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A STUDY ON INVESTORS' PERCEPTION TOWARDS MUTUAL FUNDS IN BANGALORE CITY

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Abstract—*A Mutual Fund is trusts that collect savings from a number of investors who share a common financial goal. The money which they are collecting from investor then they invested in capital market instruments such as shares, debentures and other securities and from this investment they earn income through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. The research article basically is about how to educate the investors toward Mutual Funds. It analyses the various plans how to minimize the risk and maximize the return of diversity of investment that mutual funds offer. Nowadays in competitive environment we can see different kinds of investment avenues are available to the investors. The research article tries to determine the asset allocation, entry load, exit load, associated with the mutual funds this would help the investors in understanding the benefits of mutual funds in investors. The descriptive research design is chosen for this study. The convenience sampling method was used in this research. The sample area is Yelahanka Old Town in Bangalore city. The sample size of this study is 50 respondents. The primary data was collected through the questionnaire. The survey method was adopted for this study. The secondary data was collected through the various research journals. The simple percentage analysis is used to analyse the data of this study. Mutual Funds now represent perhaps most appropriate investment opportunity for most investors. As financial markets become more sophisticated and complex, investors need a financial intermediary who provides the required knowledge and professional expertise on successful investing. As the investor always try to maximize the returns and minimize the risk. Mutual fund satisfies these requirements by providing attractive returns with affordable risks. The fund industry has already overtaken the banking industry, more funds being under mutual fund management than deposited with banks. With the emergence of tough competition in this sector mutual funds are launching a variety of schemes which caters to the requirement of the particular class of investors. Risk takers for getting capital appreciation should invest in growth, equity schemes. Investors who are in need of regular income should invest in income plans.*

Keywords—*Investors, Mutual Fund, Return, Risk, Schemes.*

INTRODUCTION

Nowadays in financial market there are a lot of investment avenues available today for an investor with an investable surplus. He can invest in Bank Deposits,

Corporate Debentures, and Bonds that have low risk but low return. He can invest in Stock of companies that the risk is high and the returns are also will be high. Nowadays in recent trends in the Stock Market show that most of retail investor always lost with periodic bearish tends. Respondents started to select for portfolio managers with expertise in stock markets who would invest on their behalf. Thus, we had wealth management services provided by many institutions. However, they proved too that it is too costly for a small investor but these investors have found a good shelter with the mutual funds.

A Mutual Fund is trusts that collect savings from a number of investors who share a common financial goal. The money which they are collecting from investor then they invested in capital market instruments such as shares, debentures and other securities and from this investment they earn income through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. We can say that Mutual Fund is the most suitable investment for the common man because it offers an opportunity to invest in a diversified, -professionally managed basket of securities at a relatively low cost.

NEED FOR THE STUDY

All investor tries to have this ability to plan correctly & decide to find profitable & safe instrument to invest. Mutual Funds save the investor time and make investing easy and convenient and mutual fund reduce paper work and helps investor to avoid many problems such as bad deliveries, delayed payments and follow up brokers and companies.

We should always keep a minimum amount of money in hand for transaction and emergences purpose when we face with unexpected event. Saving is not enough the investor must invest wisely & get maximum returns. Everyone should plan to investment in such a way that his investment objectives are satisfied. An investment is the one which the investors get reasonable return and a proper profitable management.

The research article basically is about how to educate the investors toward Mutual Funds. It analyses the various plans how to minimize the risk and maximize the return of diversity of investment that mutual funds offer. Nowadays in competitive environment we can see different kinds of investment avenues are available to the investors. All investment has advantages & disadvantages.

The main objective of this research article is to know about mutual funds and its function. This research article helps us to get more information in detail about mutual fund industry right from its starting stage growth and future prospects. It also helps to understanding different scheme of mutual fund. This research article focus more on prominent funds in India and their schemes like equity, income, balance as well as the return associated with those schemes.

The research article tries to determine the asset allocation, entry load, exit load, associated with the mutual funds this would help the investors in understanding the benefits of mutual funds in investors.

OBJECTIVES OF THE STUDY

- To give a brief idea about the benefits available in Mutual Fund investment.
- To study the level of awareness of mutual funds
- To determine the type of mutual fund investor prefers the most.
- To observe the fund management process of mutual funds.
- To explore the recent developments in the mutual funds in India.
- To give an idea about the regulations of mutual funds.
- To study the investor awareness on mutual funds.
- To help an investor to make a right choice of investment, while considering the inherent risk factors

SCOPE OF THE STUDY

- This study determines the performance, benefits and return of various mutual funds in India so that proper choice, evaluation and suggestion can be available to the investors. Shareholders that they want to invest in a fund each own a representative portion of those investments less any expenses charged by the fund.
- The researcher conducts the study to understand the awareness of respondents toward mutual fund, investors make money either by receiving dividend and interest from their investments or by the rise in value of the securities. Dividends, interest and profits from the sale of different securities (capital gains) are passing on to the shareholders in the form of distributions. And shareholders generally are allowed to sell (redeem) their shares at any time for the closing market price of the fund on that day.
- This study helps the mutual fund organization to develop new product and improve their service and quality. In the competitive world all customers are looking for benefits and mutual fund organization provide product with high quality to sustain and grow in this competition. The research article also helps investors in understanding the benefits of mutual fund. The research article does not give advice to anyone to invest in a particular mutual fund. It only reviews the advantages and disadvantages of mutual funds and tries to compare the mutual fund companies operating in India.

