

INVESTORS PERCEPTION TOWARDS MUTUAL FUNDS IN INDIA

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Abstract

A Mutual is an investment tool which pools money from a large number of investors and invest that cumulative amount into other asset classes like equities, fixed-income instruments, bonds, real estate and various other assets depending on the objective of the fund. As the number of investors are more in number, the risk and the cost of investment gets distributed. This is the primary objective that is being satisfied by Mutual Funds which is **“higher returns with lowest risk involved.”**

The main objective of this research is to find out the investor's perception towards investment in Mutual Funds. A structured questionnaire has been analyzed with the help of statistical tools to draw the conclusions of the study. The most important finding of the study is that most of the investors are doubtful about investing in Mutual Funds even after knowing the success stories of the same.

Introduction

A Mutual Fund is an investment avenue whereby investors with the same investment objective accumulates their money and the fund manager invest those funds into other asset classes to accomplish the goals of all the investors.

Need for the study

In India, since its establishment in 1963, Mutual Funds' mobilization has been on the rise. In India, the Mutual Fund market was opened to the private sector in 1987. The investment trend has swung in favor of private sector funds since 1993. The popularity of investment options such as bank deposits, real estate, gold, provident funds, and the like has declined, leading to lowered interest rates and increased influence, and Mutual Funds have clearly emerged as a viable alternative. Over the research period, the global Mutual Fund industry's overall Assets Under Management (AUM) expanded by roughly 180 percent, while the Indian Mutual Fund industry's assets under management increased by around 1150 percent. Investors' hard-earned money are used to fund these investments. It emphasizes the importance of researching how investors feel about Mutual Funds. A proper evaluation measure will clear up any confusions and help investors in determining which investment avenues to invest in and how much to invest. It also assists them in understanding their financial performance over time and the risk involved with their investment in order to minimize losses and maximize rewards.

Objectives

1. To find out the overall perception of investors towards investment in Mutual Funds.
2. To analyze the factors that are focused by the investors while investing in Mutual Funds.
3. To find out the preferred asset class which the investors are comfortable with.

Research Methodology

DATA COLLECTION

Data for the research can be collected in two ways: -

Primary Data- Data which is collected directly from the prospects via questionnaires or personal meetings is termed as Primary Data. The conclusions from this data are drawn with the help of charts and diagrams.

Secondary Data- Secondary Data is that data which is already available on the public domain. Secondary Data could be internal or external. Secondary Data could be collected from the following sources: -

- Articles
- Magazines
- Journals
- Reports
- Newspapers
- Internet

For the purpose of this study, both primary and secondary data is used. Primary data is collected by way of a well-framed questionnaire consisting of relevant questions whereas Secondary data is collected from various websites.

