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INVESTORS' PERCEPTIONS ON MUTUAL FUNDS: AN INDIAN PERSPECTIVE

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Abstract

Mutual funds are most appropriate investment for an investor as it offers a chance to invest in a diversified, professionally managed basket of securities at a reasonably low cost. It has become important to study mutual fund from a different angle, which is to emphasis on investor's perception. This Study attempts to find out the significance of demographic factors of population such as gender, age, education, occupation, income, investment over several elements of investment decisions. The study is focused on understanding the investor's perception and the preferred mode of communication which majority of the investors use for assessment of the information of the mutual funds with respect to the various demographic variables.

Keywords: Investor's perception, mutual fund, performance of mutual fund, investment

Introduction

Investment has different meaning in the context of finance and economics. Financial investment is putting money into something with the expectation of gain that upon thorough analysis has a high degree of security for the principle amount, as well as security of return, within an expected period of time.

A mutual fund is a collective investment instrument arrangement. In India three entities are central to a mutual fund: the supporter, the trust and the asset management company. The supporter promotes the mutual fund which will be organized by the trust. It is an umbrella organization, which floats various schemes in which the investment public can participate. Mutual Funds have record a very impressive growth in India. The AMC is the operational face of the Mutual fund which structures mutual fund products, markets them and mobilizes funds, manages funds and services the investors.

The mutual funds provide a variety of products available to suit the investor's objectives. Generally they can be classified under three broad classifications. Firstly, funds are generally classified in terms of their constitution as open- ended and close ended. The distinction depends upon whether they give the investors the option to redeem and buy units at any time. From the fund itself (open ended) or whether the investors have to stay for a given maturity before they can redeem their units to the fund (close ended). Knowledge of investor's perception is important because the perception of investors can influence the investment pattern and his investment behavior like investment preference on the basis of age, gender, education, income, occupation etc.

During the period Mutual Fund can increase in domestic saving and improve the deployment of

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investment through market. The main scope of the study is performed top five schemes are balanced fund scheme, Gilt fund scheme, Liquid Money Market fund scheme, Income fund scheme, Equity diversified fund scheme, Tax planning fund scheme (Bhayani & Patidar, 2006).

The study concludes that the investors who have a longer holding period of 5 years and above for their investments could identify the appropriate mutual fund schemes such as aggressive hybrid equity/ balanced fund, large cap fund, multi-cap fund, mid cap fund, small cap fund and equity linked savings scheme and generate positive returns, which are often better than the returns of fixed income securities. By doing so, they can create a better corpus to fulfill their goals at relative ease when compared to investing only in fixed income securities such as bank fixed deposits to achieve their goals (Ramasamy & Pachiyappan, 2019).

Study reveals that the feature of return from the investments and rating by credit agency is the upmost concern of the investors Analysis of the study reveals that financial literacy of respondents is very important for making investment in Mutual funds. Therefore Mutual fund companies should promote financial awareness amongst the respondents so as to channelize their income and savings towards Mutual Funds. For achieving heights in the financial sector, the mutual fund companies should formulate the strategies in such a way that helps in fulfilling the investors' expectations. New and more innovative schemes should be launched from time to time so that investor's confidence should be maintained (Wadhwa et al., 2015).
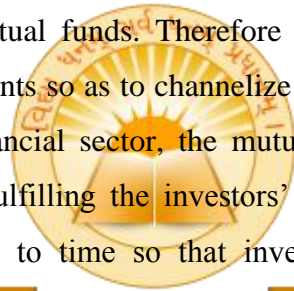
The demographical factors like gender, income and savings have significant influence on the investor's attitude towards mutual funds investment. So, initiative should be taken to increase the satisfaction of investors. Policy maker can undertake action to ensure sufficient return on investment so that investor may become happy. Planners should encourage private companies to raise fund through mutual fund. To create awareness among the market participants Security and Exchange Commission can take both education and training program (Begum & Rahman, 2016).

It attempted to understand the effect of demographic factors in mutual fund investment decisions. The study tells that the investors' perception is reliant on their demographic profile. Investor's age, marital status and profession has a direct impact on investor's choice of investment. The research also reveals that the liquidity and transparency are some factors which have a high impact on investment decisions. (Kumar, n.d.)

