

INVESTOR'S ATTITUDE TOWARDS MUTUAL FUNDS IN THE CURRENT MARKET SCENARIO

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Abstract

India is one of the fastest developing countries in the world. This study investigates the Investor's attitude towards mutual fund. Mean and standard deviation are applied to know the research problem. Descriptive research is applied. Convenient sample technique is used. A sample size is 150. In the findings of the study, it is found that the investors have high attitude towards better tomorrow investment, investment options, stock performance; The investors feel that when investing money with private parties the risk is high.

Keywords: *Attitude, investment and risk*

1.1 Introduction

In India, the investors have the dual rewards of free enterprises and government control. Freedom and growth are safeguarded from the competitive forces of private enterprise. On the other hand, being a secure economy, government control applies discipline and restricts some elements of freedom. A public sector left free to function hope to achieve the benefits derived from both socialistic and capitalist forms of government. In India, the political climate is favourable to investment as government controls lends solidity to the capital markets. The success of every investment decision has become increasingly important in recent times. The main intention of investors is to get capital appreciation and regular returns. The capital appreciation occurs when an investment is sold out at a higher price as compared to the original purchase price of an investment.

The objective of this study is to examine the investor's attitude and reveal the factors, which shall be helpful to the investors in their mutual fund investments. Mutual fund is one of the avenues for investors to invest in capital market. Though mutual fund do not yield higher returns like equity and commodity market, equally it does not fetch lower returns, thereby offering moderate returns with

moderate risks. Diversification and Systematic investment plan are important advantages in the mutual fund industry.

1.2 Statement of the Problem

Investors think of themselves as rational and logical. But when it comes to investing, their emotional inclinations, ingrained thought patterns and psychological biases. Baker and Haslem (1973) contended that dividends, expected returns and the firm's financial stability are critical investment considerations for individual investors. Potter, (1971) found that fast growth, investment saving, quick profits, professional investment management and long-term growth are affect investors attitudes on investment decisions.

1.3 Objective of the study

1. To study the investors opinion about the investment objective
2. To analyse the investors attitude towards the mutual fund

2. Review of literature

Subramanya PR (2015) The research has been studied on socio economic factors like age, gender, education income and savings of investor's perception towards mutual fund is not inspiring but the age of investor's and saving habit of the respondent is closely correlated.

Mukesh. H. V. (2015) had studied investor's perception on mutual fund for return, tax benefit and capital appreciation, but most of the investors lack awareness about mutual funds and their various schemes like, SIP (Systematic Investment Plan). Hence, it becomes necessary to create awareness among the investors through conducting seminars, workshops on financial products and published data like newspaper, magazines and journals.

Preeti Khitoliya (2014) examined through her research that majority of the respondents in the age of 35-44 wish to invest in mutual fund having moderate risk which guarantees wealth maximization followed by balanced fund and income funds. Similar results have been seen in the age group of 25-34. But a reverse trend were seen in the age group of 45 above where majority is risk averse as they wish to invest in mutual fund schemes which guarantees safety of principal amount followed by balanced fund and growth fund.

Vipin Kumar &Preeti Bansal (2014) this research paper has focused attention on various parameters that highlights investor's perception on mutual funds. It was studied that the scheme of mutual fund investment were not known to many of the investors as still the investors rely upon the

traditional pattern of investments like investment in banks and investment in postal savings. As most of the mutual fund investors used to invest in mutual fund for not more than three years and used to quit from the fund as they were not giving desired result as stated in the objective during commencement of mutual fund scheme. It was also found from the research that maximum number of mutual fund investor's has to depend upon their brokers and agent to invest in mutual fund.

Rajasekar (2013) The study was conducted with a sample size of 150 respondent by using the statistical tools like percentage analysis, chi square, weighted average, with an objective to know about the investor's perception on their profile, income, savings pattern, investment patterns and their personality criteria. The study was concluded by taking into consideration various parameters involved in investors decision making keeping in mind investors perception towards mutual fund investment

Senthil (2012) Mutual fund is one of the avenues for investors to invest in capital market. Though mutual fund do not yield higher returns like equity and commodity market, equally it does not fetch lower returns, thereby offering moderate returns with moderate risks. Diversification and Systematic investment plan are important advantages in the mutual fund industry.

