

A Study on Investor's Perception and Behaviour towards Investment in Mutual Funds with Special Reference to Consumers in Madurai City

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Abstract: The Study is conducted to assess the perception of investor regarding Mutual Funds and their behaviour towards Mutual Fund Investments. This is done by finding out the perception and behavior of investors in terms of different benefits and advantages towards the Mutual Funds, the expectations of investors in terms of service, most preferred area of investment by the investor and finding out the relationship between demographics and perception of the Investor. Investor Perception is the one which deals with what investors Perceive and expectations towards the Company and behavior of investor deals with the characteristics of investors regarding various factors of Mutual Funds. The investors are classified as general, institutional and retail investors respectively. In the current scenario of Mutual Funds, the retail investors are playing a vital role in deciding the nature and extent of business in the market and they are integral part of the Mutual Funds. Even though there are many opportunities available to investors, most of them still prefer investing in hard assets. The individuals lack awareness regarding mutual funds and the schemes available with convenience, liquidity and flexibility offering better returns even with low risk. The Study profound to identify various promotional as well as marketing advice that can fetch far reaching results to boost the performance of the product in the market.

Key Words: Investor, Investments, Market, Mutual Funds, Perception, Risk, Service.

1. INTRODUCTION:

An investor means people who invest their savings. Investment is an activity, which is different from savings. Savings are generated when a person abstains from present consumption for a future use. Savings kept as a cash are barren and do not earn anything. Hence the saver has to find a temporary repository for his saving until they are required for his future. This results in investment. Today; "investment" has become a household word and is very popular with people from all walks of life. It is because of increase in working population, higher family incomes and consequent savings, availability of large and attractive investment alternatives, increase in investment related publicity and so on.

Investment is a word of many interpretations. A person has advanced some money to other; he may consider his loan as an investment. He expects to get back the principle along with interest at a future date. Another person may have purchased a land for the purpose of price appreciation and may consider it is an investment. In the above cases, it can be seen that Investment involves the employment of money with an aim of achieving additional income or growth in values. Thus, Investment may be defined as, "a commitment of funds made in the expectations of some positive rate of return. In the changing scenario, investment has undergone a change in the past few years. It helps the investors' have wide variety of market and investment options for investing money.

1.1 CLASSIFICATION OF MUTUAL FUND SCHEMES:

Any mutual fund has an objective of earning income for the investors and / or getting increased value of their investments. To achieve these objectives mutual funds adopt different strategies and accordingly offer different schemes of investments.

Operational classification:

- **Open Ended schemes:** As the name implies the size of the scheme (Fund) is open- i.e., not specified or pre-determined. Entry to the fund is always open to the investor who can subscribe at any time. Such fund stands ready to buy or sell its securities at any time. It implies that the capitalization of the fund is constantly changing as investors sell or buy their shares. Further, the shares or units are normally not traded on the stock exchange but are repurchased by the fund at announced rates. Open - ended schemes have comparatively better liquidity despite the fact that these are not listed. The reason is those investors can any time approach mutual fund for sale of such units. No intermediaries are required. Moreover, the realizable amount is certain since repurchase is at a price based on declared NAV. No minute- to- minute fluctuations in rates haunt the investors. The portfolio mix of such schemes has to be investment, which are actively traded in the market.

Otherwise, it will not be possible to calculate NAV. This is the reason that generally open – ended schemes are equity based .The success of open ended schemes to a great extent depends on the capital market.

- **Close Ended schemes:** Such schemes have a definite period after which their shares / units are redeemed .Unlike Open-ended funds, these funds have fixed capitalization, i.e., their corpus does not change throughout its life period. Close ended fund units trade among the investors in the secondary market since these are to be quoted on the stock exchanges .Their price is determined on the basis of demand and supply in the market .Their liquidity depends on the efficiency and understanding of the engaged broker .Their price is free to deviate from NAV.

1.2. Portfolio Classification of Funds:

- ✓ **Return based classification:** To meet the diversified needs of the investors, the mutual fund schemes are made to enjoy a good return .Return expected are in the form of regular dividends or capital appreciation or a combination of both.
- ✓ **Income Funds:** For investors who are more curious for returns, income funds are floated their objective is to maximize current income .Such funds distribute periodically the income earned by them.
- ✓ **Growth Funds:** Such funds aim to achieve increase in value of the underlying investments through capital appreciation Such funds invest in growth- oriented securities, which can appreciate through expansion production facilities in long run with high degree of risk.
- ✓ **Conservative Funds:** These funds aim to provide a reasonable rate of return, to protect the value of investment, and to achieve capital appreciation consistent with the fulfillment of the first two objectives.

