PERCEPTION OF INDIAN INVESTORS TOWARDS MUTUAL FUND WITH SPECIAL REFERENCE TO MIP FUNDS

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Introduction

The first introduction of a mutual fund in India occurred in 1963, when the Government of India launched Unit Trust of India (UTI). UTI enjoyed a monopoly in the Indian mutual fund market until 1987, when a host of other government-controlled Indian financial companies established their own funds, including State Bank of India, Canara Bank, and Punjab National Bank. This market was made open to private players in 1993, as a result of the historic constitutional amendments brought forward by the then Congress-led government under the existing regime of Liberalization, Privatization and Globalization (LPG). The first private sector fund to operate in India was Kothari Pioneer, which later merged with Franklin Templeton. In 1996, SEBI, the regulator of mutual funds in India, formulated the Mutual Fund Regulation which is a comprehensive regulatory framework. Income from MFs could take two forms—dividends and capital gains.

Mutual Fund

A mutual fund is an investment vehicle made up of a pool of moneys collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and other assets. Mutual funds are operated by professional money managers, who allocate the fund's investments and attempt to produce capital gains and/or income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus.

Kinds of Mutual Funds

Mutual funds are divided into several kinds of categories, representing the kinds of securities the mutual fund manager invests in.

One of the largest is the fixed income category. A fixed income mutual fund focuses on investments that pay a fixed rate of return, such as government bonds, corporate bonds or other debt instruments. The idea is the fund portfolio generates a lot of interest income, which can then be passed on to shareholders.

Another group falls under the moniker "index funds." The investment strategy is based on the belief that it is very hard, and often expensive, to try to consistently beat the market. So the index fund manager simply buys stocks that correspond with a major marketindex such as the S&P 500 or the Dow Jones Industrial Average. This strategy requires less

research from analysts and advisors, so there are fewer expenses to eat up returns before they are passed on to shareholders. These funds are often designed with cost-sensitive investors in mind.

If an investor seeks to gain diversified exposure to the Canadian equity market, he can invest in the S&P/TSX Composite Index, which is a mutual fund that covers 95% of the Canadian equity market. The index is designed to provide investors with a broad benchmark index that has the liquidity characteristics of a narrower index. The S&P/TSX Composite Index is comprised largely of the financials, energy and materials sectors of the Canadian stock market, with sector allocations of 35.54%, 20.15% and 14.16%, respectively. Performance of the fund is tracked as the percentage change to its overall adjusted market cap.

Balanced funds invest in both stocks and bonds with the aim of reducing risk of exposure to one asset class or another. Another name for this type is "asset allocation fund." An investor may expect to find the allocation of these funds among asset classes relatively unchanging, though it will differ among funds. Though their goal is asset appreciation with lower risk, these funds carry the same risk and are as subject to fluctuation as other classifications of funds.

Other common types of mutual funds are money market funds, sector funds, equity funds, alternative funds, smart-beta funds, target-date funds and even funds-of-funds, or mutual funds that buy shares of other mutual funds.

Mutual Fund Fees

In mutual funds, fees are classified into two categories: annual operating fees and shareholder fees. The annual fund operating fees are charged as an annual percentage of funds under management, usually ranging from 1-3%. The shareholder fees, which come in the form of commissions and redemption fees, are paid directly by shareholders when purchasing or selling the funds.

Annual operating fees are collectively as the expense ratio. A fund's expense ratio is the summation of its advisory fee or management fee and its administrative costs. Additionally, sales charges or commissions can be assessed on the front-end or back-end, known as the load of a mutual fund. When a mutual fund has a front-end load, fees are assessed when shares are purchased. For a back-end load, mutual fund fees are assessed when an investor sells his shares. Sometimes, an investment company offers a no-load mutual fund, which doesn't carry any commission or sales charge. These funds are distributed directly by an investment company rather than through a secondary party. Some funds also charge fees and penalties for early withdrawals.