Investing in successful Mutual Fund needs comprehensive understanding of the peculiarities of the stock exchanges and market movement and also the awareness of the investors. This research paper has made an effort to recognize the investment behavior of investors in connection with the factors impact on the decision making process. It is witnessed that numerous respondents have fear of Mutual Fund. They believe their money will not be secure in Mutual Fund. Investors require basic knowledge of Mutual Fund and its related financial planning terms. Most of the people do not investing in mutual fund due to lack of awareness although they have fund to invest (Swadia, n.d.).

The objective to test whether the choice of public and private sector mutual funds is independent of demographic profile and to identify the factors affecting investors perception and the choice of public and private sector mutual funds. In the study it was found that the marital status and livelihood have direct impact on the investor's choice of investment. It revealed that the Liquidity, Flexibility , Tax savings, service quality and transparency are the primary factors which have a higher impact on awareness of investors and monetary and core product are the influencing factors which gives them required boost in the investment process (Rathi & Yadav, n.d.).

There is a need to study the effect of various demographic variables on the perception of the investors, understand the experience of the investors towards mutual funds. The broader objective is to study the relationship amongst various demographic variables and the perception of the investors towards the mutual funds.

Private sector institutions are facing a tough competition even from the new entrants who are entering from foreign markets in domestic markets by way of merger with domestic players. The study is being undertaken to understand the perception of the investors towards the product and it will help the institutions to form innovative and customized products as per the age group, income, profession, sex and occupations. The needs and expectations of the investors towards the mutual funds will be evaluated and understood with the help of this study. Based on above study of literature review following hypothesis 1 & 2 were formulated.

H1: There is no significant relationship between demographic factors and the good quality advice from the distributor

H2: There is no significant relationship between demographic factors and the Entry/Exit load of mutual fund scheme in comparison with return earned

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H3: There is no significant relationship between demographic factors and the monthly updates as a source of information for analyzing the performance of the mutual fund.

H4: There is no significant relationship between demographic factors and the annual reports as a source of information for analyzing the performance of the mutual fund.

Research Methods

A research design is a backbone for carrying out any research project at hand. It constitutes the structure for the collection, measurement and analysis of the data. For the work at hand descriptive research design is used to study the cause and effects through possible relationships among variables under study. Primary data have been collected through structured questionnaires and secondary data have also been collected from various sources.

All the investors who are investing their money in various investment avenues in Ahmedabad, Baroda, Jamnagar, Rajkot, Surendranagar have been identified as sampling elements. All the samples are selected haphazardly from the sub-geographical urban areas of Gujarat State. So, area sampling method was adopted to find the list of respondents for the research study.

For the primary data, it was preferred to use a very structured and systematic way to collect the replies from 250 respondents in the survey of research study. The secondary data needed for the study were collected from the relevant online thesis, online research articles, journals, books, magazines and websites. A well-structured questionnaire was developed after an extensive review of preferable marketing strategies and digital marketing literatures. The reliability test has been done to check the reliability of the data. Responses were made on a Likert scale, with 1 representing 'strongly disagree' and 5 representing 'strongly agree' The data have been tested with Chi – Square test at 5% of significance level to test all the hypothesis through statistical software SPSS.

Results and Discussion

H1: **There has significant relationship between demographic factors and the good quality advice from the distributor**

There are various factors that influence investment decision making process. Distributor of any particular mutual fund has major impact on investment decisions. Chi – square test, at 5% significance level, has been applied to find out if there is any significant relationship between demographic factors and the good
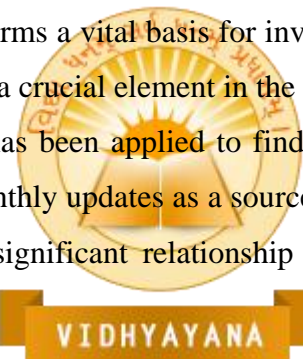
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quality advice from the distributors. Table 1 clearly shows that most of the demographic factors have significant relationship with good quality advice.

*H2***: There has significant relationship between demographic factors and the Entry/Exit load of mutual fund scheme in comparison with return earned**

There are various factors that influence investment decision making process. Distributor of any particular mutual fund has major impact on investment decisions. Chi – square test, at 5% significance level, has been applied to find out if there is any significant relationship between demographic factors and the entry/exit load of mutual fund scheme in comparison with return earned. Table 2 clearly shows that most of the demographic factors have significant relationship with entry/exit load of mutual fund scheme.

