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The Study On Investors Perception Towards Mutual Funds

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Abstract : Due to the growth of mutual fund industry, the investors prefer mutual funds as an investment. Mutual fund companies offer variety of schemes for all type of investors. Now an investor can start his investments from 50. Investment in mutual funds has grown very fast and has spread to even the remotest part of the country where a stock exchange does not function. But the big question is the mutual fund investor has a full knowledge about the capital market or not. The main reason for investing in mutual funds are diversification, flexibility, professional management, low cost etc. The investment behaviour of the people is mainly based on the availability of fund, availability of investment avenues, investment objective, duration of investment, risk, nature of investment, selection fund, attitude towards investment and also the problems encountered in investing on mutual funds. Indian investors have not been absolutely logical and rational in their investment behaviour and their investment decisions are always affected by the definite behavioural factors. The classical financial theories always suggest that external environmental factors like economic factors, political factors, socio-cultural factors, etc., always affect the performance of capital markets and decision making of the investor is always guided by a change in these factors. Since the investor behaviours includes selection of fund families, variables leading to select the mutual fund, attitude towards the investment on mutual funds, reason for switching from are found to another and also the problems encountered in investing on mutual fund industry covers all these areas. Mutual funds are collective savings and investment vehicles where savings of small (or sometimes big) investors are pooled together to invest for their mutual benefit and returns distributed proportionately. The objective sought to be achieved by Mutual Fund is to provide an opportunity for lower income groups to acquire without much difficulty financial assets. They cater mainly to the needs of the individual investor whose means are small and to manage investors portfolio in a manner that provides a regular income, growth, safety, liquidity and diversification opportunities.

IndexTerms – Mutual funds, Investor, Fund, Savings

I. INTRODUCTION

Mutual funds have become one of the most attractive ways for the average person to invest his money. It is said that bank investment is the first priority of people to invest their savings and the second place is for the investment in mutual funds and other avenues. A mutual fund pools resources from thousands of investors and then diversifies its investments into many different holdings such as stocks, bonds or government securities in order to provide high relative safety and returns.

Understanding investors perception regarding the same is very essential for any mutual fund company to perform better and widen their horizon. Presently more and more funds are entering the industry and their survivals depends on the strategic marketing choices of mutual funds companies to survive and thrive in this highly promising industry, in the face of such cut throat competition. Therefore, the mutual fund industry today needs to develop products to fulfil customers' needs and help customer understand how its products to their needs. Thus, this study provokes the authority to take some positive methods for expanding the scope of mutual fund investment. There are many improvements pending in this field and it has to happen as soon as possible so as to call the mutual fund industry an organised and well-developed sector. The AUM of the Indian MF Industry has grown from ₹ 7.22 trillion as on July, 2009 to ₹24.54 trillion as on July, 2019, sharp increase in a span of 10 years. The Industry's AUM had crossed the milestone of ₹10 Trillion (₹10 Lakh Crore) for the first time in May 2014 and in a short span of about three years, the AUM size had increased more than two folds and crossed ₹ 20 trillion (₹20 Lakh Crore) for the first time in August 2017. The Industry AUM stood at ₹24.54 Trillion (₹ 24.54 Lakh Crore) as on 31st July, 2019.

Since the investor behaviours includes selection of fund families, variables leading to select the mutual fund, attitude towards the investment on mutual funds, reason for switching from are found to another and also the problems encountered in investing on mutual fund industry covers all these areas.

Mutual fund industry is in developing stage and getting more aware through the government playing an important role while running a program through advertisement with a tagline "Mutual Fund Sahi Hai".

The various parameters that affect the decision making of investors in mutual fund industry can be categorized as:

1. Risk factor
2. Return factor
3. Liquidity factor
4. Consistency factor
5. Awareness factor

2. Review of Literature

Investors Awareness and Perception about Mutual Funds

This research paper is published by Simran Saini, Dr. Bimal Anjum, Ramandeep Saini in International Journal of Multidisciplinary Research. Indian mutual fund industry has gained popularity in the last few years, earlier UTI has monopoly in the market, but with the passage of time many new players enter into the market that lead to severe competition for UTI, in recent times mutual fund industry has become a BUZZ word in Indian financial system. Objective behind studying this research paper was, investors perception had studied relating to various problems like type of mutual funds, objective behind investing in mutual fund schemes, various roles and responsibilities of financial advisors and brokers, investor mindset, various factors that attract them to invest in mutual funds, how investor gather information (sources).

Indian Investor's Perception towards Mutual Funds

This research paper is published by Dr. Nishi Sharma (2012), Faculty of University institute of Applied Management Science (Punjab University). This research paper talks about Indian mutual funds industry provides a way to diversify the investment portfolio with certain degree of risk, it is supposed to be the most remunerative market for Indian investors. Objective behind studying this research paper was, it studies the investor perception with reference to different characteristics provided by mutual fund companies to attract them for investing in specific funds/schemes.

