

Investors Perception towards Mutual Fund

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Abstract

The mutual fund is a collective savings scheme. Mutual funds played an important role in mobilizing the savings of small investors and channelized the same for productive ventures in the Indian Economy. This study has analyzed the perception of the investor towards the mutual fund, the reason for preferring mutual fund investment, the method of investment and the period of investment. Percentage analysis, Chi-square test and ANOVA are the tools used to analyze the data

Keywords: Investor perception, Mutual fund

Introduction

A mutual fund is a financial intermediary that pools the savings investors for collective investment in a diversified portfolio of securities. A fund is “mutual” as all of its returns, minus its expenses, are shared by the fund’s investors. The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 defines a mutual fund as a ‘a fund established in the form of a trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities, including money market instruments’. A mutual fund serves as a link between the investor and the securities market by mobilizing savings from the investors and investing them in the securities market to generate returns. Thus, a mutual fund is akin to portfolio management services (PMS). Although both are conceptually the same, they are different from each other. Portfolio management services are offered to high net worth individuals; taking into account their risk profile; their investments are managed separately. In the case of mutual funds, savings of small investors are pooled under a scheme and the returns are distributed in the same proportion in which the investments are made by the investors/unit-holders. The net asset value of a fund is the market value of the assets minus the liabilities on the day of valuation. In other words, it is the amount which the shareholders will collectively get if the fund is dissolved or liquidated. The net asset value of a unit is the net asset value of fund divided by the number of outstanding units. An investor can invest directly in individual securities or indirectly through a financial intermediary. Globally, mutual funds have established themselves as the means of investment for the retail investor.

Review of Literature

(Lokonishok, Shleifer and Vishny, 1997) A common investor may expect that mutual funds should opt strategies that have been documented to produce superior returns in the past. Instead, they follow select portfolios that do not deviate markedly from market benchmarks explored customer behaviour about the selection of a financial service provider. They examined customers' scores on selection criteria, such as reputation and friendliness, by taking into account the customers' demographic characteristics, for example, size of household, household income, age and gender of household head, and so on. The results revealed that factors such as reputation, interest charged on loans and interest paid for savings accounts were critical, while less important were friendliness of employees and the modern facilities.

Black et al. (2002) examined customers' choice of financial services distribution channels. They showed that customer confidence, lifestyle factors, motivations and emotional responses influence the customer's choice, while product, channel and organizational factors such as image and reputation are also significant. Mutual fund managers have to use various investment styles, depending upon investor requirements.

Lee and Marlowe (2003) tried to provide a better understanding of how consumers choose their financial institution. Although consumers' decision-making criteria may vary, depending on their experiences, socio-economic and demographic characteristics. They found that the most important criterion that consumers use in selecting a financial institution is the convenience regarding the location of the office and other convenience features. Retail fees are the second most frequently reported decision-making criterion, followed by the range of services offered and the existing personal relationships.

K.Karthikeyan et al. (2012) Opportunities exist for banks to cross-sell mutual fund products in India, especially in cities like Tiruchirapalli. These opportunities are based on customers' high usage rate of mutual fund products, the low penetration of banks to mutual fund schemes and customers' willingness to buy these products from banks. From this study, it is found that some of the factors like

the competitive product, communication, safety, emergency need fulfillment, financial requirements, service quality, changing of fund preferences and return on investment influence the investors' perception of mutual fund products through banks about Tiruchirapalli city. The investor expects the good rate of return and bank employees should have expert knowledge in mutual fund products. The study strongly suggests that employee knowledge boosts mutual fund investor's interest in investment. This shows the importance of an employee's suggestion and guidance. Customized training and workshop should be provided for the employee-investor interaction and implication. The findings give indications to both public and private banks to strengthen their marketing strategy of mutual fund products. Inderjit Kaur (2017) This study examined the effect of educational credentials on the performance and investment strategy of a fund manager. The effect of educational credentials on performance and investment strategy has not been consistent across different periods of the economic cycle.

