

**A STUDY ON INVESTOR PERCEPTION AND PREFERENCE TOWARDS
INVESTMENT IN MUTUAL FUNDS**

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ABSTRACT

The Indian mutual fund industry is a very large consisting of number of fund houses and investors. In this era of competition different investors have different investment objectives. So it is very important to know the investor's perception about this industry as an investment option. The present study analyse the investment pattern of the investors with respect to different investment avenues and their awareness on the mutual funds. The investor's perception and attitude towards investment is analyzed with respect to their financial needs, Investment objective, and degree of safety for financial assets.

Keywords: Preference, Financial needs, perception, Safety

INTRODUCTION

In India Mutual Fund industry provides reasonable options for an ordinary investor to invest in the share market. The Mutual fund schemes provides variety of options to suit the individual objectives whatever their age, financial position, risk tolerance and return expectations. Many investors want to diversify their holdings in order to limit their exposure to risk. However, most individual investors cannot afford the fees and commissions necessary to take large positions in a number of individual securities. Fortunately, they can take advantage of mutual funds. Mutual funds are investment vehicles that pool money from many different investors to increase their buying power and diversify their holdings. This allows investors to add a substantial number of securities to their portfolio for a much lower price than purchasing each security individually.

ISTUDY VARIABLES

The research study was carried out by using demographic variables such as Age, Gender, Income, Occupation, Qualification, Investment objectives, Preference of schemes and the independent

variables such as Awareness level, Diversification, Capital appreciation, Fund related qualities, withdrawal facilities, Favourable ratings by rating agency and products with tax benefits. To find out the investors opinion regarding investment in mutual fund as an alternative to equity investment, the variables includes mutual funds helps to realize the benefits of stock market investing, expectation of good returns due to professional investment in mutual funds, Entry and exit load of Mutual funds is easy, Safety with systematic returns, Diversification, meeting the various needs of investors by mutual fund schemes.

III STATEMENT OF THE PROBLEM

In India the mutual fund industry has been in existence since 1964, (with the establishment of UTI) It should be noted that the “expectations” of investors play a vital role in the financial markets. They influence the price of the securities, the volume traded and various other financial operations in actual practice. The ‘expectations’ of investors are influenced by their “perception” and investors generally relate perception to action. The beliefs and actions of many investors are influenced by the dissonance effect and endowment effect. A study on the Investors Perception about Investment in Mutual Funds is a attempt to evaluate the behavioural aspects of fund selection techniques of individual investors and also to assess the conceptual awareness of mutual funds.

OBJECTIVES OF THE RESEARCH:

- To analyze the investors awareness and perception regarding investment in mutual funds.
- To find out the factors Influencing to invest in mutual funds.
- To find out most preferred area of Investment by the investors.
- To find out the investors opinion regarding investment in mutual fund as an alternative to equity investment.

LIMITATIONS OF THE RESEARCH

The study is based on 200 samples from investors of the selected Mutual fund companies (Reliance mutual fund, Hdfc Asset management company Ltd) in Tirupathi. The results may vary as per the opinions of various respondents.

RESEARCH METHODOLOGY

This study is mainly out of the analysis made from the data collected. The data were primary in nature with sample of 200 collected from investors of mutual fund companies in Tirupathi. Some of the tools used for the analysis are Simple percentage analysis, Chi Square, Friedman Test and Multiple regression.

HYPOTHESIS STATEMENTS

1. There is no association between the demographic factors and Awareness level.
2. There is no significant relationship between opinion on alternative to equity investing and perception towards features of mutual funds.

VIII LITERATURE REVIEW

Bhavsinh M. Dodiya (2015), says that contribution of investors from metro cities is low if we see it with respect to no. of investors. It is so, because of less customer awareness and financial literary among them. It is one of the greatest challenges to channelize the savings of household into mutual funds. **B. Raja Mannar, B. Ramachandra Reddy (2013)**, says that investor's perception and expectations towards mutual funds differ in their choice of investments based on the expected return against risk. Educational qualification of investors reflects on the financial needs and investment objective. Marital status influences impact on investment objective, willingness to take risk and volatility in investment value. Monthly income and monthly savings significantly influence financial needs, investment objective and volatility in investment value. **Dr. O. T. V.Latasri , R. Idhayajothi, & Ms. R.Malini (2013)**, says that investor demographics and investment preferences are related by applying the statistical data and UTI MF has its own brand name and thereby it must improve its operations through its performance and service.

