

# A Study on Investor's Perception towards Mutual Funds in Thoothukudi

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**Abstract:** Mutual fund have emerged as an important investment alternative to invest in the Capital markets. They provide an opportunity to avail the services of professionals at a very nominal cost, even in the case of small investments. However, there are many mutual funds in Tamil Nadu particularly in Thoothukudi district, they are competing with each other and offering multiple mutual fund products. Knowing perception of mutual fund investors can help these institutions to market their scheme in a better way. In this context, the proposed study attempts to study the awareness of mutual fund, analyze the perception of investors towards mutual fund, study the factors considered by investors and those which ultimately influence them while investing and also identify the threats of the mutual fund which may adversely affect the investors. The study is expected to throw light on the benefit and limitations of investment to potential investors and provide information to financial institutions to improve their financial products and offerings to the public.

## Introduction

A mutual fund is an investment vehicle made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets. Mutual funds are operated by money managers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus. A mutual fund allows a group of people to pool their money together have it professionally manage, in keeping with predetermined investment objectives. This investment avenue is popular because of its cost- efficiency, risk diversification, professional management and sound regulation. You can invest as little as Rs.1000 per month in a mutual fund. There are various general and the matric mutual funds to choose from and the risk & return possibilities vary accordingly. Mutual funds are diversified investments that help put your eggs into many baskets. To invest, you can buy as little as one share (a unit) of a mutual fund. A mutual fund is a professionally managed type of collective investment scheme that pools money from many investors and invests it in stocks, bonds, shortterm money market instruments, and/or other securities. The mutual fund will have a fund manager that trades the pooled money on a regular basis. The mutual fund organization earns profit by using people's money for investment and the persons who invest in mutual fund acquire financial profit without going into intensive analysis and research on bonds and stocks. The work of stock and bond Market Analysis, Market Research and Market Speculation is done by the mutual fund managers. The people who invest in Mutual Funds are generally exposed to much lower Risk compared to those who directly invest in bonds and stocks. Mutual Fund Investment involves lower Risk as the investment is diversified into different bonds and stocks. So, if at any time Market Value of one particular bond or value of the stocks of any particular company drops, then the loss incurred by the mutual fund can be offset by the Market Gain of any other bond or stocks.

## Origin of the mutual fund:

The origin of the concept of mutual fund dates back to the dawn of commercial history. It is said that Egyptians and Phoenicians sold their shares in vessels and caravans with a view to spreading the risk attached with these risky ventures. However, the real credit of introducing the modern concept of mutual fund goes to the Foreign and Colonial Government Trust of London established in '1868. Thereafter, a large number of close-ended mutual funds were formed in the USA in 1930s followed by many countries in Europe, the Far East and Latin America. In most of the countries, both open-and close-ended types were popular. In India, it gained momentum only in 1980, though it began in the year 1964 with the Unit Trust of India launching its first fund, the Unit Scheme 1964.

## Statement of the problem:

India comes under the grade of developing countries. The reason for the rapid growth and development of the economic prosperity of the country is attained by means of investment. Diverse investments is commercialized and captures the eyes of the investors. Investors are in a flow to invest their capital in shares, bonds, gold, land and mutual funds. The investors need to sort out security and return from their investment. The made off between risk and return also. The investment behavior depends on so many factors which are socio, economic, personal, psychological oriented. Many people pools their money on mutual funds as their investments. The success of the mutual fund depends upon the confidence of the investors. The majority of new investors don't understand the concepts, operations and the advantages of investment in mutual funds before investing. The awareness of mutual fund is low among the investors. Hence, the present study focuses on the investors' perception towards mutual funds.

**Objectives of the study:**

1. To study the level of awareness of mutual fund.
2. To analyze the perception of investors towards mutual fund.
3. To study the factors considered by the investors and those which ultimately influence them while investing.
4. To determine the types of mutual fund, the investor prefers the most.

**Hypotheses:**

The following are the null hypotheses analysed in this study

Ho- There is no significant relationship between educational qualification and reasons behind investors' investment.

Ho- There is no significant relationship between educational qualification and investors' tax planning mechanism.

Ho- There is no significant relationship between gender and income on the preference of tax saving scheme.

Ho- There is no significant relationship between gender and the various schemes of mutual fund.

**Review of literature on mutual funds:**

\*Y. Prabhavathi, N.T. Krishna Kishore (2014)<sup>49</sup>The advent of Mutual Funds changed the way the world invested their money. The start of Mutual Funds gave an opportunity to the common man to hope of high returns from their investments when compared to other traditional sources of investment. The main focus of the study is to understand the attitude, awareness and preferences of mutual fund investors. Most of the respondents prefer systematic investment plans and got their source of information primarily from banks and financial advisors. Investors preferred mutual funds mainly for professional fund management and better returns and assessed funds mainly through Net Asset Values and past performance. \*Pritam P. Kothari & Shivganga C. Mindargi (2015)<sup>50</sup>In his study analyzes the impact of different demographic variables on the attitude of investors towards mutual funds. Apart from this, it also focuses on the benefits delivered by mutual funds to investors. To this end, 200 respondents of Solapur City, having different demographic profiles were surveyed. The study reveals that the majority of investors have still not formed any attitude towards mutual fund investments.

Relationship between Educational Qualification and reason behind investors' investment

**Table 1.1 Chi-square between Educational Qualification and reason behind investors' investment**

Factor	Critical Value	df	Sig. Value
Pearson Chi-Square	47.718 <sup>a</sup>	9	.000*

\*Significant at 5% level

Table 1.1 shows the association between educational qualification of the investors' and reason behind their investment using Person's chi-square test. As per the rejection of null hypothesis  $p=0.000$  ( $p<0.05$ ), it is concluded that educational qualification is associated with the reason behind their investment. Therefore, there is a significant relationship between educational qualification and reason behind investors' investment.