Binod Kumar Singh (2012) had studied the impact of various demographic factors on investor's attitude towards mutual fund for measuring and analyzing various factors responsible for investment in mutual funds.

Vasudevan & Peermohaideen (2012) The study aimed to understand and analyze investor's perception of such risk and expectation associated with specific mutual fund. The research also revealed that investors perceive risk as under performance as risk and return in mutual fund investment are medium and not so satisfactory.

SimranSaini and BimalAnjum (2011) had analyses the mutual fund investments in relation to investor's behavior that attract them to invest in mutual funds. Investor's opinion and perception has been studied relating to various issues like type of mutual fund scheme, main objective behind investing in mutual fund scheme, level of satisfaction, role of financial advisors and brokers, sources of information, deficiencies in the services provided by the mutual fund managers, challenges before the mutual fund industry etc.

Lakshman Rao (2011) surveyed in their paper that majority of investing respondents were found to be in the age group of 31-50 years. People belonging to the age group of more than 60 years and less than 20 years were found to be less aware of different investment schemes and so their investments are comparatively much less

Senthil D, and Zafar SM. (2006) have studied the investors preference of mutual funds in India, as a vital channel in stock market. It highlights the factors that make the investors hold their investment in mutual funds. It is suggests that services of consultants and brokers should be improved.

Shanmugham (2002) studied the Investors' Awareness of Investment with a group of 201 Investors to examine the factors of influencing investment decisions. It reveals that financial newspapers, comments are relied upon by most of the investors.

Petter Roger Eiving (1970) studied the Motivating factors guiding the common stock investor. A questionnaire consisting of 25 demographic question and fifty behavior questions was used. The collect data from 689 individual investors was completed. Multiple factor analysis, step-wise regression analysis and chi-square analysis was used. The results revealed that the Income from dividends, rapid growth, purposeful investment as a protective outlet of savings, Professional investment management were common to both groups of investors the exceptions are the desire for professional management, desire for long term growth and desire for professional management.

3. Research methodology

The present study identifies investor's attitude towards mutual fund. Descriptive technique method is applied for this study. So, the researcher has choosen the survey research technique for this study. The researcher has taken the sample from Cuddalore and Chidambaram investors. Its region investors are considered as the sample respondents of the study. Hence, convenient sampling technique is applied for this study. The data used in this study is obtained from 150 investors who have more than two year experience in this field. Further, mean and standard deviation are computed.

4. Analysis and discussion

Table 1 investor's opinion towards investment objective

Investment Objective	Mean	Std. Deviation
Dividends	3.57	1.20
Capital Appreciation	3.70	1.08
Quick Gain	3.71	1.25
Safety	3.96	1.25
Liquidity	3.96	1.16
Tax Benefits	3.58	1.20
Diversification of Asset Holding	3.88	1.46
Rights / Bonus issues & Stock splits	3.85	1.09
Hedge against Inflation	3.59	1.39
To provide for retirement	3.84	1.13
To meet contingencies	3.58	1.20
For purchase of assets	3.32	1.32
For children's education	3.34	1.21

Source: primary data computed

Table 1 presents the investor opinion towards investment objective. This has identified thirteen reasons as investment objectives for investing in market. The respondents were asked to rate their opinion in the five point scale. Where five stands for strongly agree and one stands for strongly disagree. Based on the collected data, mean and standard deviation values are calculated. The mean values are ranged between 3.32 and 3.96.

The standard deviation values lies between 1.08 and 1.46. It shows that the respondents are having similar level of opinion toward investment objectives. From mean values, it is observed that the dividends (3.57), capital appreciation (3.70), quick gain (3.71), safety (3.96), liquidity (3.96), tax

benefits (3.58), diversification of asset holding (3.88), rights / bonus issues & stock splits (3.85), hedge against inflation (3.59), provide for retirement (3.84), to meet contingencies (3.58), purchase of assets (3.32), for children's education (3.34). It is found that the investors have given more importance towards liquidity, bonus issue, capital appreciation, quick gain, diversification of asset. But, similarly varied children education, contingencies, retirement, safety, hedge against inflation, tax benefit and asset purchase come next.

