

Original Article

# A Study on Investor's Perception towards Mutual Fund in the City of Bhubaneswar

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**Abstract** - In this paper, an attempt is made to know the preferences towards mutual funds and analyze the importance of demographic factors that influence the decision of investors towards making investments. This study attempts to find out the significance of demographic factors of the population such as gender, age, education, occupation, income over investment decisions. The hypotheses have been developed considering their relevance to the research objectives. Investment decision-making behavior has been taken as the dependent variable and demographic factors (age, gender, and education) are considered as independent variables. Data were classified, tabulated and tested. Statistical inferences were drawn by the use of hypothesis and Pearson's Chi-square technique.

**Keywords** - Investment, Demographic factors, Mutual fund, Investment decisions

## I. INTRODUCTION

In the last decade, mutual funds have become a hot favorite of millions of people all around the world. Mutual funds investment gives more return on the investment made than the income earned in the form of fixed deposits, life insurance, and even bonds because with a little money, they can get into the investment and can able to earn higher interest rates compared to other investment avenues. One can own a string of blue chips like SBI, Birla Sun Life, Reliance, UTI, etc. Thus mutual funds give an opportunity to enter into big companies which is otherwise impossible for an ordinary investor with a small amount of investment.

A Mutual fund aggregates the saving of a number of investors who share a common financial goal. The money thus collected in a mutual fund is then invested in capital market instruments such as bonds, securities, shares, debentures, etc. The income earned through these investments and the realized capital appreciation is shared by its unit holders in proportion to the number of units owned by them.

We know small drops of water make a big ocean and mutual Funds work on the same principle. For instance,

if one has Rs.1000/- to invest, it may not be appreciated very much on its own. But, when it is pooled with Rs.1000/- each from a lot of other people, then one could create a "big fund" large enough to invest in wide varieties of capital market instruments on a large scale and enjoy the economies of large scale operations. Hence, a mutual fund is something known as collective investment.

A mutual fund is formed with the coming together of a number of investors who transfer their surplus funds to a professionally qualified organization to manage it. There is a simple technique that the fund adopts to get the surplus funds from the investors. Each fund is divided into small units of equal value. Units are then allocated to each investor in the proportion to the amount of his investment. Thus every investor, whether big or small, will have a stake in the fund and can enjoy being a part of the wide portfolio of the investment held by the fund. Hence, mutual funds give an opportunity to millions of small and large investors to participate in and get the benefit of the capital market growth. Due to low cost, diversified risk, and high return, it has emerged as a popular vehicle for the creation of wealth.

If we analyze the investment market, we can find a variety of investors with different requirements and risk-taking capacities. For instance, a young man would like to get more capital appreciation for his investments and he would be prepared to take greater risk than a person who is just close to his retirement. This is the reason, it is very difficult to offer one fund to satisfy the varying needs of different investors. Therefore, many types of funds are available for investors. It is completely the discretion of the investor to choose any one of them that matches his requirement and his risk-taking ability.

Table1. Types of Mutual Fund Schemes

<b>By Structure</b>	Open-Ended Funds Close-Ended Funds
<b>By Investment Objective</b>	Income Funds Balanced Funds Growth Funds
<b>Other Schemes</b>	Tax Saving Scheme Sectoral Scheme Dual Funds