Advantages of Mutual Fund

➢ **Diversification**

Diversification, or the mixing of investments and assets within a portfolio to reduce risk, is one of the advantages to investing in mutual funds. Buying individual company stocks in retail and offsetting them with industrial sector stocks,

➢ **Economies of Scale**

Mutual funds also provide economies of scale. Buying one spares the investor of the numerous commission charges needed to create a diversified portfolio. Buying only one security at a time leads to large transaction fees, which will eat up a good chunk of the investment. Also, the $100 to $200 an individual investor might be able to afford is usually not enough to buy a round lot of a stock, but it will buy many mutual fund shares. The smaller denominations of mutual funds allow investors to take advantage of dollar costaveraging.

➢ **Easy Access**

Trading on the major stock exchanges, mutual funds can be bought and sold with relative ease, making them highly liquid investments. And, when it comes to certain types of assets, like foreign equities or exotic commodities, mutual funds are often the most feasible way – in fact, sometimes the only way – for individual investors to participate.

➢ Most private, non-institutional money managers deal only with high net worthindividuals – people with six figures (at least) to invest. But mutual funds are run by managers, who spend their days researching securities and devising investment strategies. So, these funds provide a low-cost way for individual investors to experience (and hopefully benefit from) professional money management.

➢ **Individual-Oriented**

All these factors make mutual funds an attractive option for younger, novice and other individual investors who don't want to actively manage their money: They offer high liquidity; they are relatively easy to understand; good diversification even if you do not have a lot of money to spread around; and the potential for good growth. In fact, many Americans already invest in mutual funds through their 401(k) or 403(b) plans. In fact, the overwhelming majority of money in employer-sponsored retirement plans goes into mutual funds.

➢ **Style**

Investors have the freedom to research and select from managers with a variety of styles and management goals. For instance, a fund manager may focus on value investing,growth investing, developed markets, emerging markets, income or macroeconomic investing, among many other styles. One manager may also oversee funds that employ several different styles.

Disadvantages of Mutual Funds

- **Fluctuating Returns**

Like many other investments without a guaranteed return, there is always the possibility that the value of your mutual fund will depreciate. Equity mutual funds experience price fluctuations, along with the stocks that make up the fund

- **Cash**

As you know already, mutual funds pool money from thousands of investors, so every day people are putting money into the fund as well as withdrawing it. To maintain the capacity to accommodate withdrawals, funds typically have to keep a large portion of their portfolios in cash. Having ample cash is great for liquidity, but money sitting around as cash is not working for you and thus is not very advantageous.

- **Costs**

Mutual funds provide investors with professional management, but it comes at a cost

– those expense ratios mentioned earlier. These fees reduce the fund's overall payout, and they're assessed to mutual fund investors regardless of the performance of the fund. As you can imagine, in years when the fund doesn't make money, these fees only magnify losses.

- **Lack of Transparency**

One thing that can lead to diversification is the fact that a fund's purpose or makeup isn't always clear. Fund advertisements can guide investors down the wrong path. The Securities and Exchange Commission (SEC) requires that funds have at least 80% of assets in the particular type of investment implied in their names; how the remaining assets are invested is up to the fund manager. However, the different categories that qualify for the required 80% of the assets may be vague and wide-ranging. A fund can therefore manipulate prospective investors via its title: A fund that focuses narrowly on Congo stocks, for example, could be sold with the grander title "International High-Tech Fund."

Evaluating Funds

Researching and comparing funds can be difficult. Unlike stocks, mutual funds do not offer investors the opportunity to compare the P/E ratio, sales growth, earnings per share, etc. A mutual fund's net asset value gives investors the total value of the fund's portfolio, less liabilities, but how do you know if one fund is better than another?

Objectives of the Study

- ✓ To know investor view towards Mutual fund.
- ✓ To know the awareness of mutual fund in Coimbatore people.
- ✓ To know the preference of people for investment

Source of Data

The present study is based on primary data which was collected using questionnaire method based to coimbatore city

Statistical Tools

The tools used in this study are

Chi Square Test

Percentage Analysis

Overview of the Study

Monthly Income Plan

MIP stands for Monthly Income Plan, which where an investor can get good returns and is an alternative to the fixed deposits and post office Monthly Income Scheme (MIS). These mutual funds provide monthly income by way of a sum of money regularly paid by a company to its shareholders out of its profits based on the performance of the Mutual Fund. These MIP dividend mutual funds provide higher returns compared to bank fixed deposits and post office MIS scheme. There are many good MIPs available in the market, which we have highlighted above. Choosing any scheme depends on the investor's own objectives

