

Investor Perception towards Mutual Funds- A Study of Mahabubnagar Town

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Abstract

In recent times one of the Investment Option available to investor who can't manage risk on their own is Mutual Funds which help investor to reduce risk through diversification and professional management. This study focuses on factors which influence the retail investor to invest in MF schemes. It covers various aspects i.e., type of fund like to invest, problems faced by mutual fund investors, awareness among investors towards risk factors and a statistical analysis was used to find out correlation between factors influencing investment in mutual funds and motivating factors of investors which increase satisfaction levels.

Keywords: Mutual Funds, Motivating Factor, Professional Management, Securities and Exchange Board of India.

I. INTRODUCTION

Any sort of investment whether it is in shares, debenture or deposits will involve some kind of risk. The value of shares may go up or down based on company's financial performance, growth of that particular industry and state of economy of that country where it is in business operation. The risk factor varies based on the time period of investment, basically longer the time period lower will be the risk and lower the time period higher will be the risk. Investment in debentures, bonds and deposits attract risk towards interest and principal amount. In any type of investment we can't eliminate risk completely, but we can manage risk with skillful management. In recent times one of the Investment Option available to investor who can't manage risk on their own is Mutual Funds which help investor to reduce risk through diversification and professional management. Mutual Fund managers use their experience and expertise in selecting fundamentally sound securities with diversified portfolio which helps in minimizing risk and maximizing returns. Currently mutual funds have almost over taken bank deposits and total assets of insurance funds. In India presently 43 mutual funds with over 11856 schemes and with approximately assets worth of 135912187.2 lacks are in operation. And in India all these funds are closely monitored and regulated by Securities and Exchange Board of India (SEBI).

II. REVIEW OF LITERATURE

Sindhu.K.P. & Dr.S.Rajitha Kumar(2013) [1] conducted study to gather opinion of house hold sector towards investment decisions. Their study reveals importance of savings contribution made by households in financial assets from the resource mobilization point of view, because of their liquidity characteristics compared to physical savings which can be more easily translated to investments. According to their study mutual fund is a trust that pool the savings of a number of small investors, in the form of units, who have common financial goal. The money thus collected by them invested in financial market instruments such as shares, debentures, bonds, money market instruments or some combination of these investments in such a way, as to minimize risk, while ensuring safety and a steady return on investment. Dr. D.C. Johri [2], Dr. Vikas Saraf and Anuj Malviya (2014) in their research study titled Performance of Private Mutual Funds in India express that Mutual fund is one of the best investment options among various available investment options. It is also attracting the rural people in recent years. Investors usually perceive that all capital market investment avenues are risky. Based on objectives and risk bearing capacities, investors go for different investment alternatives. Among the various investment possibilities, mutual fund seems to be viable for all kind of investors as it considered to be a safer mode of investment. After the entry of private sectors and liberalization large number of private mutual funds operated in the Indian financial market.

III. AIMS AND OBJECTIVES OF THE STUDY

The main objective of the study is to analyse the investor's perception towards mutual fund and their performance in recent years. This study also focuses on investor awareness on various mutual fund schemes, factors influencing investors in selecting mutual fund schemes and also asses the problems faced by mutual fund investors pertaining to Mahabubnagar town.

This study also focuses the factors which influence the retail investor to invest in MF schemes. And also studies the performance of MF in the recent times, and will identify the vicinity of false-perception of Mutual funds among the retail investors.

Hypothesis:

H₀ There is a positive correlation between factors influencing investment in mutual funds and motivating factors of investors which increase satisfaction levels.

H₁ There is a negative correlation between factors influencing investment in mutual funds and motivating factors of investors which increase satisfaction levels.

IV. RESEARCH METHODOLOGY

This study had conducted by adopting descriptive research. The research work limited to Mahabubnagar Town of Telangana State, India. Which is district head quarter and popularly known for picnic spot named “ Pillala Marry” second largest banyan tree in Asia and “Palamuru Labor” majority of people belongs to agricultural sector migrate to neighboring states in search of employment opportunity. This study has conducted using an administered questionnaire by interviewing 100 investors of Mahabubnagar Town, during the period of January 2017 to February 2017 . Convenience sampling method used for collecting data from investors.

V. DATA ANALYSYS AND FINDINGS

Based on the responses recorded in the questionnaire following observations were made related to mutual fund investments.

Table No:1 Table showing Monthly income of .mutual fund investors in Mahabubnagar.

Monthly Income	
Less than Rs. 15000	14
Income between Rs.15,001- Rs.30,000	19
Income between Rs.30,001- Rs.45,000	28
Income between Rs.45,001- Rs.60,000	23
Income above 60,000	16
Total	100

Source: Primary data

Table No: 2 Table showing sources of information about mutual fund investment

Sources of information about mutual fund investment	
Media	Percentage
News papers & Magazines	24
Internet	19
Television	11
Relatives & Friends	12
Agents	34
Total	100

Source: Primary data

On the basis of survey it is observed that 34% of respondents expressed that Agents are their main source of information, second place is occupied by news papers & magazines with 24% respondents and third is internet with 19%.

Table No:3 table showing type of fund like to be invested by investor.

Type of fund like to invest	
Type of Fund	Percentage
Equity fund	26
Balance fund	9
Debt fund	13
Tax planning fund	23
Bond or Gilt fund	7
Index fund	6
Sectoral fund	12
Money market fund	4
Total	100

Source: Primary data

From the above table it is found that most of the respondents i.e., 26% have said that equity fund are their first preference to invest, second priority is given to mutual funds related to tax planning and least priority is given to money market funds i.e., 4%.

