A Study on Perception of Investors Regarding Mutual Funds in Erode District – Using Gap Analysis

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Abstract
As an intermediary, mutual funds invest the collective savings of numerous investors in corporate securities, providing a steady return, capital appreciation with lowest possible risk. This investment method enables investors to benefit from professional management and diversification at a minimal cost, making it an infamous option for retail investors. Basically, all investors have different thoughts and needs and are a much diversified group. With a broad spectrum of investment options available, asset management companies must customize their mutual fund schemes to handle the dynamic needs of investors and learn their fund selection behavior to remain competitive in the market.
Keywords: Perception of Investors Regarding Mutual Funds and GAP Analysis

Introduction

In today's financial scenario, mutual funds are becoming a crucial player in the investment process for individual savers. Majority of the independent investors from all kinds of backgrounds are interested in this product because of its structured financial operation. With a growing focus on professional management of investments, mutual funds have strongly emerged as the go-to choice for investors looking to put money in a multifarious portfolio of securities. Mutual funds are investment tools that allow investors to pool their resources and contribute in a variety of securities, for the purpose of earning lucrative returns and capital appreciation.

Statement of the Problem

Many people believe that Mutual Fund is a product meant for ground level investors who are hesitant about investing in the stock market, yet still want to enjoy the advantages of stock market investments. They have been a major focus for organizations in the past decade and make up a significant portion of their portfolios. They have gained global popularity and are highly valued in financial markets worldwide. Nowadays, more and more investors are turning to mutual funds for their investment as well as retirement plans. Therefore, creating a mutual fund product and hoping for a positive response would be pointless. Understanding the behavior of investors is crucial for asset management companies (AMCs), financial planners, mutual fund companies, and government agencies. By studying the factors that influence investors' decisions, these groups can develop effective strategies to build products that satisfy investors' needs and improve the overall efficiency

of the market. Specifically, asset management companies can use this knowledge to create tailored investment products and allotment strategies for their clients. Financial planners can better advise their clients on investment opportunities and risks

Objectives of the Study
The Specific Objectives of the Study are as follows
1. To analyze the socio-economic and demographic factors influencing investors in selected mutual funds in Erode District.
2. To analyze the investors' preference towards various alternatives for investment.
3. To examine the various benefits while investing in mutual funds.
4. To find out the various features considered while selecting the mutual fund schemes.

Hypothesis of the Study
H0: There is no significant relationship between gender and level of perception towards selected mutual fund products in Erode District.

Research Methodology and Research Design
Sources of Data
The present research is of a descriptive nature. It examines the views of investors on specific mutual funds, specifically in the Erode District. Though both freshly obtained primary data and already existing secondary data were utilized in this investigation, the focus is solely on primary data. The primary data was assembled by the researcher through a carefully constructed questionnaire that was administered to chosen Mutual Fund companies in the Erode District. The secondary data was sourced from trustworthy sources such as research reports, books, journals, documents, magazines, periodicals, newspapers, websites, and other reference materials.

Sample Selected for the Study
This study aims to understand the opinions of investors regarding specific mutual funds in Erode District, with a focus on the top ten mutual fund companies operating in the study area. Data was collected directly from the investors and contains information about fifteen mutual fund companies and stock broking offices located in Erode District. The selected top ten mutual fund companies were chosen based on investor preferences that include Motilal Oswal Securities Limited, Lighthouse Agency, Reliance Capital Asset Management Limited, Bluechip Corporate Investment Centre Limited, Sharekhan, Value Fund Investments, SBI Mutual Fund, HDFC Mutual Fund, ICICI Prudential Mutual Fund, and Karvy stock broking.

Statistical Tools
The primary data collected from respondents was analyzed and presented in tabular form. All statistical tests in this study were conducted at 5% and 1% levels of significance. The statistical tools used in this study include Descriptive Analysis and GAP Analysis.

Limitations of the Study
1. The universe of the study is restricted to the mutual fund investors in Erode District. In India, most of the mutual fund investors are intensively located in metropolitan cities.
2. Total of 200 samples were selected using a non-probability purposive sampling method. As a result, the findings may not be generalizable to the entire population.