	Bond Funds etc.		schemes over the other scheme type.
<p>The Indian mutual fund industry is witnessing humongous growth as a result of infrastructural development, an increase in personal financial assets, and a rise in foreign direct investments. With the rising income, growing risk appetite, and increasing awareness, mutual funds in India are becoming a preferred investment option compared to other investment vehicles like postal savings, insurance, and fixed deposits though are considered safe, give comparatively low returns.</p>		<p><b>Ranganathan (2006)</b></p>	<ul style="list-style-type: none"> <li>Analyzed the fund selection behavior of individual investors towards mutual funds- with reference to Mumbai City.</li> <li>He found that mutual funds have become an important investment option for small investors as an outcome of reforms of industrial policy, public sector, financial sector, and the many other developments in the Indian money market and capital market.</li> </ul>
<p><b>II. REVIEW OF LITERATURE</b></p>			
<p>Review of literature is an important part of any research. Literature on the performance evaluation of mutual funds is enormous. Some of the research studies that substantially influenced the preparation of this study are discussed in this section.</p>			
<p><b>Jaspal Singh and Subhash Chander (2003)</b></p>	<ul style="list-style-type: none"> <li>Evaluated two major factors, past record and growth prospects influenced the choice of scheme.</li> <li>Investors look for repurchase facilities, prompt service, and adequate information in mutual funds.</li> <li>For an appraisal of mutual funds return, portfolio selection and NAV were important criteria.</li> <li>It is indicated in the results that occupational status and age are insignificant influencing the choice of scheme.</li> </ul>	<p><b>Walia and Kiran (2009)</b></p>	<ul style="list-style-type: none"> <li>The study examined investors' perception towards risk involved in mutual funds, returns from mutual funds in comparison to other financial avenues, transparency, and disclosure practices.</li> <li>The study found that the majority of individual investors did not consider mutual funds as highly risky investments.</li> <li>The study also reported that a significant relationship of interdependence exists between the income level of investors and their perception of mutual funds investments.</li> </ul>
<p><b>Jaspal Singh and Subhash Chander (2004)</b></p>	<ul style="list-style-type: none"> <li>The results show that the investors consider gold to be the most preferred form of investment, followed by NSC and Post Office schemes.</li> <li>Investors belonging to the salaried category, and in the age group of 20-35, years showed an inclination towards close-ended growth (equity-oriented)</li> </ul>	<p><b>Dr. Nishi Sharma (2012)</b></p>	<ul style="list-style-type: none"> <li>Attempted to investigate the reasons responsible for lesser recognition of mutual funds as a prime investment option.</li> <li>It examines the investor's perception with reference to distinct features</li> </ul>

	provided by mutual fund companies to attract them for investing in specific funds/schemes.
<b>Binod Kumar Singh (2012)</b>	<ul style="list-style-type: none"> <li>The study found that some demographic factors like gender, income and level of education have a significant impact on the attitude towards mutual funds. On the contrary age and occupation have not been found to influence the investor's attitude.</li> <li>The study noticed that return potential and liquidity have been perceived to be the most lucrative benefits of investing in mutual funds and the same are followed by flexibility, transparency, and affordability.</li> </ul>

investor perception about the mutual fund investment in Bhubaneswar. The review of the literature given in the preceding pages reveals that no such study has been conducted in this region of the country. Through this study, an attempt has been made to evaluate the investor perception about mutual funds in this capital city of Odisha.

**A. Objectives**

- 1) To study investors' perceptions towards mutual funds.
- 2) To know the demographic factors influencing investors' decisions while investing in mutual funds.

**IV. RESEARCH METHODOLOGY**

The study is mainly based on primary data which is collected through a structured questionnaire (the question are closed-ended with multiple choices). A sample of 178 respondents was taken on the basis of convenience. Whether demographic factors influence significantly the decision on investment in the mutual fund is studied using the chi-square test.

**Chi-square test:**

Chi-square test formula =  $\sum((\text{Observed frequency} - \text{expected frequency})^2 / \text{Expected frequency})$

The computer calculates a Chi-square (pronounced Ki-square) value. If the actual data and expected data (if no difference) are identical, the Chi-square value is 0. A bigger difference will give a bigger Chi-square value. Greater differences between expected and actual data produce a larger Chi-square value. The larger the Chi-square value, the greater the probability that there really is a significant difference.

**III. IMPORTANCE OF THE STUDY**

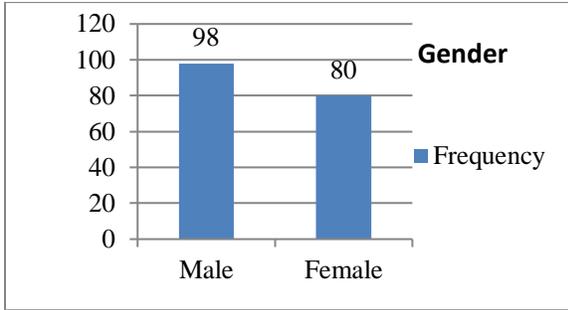
The Indian financial system has undergone a number of changes over the last three decades. Since 1991 after the opening of the economy a new kind of investment pattern started emerging in the country. New schemes were launched for attracting investments in different sectors of the economy. The government changed the perception of the investors regarding investment decisions through these initiatives. People are becoming aware of the latest investment plans and returns on these plans. Foreign direct investment changed the whole scenario and attractive schemes were launched by the government in order to attract a larger number of investors. During this period one of the most important schemes emerged in the form of mutual funds.