Taxation on MIPs

MIPs are more tax efficient than bank deposits. These are debt oriented mutual fund schemes and are hence governed by the mutual fund taxation principles

7 Best Monthly Income Plans

Birla Sun Life MIP II - Wealth 25 Plan

Franklin India Monthly Income Plan - Plan A

CICI Prudential Regular Income Fund

ICICI Prudential MIP 25

UTI MIS Advantage Plan

Reliance Monthly Income Plan

Analysis & Interpretations

As per investors point of view everyone wants their money should be safely invest by AMC because of the saving which they have deposited are invested in various investment option and safest investment option they feel is the bank deposit because there is no fear of losing money at any point of time unless bank gets default and chances of it is very less so safest investment option investors feel are the bank deposit

Table:No. 1 - Options selected by number of Investors

OPTIONS	NO OF INVESTORS
Mutual Fund	45
Stock Market	10
Bank Deposit	49
Others	1
TOTAL	**105**

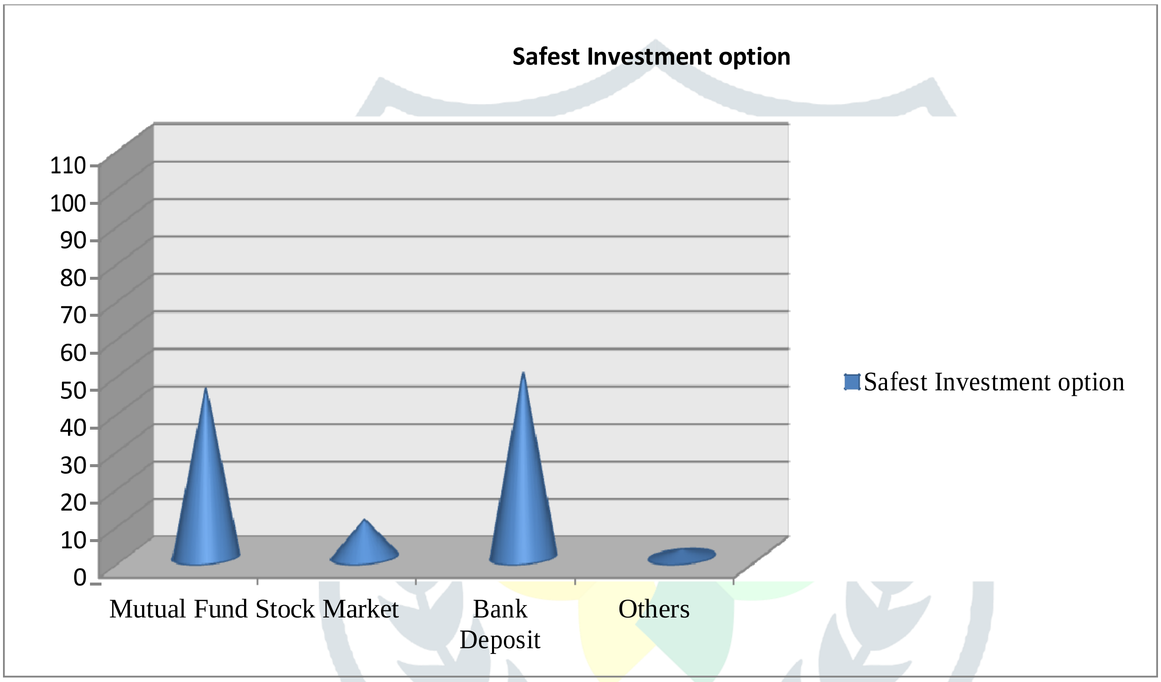


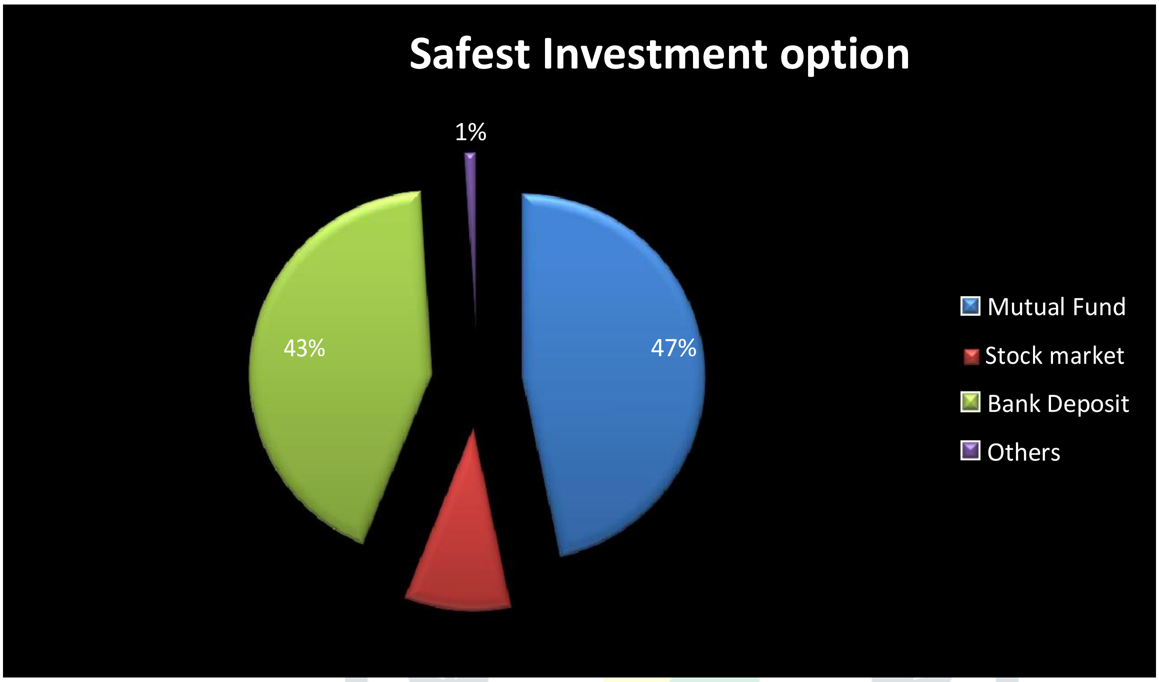
Table: No: 2 - Chi-Square Test

Frequencies			
Investment Preference			
	Observed	Expected **N**	Residual **N**
Mutual Fund	45	26.25	18.75
Stock Market	10	26.25	-16.25
Bank Deposit	49	26.25	22.75
Others	1	26.25	-25.25
Total	**105**		

Test Statistics

Investment Preference	
Chi-Square	**67.457**^{2}
Df	**3**
Asymp. Sig.	The P-Value is < 0.001. The result is significant at p=≤0.05.

Percentage Analysis



As per the data collected most preferable AMC of investors are ICICI because of the schemes are good of ICICI for getting investors to attract and invest in the scheme and next preference is UTI and could be the same reasons in choosing the AMC for the investment.