RESEARCH METHODOLOGY

'Research' means 'search for knowledge'. It is a scientific and systematic search for information on a specific topic. It is an art of scientific investigation. We should be very careful in investigation or inquiry especially for search of new fact in any branch of knowledge. Research is a systematic method of finding solution to solve the investor's problems, According to Clifford woody.

The descriptive research design is chosen for this study. The convenience sampling method was used in this research. The sample area is Yelahanka Old Town in Bangalore city. The sample size of this study is 50 respondents.

The primary data was collected through the questionnaire. The survey method was adopted for this study. The secondary data was collected through the various research journals.

The simple percentage analysis is used to analyse the data of this study.

DATA ANALYSIS AND INTERPRETATION

Table 1: Age of the Respondents

Age	*No. of Respondents*	*Percentage (%)*
Below 30 years	8	16%
30 to 40 years	18	36%
40 to 50 years	13	26%
Above 60 years	11	22%
Total	50	100%

The table 1 illustrates that majority of the respondents i.e. respondents are in the age group of 30 to 40 years. 16% of the respondents are less than or equal to 30; 36% of the respondents are in the age between 30 to 40 years; 26% of the respondents between 40 to 50 years and only 22% of the respondents are aged above 60 years.

Table 2: Profession of the Respondents

Profession	*No. of Respondents*	*Percentage (%)*
Businessman	11	22%
Private Employed	18	36%
Government Employed	16	32%
Others	5	10%
Total	50	100%

Table 2 shows that 36% of the respondents, representing 18 respondents, are privately employed. 32% of the respondents are government employed, while 22% are businessman, representing 11 respondents.

Table 3: Marital Status

Marital Status	*No. of Respondents*	*Percentage (%)*
Married	36	72%
Single	14	28%
Total	50	100%

Table 3 shows that 72% of the respondents are married and 28% of the respondents are not married. The marital status of a person has much of importance while making investments, as respondents tend to invest more money, keeping in mind of the future of their children.

Table 4: Income Level of the Respondents

Income Level	*No. of Respondents*	*Percentage (%)*
Below Rs.10,000	5	10%
Rs.10,000 to Rs.25,000	15	30%
Rs.25,000 to Rs.50,000	20	40%
Above Rs.50,000	10	20%
Total	50	100%

The table 4 shows that over 60% of the respondents are in the higher income group of more than Rs. 25,000 income per month.

Table 5: Preferred Investment Plan

Type of Investment	*No. of Respondents*	*Percentage (%)*
Bank FD	8	16%
ULIP	13	26%
Mutual Funds	10	20%
Stock Market	11	22%
SIP	8	16%
Total	50	100%

The Table 5 indicates that 26% of the respondents, representing 13 respondents, prefer to invest in ULIPs, 22% of the respondents preferred investing in stocks, and 20% of the respondents preferred investing in mutual funds.

Table 6: Preferred Type of Mutual Funds

Type of Mutual Funds	*No. of Respondents*	*Percentage (%)*
Debt Funds	14	28%
Equity Funds	26	52%
Hybrid Funds	10	20%
Total	50	100%

The Table 6 indicates that 26 respondents representing 52% prefer to invest mostly in equity funds, while 28% prefer in debt funds and 20% prefer in hybrid funds.

Table 7: Risk Preference in Mutual Fund (MF) Investment Plans

Risk	*No. of Respondents*	*Percentage (%)*
High Risk	10	20%
Moderate Risk	15	30%
Low Risk	25	50%
Total	50	100%

The Table 7 indicates that 50% of the respondents preferred low risk, whereas 30% of the respondents preferred moderate risk. High risk sample was low with 20%. It has been observed in the survey that respondents who are of below 30 have willingness to achieve high growth for fulfil their dreams and therefore, they want to invest their money in pure equity funds rather than debt or hybrid funds.

Table 8: **Type of scheme**

Scheme	*No. of Respondents*	*Percentage (%)*
Open-Ended	31	62%
Closed-Ended	19	38%
Total	50	100%

The Table 8 indicates that 31 respondents representing 62% of the respondents preferred to invest in open-ended mutual funds, driven by the investor getting the money back promptly at net asset value related prices from the Mutual Fund. Only 38% of the respondents preferred to invest in closed-ended investment mutual funds.