1.3. Investment Based Classification:

- ✓ **Equity funds:** Such funds invest most of their invest able shares in equity shares of companies and undertake the risk associated with the investment in equity shares .
- ✓ **Primary Market funds:** The primary market funds invest in equity shares. The focus is on capturing the opportunity to buy those companies, which issue their equity in primary markets, either through a public offer or through a private placement.
- ✓ **Sectoral Funds:** Sector based funds are aggressive growth funds which make investments on the basis of assessed bright future for a particular sector. These funds are characterized by high viability, hence more risky.
- ✓ **Simple Equity Funds:** These funds invest a pre-dominant portion of the funds mobilized in equity and equity related products. These funds have the freedom to invest both in primary and secondary markets for equity.
- ✓ **Index Funds:** An index fund provides an ideal exposure to equity markets, without the investor having to bear the risk and cost arising from the market views that a fund manager may take.
- ✓ **Debt Funds:** Such funds have their portfolio consisted of bonds, debentures, etc. this type of fund is expected to be very secure with a steady income and little or no chance of capital appreciation. Obviously risk is low in such funds.
- ✓ **Balanced Funds:** These funds, which have in their portfolio a reasonable mix of equity and bonds, are known as balanced funds.

1.4. OBJECTIVES OF THE STUDY:

- To identify the features the investors look for in the Mutual Fund Products.
- To identify the various factors influencing investors towards the performance of Mutual Funds.
- To evaluate the perception of investors with respect to Mutual Fund investment.
- To evaluate the impact of the demographic factors on investment Pattern.

1.5. SCOPE OF THE STUDY:

Through this research the customers Perception i.e., their awareness, beliefs, feelings, values towards Mutual Funds can be determined and their behaviors regarding various factors are determined. Through this study the customers' opinion and problems regarding the product are estimated and the Corrective measures are taken for the promotion of the product.

1.6. LITERATURE REVIEW:

Madhusudhan V. Jambodekar (1996) conducted a study to assess the perception of MFs among investors, to identify the information sources influencing the buyer decision and the factors influencing the choice of a particular fund. The study revealed that income schemes and open-ended schemes are preferred over growth schemes and close-ended schemes during the prevalent market conditions. Investors look for Safety of Principal, Liquidity and Capital

Appreciation in order of importance; Newspapers and Magazines are the first source of information through which investors get to know about MFs / Schemes and the investor service is the major differentiating factor in the selection of MFs.

Syama Sunder (1998) conducted a survey to get an insight into the MF operations of private institutions with special reference to Kothari Pioneer. The survey revealed that the awareness about MF concept was poor during that time in small cities like Vishakapatnam. Agents play a vital role in spreading the MF culture; open-end schemes were much preferred then; age and income are the two important determinants in the selection of fund / scheme; brand image and return are their prime considerations.

Srinivasa Rao Rudru(2007) suggested that the rapid development of our country is directly influence by its capital market and financial services. Its contribution towards the national growth is high and eternal one. It is very difficult to understand the financial activities of capital market. It has so many players in its real sense. It consists of so many players in its segments say primary and secondary market.

Each acts differently with varying needs. Investors also may approach capital market with varying objectives. They differ in their risk perception also. The price of financial security varies depending upon the activities and behaviors of all these persons.

Sujit Sikidar and Amrit Pal Singh (1996) carried out a survey with an objective to understand the behavioral aspects of the investors of the North Eastern region towards equity and MFs investment portfolio. The survey revealed that the salaried and self-employed formed the major investors in MFs .Primarily due to tax concessions. UTI and SBI schemes were popular in that part of the country then and other funds had not proved to be a big hit during the time when the survey was done.

Laila Tabri Bhimani (2003) suggested that Mutual Funds (MFs) play an extremely crucial role in an economy. They are the vehicles for mobilization and channelization of funds towards the securities market, which has become the barometer of economic health. In India, mutual funds have shown continuous improvement in terms of the quantum under their management over the last couple of years.

The investors perception towards UTI Mutual Funds are determined based on various Factors such as Buying Motives, Benefits of Mutual Funds, Influence on investment Decisions ,Risk Tolerance Level, Returns and Advantages of mutual Fund Schemes.