Table No:4 table showing problems faced by mutual fund investors.

Problems faced by Mutual fund investors	
Problems	Percentage
Low returns	16
Un awareness related to market knowledge	31
Delay in selling units	5
High Commission charges	16
Poor service from brokers	24
Poor service from fund manager	8
Total	100

Source: Primary data

When investors asked to mention various problems faced by them major. As per data first major problem faced by them is having proper knowledge on markets(31%) and second major problem is poor service from brokers(24%).

Table No:5 Awareness among investors towards risk factors associated with mutual funds.

Awareness towards risks associated with mutual funds	
Awareness	Percentage
YES	43
NO	57
Toatal	100

Source: Primary data

When respondents asked whether they are aware of risk factors associated with mutual fund investments majority of investors in mahabubnagar town i.e., 57% stated that they are not having knowledge on risk factors. Only 43% of the investors are having knowledge on risks associated with mutual fund investments.

Table No:6 Mode of purchase of mutual funds by Investors.

Mode of Purchase	
Direct Purchase	33
Purchase through Brokers	67
Total	100

Source: Primary data

In mahabubnagar town majority of investors i.e., 67% are purchasing mutual funds through brokers. And only 33% are purchasing directly.

At last researcher conducted a statistical analysis to find out correlation between factors influencing investment in mutual funds and motivating factors of investors which increase satisfaction levels reveals following results.

$$r = \frac{\text{COV}(x_1, x_2)}{\sigma_{x_1} \sigma_{x_2}} = \frac{\frac{1}{N} \sum (x_1 - \bar{x}_1)(x_2 - \bar{x}_2)}{\sqrt{\frac{1}{N} \sum (x_1 - \bar{x}_1)^2 \frac{1}{N} \sum (x_2 - \bar{x}_2)^2}}$$

- There is a high degree correlation between factors influencing investment in mutual funds and motivating factors of investors which increase satisfaction levels associated with capital growth i.e r = 0.94075 and it shows positive correlation.
- Factors influencing investment in mutual funds and motivating factors of investors which increase satisfaction levels associated with High Returns also shows that there is a high degree correlation i.e r = 0.905 and it shows positive correlation.
- When it comes to savings in tax it also shows that there is a high degree of correlation between factors influencing investment in mutual funds and motivating factors of investors which increase satisfaction levels i.e r = 0.897.
- r= 0.908 associated with liquidity shows that there is a high degree positive correlation between factors influencing investment in mutual funds and motivating factors of investors.

- Factors influencing investment in mutual funds and motivating factors of investors which increase satisfaction levels associated with safety and security shows that there is a high degree correlation i.e r = 0.999 and it shows positive correlation.
- When it comes to regular income shows that there is a moderate degree of correlation between factors influencing investment in mutual funds and motivating factors of investors which increase satisfaction levels i.e r = 0.425
- r= 0.993 associated with regular savings shows that there is a high degree positive correlation between factors influencing investment in mutual funds and motivating factors of investors.
- r= (-)0.993 associated with Risk shows that there is a high degree negative correlation between factors influencing investment in mutual funds and motivating factors of investors.
- Factors influencing investment in mutual funds and motivating factors of investors which increase satisfaction levels associated with Easy payments shows that there is a high degree correlation i.e r = 0.995 and it shows positive correlation.
- When it comes to Diversification it shows that there is a high degree of correlation between factors influencing investment in mutual funds and motivating factors of investors which increase satisfaction levels i.e r = 0.913.

From the above results we can say that there is a correlation between factors influencing investment in mutual funds and motivating factors of investors which increase satisfaction levels. Hence we accept null hypothesis.

VI. CONCLUSION

The researcher carried out the study with the aim of finding the various parameters considered by investors investing in mutual funds. The researcher had identified the following major factors namely capital growth, high returns, savings in tax, liquidity, safety and security, regular income, regular savings, risk, diversification and easy payments for this researcher has used Carl Pearson's Correlation Coefficient. Based on the above results it is very much clear that financial institutions must consider

the above factors while designing mutual fund products to attract investors from back ward areas like Mahabubnagar town.

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Table No: 7 Motivating Factors of investors which increase satisfaction levels

Factors	Investor response					Total
	Most important	Important	No idea	Less important	Not at all important	
Capital growth	53	21	11	10	5	100
High return	48	36	6	4	6	100
Savings in tax	31	29	11	12	17	100
Liquidity	32	27	11	15	15	100
Safety & Security	61	31	1	3	4	100
Regular income	12	21	18	23	26	100
Regular savings	51	36	5	6	2	100
Risk	8	16	22	23	31	100
Diversification	32	39	18	4	7	100
Easy payment	49	26	6	7	12	100

Source: Primary Data

VII. LIST OF TABLES

Table No: 6 Factors influencing investment in Mutual Funds

Influencing Factor	Investor Response					Total
	Most important	Important	No idea	Less important	Not at all important	
Capital growth	34	23	11	17	15	100
High return	31	32	11	18	8	100
Savings in tax	28	39	12	10	11	100
Liquidity	42	21	6	13	18	100
Safety & Security	58	30	2	6	4	100
Regular income	18	26	12	24	20	100
Regular savings	56	32	4	6	2	100
Risk	48	36	8	3	5	100
Diversification	28	52	8	8	4	100
Easy payment	62	26	2	4	6	100

Source: Primary Data