Literature Review

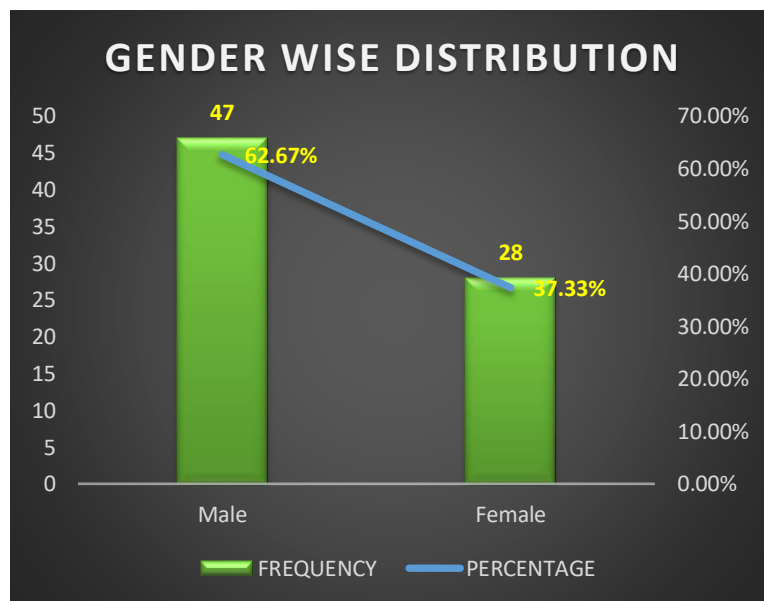
1. **Kumar and Sharma (2009)**, in their research work “**Mutual Fund – Expanding Horizon**” studied the impact of FIIs and Mutual Funds over Sensex. They concluded that FIIs affects the benchmark quite significantly because of the large number of investors and resultantly huge amounts of investments. On the other hand, Mutual Funds are not so impactful due to the lesser investor penetration.
2. **Archana R and Salma Shahjahan (2008)**, in their study about “**A study on factors influencing the investment on Mutual Funds**” found out that risk, returns, liquidity and tax benefits are the major factors considered by the investors before investing in Mutual Funds. Consistent return is the other important factor focused by the investors.
3. **Panigrahi and Prakash (2009)**, in their study on “**Investor’s choice on Mutual Funds and their schemes – a study of inter funds variations in return**” found out that the returns differ significantly of public and private funds, whether taken together or separately. Also, there is no set pattern of the rise and fall of returns of public and private funds.
4. **Kumar and Sudalaimuthu (2008)**, in their study on “**Investor’s perception towards Mutual Fund Investments**” effectively studied the perception of investors towards Mutual Funds investment based on sector and scheme type, type of plan selected by investors, investor’s satisfaction level and awareness among investors about various Mutual Fund scheme.
5. **Singh and Singhla (1998)**, in their study of “**Determinants of Mutual Fund performance, a factor analysis approach**” used different factors in their study such as correlation matrix analysis, fundamental factor, market performance factor, probability factor and growth factor and figured out the variations in the performance of different Mutual Funds over a specified time period.
6. **Banarjee and Chakrabarti (2008)**, in their research “**Persistence in performance of Indian equity Mutual Funds – an empirical investigation**” analyzed the relative performance of equity Mutual Funds in India with respect to three indicators which were returns, tracking errors in terms with their benchmarks and information ratios calculated by them.

Analysis

As per the past decade's trend, the Mutual Fund industry had grown massively. But, considering the earning population of India, there is a lot more scope to utilize this investment option. In India, about 15% of the population invests in Mutual Funds. This percentage is around 65% in US. This statistic shows us one of the reasons why India is still considered as a developing economy.

Table 1: Distribution of respondents on the basis of Gender

GENDER	FREQUENCY	PERCENTAGE
Male	47	62.67%
Female	28	37.33%
Total	75	100%

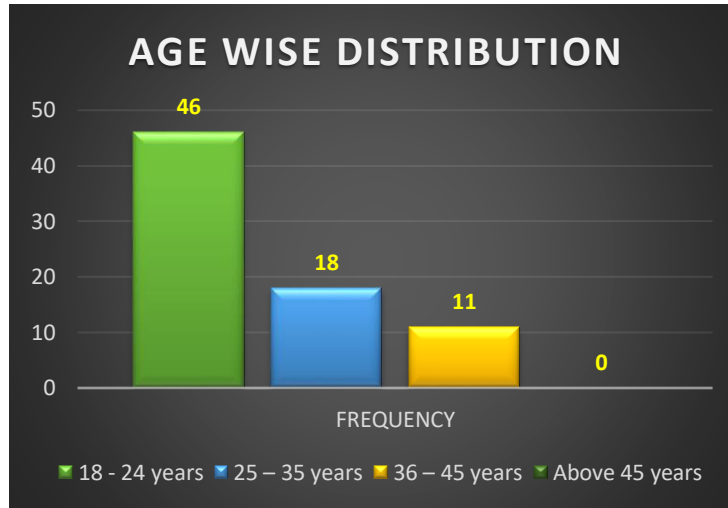


INTERPRETATION- From the above diagram and table, it can be inferred that out of the sample 62.67% were male and 37.33% were female.