S. Gupta , P. Chawla , and S. Harkant (2011) says that financial markets are constantly becoming more efficient providing more promising solutions to the investors. Study also proved that occupation of the investor is not affected in investment decision. The most preferred investment avenue is insurance with least equity market. The study also argued that return on investment and safety is the most preferred attributes for the investment decision instead of liquidity.

IX DATA ANALYSIS AND DISCUSSION:

Table No: 1

Age profile of the respondents

Age	Frequency	Percent
less than 30	58	29
31-40	77	38.5
41-50 years	41	20.5
above 50	24	12
Total	200	100

Source: Primary Data

From the above table it is evident that 29% of respondents are less than 30 years of age, 38.5% are in the age group of 31-40 years, 20.5% are in the age group of 41-50 years and 12% are more than 50 years of age. Hence it is interpreted that majority of the respondents are in the age group of 31-40 years

Table No:2

Gender of the respondents

Gender	Frequency	Percent
Male	156	68.5
Female	44	31.5
Total	200	100

Source: Primary Data

From the above table it is evident that 68.5% of respondents are male and remaining 31.5% are female. Hence it is interpreted that majority of the respondents are male.

Table No: 3

Monthly income of the respondents

Monthly income	Frequency	Percent
Below 15,000	37	18.5
15,000-30,000	107	53.5
Above 30,000	56	28
Total	200	100

Source: Primary Data

From above table, it shows that 18.5 per cent of the total respondents earned an monthly income of Rs. below 15,000, 53.5 per cent of the respondents had an monthly income of 15,000-30,000 while the monthly income of 28 per cent of the respondents was found to be above 30,000. It signifies that the monthly income of the majority of investors was found to be between Rs. 15,000-30,000.

Table No: 4

Occupation of the respondents

Occupation	Frequency	Percent
Government employee	21	10.5
Private firm employee	57	28.5
Self employed	54	27
Business person	68	34
Total	200	100

Source: Primary Data

From above table, it shows that among the total respondents, 10.5 per cent of them were government employees, 34 per cent of them were doing their own business while 27 per cent of

them were self employed and the remaining 28.5 per cent of them were private employees. It proclaims that most of the investors are business persons .

Table No: 5

Saving avenues of the respondents

Saving avenues	Frequency	Percent
Bank Deposit	13	6.5
Pension and provident fund	17	8.5
Mutual Funds	26	13
Shares/Debentures	4	2
Postal savings	29	14.5
Real Estate	44	22
Gold/Silver	47	23.5
Insurance	17	8.5
Chits	3	1.5
Total	200	100

Source: primary data

From above table it shows that Gold/Silver has been the first savings avenue with 23.5% while real estate has been the second preferred savings avenue with 22% . The third preferred savings avenue was Postal savings with 14.5%. Mutual Funds was the fourth preferred savings avenue with 13%. Investors have ranked the pension and provident fund and insurance as the fifth preferred savings avenue with 8.5%, Bank deposit as the sixth preferred savings with 6.5%, investors ranked Shares/Debentures as the seventh preferred savings avenue with 2%. it is to be noted that the least preferred savings avenue was chits with 1.5%.

CHI-SQUARE TEST

Hypotheses

H0a : There is no significant Association between the Awareness and gender

H0b : There is no significant Association between the Awareness and Age

H0c : There is no significant Association between the Awareness and Income.

Gender of respondent and awareness level

		awareness level		Total
		Unaware	Aware	
Gender of respondent	Male	30	107	137
	Female	48	15	63
Total		78	122	200

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	53.471	1	.000

Source: computed using spss 14.0

From above chi-square tests, it is evident that awareness of investors is dependent of gender as we

can reject the null hypothesis at significance level of 5% or less.

Age of respondent and awareness level

Count		awareness level		Total
		Unaware	Aware	
Age of respondent	less than 30 years	28	30	58
	31-40 years	25	52	77
	41-50 years	18	23	41
	above 50	7	17	24
Total		78	122	200

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.869	3	.04

Source: computed using spss 14.0

From above chi-square tests, it is evident that awareness of investors is dependent of age as we can reject the null hypothesis at significance level of 0.05% or less.

Monthly income and awareness level

Count		awareness level		Total
		Unaware	Aware	
Monthly income	Below 15,000	21	16	37
	15,000-30,000	24	83	107
	Above 30,000	33	23	56
Total		78	122	200

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	26.602	2	.000

Source: computed using spss 14.0

From above chi-square tests, it is evident that awareness of investors is dependent of income as we can reject the null hypothesis at significance level of 0.05% Or less.

