

AN ANALYTICAL STUDY ON INVESTORS PERCEPTION TOWARDS MUTUAL FUNDS

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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 funds from a different angle, which is to emphasis on investor's perception. This research paper attempts to focus attention on the influence of various factors influencing investors' perception towards mutual funds. A survey was conducted and data was collected by applying Convenience method of sampling. Statistical tools like "Chi-Square Test" and "Correlation" were applied to analyze the data. The results of Chi-Square test revealed an association amongst the demographic variables like gender and monthly income with factors like tax benefit and liquidity influencing the investment in mutual funds. The Correlation test also revealed that there is a significant relationship amongst the various factors which influence the Investor's perception towards performance of mutual fund.*

Key Words: *Investors perception, mutual funds, performance, investment*

1. INTRODUCTION

A mutual fund is an investment mode for investors who gather their savings for investing in diversified portfolio of securities with the intention of attractive yields and increase in their value. The profit or loss is shared by the investors in proportion to their investments. Factors affecting Mutual Fund investments are risk factor, regular income factor, return factor, liquidity factor, flexibility factor and awareness factor. The mutual funds generally come out with various numbers of schemes with different investment objectives, which are propelled from time to time. Various types of Mutual Funds are Growth fund, income fund, money market fund, equity fund, debt fund, open-ended fund, closed-ended fund, balanced fund, tax savings fund, index fund and sector specific fund. Investor perception about an investment would mean how the investor visualises or sees the different investment opportunities. Knowledge of investor perception is important because the perception of investors can influence the investment pattern and his investment behaviour like risk tolerance level, investment preference on the basis of age, gender, education, income, occupation etc.

2. REVIEW OF LITERATURE

Sharma & Agarwal (2015) 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. On the contrary **Subramanya (2015)** identified that the socio economic factors like age, gender, education, income and savings influence on investor's perception towards mutual fund is not encouraging but the investor's age and saving habit of the respondent is closely correlated.

Kumar & Bansal (2014) focused attention on various parameters that highlights investor's perception on mutual funds. It was calculated that the scheme of mutual fund investment were not well-known to many of the investors as still the investors trust upon the traditional form of investments like investment in banks and 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 anticipated result as specified in the objective during inception of mutual fund scheme. It was also found from the research that extreme number of mutual fund investor's has to depend upon their brokers and agent to invest in mutual fund.

Rathnamani (2013) concluded in her research that many investors prefer to invest in mutual fund in order to obtain high gain at low level of risk, safety and liquidity. However, **Khitoliya (2014)** examined through her research that majority of the respondents in the age group of 35-44 years wish to invest in mutual fund having moderate risk which guarantees wealth maximization followed by balanced and income funds.

Similar results have been seen in the age group of 25-34. But a reverse trend was seen in the age group of 45 years and above where majority are risk averse as they wish to invest in mutual fund schemes which assures safety of principal amount followed by balanced fund and growth fund.

3. DESIGN OF THE STUDY

3.1. Statement of the Problem

There has been no comprehensive study establishing the perception of investors and factors or characteristics influencing the investment in mutual fund. Hence, the main focus of the study is to know the basis under which the mutual fund investment is done, whether it's as per the factors, schemes, nature or structure of the funds.

3.2. Need of the Study

The main purpose of this study is to analyse the investor's perception towards mutual fund. Further, the study also enables us to understand if the investor perception is dependent on the demographics of the investor along with various other factors.

3.3. Objectives of the Study

- To determine the association between the demographic profile of respondents and various factors influencing the investment in mutual funds.
- To know the significant relationship among the factors influencing Investor's perception towards performance of mutual fund.

3.4. Measurement of Scale: The study is primarily based upon primary data. For this study the structured Questionnaire which consists of 5 point Likert scale was presented to the respondents to collect their views.