Table 2: Distribution of respondents on the basis of Age

AGE	FREQUENCY	PERCENTAGE
18 - 24 years	46	61.33%
25 – 35 years	18	24%

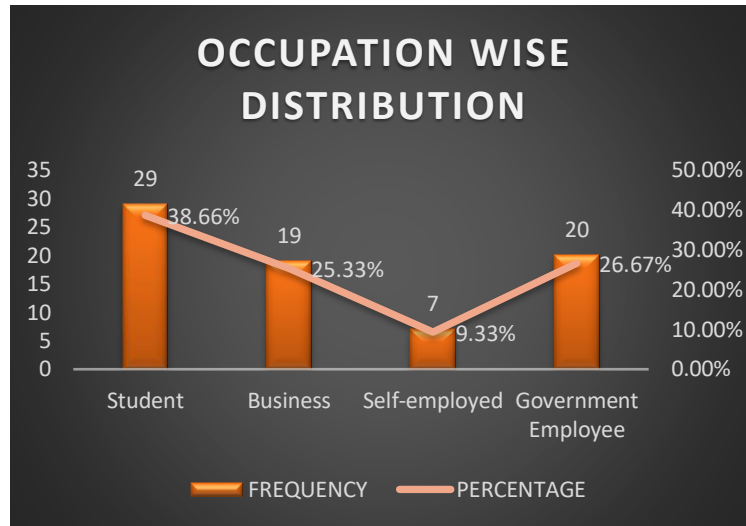
36 – 45 years	11	14.66%
Above 45 years	0	0
TOTAL	75	100%



INTERPRETATION- From the data and the chart, it can be inferred that out of the population, 61.33% respondents were from the 18 to 24 years of age group. Similarly, 24% were from 25 to 35 years and 14.66% were from 36 to 45 years. There was not a single person above 45 years of age.

Table 3: Distribution of respondents on the basis of Occupation

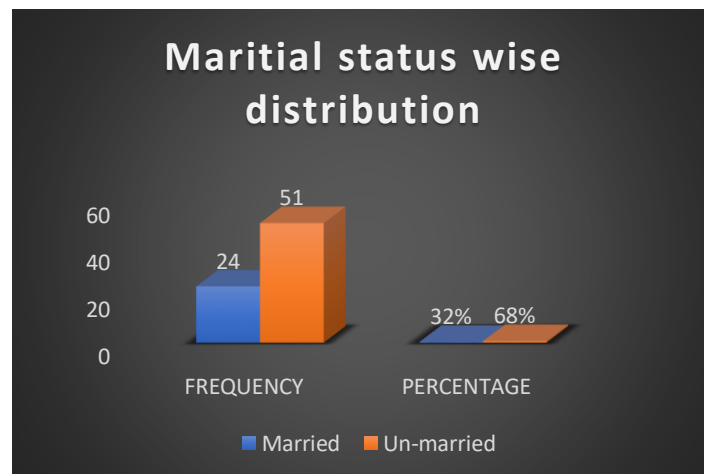
OCCUPATION	FREQUENCY	PERCENTAGE
Student	29	38.66%
Business	19	25.33%
Self-employed	7	9.33%
Government Employee	20	26.67%
TOTAL	75	100%



INTREPRETATION- From the chart and the data presented above, it can be concluded that out of the sample 38.66% were students, 25.33% were running a business, 26.67% were government employee and 9.33% were self-employed.

Table 4: Distribution of respondents on the basis of Marital Status

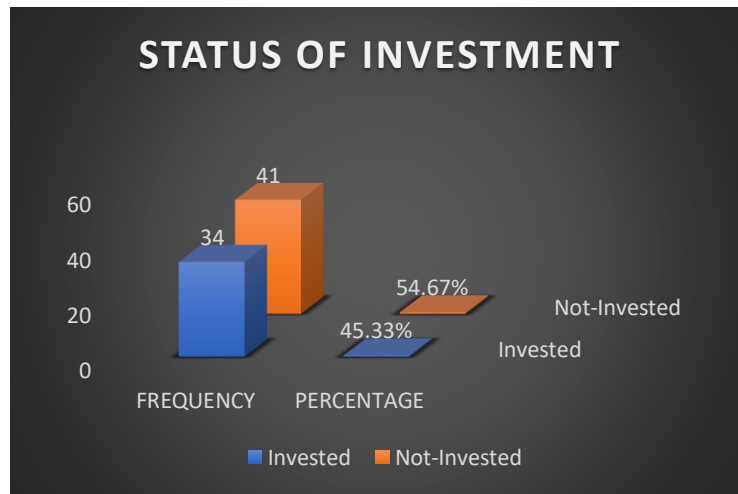
MARITAL STATUS	FREQUENCY	PERCENTAGE
Married	24	32%
Un-married	51	68%
TOTAL	75	100%



INTREPRETATION- From the above data, it can be noticed that out of the sample population, 68% of the respondents were un-married and 32% were married.