Relationship between Educational Qualification and Tax benefits in Mutual fund

**Table 1.2 One way ANOVA for Educational Qualification and Tax benefits in**

Source of Variation	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	16.103	3	5.368	6.431	.000*
Within Groups	146.897	176	.835		
<b>Total</b>	<b>163.000</b>	<b>179</b>			

\* Significant at 5% level

Table 1.2 shows the one way ANOVA that explores the Educational qualification and tax benefits in Mutual fund. There is a statistically significant difference between groups as disclosed by the value of  $F = 6.431$  where the p value is 0.000 ( $p < 0.05$ ) and this indicates that the null hypothesis is rejected. Therefore, it is concluded that educational qualification of investors' has an influence on tax planning enabling them to enjoy tax benefits through investment in Mutual fund.

**Table 1.3 Preference towards the type of mutual fund**

Statement	SA	A	N	D	SD	TOTAL	MEAN SCORE	RANK
Open ended scheme	55	69	32	20	3	690	3.83	III
Close ended scheme	27	81	51	15	6	648	3.60	IV
Balanced scheme	35	55	73	17	0	648	3.60	IV
Growth scheme	64	97	13	6	0	759	4.20	II
Tax saving scheme	104	54	12	6	4	788	4.38	I

Source: Primary data

The above table 1.3 reveals the respondents preference towards the mutual fund using Likert's scale technique. It is observed that tax planning scheme has highest mean score of (4.38) and is therefore ranked first, followed by growth scheme (4.20) which ranked second, and open ended scheme (3.83) which ranked third.

**Table 1.4 Descriptive Statistics for Gender, Income and Tax Savings Scheme**

Dependent Variable: Tax saving scheme				
Gender	Annual income	Mean	Std. Deviation	N
Male	>300000	4.70	.470	23
	300000-400000	4.64	.826	28
	400000-500000	4.57	.787	7
	Above 500000	4.33	.866	9
	Total	4.61	.717	67
Female	>300000	3.67	.888	12
	300000-400000	4.64	.505	11
	400000-500000	4.14	.378	7
	Above 500000	4.67	.707	9
	Total	4.26	.785	39
Total	>300000	4.34	.802	35
	300000-400000	4.64	.743	39
	400000-500000	4.36	.633	14
	Above 500000	4.50	.786	18
	Total	4.48	.759	106

Source: Primary data

Table 1.4 shows the mean score and standard deviation of the gender and annual income of the investors' and their preference towards tax savings scheme. The highest mean score value for male is 4.70 (for the annual income of less than Rs. 300000), 4.64 (annual income Rs. 300000-400000), 4.57 (400000-500000) and 4.33 (above 500000). The highest mean score for the female is 4.67 (above 500000), 4.64 (Rs. 300000-400000), 4.14 (400000-500000), 3.67 (less than Rs. 300000). Hence, it is concluded that majority of the male investors' who earn within the range of 300000-400000 and the majority of female investors' who earn above Rs. 500000 p.a. show high preference towards tax savings scheme. It is also observed that the mean value of almost all categories lie between 40-50, hence all investors prefer investment for enjoying tax benefits.

### Findings:

It is observed that there is a significant relationship between educational qualification and reason behind investors' investment and also it is concluded that educational qualification of investors' has an influence on tax planning enabling them to enjoy tax benefits through investment in Mutual fund. It is observed that tax planning scheme has highest mean score of (4.38) and is therefore ranked first, followed by growth scheme (4.20) which ranked second, and open ended scheme (3.83) which ranked third. It is concluded that gender and annual income of the investors' does not influence the preference of tax saving scheme. Hence, gender and annual income of the investors' have an impact on the preference of tax saving scheme. The two way ANOVA that examines the effect of gender and the annual income of investors' with the preference of tax saving scheme. There is a statistically significant interactive influence between the effect of gender and annual income on the preference of tax saving scheme as exposed by the value of  $F=4.452$  where  $p$  value is  $0.006$  ( $p<0.05$ ). This indicates that the null hypothesis is rejected and alternative hypothesis is accepted. Therefore, gender and annual income of the investors' influences the preference of tax saving scheme. It clearly indicates the ranking of factors which the investors consider the most while investing in Mutual fund. It found that with a mean score of 3.68 is Performance ranked first, 'Services ranked' as second (3.80), 'Return pattern' ranked third (3.99), 'Risk factor' got the fourth place (4.19), 'Portfolio' ranked fifth (4.64), 'Wealth creation' ranked sixth (4.78), 'Quality' ranked as seventh(5.01), and 'Professional management' (5.90). Majority of the investors have said that the factor which they consider the most while investing in Mutual fund is 'Performance'.

It reveals the respondents opinion on benefits of mutual fund using Likert's scale technique. It is observed that mutual fund helps in tax planning has highest mean score of (4.17) and is therefore ranked first, followed by mutual fund provides long term benefits (4.09) which ranked second, and investment in mutual fund is satisfactory (3.73) which ranked third.

### Conclusion:

Mutual fund a source of investment issued by banks plays vital role in the current scenario, where gold investments, land investments are highly speculative. Market based mutual funds are accepted by investors, if they are highly risk bearers. Now a days, after demonetization policy people prefer mutual fund, than deposits and shares. Guaranteed mutual fund, are highly preferred by pensioners, middle class people and even companies. Current study identified that this awareness in Thoothukudi is highly upcoming.

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