Almost all financial institutions and banks started exploring the possibility of pushing investments towards mutual funds, with some of them preferring to float a few mutual funds themselves. This study is an attempt to study the perception of investors towards investment in mutual funds. The study has been necessitated as more and more people are investing in mutual fund schemes launched by a number of financial institutions. An attempt has been made to present the

**V. ANALYSIS**

**Gender:**

Gender	Frequency	Expected	Percentage
Male	98	89	0.55
Female	80	89	0.45
Total	178	178	
p value	0.177287		



grow old the risk-taking ability is likely to decrease and those who are much young less than 25 years of age don't think about investment that seriously.

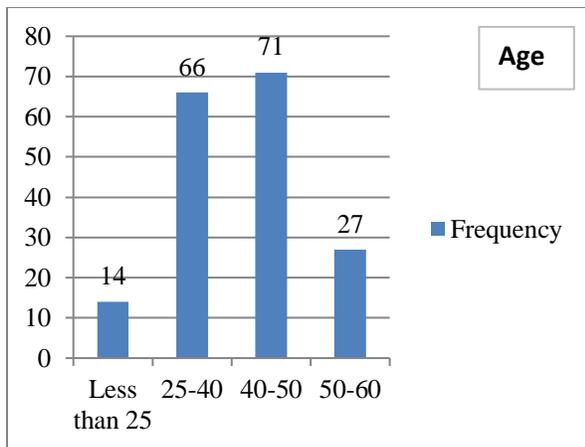
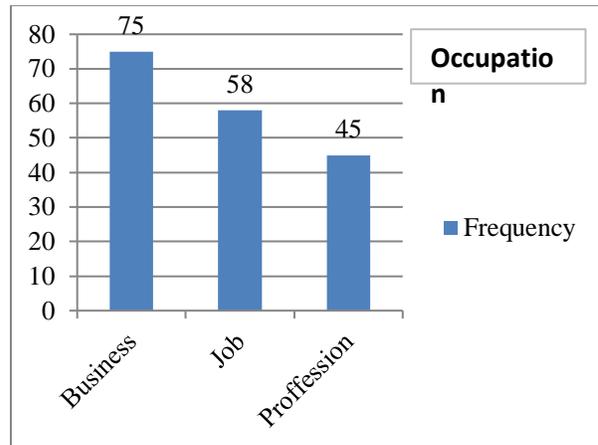
From the above analysis, it is clear that 55% of the respondents who are male prefer to invest in mutual funds as compared to females which are 45%. But the chi-square result shows a p-value of 0.17 which is greater than 0.05 (5% level of significance). So it is concluded that there is no association between gender and preference towards the mutual fund.

**Occupation:**

Occupation	Frequency	Expected	percentage
Business	75	59.33333	0.42
Job	58	59.33333	0.33
Profession	45	59.33333	0.25
Total	178	178	
p-value	0.0220464		

**Age:**

Age group	Frequency	Expected	Percentage
Less than 25	14	44.5	0.08
25-40	66	44.5	0.37
40-50	71	44.5	0.40
50-60	27	44.5	0.15
Total	178	178	
p-value	1.1471E-11		



From the above analysis, it is clear that 42% of the respondents who belong to the business class prefer to

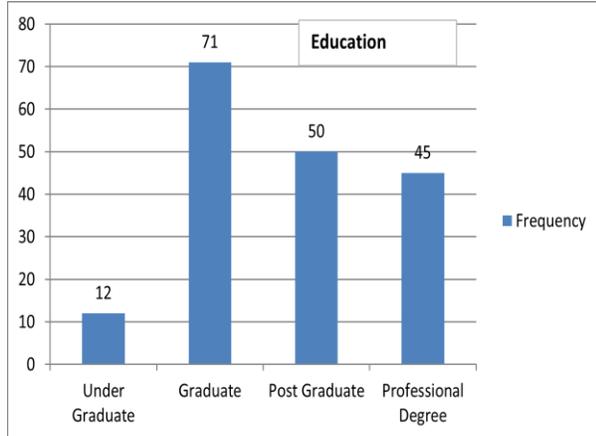
Education	Frequency	Expected	Percentage
Under Graduate	12	44.5	0.07
Graduate	71	44.5	0.40
Post Graduate	50	44.5	0.28
Professional Degree	45	44.5	0.25
Total	178	178	
p-value	9.65348E-09		

From the above analysis, it is clear that 40% of the respondents who are in the age group of 40-50 prefer to invest in mutual funds followed by the age group 25-40 which is 37%. The chi-square result shows a p-value that is less than 0.05 (5% level of significance). So it is concluded that there is an association between age and preference towards mutual fund investment. As we

invest in mutual funds followed by 33% of jobholders. The chi-square result shows a p-value that is less than 0.05 (5% level of significance). So it is concluded that there is an association between occupation and preference towards mutual fund investment. As we can

see business class people are more inclined to mutual fund investment than any other.