Table 5: Distribution of respondents on whether invested in Mutual Funds or not

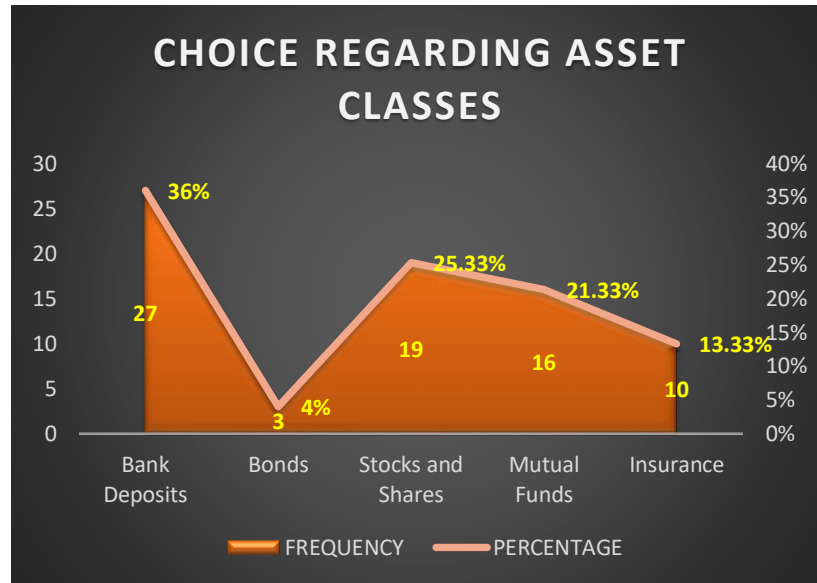
STATUS	FREQUENCY	PERCENTAGE
Invested	34	45.33%
Not-Invested	41	54.67%
TOTAL	75	100%



INTERPRETATION- As per the data taken above, it can be inferred that out of the total 75 respondents, 54.67% people are not invested in Mutual Funds whereas 45.33% are already investing in Mutual Funds.

Table 6: Investment Option selected by number of investors

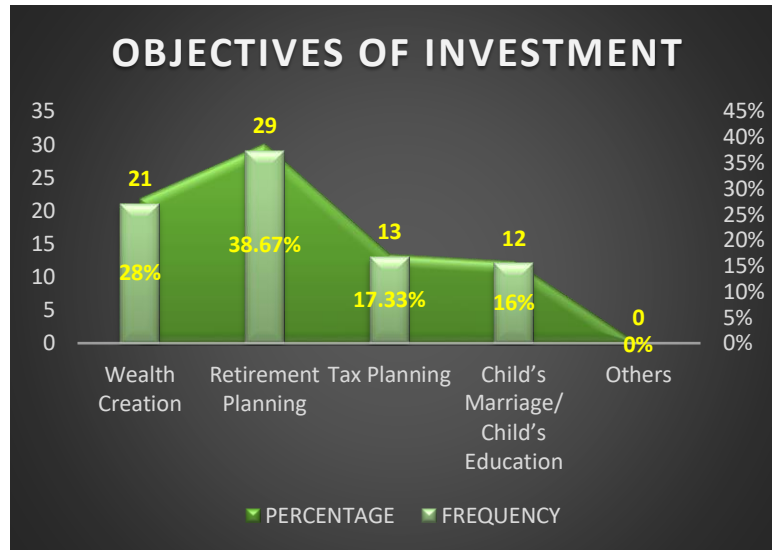
INVESTMENT OPTIONS	FREQUENCY	PERCENTAGE
Bank Deposits	27	36%
Bonds	3	4%
Stocks and Shares	19	25.33%
Mutual Funds	16	21.33%
Insurance	10	13.33%
TOTAL	75	100%



INTREPRETATION- From the above responses we can infer that out of the total 75 respondents, 36% wants their money to be invested in Bank Deposits. Similarly, 25.33% wants their money to be go in stocks and shares, 21.33% in Mutual Funds, 13.33% in insurance and 4% in bonds.