Review of Literature

Professionals around the globe and educationists have already shown interest in mutual funds, but the majority of the available research primarily focuses on increasing returns or comparing them to touchstone schemes. There are only a minimum number of studies available that specifically examine investors' intention and take their risk preferences into account. These studies cover topics such as investors' rationality in terms of risk and return trade-offs investment Presumptions, and financial innovations in mutual funds.

Naliniprava Tripathy (2004)1 The financial sector in India has experienced significant advancement and transformation in recent years, with the mutual fund industry playing a key role in this development. The industry has attracted large investments and has been instrumental in generating substantial growth in the capital market. As a result, it has become increasingly important to monitor and evaluate the execution of mutual funds. This study examines the accomplishment of 31 tax planning schemes in our country over a period of eight years (1994-2002), using six different performance measures. The findings suggest that fund managers are struggling to consistently outperform the market or effectively diversify their portfolios.

Nidhi Walia and Ravi Kiran (2009)2 This study aimed to investigate investors' attitudes in the direction of the risk-return trade-off in mutual fund services. Given the inability of mutual funds to drive growth and the increased volatility in stock market movements, understanding investors' expectations from mutual funds has become crucial. Investors are seeking to invest in mutual funds with calculated risk, making them a popular financial choice. The study's findings emphasize investors' preferences for innovations and additional quality dimensions in existing mutual fund services. The identified gaps in the study provide valuable insights for asset management companies (AMCs) to design more attractive solutions that match investors' expectations. The survey's results have significant implications for AMCs, allowing them to refine their practices and develop new ways of delivering services.

Nishi Sharma (2012)5 Despite its potential to offer diversified investment options with different levels of risk, the mutual fund industry has not succeeded in gaining widespread popularity among Indian investors. This study aims to identify the reasons behind the limited recognition of mutual funds as a prime investment option. The study examined the perceptions of investors regarding the unique characteristics offered by mutual fund companies to draw in them to certain funds/schemes. Using principal component analysis, the study identified three key factors: fund/scheme related factors, financial advantages, and sponsor's related factors. The final findings are anticipated to provide valuable vision for mutual fund companies to construct their offers in a way to meet the needs and expectations of Indian investors.

Deepak Chawla (2014)6 The study is built on a sample group of 431 respondents who were carefully selected using convenience sampling method to study the investors' perception while investing in a mutual fund product. The study considers several factors that investors regard as predominant when purchasing a mutual fund product majorly considering two highly crucial attributes - Fund credibility and Miscellaneous attributes of the fund along with its relationship with demographic variables. The study provides suggestions for the mutual fund companies and put forward various ideas for further research in this area. Additionally, the study proposes a further continuation with large number of participants from middle and lower income category from various cities of India. Also, the further study may include senior citizens group as they are highly risk averse because the mutual funds are considered to have minimal risk,

Chandrakala and Suresh (2016)9 The research concentrates on analyzing how women investors perceive risk in mutual funds in the current market. The raw field data were gathered through a survey method by distributing 250 questionnaires, and the collected data were analyzed to provide

a result. The survey was conducted at Sharekhan in Bangalore from January to June 2016. The questionnaires were developed through a process that involved reviewing literature and interpreting women investors' perception of mutual fund investment in Sharekhan. Microsoft Excel and SPSS 16 were used for data analysis. The findings revealed that many women investors are willing to take on risk in the hopes of higher returns. There is a strong correlation between investors' risk tolerance and their investment choices. In this study, the majority of respondents preferred moderate risk levels. To attract more women investors to mutual funds, Sharekhan should implement awareness programs.

Results and Discussions
Descriptive Analysis

Descriptive analysis is one of the most widely used statistical tools for analyzing and interpreting primary data. It represents the percentage of respondents' answers to a specific question, calculated from the total study population. This method is straightforward, making research results easy to understand. It is commonly utilized by commercial research organizations and is often presented in tabular form for clarity.