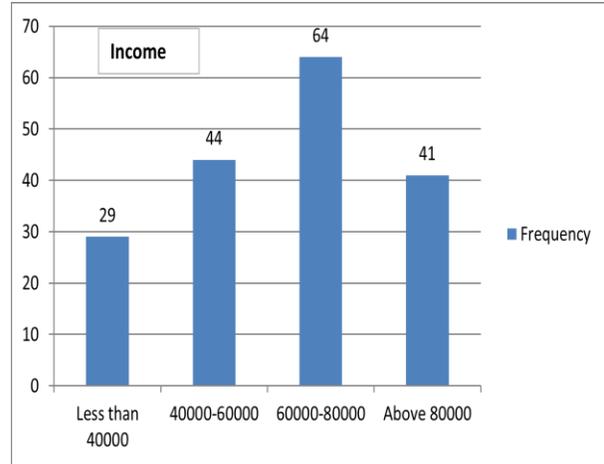
**Education:**



Income	Frequency	Expected	Percentage
Less than 40000	29	44.5	0.16
40000-60000	44	44.5	0.25
60000-80000	64	44.5	0.36
Above 80000	41	44.5	0.23
Total	178	178	
p-value	0.002615		

From the above analysis, it is clear that 40% of the respondents who are graduates prefer to invest in mutual funds. 7% of graduates also show interest in mutual investment. The chi-square result shows a p-value that is less than 0.05 (5% level of significance). So it is concluded that there is a relationship between education level and preference towards mutual fund investment.

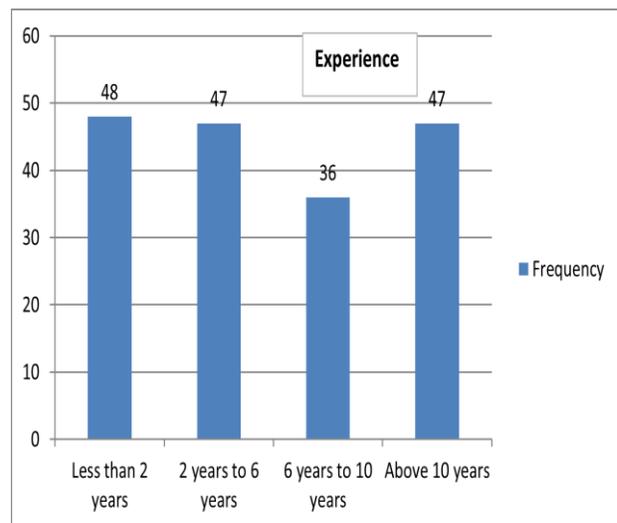
**Income:**



From the above analysis, it is clear that 16% of the respondents only who have income less than 40000 INR prefer to invest in mutual funds. The chi-square result shows a p-value that is less than 0.05 (5% level of significance). So it is concluded that there is a relationship between income level and preference towards mutual fund investment.

**Experience:**

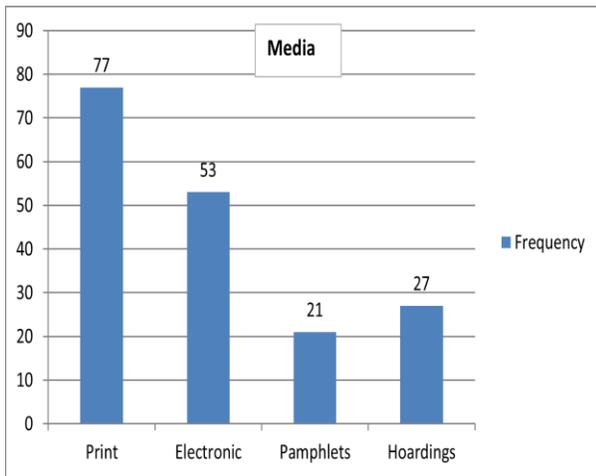
Investment Experience	Frequency	Expected	Percentage
Less than 2 years	48	44.5	0.27
2 years to 6 years	47	44.5	0.26
6 years to 10 years	36	44.5	0.20
Above 10 years	47	44.5	0.26
Total	178	178	
p-value	0.535943		