Table: No- 3 AMC selected by No. Investors

AMC	NO OF INVESTORS
SBI	18
KOTAK	14
UTI	19
ICICI	22
RELIANCE	13
JM FINANCE	3
HDFC	13
OTHERS	3
TOTAL	**105**

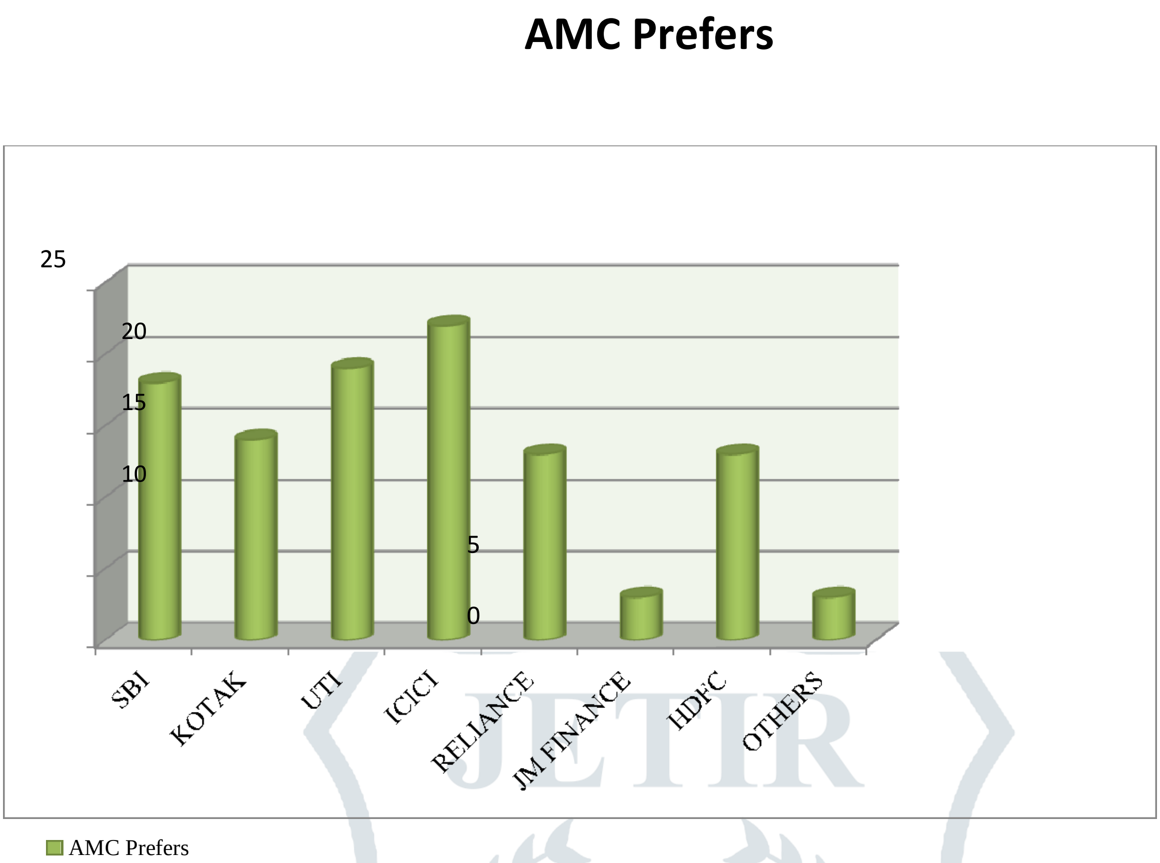

AMC Prefers
25
20
15
10
5
0
SBI
KOTAK
UTI
ICICI
RELIANCE
JM FINANCE
HDFC
OTHERS
AMC Prefers

Table: NO- 4 Chi-Square Test

Frequencies			
Investment Preference			
	Observed	Expected **N**	Residual **N**
SBI	18	13.125	4.875
KOTAK	14	13.125	0.875
UTI	19	13.125	5.875
ICICI	22	13.125	8.875
RELIANCE	13	13.125	-0.125
JM FINANCE	3	13.125	-10.125
HDFC	13	13.125	-0.125
OTHERS	3	13.125	-10.125
TOTAL	**105**		
Test Statistics			
Investment Preference			
Chi-Square	**26.124^2**		
df	**7**		
Asymp. Sig.	The P-Value is < 0.001. The result is significant at p=≤0.05.		