A study on investors awareness and preference towards mutual funds as an investment option

This research paper is published by Mr. Ankit Goel and Dr. Rajendra K. Khathik in International journal of commerce and management research. This research paper talks about, Due to digitalisation people are becoming more aware and literate day by day in every fields. Earlier FDs, saving account and PPF are more preferable investment avenues but they are not able to beat inflation in present scenario. Objective of this research paper was, investor can explore investment in mutual fund which gave them exposure to various assets classes on the basis of various parameters like age, financial position, risk tolerance and return expectations.

Preference of Investors for Indian Mutual Funds and its Performance Evaluation

This research paper was published by Dr. Shantanu Mehta and Charmi Shah in Pacific business review international. It talks about in India, a small investor generally goes for such kind of information, which do not provide hedge against inflation and often have negative real returns. He finds himself to be an odd man out in the investment game. Thus the success of MFs is essentially the result of the combined efforts of competent fund managers and alert investors. Objective was to know preference of mutual funds investors and performance evaluation of the preferred schemes by the investors, factors that influence buying behaviour mutual funds investors, sources that investor rely more while making investment and preferable mode to invest in mutual funds market.

3. Research Objectives

1. To understand the preferences of investors towards mutual funds.
2. To understand investor awareness about investment in mutual funds.
3. To understand the reasons for not choosing mutual funds for investment purposes.

4. Research Methodology

Statement of the problem

This study is important to know the customer awareness about the mutual fund and how customers are investing their funds in the different investment like equity market, fixed deposit, insurance etc. Secondly, it is also important to know the customer are investing online or offline mode and how frequently the customers are doing online transaction. And if they are not investing through Sharekhan ltd. then what is the reason behind that.

Research Design

A research design is the scientific approach used by the researcher to conduct his study. It is an overall integration of identified and relevant components and data resulting in an appropriate outcome. To come up with accurate results, researcher must use strategic methodology which is in line with type of research chosen. In this study, the exploratory research design was chosen in order to explore and analyse the investor perception towards mutual funds and the investment decision they take based on that. Experimental research is conducted to address the problems which are not clearly defined. It is conducted to get better understanding about the problem, and it will also provide an insight into what are the different aspects taken into consideration when the goals, risk taking ability, past experiences, emotional biases and other factors affecting decision making for investing in mutual funds are taken into consideration.

Sampling

Simple Random Sampling Method takes small portion of the total population to represent entire population. It is one of the simplest sampling techniques. In this study, out of all the known contact some of them are chosen to test the hypothesis and thus simple random sampling technique has been used.

Universe : 500 Sample size : 70

In this study, the data gathered was subjective in nature. Questions were built on information gathered through secondary sources and existing knowledge about the domain. Data was recorded in Google form and documented with the help of electronic media.

Data collection tool :

1. Google form questionnaire circulated through whatsapp
2. Unstructured personal interview

Type of data :

Primary and Secondary data

Primary data :

Questionnaire and unstructured personal interview

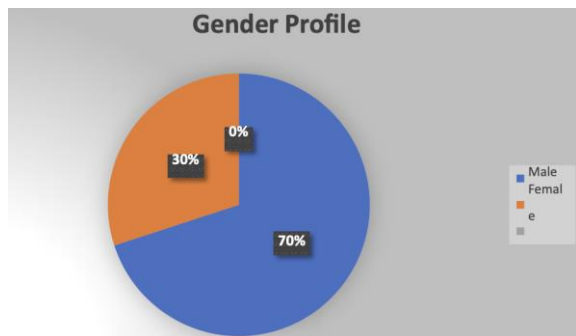
Research papers and information from internet

Data analysis tool

Comparative and statistical Analysis

5. Data Analysis And Interpretation

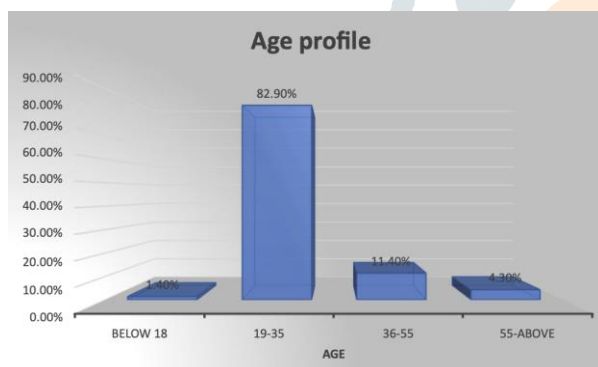
5.1 Representation of Gender profile of respondents



Interpretation

- This information is essential for further studies as males and female's perception towards mutual funds and other securities may differ. This difference may have occurred due to the lesser number of educated and working women in India.
- According to gender psychology men are more likely to take on short term investments as compared to women who would rather hold on to investments for a longer duration.
- Men were more likely to take on more risk and hold riskier portfolios which were likely to produce positive results whereas women took on less risk. Moreover, the majority of men in the study were more focused on short term results whereas women were more focused on long term results and so women also have better long-term investing results than men.