*H3***: There has significant relationship between demographic factors and the monthly updates as a source of information for analyzing the performance of the mutual fund.**

Awareness on investment avenues forms a vital basis for investment decisions. The sources from where one can acquire awareness would also be a crucial element in the process of investment decision making. Chi – square test, at 5% significance level, has been applied to find out if there is any significant relationship between demographic factors and the monthly updates as a source of information. Table 3 clearly shows that most of the demographic factors have significant relationship with the monthly updates as a source of information for analyzing mutual fund.

*H4***: There has significant relationship between demographic factors and the annual reports as a source of information for analyzing the performance of the mutual fund.**

Frequency of investment varies from individual to individual. The frequencies of investments may be weekly, monthly, quart-yearly, half-yearly, and annually. The study reveals that most of the people are inclined to use annual reports to analyze the performance of mutual fund. Table 4 clearly shows that demographic factors have significant relationship with the annual reports as a source of information for analyzing the performance of mutual fund.

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Conclusion

After responsibility the cross tabulation of Demographic variables like gender, age, marital status, qualification, occupation in addition to annual income of the respondents with respect of investor's perception towards the mutual funds it may be summarized that the AMC's should design the products as per the demographic group to increase its penetration of mutual funds to an assortment of different strata of the investors. Importance is given by various groups amongst the demographic variables which are of most important importance to understand the perception of the investors towards mutual funds.

On close exam of the demographic variables with respect to the preferred source of information for investing in mutual funds in most of the cases it has been found that the groups are needy on various sources of information intended for investing. This data can provide the AMC's to understand the investors need about the information of the mutual funds at respective sources. AMC's could use such sources instead of advertisements which will definitely reflect the performance of their funds and which will be evaluated by the investors before investing.

While conduct the statistical test on the Investor's preferences it was found that variables like Good Investment Instrument, speculation in Mutual Fund is better than shares, Mutual Funds provide certain and consistent returns, less calculation is needed before investing in mutual funds have received the maximum importance amongst all the factors.

Investors are satisfied from the mutual funds due in the direction of the factors like Timeliness in getting Annual reports, Availability of options, performance of the fund, options for payment, risks, potential returns . So the AMC's should try to maximize the satisfaction of the investors by understanding the factors and maintaining consistency of those factors.

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Annexure

Table 1

Relationship between demographic factors and the good quality advice from the distributor

Demographic Factors	Value	df	Sig. Value	Sig or Not Sig
Gender	3.722	3	.081	Not Significant
Age	25.309	9	.000	Significant
Marital Status	9.565	6	.003	Significant
Education	30.701	9	.000	Significant
Occupation	23.175	9	.000	Significant
Annual Income	27.115	9	.000	Significant

Table 2

Relationship between demographic factors and the Entry/Exit load of mutual fund scheme in comparison with return earned

Demographic Factors	Value	df	Sig. Value	Sig or Not Sig
Gender	9.378	3	.000	Significant
Age	25.726	9	.000	Significant
Marital Status	17.006	6	.000	Significant
Education	22.866	9	.000	Significant
Occupation	31.818	9	.000	Significant
Annual Income	57.209	9	.000	Significant

Table 3

Relationship between demographic factors and the monthly updates as a source of information for analyzing the performance of the mutual fund

Demographic Factors	Value	df	Sig. Value	Sig or Not Sig
Gender	15.781	4	.003	Significant
Age	31.556	6	.000	Significant
Marital Status	17.560	8	.001	Significant
Education	54.268	6	.000	Significant
Occupation	70.112	12	.000	Significant
Annual Income	42.198	6	.000	Significant

Table 4

Relationship between demographic factors and the annual reports as a source of information for analyzing the performance of the mutual fund

Demographic Factors	Value	df	Sig. Value	Sig or Not Sig
Gender	13.554	3	.004	Significant
Age	32.812	9	.000	Significant
Marital Status	16.396	6	.012	Significant
Education	37.913	9	.000	Significant
Occupation	131.619	9	.000	Significant
Annual Income	51.554	9	.000	Significant