Percentage Analysis

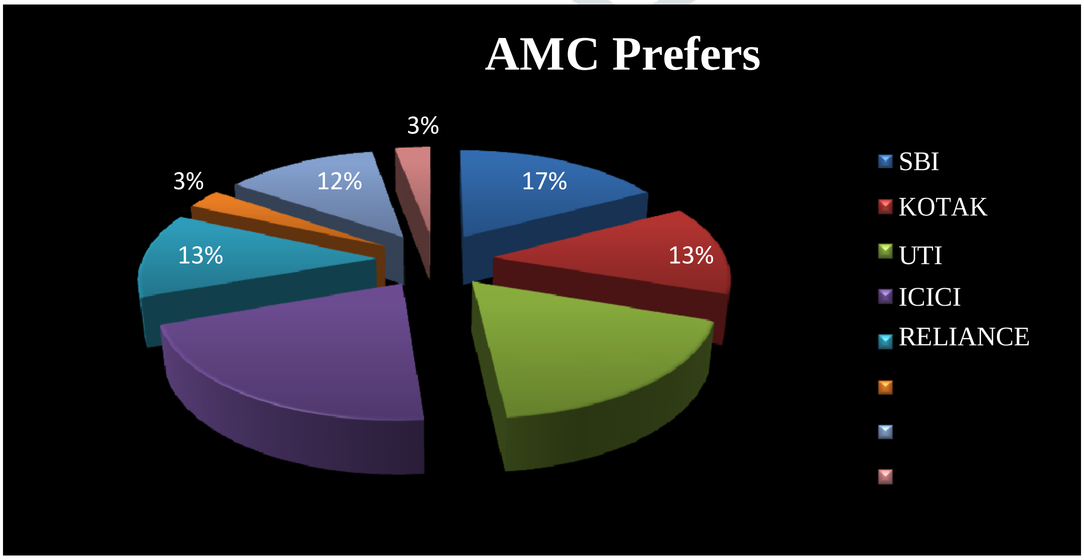
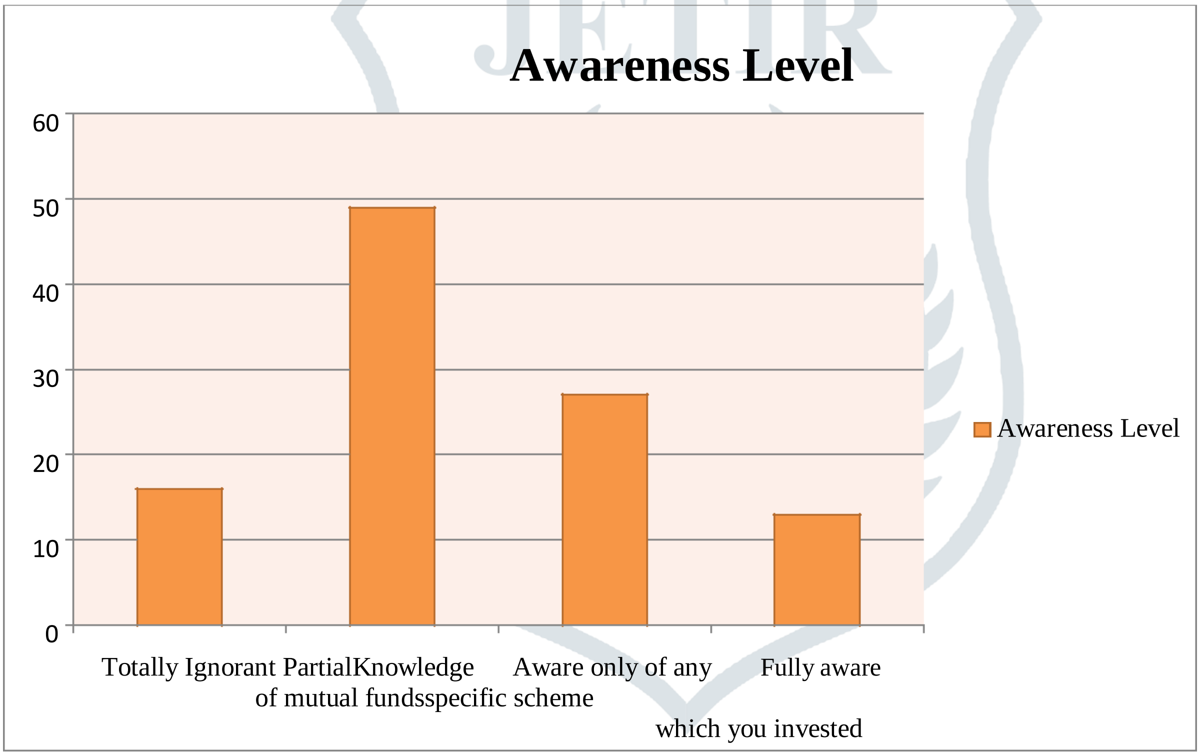


Table: No- 5 Awareness level of Investors

Awareness	No of Investors
Totally Ignorant	16
Partial knowledge of mutual funds	49
Aware only of any specific scheme in which you invested	27
Fully aware	13
TOTAL	**105**