Table 7: Objective of investment

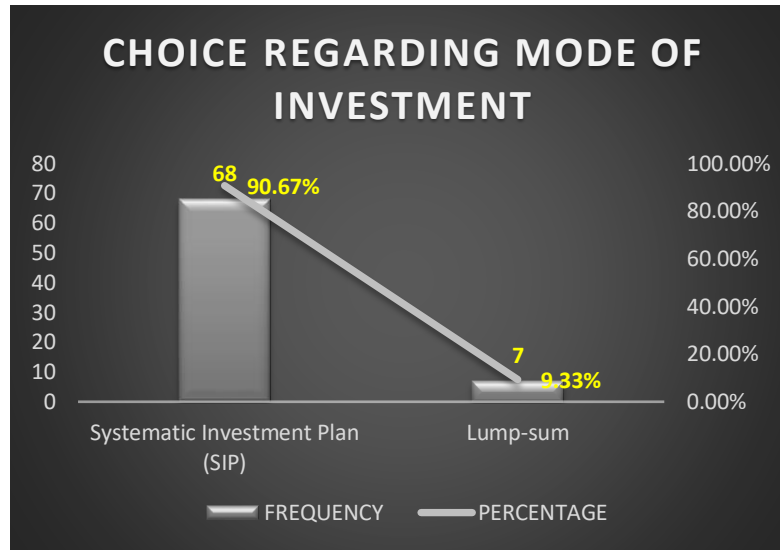
OBJECTIVES	FREQUENCY	PERCENTAGE
Wealth Creation	21	28%
Retirement Planning	29	38.67%
Tax Planning	13	17.33%
Child's Marriage/ Child's Education	12	16%
Others	0	0%
TOTAL	75	100%



INTERPRETATION- From the above data and chart presentation, we can conclude that 38.67% investors are investing with the motive of Retirement Planning. Similarly, 28% are investing for Wealth Creation, 17.33% for Tax Planning and the remaining 16% for Child's Marriage or Child's Education.

Table 8: Distribution of respondents on the basis of preferred mode of investment in Mutual Funds

PREFERRED MODE	FREQUENCY	PERCENTAGE
Systematic Investment Plan (SIP)	68	90.67%
Lump-sum	7	9.33%
TOTAL	75	100%



INTERPRETATION- As per the data, we can conclude that out of the 75 respondents the majority of the investors prefer Systematic Investment Plan (SIP) mode of investment in Mutual Funds. 90.67% of the investors prefer the SIP mode while only 9.33% wishes to invest via Lump-sum mode.

Findings of the Research

1. People in the age group of 18 to 24 years wanted their money to be invested in Mutual Funds and Stock Market which shows the risk-taking capacity for the greater returns. As the age increases, people started moving towards safer investment option like Bank Deposits.
2. Government employees seemed to be less interested towards all assets other than Bank Deposits.
3. There is a relationship between the income and the preferred investment avenue by the investor. People who are earning less than Rs. 3,00,000/- annually mostly prefers to invest their money towards Bank Deposits and Insurance. But as the annual income increases to more than Rs. 3,00,000/- they started moving towards Stock Markets and Mutual Funds.
4. Married people do not want to take much risk and want to park their money into safe and fixed-income securities like Bank Deposits and Bonds.
5. There is a significant proportion of the investors who are not invested in Mutual Funds. This shows that the investors have the knowledge of investing but not the intelligence of choosing the appropriate asset class as per their objective.
6. Majority of the investors preferred the SIP mode of investment in Mutual Funds which shows that they

want a systematic and regular approach towards their investments.

7. Insurance is a risk mitigating financial product which is also considered as an investment avenue by some of the investors. This shows the lack of knowledge and basic understanding about the asset classes among the investors.
8. Very huge chunk of the investors has a long-term goal behind their investments but still going with options like Bank Deposits, Insurance and Bonds. Investors need to think about their goal before choosing a asset class to invest in.

Conclusion

Mutual Funds emerged to a great extent over the past decade or two. But there are still a lot of doubts in the minds of investors regarding investment in Mutual Funds. Mutual Funds is a very good and profitable asset avenue, provided that the investor has proper knowledge about the scheme he/she is investing into and if not, then take the proper financial guidance.

From the research outcomes, we can conclude that investors are not very confident in investing in Mutual Funds as they feel that this investment is a bit insecure as compared to other available options. Due to the safety concern, investors are over-looking the other very important aspect which is the return on investment.

The investor is afraid of the volatility and fluctuations of the markets and that is the reason Mutual Fund penetration is a little less in India when compared to other countries like USA. The investors are not covering all the relevant factors for choosing the investment avenue.

In a nutshell, people are becoming educated and aware about the investments and its importance. But still, there is a lot more to do when it comes to proper Financial Planning for a country like India; specially for the rural areas and small towns.

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