Media	Frequency	Percentage
Print	77	0.43
Electronic	53	0.30
Pamphlets	21	0.12
Hoardings	27	0.15
Total	178	

From the above analysis, it is clear that experience in investing in a mutual fund doesn't matter much as a factor. The chi-square result shows a p-value that is greater than 0.05 (5% level of significance). So it is concluded that there is no relationship between experience and preference towards mutual fund investment.

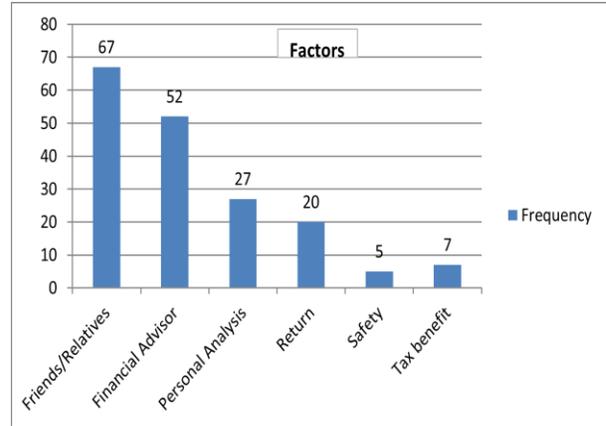
**Media:**



From the above table and graph, it is clear that print media and electronic media attract more than any other medium of advertisement.

**Factors:**

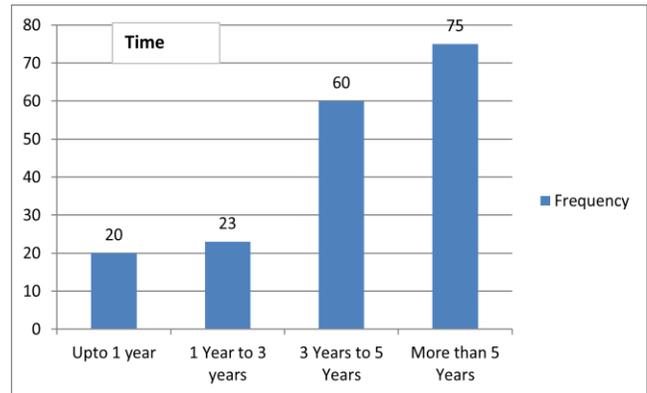
Factors	Frequency	Percentage
Friends/Relatives	67	0.38
Financial Advisor	52	0.29
Personal Analysis	27	0.15
Return	20	0.11
Safety	5	0.03
Tax benefit	7	0.04
Total	178	



The above table and graph show that friends and relatives influence the most for taking a decision in mutual fund investment.

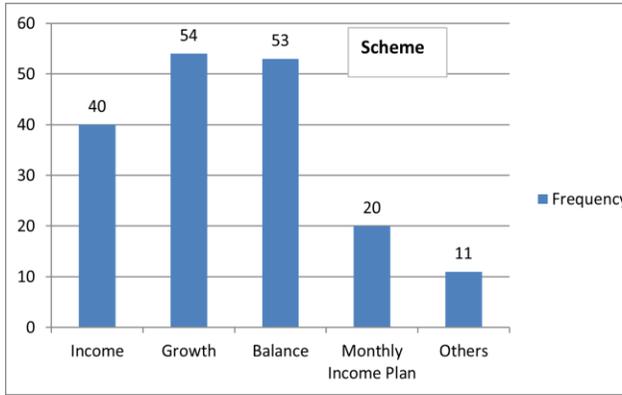
**Time:**

Time of Investment	Frequency	Percentage
Upto 1 year	20	0.11
1 Year to 3 years	23	0.13
3 Years to 5 Years	60	0.34
More than 5 Years	75	0.42
Total	178	



The above table and graph shows that most of the respondents opt for a period of minimum 5 years to stay invested in the mutual fund.