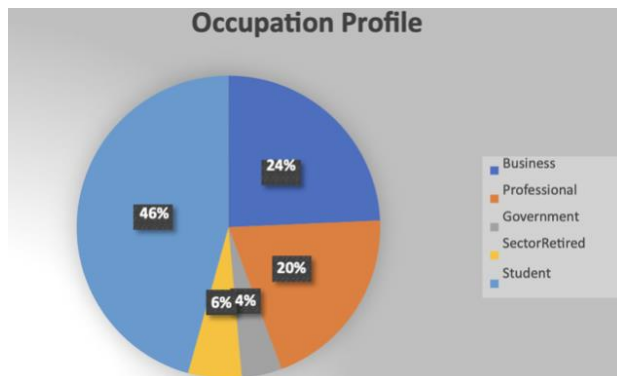
5.2 Representation of the age profile of the respondents



Interpretation-

Investment pattern and portfolio management greatly depends on the age of the investor. According to the survey conducted there are only one respondent below the age 18 solely due to the fact they do not have sufficient knowledge of investing and prefer not to invest as yet. The age bracket of 19-35 shows the maximum number of respondents as they have adequate knowledge and were willing to take risks at this age. It reduces after the age of 36-55 and the investors sort to safer ways of growing their wealth such as tax saving, fixed deposits, public provident fund and debt mutual funds etc. It further falls in the age bracket of 55 and above as most people at this age do not have a source of income and would not invest aggressively.

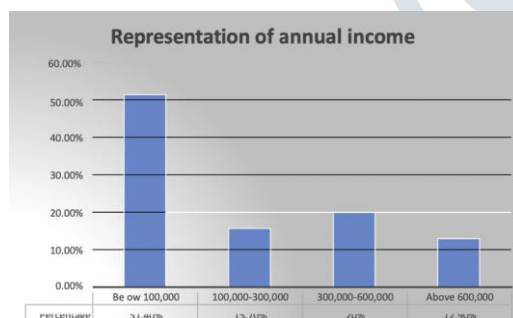
5.3 Representation of occupation profile of the respondents



Interpretation-

- Respondent having their own business constitute to 24% of the total number of respondents, as they possess decent amount of knowledge in this area and are willing to try out various investment opportunities.
- Only 4% of the respondent belong to the government sector. It was found that these respondents earned very low levels of income and weren't willing to take any amount of risks.
- Only 6% of the respondents were retired persons as they have no source of income currently, they do not prefer investing heavily.

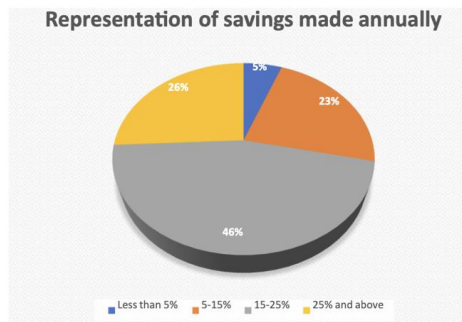
5.4 Representation of annual income of the respondents



Interpretation-

As per the data collected and analyzed, it was found that more than 50% of the respondents belong to the annual income bracket of Rs 100,000 or below, which is mainly because 50% of the respondents belong to the bracket of 19-35 Age. Also, these respondents have high risk-taking capacity as they are in their young age. Approximately 50% belong above Rs 100,000 category, as they have higher income, higher is the capacity to make investments. The respondents who make more money are more likely to take risk as they have sufficient resources to afford taking that kind of risk.

Representation of the percentage of savings made annually



Interpretation:

- 45.7% of the respondents save 15-25% of their annual income this is because most of the respondents participating in this survey belong to the age group of 19-35 and would like to save more at this stage. Also, most of the respondent have an annual income of more than Rs 300,000 and above.
- Understanding the level of savings helps us understand the level of investments of the respondents as higher the rate of saving, higher is the rate of investments and vice-versa.

6. Findings and Conclusion

- It was found that the majority of respondents taking part in this exercise are males. The information is essential for further studies as males and females perception towards mutual funds and other securities may differ.
- It was very clear that the data collected during the survey has found that only one respondents were minors or below 18 years of age. Majority of the respondents belongs to the age of 19-35. As age was a critical factor in planning of doing investment.
- It is clear that the most of the respondents representing 45% belongs to the student as they were in learning and acquiring knowledge regarding mutual funds and other securities. Professional and business person were more exposed to investing.
- It was found that 50% of the respondents belong to the annual income bracket of Rs 100000 or below, which is mainly because most of the respondents were student.
- Also, understanding the level of savings helps us understand the level of investments of the respondents as higher the rate of saving, higher is the rate of investments and vice versa.

Mutual funds have become one of the most attractive ways for the average person to invest his money. It is said that bank investment is the first priority of people to invest their savings and the second place is for the investment in mutual funds and other avenues. A mutual fund pools resources from thousands of investors and then diversifies its investments into many different holdings such as stocks, bonds or government securities in order to provide high relative safety and returns.

Understanding investors perception regarding the same is very essential for any mutual fund company to perform better and widen their horizon.

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