Table 9: Period of Investment

Period	*No. of Respondents*	*Percentage (%)*
Long Term	24	48%
Short Term	26	52%
Total	50	100%

The Table 9 indicates that 24 respondents representing 48% preferred to invest in mutual funds for a long-term period of investment, while 52% of the respondents preferred short term period of investment.

Table 10: Sectoral Fund

Sectoral Fund	*No. of Respondents*	*Percentage (%)*
Real Estate Funds	14	28%
Financial Funds	8	16%
Utility Funds	4	8%
Technology Funds	16	32%
Healthcare Funds	8	16%
Total	50	100%

The Table 10 indicates that 16 respondents representing 32% preferred to invest in technology funds, while 28% of the respondents preferred in real estate funds, and 16% of the respondents preferred in investing in financial and healthcare funds. Only 8% of the respondents preferred in investing in utility funds.

Table 11: Preference in investing in mutual funds

Preference	*No. of Respondents*	*Percentage (%)*
Tax Savings	24	48%
Risk Cover	10	20%
Others	16	32%
Total	50	100%

The Table 11 indicates that 24 respondents representing 48% prefer to invest in mutual funds for tax saving purposes, while 10 respondents said it is for minimum risk cover with better returns.

Table 12: Factors for Investing in Mutual Funds

Factors	*No. of Respondents*	*Percentage (%)*
Thorough Research	16	32%
Friends Advise	10	20%
Brokers Advise	15	30%
Other	9	18%
Total	50	100%

The Table 12 indicates that 32% of the respondents said that they prefer making investments in mutual funds after making a thorough research, while 30% of the respondents said through brokers advise, and 20% of the respondents said because of friends advise.

Table 13: Average returns from investment in mutual funds

Average Returns	*No. of Respondents*	*Percentage (%)*
Less than 5%	11	22%
6 to 10%	18	36%
11 to 15%	12	24%
More than 15%	9	18%
Total	50	100%

The table 13 shows that 36% of the respondents said that their return on investments in mutual funds were in between 6 to 10%, while 24% of the respondents said it is between 11 to 15%.

Table 14: Mutual fund is better than other investments

Opinion	*No. of Respondents*	*Percentage (%)*
Yes	40	80%
No	10	20%
Total	50	100%

The Table 14 indicates that 40 respondents representing 80% said mutual fund is better than other type of investments. Only 10 respondents said mutual fund is not much preferred investment.

Table 15: Advise Friends to Invest in Mutual Funds

Opinion	*No. of Respondents*	*Percentage (%)*
Yes	43	80%
No	7	20%
Total	50	100%

The Table 15 indicates that 43 respondents representing 86% said that they would advise their friends in investing in mutual funds, while only 7 respondents said they would not advise their friends in investing in mutual funds.

FINDINGS

- 36% of the respondents, representing 18 respondents, are privately employed Out of the total 50 sample chosen, 36 respondents are married and 14 respondents are not married.
- Over 60% of the respondents are in the higher income group of more than Rs. 25,000 income per month
- 72% of the married respondents invest their money in mutual funds, anticipating low risk and good returns
- 26 respondents representing 52% prefer to invest mostly in equity funds
- 50% of the respondents preferred low risk, whereas 30% of the respondents preferred moderate risk. High risk sample was low with 20%.
- 31 respondents representing 62% prefer to invest in open-ended mutual funds, driven by the investor getting the money back promptly at net asset value related prices from the Mutual Funds.
- 24 respondents representing 48% prefer to invest in mutual funds for a long-term period, while 26 respondents said it is for a short-term period.
- 16 respondents representing 32% prefer to invest in technology funds, while 28% prefer in real estate funds, and 16% each prefer in investing in financial and healthcare funds
- 24 respondents representing 48% prefer to invest in mutual funds for tax saving purposes
- 16 respondents said that they prefer making investments in mutual funds after making a thorough research
- Respondents said that their return on investments in mutual funds were in between
- 6-10%, while 12 respondents said it is between 11-15%
- 40 respondents representing 80% said mutual fund is better than other type of investments.