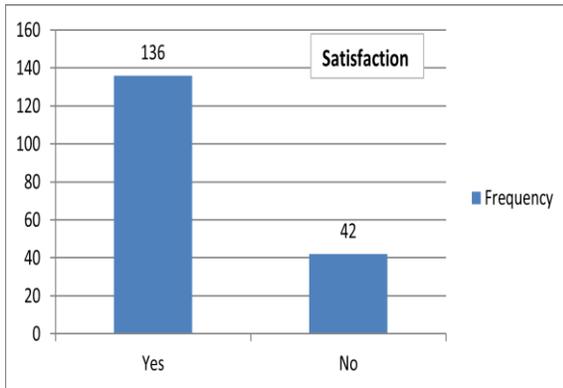
**Scheme:**



The above table and graph show that the respondents opt for different schemes as per their requirements. There is no clarity for any specific scheme of mutual funds.

**Satisfaction:**

Satisfaction	Frequency	Percentage
Yes	136	0.76
No	42	0.24
Total	178	

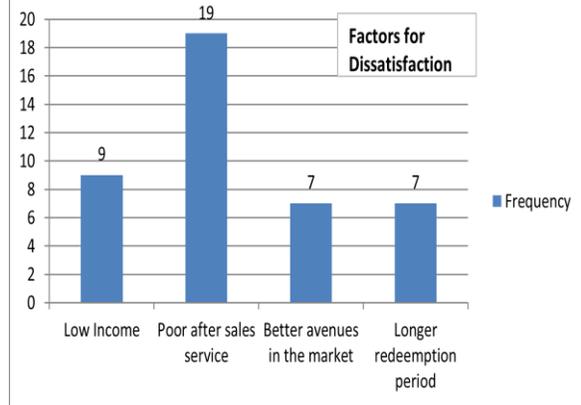


The above table and graph show that most of the respondents are satisfied with mutual fund investment.

**Dissatisfaction:**

Factors of Dissatisfaction	Frequency	Percentage
Low Income	9	0.21
Poor after-sales service	19	0.45
Better avenues in the market	7	0.17
Longer redemption period	7	0.17
Total	42	

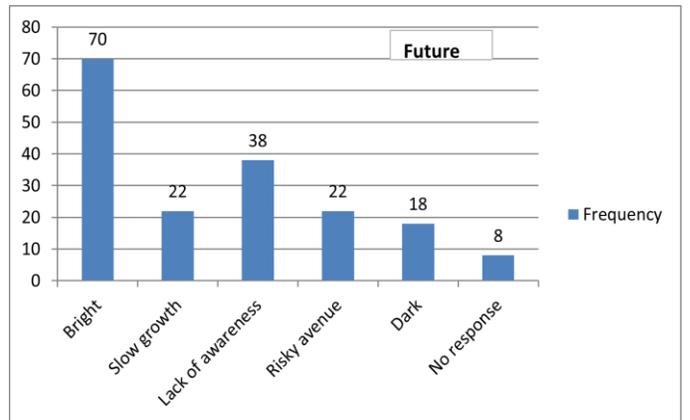
Scheme	Frequency	Percentage
Income	40	0.22
Growth	54	0.30
Balance	53	0.30
Monthly Income Plan	20	0.11
Others	11	0.06
Total	178	



The above table and graph show that most of the respondents (45%) are dissatisfied with mutual fund investment because of poor after-sales service.

**Future:**

Future Perception	Frequency	Percentage
Bright	70	0.39
Slow growth	22	0.12
Lack of awareness	38	0.21
Risky avenue	22	0.12
Dark	18	0.10
No response	8	0.04
Total	178	



The above table and graph show that 39% of the respondents say that the future of mutual funds is bright.

## **VI. CONCLUSION**

It is concluded from the research study that though the number of male investors is more, the difference is not significant from the number of female investors. So, gender is not a criterion that affects investment decisions in mutual funds. People between the age of 25 to 50 likely to invest more in a mutual fund. Business-class people invest in mutual funds more than any other. People who are more educated have more knowledge in mutual funds and tend to invest in mutual

funds more than any other avenue of investment. A low-income level doesn't attract much for mutual fund investment. It is evident from the study that income more than 40000 INR are more attracted towards the mutual fund. Print and electronic media attract more for the mutual fund than any other medium of promotion. Friends and relatives and financial advisors influence a lot for investment in the mutual fund. Most of the investors want to stay invested for a minimum of 5 years and they invest in various schemes available. Most people are satisfied with mutual funds whereas many people are still not satisfied. The reason for dissatisfaction is poor after-sales service. Most of the respondents say that the future of mutual funds is bright.

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