Table 2 Investor's opinion towards Investor's Attitude

Investors Attitude	Mean	Std. Deviation
Investing today is for a better tomorrow	4.07	1.28
I search for investment options	3.67	1.16
I rely on intermediaries for making investments	3.79	1.12
I prefer investment based on low transaction cost	3.64	1.15
My investments are always tenure based	3.71	1.20
I watch the performance of investment	3.97	1.24
I take responsibility for the investments made	3.71	1.15
My choice of investments will be of various avenues	3.76	1.07
My investments are diversified	3.74	1.13
My investments will be in equal ratio for all avenues	3.86	1.28
My investments will be the last resort during contingency	3.77	1.11
I make more investments in the same avenue if my objectives are fulfilled	3.77	1.17
I analyze my investments and switch to other when I found appropriate	3.84	1.07
I consider using investments for social aspect needs	3.82	1.23
I don't consider switching when my investment objectives were met	3.01	1.16
I take substantial financial risks expecting to earn substantial returns	3.79	1.13
Investment offers safety	3.69	1.10
It is a tough task but is a must	3.74	1.21

Increase in wants reduces the investments	3.78	1.15
Genuine investors are cheated by unscrupulous persons	3.75	1.16
Government securities are not attractive	3.90	1.13
Investment reduces liability	3.67	1.14
Never invest money with private parities	3.60	1.09
Investment is a long term affair	3.91	1.19

Source: primary data computed

Table 2 explains the investor opinion towards attitude. The respondents were asked to rate their opinion in the five point scale. Where five stands for strongly agree, agree, neutral, disagree and strongly disagree. Mean and standard deviation values are calculated based on the collected data. The mean values are between 3.01 and 4.07. The standard deviation values lies between 1.07 and 1.28. From the mean values, it is observed that the investing today is for a better tomorrow (4.07), they search for investment options (3.67), they rely on intermediaries for making investments (3.79), they prefer investment based on low transaction cost (3.64), they investments are always tenure based (3.71), they watch the performance of investment (3.97), they take responsibility for the investments made (3.71), the choice of investments will be of various avenues (3.76), the investments are diversified (3.74), the investments will be in equal ratio for all avenues (3.86), the investments will be the last resort during contingency (3.77), more investments in the same avenue of objectives are fulfilled (3.77), they analyze their investments and switch to other appropriate (3.84), they consider using investments for social aspect needs (3.82), they don't consider switching when my investment objectives were met (3.01), they take substantial financial risks expecting to earn substantial returns (3.79), investment offers safety (3.69), it is a tough task but is a must (3.74), increase in wants reduces the investments (3.78), genuine investors are cheated by unscrupulous persons (3.75), government securities are not attractive (3.90), investment reduces liability (3.67), never invest money with private parties (3.60), investment is a long term affair (3.91).

It is found that the investors have high attitude towards better tomorrow investment, investment options, stock performance; investment reduces liability, long term affairs and investment objectives. But, the investors feel that investing money with private parties, the risk is high. Kavitha (2015) revealed that the investors attitudes have a significant role for stock market investments. The more positive attitude enhancement strategies are introduced, the more it is easy for local investors to invest in the stock market.

5.1 Suggestion

1. The asset management companies should control the charges to be paid by the retail investors and bring the expenses to a reasonable level.
2. To build the investor confidence, there is a need to strictly implement the best corporate government practices.
3. Mutual fund investment is safety when compared other equity investment.
4. Mutual fund industry should introduce some attractive schemes for retirement planning.

5.2 Limitation of the Study

1. Due to constraints of resource and time, only 150 retail investors have been selected on the basis of convenient sample method and studied. Hence conclusion drawn is specific and cannot be universalized.

5.3 Conclusion

Mutual funds are one of the best investments ever created because they are very cost efficient and very easy to invest in. This is done in such a way so as to ensure decent return and capital appreciation to its investors. However, they are based on stock market and whenever the market gets turbulences the performance of the scheme goes down as the return is based on NAV.

The investors should also be able to understand the market and economic indicators since they influence the performance of the share on the market. They should evaluate all the variables in the environment instead of considering only one variable. Investors do also need to diversify their investment in different companies by developing a portfolio of investments to minimize risks and maximize returns.

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