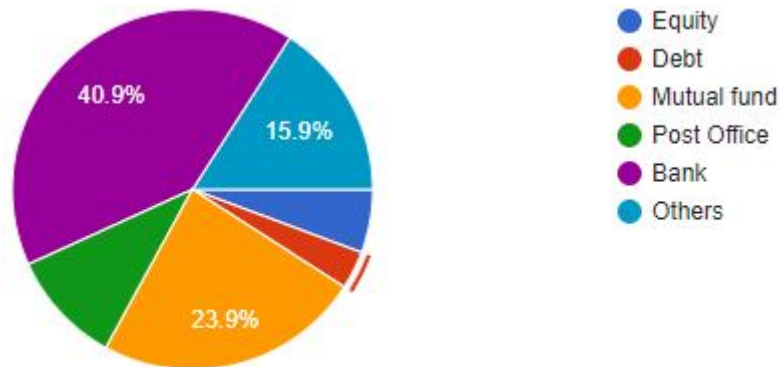
From the above chart it is interpreted that out of 100 respondents 59.2% of the respondents occupation is category of others, 28.6% of the respondents are business and 12.2% of the respondents are in service sectors. Hence, it is inferred that majority of the respondents occupation fall under the group of others.

Chart-6: Showing respondents who invest



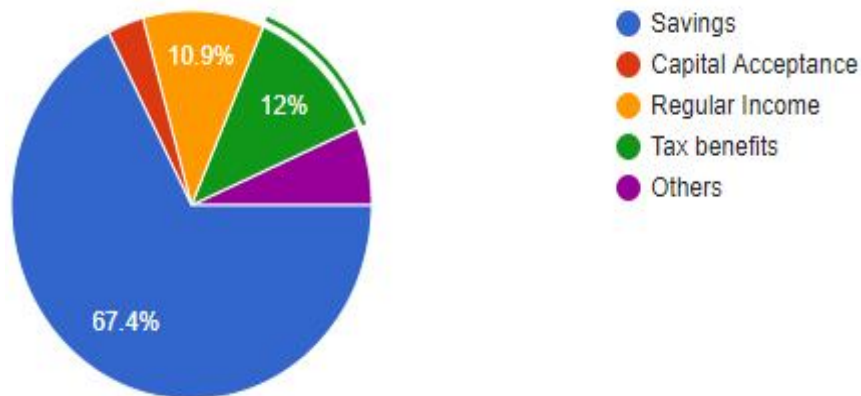
From the above chart it is interpreted that out of 100 respondents 75.8% of the respondents are investors and 24.2% of the respondents are not investors. Hence, it is inferred that majority of the respondents are investors.

Chart-7: Showing respondents as to where do they invest



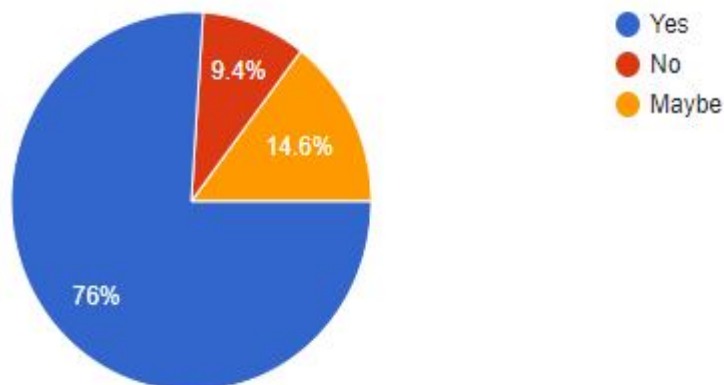
From the above chart it is interpreted that out of 100 respondents 40.9% of the respondents invest in bank, 23.9% invest in mutual funds, 15.9% invest in equity, 10.2% invest in post office, 5.7% invest in others and 3.4% invest in debt. Hence, it is inferred that majority of the respondents invest in bank.

Chart-8: Showing purpose of investment



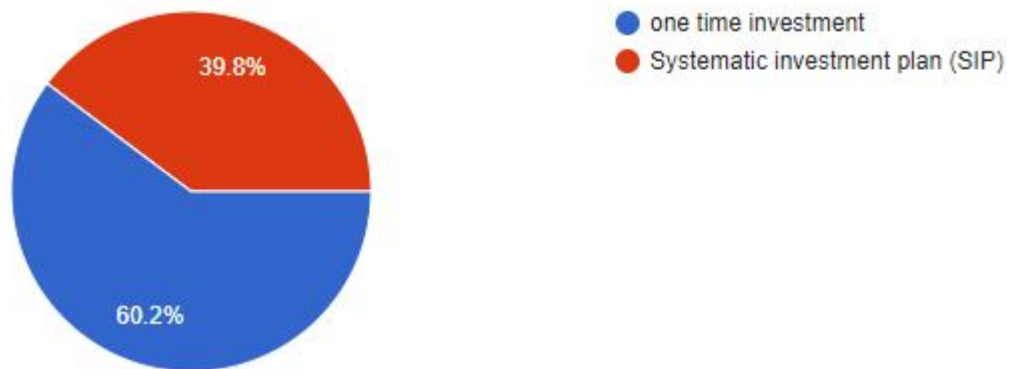
From the above chart it is interpreted that out of 100 respondents 67.4% of the respondents invest as savings, 12% invest for tax benefits, 10.9% invest for regular income, 6.5% invest for other purpose and 3.3% invest for capital acceptance. Hence, it is inferred that majority of the respondents invest as savings.