SUGGESTIONS

- **Assess yourself:** Self-assessment of one’s needs; expectations and risk profile are of prime importance failing which, one will make more mistakes in putting money in right places than otherwise. One should identify the degree of risk bearing capacity one has and also clearly state the expectations from the investments. Irrational expectations will only bring pain.
- **Try to understand where the money is going:** It is important to identify the nature of investment and to know if one is compatible with the investment. One can lose substantially if one picks the wrong kind of mutual fund. In order to avoid any confusion, it is better to go through the literature such as offer document and fact sheets that mutual fund companies provide on their funds.
- **Don't rush in picking funds, think first:** one first has to decide what he wants the money for and it is this investment goal that should be the guiding light for all investments done. It is thus important to know the risks associated with the fund and align it with the quantum of risk one is willing to take. One should take a look at the portfolio of the funds for the purpose. Excessive exposure to any specific sector should be avoided, as it will only add to the risk of the entire portfolio. Mutual funds invest with a certain ideology such as the "Value Principle" or "Growth Philosophy". Both have their share of critics but both philosophies work for investors of different kinds. Identifying the proposed investment philosophy of the fund will give an insight into the kind of risks that it shall be taking in future.
- **Invest. Don’t speculate:** A common investor is limited in the degree of risk that he is willing to take. It is thus of key importance that there is thought given to the process of investment and to the time horizon of the intended

investment. One should abstain from speculating which in other words would mean getting out of one fund and investing in another with the intention of making quick money. One would do well to remember that nobody can perfectly time the market so staying invested is the best option unless there are compelling reasons to exit.

- **Don't put all the eggs in one basket:** This old age adage is of utmost importance. No matter what the risk profile of a person is, it is always advisable to diversify the risks associated. So, putting one's money in different asset classes is generally the best option as it averages the risks in each category. Thus, even investors of equity should be judicious and invest some portion of the investment in debt. Diversification even in any particular asset class (such as equity, debt) is good. Not all fund managers have the same acumen of fund management and with identification of the best man being a tough task, it is good to place money in the hands of several fund managers. This might reduce the maximum return possible, but will also reduce the risks.
- **Be regular:** Investing should be a habit and not an exercise undertaken at one's wishes, if one has to really benefit from them. As we said earlier, since it is extremely difficult to know when to enter or exit the market, it is important to beat the market by being systematic. The basic philosophy of Rupee cost averaging would suggest that if one invests regularly through the ups and downs of the market, he would stand a better chance of generating more returns than the market for the entire duration. The SIPs (Systematic Investment Plans) offered by all funds helps in being systematic. All that one needs to do is to give post-dated cheques to the fund and thereafter one will not be harried later. The Automatic investment Plans offered by some funds goes a step further, as the amount can be directly/electronically transferred from the account of the investor.
- **Do your homework:** It is important for all investors to research the avenues available to them irrespective of the investor category they belong to. This is important because an informed investor is in a better decision to make right decisions. Having identified the risks associated with the investment is important and so one should try to know all aspects associated with it. Asking the intermediaries is one of the ways to take care of the problem.
- **Find the right funds:** Finding funds that do not charge many fees is of importance, as the fee charged ultimately goes from the pocket of the investor. This is even more important for debt funds as the returns from these funds are not much. Funds that charge more will reduce the yield to the investor. Finding the right funds is important and one should also use these funds for tax efficiency. Investors of equity should keep in mind that all dividends are currently tax-free in India and so their tax liabilities can be reduced if the dividend payout option is used. Investors of debt will be charged a tax on dividend distribution and so can easily avoid the payout options.
- **Keep track of your investments:** Finding the right fund is important but even more important is to keep track of the way they are performing in the market. If the market is beginning to enter a bearish phase, then investors of equity too will benefit by switching to debt funds as the losses can be minimized. One can always switch back to equity if the equity market starts to show some buoyancy.
- **Know when to sell your mutual funds:** Knowing when to exit a fund too is of utmost importance. One should book profits immediately when enough has been earned i.e. the initial expectation from the fund has been met with. Other factors like non-performance, hike in fee charged and change in any basic attribute of the fund etc. are some of the reasons for to exit. For more on it, read "When to say goodbye to your mutual fund."

CONCLUSION

Mutual Funds now represent perhaps most appropriate investment opportunity for most investors. As financial markets become more sophisticated and complex, investors need a financial intermediary who provides the required knowledge and professional expertise on successful investing. As the investor always try to maximize the returns and minimize the risk. Mutual fund satisfies these requirements by providing attractive returns with affordable risks. The fund industry has already overtaken the banking industry, more funds being under mutual fund management than deposited with banks. With the emergence of tough competition in this sector mutual funds are launching a variety of schemes which caters to the requirement of the particular class of investors. Risk takers for getting capital appreciation should invest in growth, equity schemes. Investors who are in need of regular income should invest in income plans.

The stock market has been rising for over three years now. This in turn has not only protected the money invested in funds but has also to helped grow these investments.

This has also instilled greater confidence among fund investors who are investing more into the market through the MF route than ever before.

India's largest mutual fund, UTI, still controls nearly 80 per cent of the market. Also, the mutual fund industry as a whole gets less than 2 per cent of household savings against the 46 per cent that go into bank deposits. Some fund managers say this only indicates the sector's potential. "If mutual funds succeed in chipping away at bank deposits, even a triple digit growth is possible over the next few years.

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