3.5. Sampling: Sampling size- 103& Sampling technique- Convenience sampling.

3.6. Research Method: Descriptive research.

3.7. Research Instrument Used for Data Analysis: The collected data will be analysed through statistical tools like correlation & chi-square test.

3.8. Limitations:

- The size of the sample compared to the population is small and hence it might not indicate the ideas of entire population.
- The geographical area of this study is confined to the opinions expressed by the respondents of Bengaluru city only.
- A few respondents might have furnished the required information from their momentary memory hence the collected data might be subject to bias.
- Since the study covers the overview of investing in mutual fund, it cannot be generalized.
- Few respondents do not agree to express their opinion and understandings on their investment and have stated common view on investment practices.

4. DATA ANALYSIS AND INTERPRETATION

4.1. Reliability Statistics

Table 4.1: Reliability Statistics

Cronbach's Alpha	N of Items
0.586	16

This statistical test measures the consistency between the survey scales. The study reliability score is 0.586. It shows the goodness of fit of data.

4.2. Frequency Table

Table 4.2: Demographic profile of the respondents

Demographic Profile by Age		
Age group	No of respondents	Percent
20 – 30	65	63.1
30 – 40	30	29.1
40 – 50	2	1.9
Above 50	6	5.8
Total	103	100.0

Demographic Profile by Gender		
Gender	No of respondents	Percent
Male	49	47.6
Female	54	52.4
Total	103	100.0
Demographic Profile by Education		
Education	No of respondents	Percent
U.G	34	33.0
P.G	58	56.3
Others	11	10.7
Total	103	100.0
Demographic Profile by Occupation/profession		
Occupation	No of respondents	Percent
Employed	32	31.1
Self-employed	12	11.7
Student	50	48.5
Others	9	8.7
Total	103	100.0
Demographic Profile by Monthly Income		
Income	No of respondents	Percent
<50,000	70	68.0
50,000-1,00,000	19	18.4
1,00,000-2,00,000	5	4.9
>2,00,000	9	8.7
Total	103	100.0

Source: Primary data

4.3. Descriptive Statistics

Table 4.3: Descriptive Statistics

Influential factors	Mean	Std. Deviation
High return	3.28	.974
Risk	3.55	.894
Liquidity	3.57	.749
Regular income	3.57	.966
Tax benefit	3.70	.968
Flexibility	3.70	.802
Broker’s advice	3.16	.937
Performance of schemes	3.47	.958

4.4. Chi-Square Test

Hypothesis 1

H₀-There is no association between the demographic variables and the various influential factors of mutual fund investment.

H₁- There is association between the demographic variables and the various influential factors of mutual fund investment.

Table 4.4: Chi-square analysis on the association among demographics of respondents and factors influencing investment in Mutual funds

Factors		Age	Gender	Educational qualification	Monthly Income	Occupation /Profession
High return on investments	Chi-square	11.544	7.056	7.138	7.852	9.162
	Sig.	0.483	0.1329	0.5217	0.7966	0.6890
Risk involved in investment	Chi-square	20.430	6.447	12.649	7.094	17.505
	Sig.	0.0593	0.1681	0.1245	0.8513	0.1315
Liquidity of the company	Chi-square	11.755	2.846	4.012	30.043	8.820
	Sig.	0.4655	0.5838	0.8560	0.0027	0.7181

Regular income from investment	Chi-square	15.252	3.468	6.904	18.043	8.831
	Sig.	0.2279	0.4827	0.5470	0.1143	0.7172
Tax benefit from investment	Chi-square	14.837	10.964	7.650	10.983	13.621
	Sig.	0.2504	0.0269	0.4684	0.5303	0.3255
Flexibility of investment	Chi-square	9.153	4.684	4.877	11.773	15.197
	Sig.	0.6897	0.3212	0.7706	0.4641	0.2308
Broker's advice	Chi-square	5.565	4.820	7.692	6.614	7.164
	Sig.	0.9364	0.3062	0.4640	0.8820	0.8466
Performance of schemes of investment	Chi-square	11.500	2.626	6.001	11.478	6.668
	Sig.	0.4866	0.6222	0.6471	0.4884	0.8787

The significance value for the demographic variables such as gender and monthly income is less than 0.05. Hence, we reject the null hypothesis and conclude that there is an association amongst the demographic variables like gender with the tax benefit from investment in mutual funds and monthly income also has a significant association with factors like liquidity of the company.