Gender

As a patriarch society, in India, it is a common practice for men to work outside the family while women primarily take care of the household and family members. By observing the data from table, it is understood that it is important to raise awareness about women's equal rights and the need to protect their human rights. Both government policies and support internally from families should be in place to empower women to pursue employment opportunities. The government should also work towards increasing women's participation in businesses and other sectors. Also, SEBI should develop policies that promote and enhance women involvement in trading activities and skill development.

The data displayed in the table and figure below reveals that males make up the majority of respondents, with 523 individuals covering 66.71% of the total 784 respondents. In contrast, there are only 261 female respondents making up only 33.29%. This indicates a significant disparity between male and female participation in mutual fund investment, with males dominating the field. The presence of male investors is particularly prominent in the current market.

Age

In the above table, the data points out the distribution of respondents across different age groups. Among the 784 total respondents, 31.25% comes within the age range of 46 to 55 years, totaling 245 individuals. The age group of 36 to 45 years explains 26.91% of respondents, with a number of 211 respondents. Those aged between 26 to 35 years encompass 21.43% of the sample, totaling 168 respondents. Also, 88 respondents are coming under 25 year old category, representing 11.22% of the total. At last, individuals above 55 years old make up 9.19% of the respondents, covering 72 individuals.

The gathered data implies that respondents from the chosen sample typically begin investing before the age of 25 and increased investment occurs in the age group 26 and 35 as they enter middle age. Investors aged 36 to 45 and 46 to 55 encompass a larger percentage than those above 55, likely because of their accumulated knowledge and experience in the investment field. This suggests that this group of investors are risk takers. Older and retired investors are very lesser in number, as they are risk averse and seek fixed and secure income for their retirement life.

Educational Qualification

The researchers have classified investors' education levels into six categories for assessing how it influences their investment decisions. These categories range from illiterate to highly educated individuals, considering the diverse population within the Indian economy. The table illustrates that among the chosen respondents, the majority of respondents possess an academic qualification in graduation and post graduation, with 212 and 215 individuals respectively, accounting for 27.04% and 27.42% of the total respondents. On contrary, the total number of diploma holders is relatively low, with 160 individuals covering 20.41% of the total. Additionally, 104 respondents come under the 'other' category, having completed certificate courses, while 93 respondents have only completed school-level education, holding for 13.27% and 11.86% of the total respondents from the sample respectively. The observed data points out a higher representation of higher education (graduation and post graduation) among respondents compared to school and diploma levels.

Monthly Income

The table above shows that the majority of individuals have an average monthly income between 25,000 to 50,000, with a count of 229 individuals encompassing 29.21% of the total respondents. Subsequently, 217 respondents, holding for 27.68%, come within the income range of 50,001 to 75,000. There are 157 respondents, comprising 20.03%, falling under the income bracket of 75,001 to 1,00,000. The least group of respondents can be found in the categories of average monthly income below 25,000 and above 1,00,000, with 91 and 90 individuals respectively, representing 11.61% and 11.48% of the total.

The above data portrays that majority of the respondents of the research are within the group where average monthly income range from 25,000 to 50,000.

Occupational Status

Respondents are categorized based on their employment status, as occupation serves as a social status symbol. They are classified into distinct groups, including Private Sector Employees, Government Employees, Professionals, Business Owners, and Others. The displays that a greater proportion of investors are employed in the public and private sectors, with a number of 208 and 179 individuals, holding for 26.53 per cent and 22.83 per cent respectively. Investors engaged in professional occupations cover 166 investors of total, representing 21.17%. Investors doing business comprise 20.66% of the total respondents, with a total of 162 individuals. On the other hand, individuals categorized as 'others,' such as retirees, are fewer in number at 69, making up 8.80% of the total respondents.

The assembled data from the research participants outlines that almost half of the contribution for the investment is made by salaried employees (both private and government), while other three cover the remaining contribution.

Marital Status

The data depicted in the table illustrates that among the 784 respondents, 422 of them are married investors, whereas 362 are unmarried investors(46.17). Hence, married investors make up a majority of 53.83 percent of the total population of investors indicating that married individuals tend to prioritize investment over spending.