The study thus documents the positive effect of educational credentials on generating counter-cyclic performance by fund managers. The results have important implications for the investors. Investors search for criteria to select a mutual fund and they can consider the education of the fund manager as one of the criteria to select their fund.

Objectives and Limitations of the Study

The main objective of the study is to analyze the investor's perception towards the mutual fund, the reason for preferring mutual fund and how long they want to invest in a mutual fund. The limitation involves that the result of the study is applicable only to the study area and the perception of the investor may be varied over a period.

Hypothesis

There is no significant difference between types of investment & period of investment. There is no significant relationship between return on investment & period of investment.

Methodology

In this study, the descriptive research design is applied. Both primary and secondary data is used in this proposed study. A questionnaire is a tool used to collect the primary data. The study area is Tiruvannamalai. The sample size chosen for this

study is 100 and Simple Random sampling technique is adopted. Percentage analysis, weighted average method and Chi-square test and ANOVA are the tools used to analyze the data for the interpretation purpose.

Data analysis and Discussions

Table 1 Demographic Details of Respondents

S.No	Respondents Particulars		No. of Respondents	Percentage of respondents
1	Gender	Male	88	88
		Female	12	12
2	Age	Bellow 25	-	-
		26-35	56	56
		36-45	40	40
		45 above	4	4
3	Income	Bellow 10000	4	4
		10001-15000	24	24
		15001-20000	32	32
		200001-25000	20	20
		Above 25000	16	16
4	Educational Qualification	+2	04	04
		Diploma	16	16
		UG	32	32
		PG	48	48
5	Occupation	Students	06	06
		Businessman	20	20
		Private employee	52	52
		Government Employee	22	22
6	Marital status	Married	78	78
		Unmarried	32	32

88% of respondents fall under the male category, 56% of respondents are in the age group of 26-35, 32% of respondents monthly income is 15,001-

20,000, 52% of the respondents are the private employee, 80% of the respondents are married.

Respondents awareness, Reason for choosing mutual fund investment, Method and Period of investment

Awareness about Mutual Fund			
S.No	Particular	No .of Respondents	Percentage of Respondents
1	Friends& Relatives	38	38
2	Financial Advisers	16	16
3	Advertisement & social media	36	36
4	Mutual fund agents	10	10
Reason for Preferring Mutual Fund Investment			
1	High return	44	44
2	Safety when compare to invest in share	32	32
3	Liquidity	12	12
4	Low risk	8	8
5	Tax benefit	–	–
6	Diversification	4	4
Method of Investment			
1	Single time investment plan	28	28
2	Systematic investment plan	72	72
Method of Investment			
1	Short-term investment	20	20
2	Long-term investment	66	66
3	Both	14	14

Regarding awareness about the mutual fund, 38% of respondents came to know about mutual fund through his friends and relatives and 36% of respondents know about mutual fund through Social media. People prefer mutual fund for high returns(44%) and Safety when compare to invest in share(32%).72% of respondents prefer systematic investment plan and 66% of respondents prefer long-term investment.

Chi-square Test: At 5% Level of Significant the Computed Value of $X^2 = 0.3967$ is less than the tabulated value hence the null hypothesis is accepted which means that there is no significant relationship between types of investment & period of investment

ANOVA: The F-value of 19.00 is significant at five percent level indicating that is no significant relationship between types of investment & return on investment

Conclusion

Respondents fall under the 26-35 age group shows interest in mutual fund investment, private employees and those who earn 15000 to 20000 as monthly income and married people invest more in the mutual fund than other categories. Friends& Relatives, Advertisement & social media play important role in creating awareness about the mutual fund. In this study area, the role of financial advisers and mutual fund agents role are minimum than informal networks. Here people prefer investment for high returns and safety when compare to investment n shares and they are low-income people they prefer mutual fund for saving rather than tax benefit. As per their monthly income, systematic investment plan is preferable than a single time investment plan and they want to stay back for long-term investment.

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