The significance level of all the other factors mentioned further is more than 0.05. Hence we accept the null hypothesis and conclude that there is no association between the demographic variables and the various influential factors of mutual fund investment. Demographic variables such as age, educational qualification and occupation/profession has no significant association with the various influential factors like High return on investments, Risk involved in investment, Liquidity of the company, Regular income from investment, Tax benefit from investment, Flexibility of investment, Broker's advice and Performance of schemes of investment.

Correlation Test Hypothesis 2

H₀-There is no relationship amongst the factors which influence the Investor's perception towards performance of mutual fund.

H₁-There is a relationship amongst the factors which influence the Investor's perception towards performance of mutual fund.

Table 4.5: Correlation analysis among the various factors influencing Investor's perception towards performance of mutual fund.

Influential Factors		High return on investments	Risk involved in investment	Liquidity of the company	Regular income from investment	Tax benefit from investment	Flexibility of investment	Broker's advice	Performance of schemes of investment
High return on investments	Pearson Correlation		.315**	0.193	.254**	.267**	0.147	0.102	.341**
	Sig (2-tailed)		0.001	0.050	0.010	0.006	0.138	0.305	0.000
Risk involved in investment	Pearson Correlation	.315**		0.093	-0.076	-0.066	0.070	-0.045	0.120
	Sig (2-tailed)	0.001		0.350	0.448	0.506	0.479	0.651	0.229
Liquidity of the company	Pearson Correlation	0.193	0.093		.260**	0.118	0.127	.235*	.267**
	Sig (2-tailed)	0.050	0.350		0.008	0.234	0.203	0.017	0.007
Regular income from investment	Pearson Correlation	.254**	-0.076	.260**		.333**	.237*	.302**	.429**
	Sig (2-tailed)	0.010	0.448	0.008		0.001	0.016	0.002	0.000
Tax benefit from investment	Pearson Correlation	.267**	-0.066	0.118	.333**		.311**	.247*	.565**
	Sig (2-tailed)	0.006	0.506	0.234	0.001		0.001	0.012	0.000
Flexibility of investment	Pearson Correlation	0.147	0.070	0.127	.237*	.311**		0.050	.516**
	Sig (2-tailed)	0.138	0.479	0.203	0.016	0.001		0.618	0.000
Broker's advice	Pearson Correlation	0.102	-0.045	.235*	.302**	.247*	0.050		.399**
	Sig (2-tailed)	0.305	0.651	0.017	0.002	0.012	0.618		0.000
Performance of schemes of investment	Pearson Correlation	.341**	0.120	.267**	.429**	.565**	.516**	.399**	
	Sig (2-tailed)	0.000	0.229	0.007	0.000	0.000	0.000	0.000	

The significance level of all the factors mentioned below is less than 0.01. Hence we reject the null hypothesis and conclude that there is a relationship amongst the factors which influence the Investor's perception towards performance of mutual fund.