Family Size

The collected data in table 4.2.7 highlights that among the 784 total respondents, 304 of them comes from the families with five to six members, representing 38.78per cent of the total which is immediately followed by families with three to four members, holding for 279 respondents or

35.59per cent of the totality. Larger families with more than six members comprise 116 respondents, equivalent to 14.80 per cent of the chosen sample size. At last, a minimal portion is attributed to families with up to two members, totaling 85 respondents with 10.84% of the entire sample size.

The data analysis clearly showcases that the family size with members between five and six are having 38.78 per cent out of total respondents meaning investors with considerably large family are interested in investment as they have more responsilbity.

Locality of the Respondents

The portrays the breakdown of research participants based on their residential location. The study has large number of respondents around 307 with a percentage of 39.16 from urban areas. Following closely are semi-urban participants at 36.86% with 289 respondents, and rural participants at 23.98% with only 188 research participants. Obviously, there are more participants from urban areas compared to the other regions.

Source of Information about Mutual Fund

Emphasizes that among the total 784 respondents surveyed, 335 individuals, making up for 42.73% of the total sample size, get knowledge about mutual funds from brokers. Television was found to be the second most common source of information, with 187 respondents, or a percentage of 23.85 of the totality. Information delivered by newspapers and magazines summed up 165 respondents, accounting for 21.05per cent of the total. The smallest portion of sample size, 97 respondents or 12.37% of the total, relied on relatives and friends for information.

The above data wrap up that the sources of information about mutual fund gathered from brokers are the major influence with 42.73 per cent out of total respondents.

Frequent Investment in Mutual Fund

The table 4.2.10 gives details on the orderly arrangement of investment in mutual funds among respondents. From the table, it is clear that nearly half of the research participants (46.56%) put their money in mutual funds on an annual basis, while a percentage of 29.85 invest every six months. About 13.9% of investors put money into mutual funds for every quarterly, and just 9.69% of the selected investors invest monthly. At last, the obtained data clarifies that the majority i.e., 46.56 % of the respondents who invest in mutual fund are yearly investors.

GAP Analysis

Risk taker and level of financial literacy about the technical aspects of the mutual fund products Gap analysis is a key method for assessing whether there are any considerable disparities in agreeability or opinion between two groups on different factors. In this research, gap analysis is applied to compare the financial literacy of individuals who are willing to take high risks and those who are risk-averse regarding the technical aspects of mutual fund products. The findings are displayed in separate tables, and t-tests are performed to determine the hypotheses and appropriate interpretations.

Hypothesis

H0: There is no significant relationship between the means of risk taker and level of financial literacy about the technical aspects of the mutual fund products

H1: There is significant relationship between the means of risk taker and level of financial literacy about the technical aspects of the mutual fund products

The table provides information on the average scores, standard deviation in scores between low and high risk takers, as well as the statistical values (t-values and p-values) related to the financial knowledge of respondents regarding the technical features of mutual fund products.

Suggestions and Recommendations

On the basis of the findings of the study, the following suggestions and recommendations have been made

1. Encouraging a systematic and scientific approach to diversifying investments in mutual funds can help the investor to handle the risk and promote balanced portfolios.
2. The mutual fund industry should focus on young investors who are more open to taking risks and have a huge opportunity for investment.
3. Investors should be pushed in the direction of long-term investment horizon, as it is more rewarding and risk averse.
4. Mutual fund companies can tap into the potential of women investors by designing products and schemes tailored to their needs. Schemes can be made to pull in the family of girl child by enabling investment for their protected future.
5. A strong grievance redressal system and skilled management are the foundation for building trust among investors.
6. Additionally, promoting financial literacy among the general public can assist them better understand technical terminologies, evaluate risk, and make informed investment decisions.
7. It is essential to elaborate the details of capital appreciation to investors to stimulate their willingness to invest their money for an extended period. This will benefit all the associated parties like investors, the fund management company, and the overall economy.
8. Fund managers who handle the investment of all the investors need to be highly skilled and experienced in order to achieve high returns with minimal risk. Stock selection and diversification abilities are vital to achieve this result.
9. The research identified that mutual fund investors prioritize the safety of their investments. Asset management companies (AMC) can build mutual fund products that blend safety with the potential for sound returns.
10. The study explains that investors focus on factors such as service quality, fund quality, product core, and other aspects when investing in mutual funds. In a competitive market like India, a customer-centric approach is essential because of the presence of high competition with varying levels of financial strength and expertise.