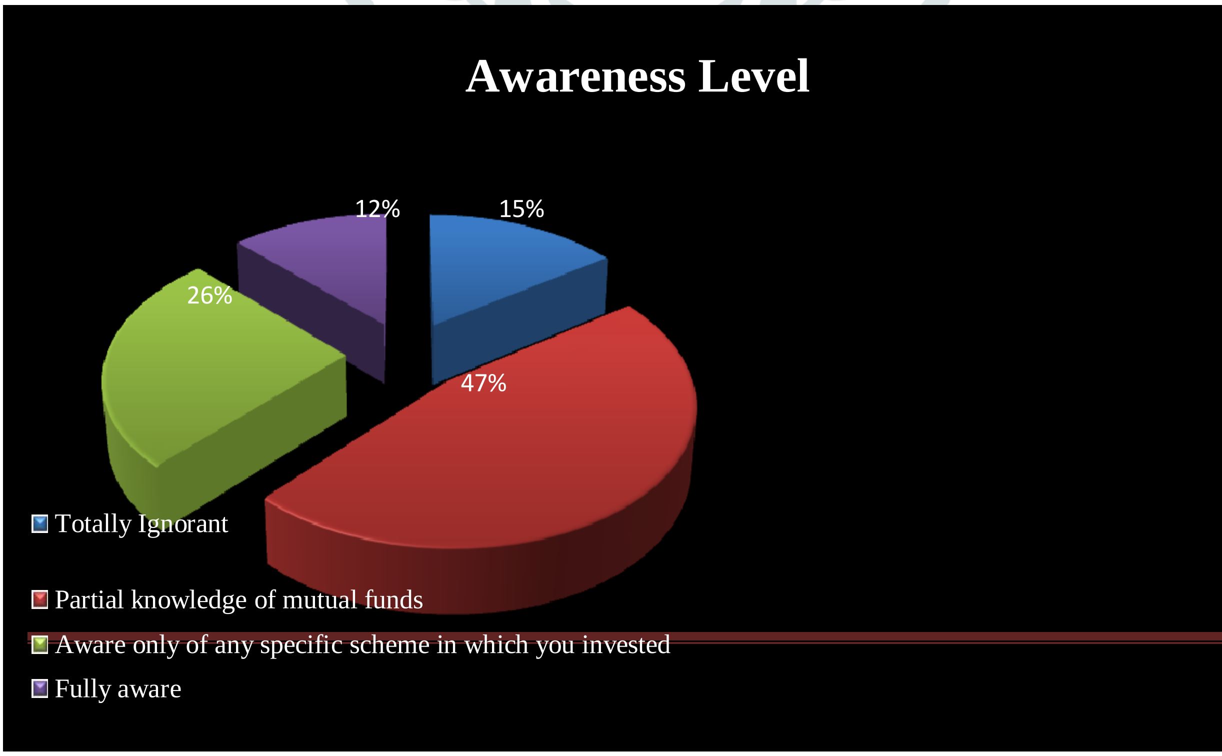


State that there is no significance level of difference in awareness among mutual fund investors

Table: No – 6 Chi-Square Test

Frequencies			
Awareness			
	Observed	Expected **N**	Residual **N**
Totally Ignorant	16	26.25	-10.25
Partial knowledge of mutual funds	49	26.25	22.75
Aware only of any specific scheme in which you invested	27	26.25	0.75
Fully aware	13	26.25	-13.25
TOTAL	**105**		
Test Statistics			
Awareness Level			
Chi-Square	**30.429**[2]		
df	**3**		
Asymp. Sig.	The P-Value is < 0.001. The result is significant at p=≤0.05.		