- The factor High return on investment has a positive significant relationship with Risk involved in investment, Liquidity of the company, Regular income from investment, Tax benefit from investment and Performance of schemes of investment as they have sig. values 0.001, 0.050, 0.010 and 0.006 respectively;
- The factor Performance of schemes of investment has a positive significant relationship with all the influential factors as they all have 0.000 sig. values except for Risk involved in investment;
- The factor Risk involved in investment has a positive significant relationship only with high return on investment which has 0.001 significance value;
- The factor Regular income from investment has a positive significant relationship with all the influential factors except for Risk involved in investment;
- The factor Liquidity of the company has a positive significant relationship with Performance of schemes of investment, Regular income from investment and High return on investment as they have sig. values 0.007, 0.008 and 0.050 respectively;
- The factor Tax benefit from investment has a positive significant relationship with Performance of schemes of investment, Flexibility of investment, High return on investments and Regular income from investment as they have sig. values 0.000, 0.001, 0.006 and 0.001 respectively;
- The factor Broker's advice has a positive significant relationship with Regular income from investment and Performance of schemes of investment as they have sig. values 0.002 and 0.000;
- The factor Flexibility of investment has a positive significant relationship with Tax benefit from investment and Performance of schemes of investment as they have sig. values 0.001 and 0.000

The significance level of all the factors mentioned below are less than 0.05 hence we reject the null hypothesis and conclude that there is a relationship amongst the factors which influence the Investor's perception towards performance of mutual fund.

- The factor Broker's advice has a positive significant relationship with Liquidity of the company and Tax benefit from investment as they have sig. values 0.017 each;
- The factor Regular income from investment has a positive significant relationship with Flexibility of investment which has a sig. value 0.016.

5. FINDINGS, SUGGESTIONS & CONCLUSION

5.1. Findings

- Majority of the respondents (52.4%) are female and a maximum of 63.1% of the respondents are of the age group 20-30 years.
- Most of the respondents are students (50%) followed by employed (32%) with a post-graduation (58%) and under graduation (34%) educational qualifications.
- Most of the respondents (68%) are having a monthly income level below Rs. 50,000 followed by respondents having income level Rs. 50,000-Rs. 100,000 (18.4%).

The Chi-Square test at 5% level of significance shows that the alternate hypothesis is being accepted since:

- There is an association amongst the demographic variables like gender and monthly income with factors like tax benefit and liquidity influencing the investment in mutual funds.
- Demographic variables such as age, educational qualification and occupation / profession has no significant association with the various influential factors like High return on investments, Risk involved in investment, Liquidity of the company, Regular income from investment, Tax benefit from investment, Flexibility of investment, Broker's advice and Performance of schemes of investment.

The Correlation test shows that:

- The significance level of all the factors is less than 0.01 and 0.05. Hence we conclude that there is a relationship amongst the factors which influence the Investor's perception towards performance of mutual fund.

5.2. Suggestions

- The investor should keep an eye on the performance of scheme and other good schemes which are available in the market for the closed comparison.

- Efforts should be made to encourage or enhance online dealing of mutual funds. This will save time and cost. They can effortlessly sell or purchase any number of funds whenever they want.
- The brokers should reduce the brokerage charges for the intraday and delivery based, so that the investor can save more amount to generate extra investment for the investor himself as well as for the mutual fund companies.
- The mutual fund industry must also help people in mobilizing their savings in such a way that they can get maximum benefits out of them. The companies must try to increase the investments in moderate to high risk investments by highlighting the rewards and returns on such funds.
- Some investors suggested that the fund values of the mutual fund investment should be informed to the investors through SMS on fortnightly basis. This will help the investors in keeping themselves up to date with the latest information of different funds.

5.3. Conclusion

The minds of the investing public look for investments are safe and that it will earn good returns. This study conducted was regarding the factors influencing the investor's perception towards mutual fund investment. It is highlighted that investors' of middle income level agrees that regular income and liquidity of the investment plays a vital role. It can be perceived that high risk leads to high returns in the investment. The flexibility in the investment would lead to good performance of the funds. There's a scope where investors belonging to different age groups seek for many other factors that can attract them to invest in the mutual fund industry than just the ones considered for the study. Measures should be taken to increase the confidence and morale of the investors. This can be done through proper communication and by educating investors to invest in mutual funds. Sensible and right information should be given to them by various communication modes so that they get to know about the latest trends in the market. Mutual funds are still and would carry on to be the unique financial instrument in the country.

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