Chart-9: Showing the awareness of Mutual Funds



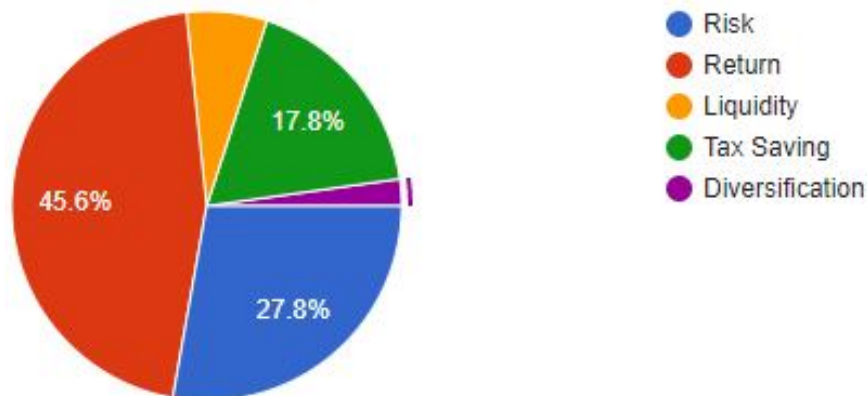
From the above chart it is interpreted that out of 100 respondents 76% of the respondents are aware of mutual funds, 14.6% are not aware and 9.4% maybe aware of mutual funds. Hence, it is inferred that majority of the respondents are aware of mutual funds.

Chart-10: Showing the preferred mode of investment in Mutual Funds



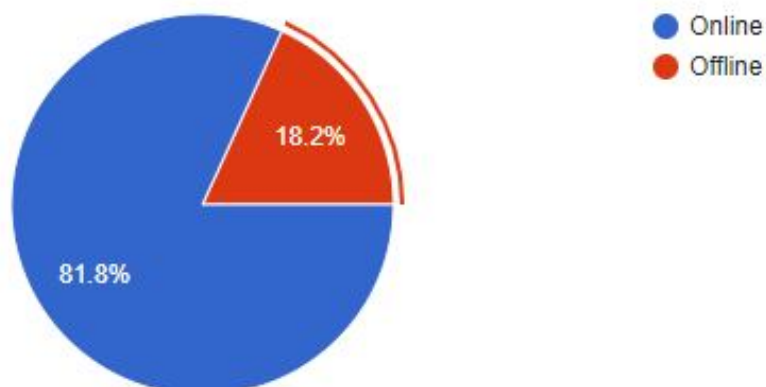
From the above chart it is interpreted that out of 100 respondents 60.2% of the respondents prefer onetime investment and 39.8% prefer systematic investment plan. Hence, it is inferred that majority of the respondents prefer one- time investment.

Chart-11: Showing the factors affecting the investment decision in Mutual Funds



From the above chart it is interpreted that out of 100 respondents 45.6% decision is based on the return, 27.8% is based on the risk, 17.8% is based on the tax saving, 6.7% is based on liquidity and 2.2% based on diversification. Hence, it is inferred that majority of the respondents decision is based on the return.

Chart-12: Showing the preferred mode of investment in Mutual Funds



From the above chart it is interpreted that out of 100 respondents 81.8% of the respondents prefer online mode of investment and 18.2% prefer offline mode of investment. Hence, it is inferred that majority of the respondents prefer online mode of investment.

FINDINGS

- The study has inferred that most of the respondents are female.

- It is found that majority of the respondents are between the age group less than 25yrs.
- The majority of the respondents are post graduate.
- Maximum of the respondents income are less than Rs. 300000
- It is revealed that majority of the respondents occupation fall under the group of others.
- The study has inferred that majority of the respondents are investors.
- It is inferred that majority of the respondents invest in bank.
- It is observed that majority of the respondents invest as savings.
- The study has detected that majority of the respondents are aware of mutual funds.
- It is identified that majority of the respondents prefer one-time investment.
- It is found that majority of the respondents decision is based on the return.
- The study has revealed that majority of the respondents prefer online mode of investment.

SUGGESTION

1. The respondents who can take risk at early stage should also take initiative to invest in schemes as return provided by them is much higher.
2. Mutual funds should provide investors the details about the return given by them through various advertisements as they can be a better option than bank deposits in terms of return and liquidity.
3. The investors should be provided awareness about the knowledge of mutual funds so that they can better pool of mutual fund investments according to their investment objective.
4. Past data also show that Mutual funds can be the best option for wealth creation.

CONCLUSION

Mutual funds are the highly profitable investment plan in this millennium. Though people are aware of mutual funds, proper knowledge to invest in them and create wealth is not present up to the mark. This study has come to a conclusion that people are unable to differentiate between direct investments and mutual fund investments which in turn hinders the volunteered investment in mutual funds. Steps should be taken to identify their investors expectations and to bring improvement in the quality of the provided service in accordance to their expectations. The findings of the study will provide adequate help to understand the expectations of the investors in the Bangalore city. Hence, Proper training and knowledge on this matter when given to potential investors, Mutual funds can evolve as a separate investment industry to create wealth.

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