Percentage Analysis



Findings of the study

i. 68.6% were male and 31.4% were female responses

ii. 54.3% of the people were between the age of 21 - 40, 29.5% were between 41 - 60, 12.4% were between 15 - 20, 3.8% of people were above the age of 60.

iii. 41.9% of the people were qualified UG, 41 % of the people were qualified PG, 17.1% of the people were qualified School.

iv. 76.2% of the investors think that in this highly violated market Mutual Funds are the destination for investments, whereas 21% of investors think that the mutual funds MAY BE the destination for investments, and 2.9% of investors ignored it.

v. 78.1% of the people are interested in investing in Mutual fund, 13.3% of the people are in a dilemma whether to invest in mutual funds are not, and 8.6% of the people are not interested in investing in Mutual fund.

vi. 70.5% of the investors have invested their money in mutual fund, whereas 29.5% had not invested their money in mutual fund.

vii. 71.4% of the investors are satisfied with their investment option, 21.9% of the investors are moderately satisfied with their investment option, 6.9% are not satisfied with their investment option.

viii. 34.3% of the investors prefer low risk factor while investing their money in mutual funds, 28.6% prefer high return, 19% prefer liquidity and 18.1% prefer for company repudation.

ix. 61.9% investors feel more profitable in investing in mutual funds, 25.7% feel more profitable in fixed deposit, 9.5% in equities, 2% in debentures % securities and 1% in crypto curriencies.

x. 46.7% of investors have opined that the bank deposit is the safest investment option, 42.9% says mutual fund, 9.5% says stock market and 1% says debentures.

xi. 61.9% investors say that mutual funds have moderate risks, 30.5% goes with low risks, 7.6% says high.

xii. 46.7% of investors has difficulty in selection of schemes, 41% has lack of knowledge, 33.3% has lack of confidence in service being provided, 28.6% has inefficient investment advisors, 7.6% has bitter past experience, 2% has risk involved in sensitivity of money.

xiii. 65.7% of investors prefer systematic investment, 33.3% prefer one time investment and 1% on rotation.

xiv. 34.3% of people purchase mutual funds from brokers/sub-brokers, 33.3% from brokers only, 29.5% directly from amc's and 3% from other sources.

xv. 21% of people prefer to invest in icici, 18.1% in uti, 17.1% in sbimf, 13.3% in kotak, 12.4% in both hdfc and reliance, 2% in motilal and 1% in sundaram.

xvi. 16.2% of people had invested in icici, kotak and sbi, 13.3% in reliance, 12.4 in hdfc, 10.5% in both jm finance and uti, 5% in others.

xvii. 23.8% investors has used growth fund scheme, 17.1% in mid cap, 15.2% in liquid fund, 12.4% in open ended, 11.4% in regular income fund, 7.6% in long cap, 2.9% in sector fund and 2% in others.

xviii. 32.4% of investors are attracted in better return & safety, 30.5% in regular income, 13.3% in both diversification and reduction in risk and transaction cost, 10.5% for tax benefit.

xix. 46.7% of investors have partial knowledge of mutual funds, 25.7% are aware only of any specific scheme in which you invested, 15.2% are totally ignorant, 12.4% are fully aware

SUGGESTIONS

There are some suggestions for better investing for investors that they should keep their investment for long time keeping in mind the level of risk involves and saving pattern investors first look over the risk factor because they are investing for the maximum returns. Once they invested in mutual fund, they need returns and if it is not giving proper returns to them again it is affecting the interest of the investors to invest in MF.

To keep the interest of the investors in mutual fund the companies will play a vital role to attract the investors to invest in mutual fund so for that companies should bring such plans which is having very low risk

As per the study the investors want safe returns on their investment and all investors know the risk in share market and which is the main reason investors avoid to invest in shares and equities or mutual fund because of the fear of losing the money.

CONCLUSION:

The objective which is set to study the investors view towards mutual fund as per the sample size and test which is applied to the study. Found that the investors are not choosing or feeling confident in investing in mutual fund because they think that mutual fund is risky than other investment option.

The awareness level of mutual fund among the investors are very low because of only having the partial knowledge about the mutual fund which prevent them to invest in mutual fund to avoid risk bearing factor and fear of losing money

The most preference of the investors are the fixed deposit because they feel it is the safest and returns are fixed and not having fear of losing the money

Apart from these found that there are investors facing various problems in selecting mutual fund as an investment option because of share market uncertainties and risk associated with it so investors avoid the investing in mutual fund

Mutual fund are link with share market and investors are not taking advice from expert advisor to guide them for their investment in mutual fund so it creates the difficulty to select the mutual fund scheme beneficial for them.

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