Friedman test

Table No:6

Factors	Mean Rank	Rank
Diversification	5.17	I
Liquidity	4.92	II
Tax benefits	4.37	III
Capital appreciation	4.35	IV
Professional management	4.34	V
Flexibility	4.30	VI
Good returns	4.27	VII
Safety	4.25	VIII
Chi-square	211.75	

From the table, it is inferred that the mean rank of Diversification has the highest rank (5.17). Hence it is interpreted that the investors are highly influenced by the diversification factor.

OPINION OF INVESTORS TOWARDS FEATURES OF MUTUAL FUNDS - MULTIPLE REGRESSION ANALYSIS

H0: There is no significant relationship between opinion on alternative to equity investing and perception towards features of mutual funds.

Table No: 7

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
		B	Std. Error	Beta			
1	(Constant)	1.403	.261		5.369	.000	
	Investment in mutual funds helps you realize the benefits of stock Market investment	-.184	.033	-.439	-5.581	.000	Significant @ 5% level
	Bank sponsored mutual funds investing gives a definite positive return which is greater than bank fixed deposit rate for a similar period	.013	.021	.038	.642	.522	Not Significant @ 5% level
	Return of the Principal amount invested in any mutual funds is assured	.023	.021	.066	1.111	.268	Not Significant @ 5% level
	Mutual funds returns and Principal are fully protected and guaranteed by AMFI/SEBI	.058	.021	.173	2.758	.006	Significant @ 5% level
	Entry and exit load of Mutual funds is easy	-.072	.020	-.224	-3.677	.000	Significant @ 5% level
	Due to professional investment, a good return can be expected from mutual funds	.093	.034	.179	2.757	.006	Significant @ 5% level

Ups and downs of stock Market will not affect the return from mutual funds	-.045	.021	-.130	-2.152	.033	Significant @ 5% level
Safety with systematic returns	-.123	.032	-.237	-3.872	.000	Significant @ 5% level
Diversification	-.181	.052	-.360	-3.474	.001	Significant @ 5% level
There are many mutual fund schemes to meet the varied needs of investors	.074	.031	.149	2.420	.016	Significant @ 5% level
AMFI / SEBI protects the investor's of mutual fund industry and the unit holders	.280	.049	.555	5.679	.000	Significant @ 5% level

From the table, it is inferred that null hypothesis was rejected which has p value above 0.05. It is concluded that the opinion on alternative to equity investing is significantly influenced by perception towards help of mutual funds to realize the benefits of stock market investing, expectation of good returns due to professional investment in mutual funds, Entry and exit load of Mutual funds is easy, Safety with systematic returns, Diversification, meeting the various needs of investors by mutual fund schemes and protection of investors of mutual fund industry and the unit holders by the AMFI/SEBI which has p value less than 0.05.

FINDINGS

- The research study found that 68.5% of respondents are male and 31.5 % of respondents are female and majority of the respondents are in the age group of 31-40 years.
- Analysis also depicts that 18.5% of the total respondents earned an monthly income of Rs. below 15,000, 53.5% of the respondents had an monthly income of 15,000-30,000 while the monthly income of 28 % of the respondents was found to be above 30,000. It signifies

that the monthly income of the majority of investors was found to be between Rs.15,000-30,000.

- The analysis depicts that majority of investors are highly influenced by the diversification factor followed by capital appreciation and tax benefits.
- From the analysis, null hypothesis is rejected and it was concluded that there is association between the demographic factors viz., age, gender and income of the respondents with the awareness level.
- From multiple regression analysis It was concluded that the opinion on alternative to equity investing is significantly influenced by perception towards help of mutual funds to realize the benefits of stock market investing, expectation of good returns due to professional investment in mutual funds, Safety with systematic returns, Diversification, meeting the various needs of investors by mutual fund schemes and protection of investors of mutual fund industry and the unit holders by the AMFI/SEBI.

RECOMMENDATIONS

- Mutual fund industry should target more on male investors from the age group of 31-40 and having government service, private job and business men.
- Mutual Fund companies should try to promote mutual fund awareness by more and more campaigning and offers.
- Mutual Fund companies should focus more on low income group by introducing more schemes which require less amount of investment.
- Mutual Fund companies should concentrate more on females as untapped market.
- Mutual Fund companies should target higher income group who are ready to take more risk.

CONCLUSION

Mutual funds are good alternative investment avenue for majority of investors. However, average investors are still restricting their choices to conventional options like gold and fixed deposits when the market is flooded with countless investment opportunities, with mutual funds. This is because of lack of information about how mutual funds work, which makes many investors hesitant

towards mutual fund investments. In fact, many a times, people who are investing in mutual funds too are unclear about how they function and how one can manage them. So the organizations which are offering mutual funds have to provide complete information to the prospective investors relating to mutual funds.

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