Conclusion

The present research explored the investment preferences of individuals along with various factors that significantly influence their investment decisions. The industry benefits from a range of advantages, including demographic characteristics and investment attitude. The study found that factors such as investment amount, duration, Purpose, return expectations, and investment satisfaction are influenced by investors' demographic characteristics. Traditional investment methods remain dominant in the market, with bank deposits being the top priority, while chit funds and other miscellaneous investments are the least preferred. Among mutual funds, equity funds are favored over debt and balanced funds, as they offer several advantages that attract a larger investor base.

References

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Table 1 Demoraphic Profile of the Respondents in Erode District

S.No	Factors	Classifications	Number of Respondents	%
1	Gender	Male	523	66.71
		Female	261	33.29
2	Age	Up to 25 years	88	11.22
		26 – 35 years	168	21.43
		36 – 45 years	211	26.91
		46 – 55 years	245	31.25
		Above 55 years	72	09.19
3	Educational Qualification	SSLC / HSC	93	11.86
		Diploma	160	20.41
		Under Graduate	212	27.04
		Post Graduate	215	27.42
		Others	104	13.27
4	Monthly Income	Below 25,000	91	11.61
		25,000 to 50,000	229	29.21
		50,001 to 75,000	217	27.68
		75,001 to 1,00,000	157	20.03
		Above 1,00,000	90	11.48
5	Occupation	Private	179	22.83
		Government	208	26.53
		Businessmen	162	20.66
		Professionals	166	21.17
		Others	69	09.36
6	Marital Status	Married	422	53.83
		Unmarried	362	46.17
7	Family Size	Up to Two	85	10.84
		Three – Four	279	35.59
		Five – Six	304	38.78
		More than Six	116	14.80
8	Locality of the Respondents	Rural	188	23.98
		Semi – Urban	289	36.86
		Urban	307	39.16

9	Source of Information about Mutual Fund	Brokers	335	42.73
		Relatives or Friends	97	12.37
		Television	187	23.85
		Newspapers and Magazines	165	21.05
10	Frequent Investment in Mutual Fund	Monthly	76	09.69
		Quarterly	109	13.90
		Half yearly	234	29.85
		Yearly	365	46.56

Sources: Primary Data

Table 2 Level of Financial Literacy about the Technical Aspects of the Mutual Fund Products

S. No	Level of Financial Literacy about the Technical Aspects of the Mutual Fund Products	Risk Taker				t value	P values	Sig
		Low		High				
		Mean	SD	Mean	SD			
1	Market Risk	2.892	0.993	2.728	1.029	2.067	0.002	S
2	Scheme Information Document	2.648	0.877	2.685	0.667	2.038	0.000	S
3	AMC (Assets Management Company)	2.222	0.629	2.281	0.603	3.246	0.000	S
4	NAV (Net Asset Value)	2.335	0.753	2.485	0.797	2.100	0.015	S
5	Open-end / close-end Fund	2.300	0.804	2.491	0.849	6.748	0.000	S
6	Types of fund / Scheme	2.067	0.652	2.160	0.672	3.650	0.000	S
7	New Fund Offer (NFO) / SIP (Systematic Investment Plan)	2.424	1.050	2.560	1.194	4.001	0.004	S
8	Performance of portfolio	2.302	0.628	2.250	0.596	2.581	0.000	S
9	Entry Load / Exit Load	2.122	0.700	2.139	0.626	3.023	0.369	NS
10	Others	2.326	0.547	2.253	0.618	3.225	0.371	NS

Source: Computed

Chart 1 Level of Financial Literacy about the Technical Aspects of the Mutual Fund Products