2. RESEARCH METHODOLOGY:

2.1. RESEARCH DESIGN:

- The research design involves a series of rational decision-making choices relating to decisions regarding the purpose of study, where the study will be conducted, the type of the study, extend to which the researcher manipulates and controls the study.
- The research is a descriptive one that facilitates to know for the preposition of people who have behaved in a particular manner.

2.2. SAMPLING METHOD

This indicates the methods and procedures that are to be followed in selecting the Sampling Unit.

1. Non Probability Convenience sampling method is used
2. The sampling units are selected primarily on the basis of convenience of the researcher.

2.3. SAMPLING UNIT

The Sampling unit normally includes the general investors which comprises of Students, Business men, Professionals, Service .Professional, Retired and others like House Wives etc.

2.4. SAMPLE SIZE

It indicates the number of elements that has to be chosen from the population. Here the sample size taken for research is 127 and the data has been collected from these 127 respondents for Research.

2.5. DATA COLLECTION METHOD

Primary Data:

Primary data can are those, which are collected fresh and for the first time and thus happen to be original. Here the primary data has been collected from the investors through questionnaire.

Secondary Data:

Secondary data collections are those which have already been collected by someone else and which have already been sourced in books, newspapers, trade journals, industry portals.

2.6. STATISTICAL TOOLS:

Data collection were classified and tabulated on the basis of various factors. Table source is prepared and statistical tools were applied. Proper classification and appropriate tabulation help a lot in undertaking and analyzing the collected data. The tools used are:

- Simple Percentage Analysis

2.7. LIMITATIONS OF THE STUDY

- The view of respondents is subjected to their bias and prejudice.
- Since the study was confined only to the city of Madurai the market size of other regions could not be explored.
- Though the Mutual Funds coverage is higher the time constraint has limited the researcher.
- As the survey was pertaining to the investment habits of the individual, the respondents may have withheld some sensitive information.

3. ANALYSIS AND INTERPRETATION:

3.1. CLASSIFICATION OF RESPONDENTS BASED ON GENDER:

Table No.3.1: Table Showing the Classification of Respondents Based on Gender

S. No	Gender	No: of Respondents	Percentage of Respondents
1	Male	80	63.00
2	Female	47	37.00
	Total	127	100

Inference:

Among the Respondents 63% of the Respondents were Male and 37% of the Respondents were Female. From the table it is clear that the male Respondents is higher than that of the female Respondents.

3.2 CLASSIFICATION OF RESPONDENTS BASED ON AGE

Table No. 3.2 : Table Showing the Classification of Respondents Based on Age

S. No	Age Limit	No: of Respondents	Percentage of Respondents
1	20-30	37	29.13
2	31-40	47	37.00
3	41-50	32	25.19
4	Above 50	11	8.60
	Total	127	100

Inference:

From the respondents 29.13% of respondents belongs to the age of 20-30 years and 37% of respondents belongs to the age of 31-40 years whereas 32% of respondents belongs to the age of 41-50 years and 8.60% of respondents belongs to the age of above 50 years.

3.3 CLASSIFICATION OF RESPONDENTS BASED ON OCCUPATION

Table No.4.3: Table Showing the Classification of Respondents Based on Occupation

S. No	Occupation	No: of Respondents	Percentage of Respondents
1	Self Employed	31	24.40
2	Business	28	22.04
3	Professional	35	27.55
4	Service	12	9.44
5	Others	17	16.53
	Total	127	100

Inference:

From the table it is Clear that 24.40% of respondents are Self Employed and 22.04% of Respondents are doing Business whereas 27.55% of respondents are Professionals and 9.44% of Respondents are in the Operations of Service.

3.4. CLASSIFICATION OF RESPONDENTS BASED ON INCOME:**Table No. 3.4: Table showing the Classification of Respondents Based on Income**

S. No:	Income	No: of Respondents	Percentage of Respondents
1	Below 10000	19	14.96
2	10001-15000	50	39.37
3	15001-25000	43	33.85
4	Above 25000	15	11.81
	Total	127	100

Inference:

From the table it has been inferred that the 14.96% of respondents are earning a income of less than Rs.10000 monthly and 39.37% of respondents are earning a income between Re.10001-15000 monthly whereas 33.85% of respondents earns about Rs.15001-25000 monthly and the percentage of respondents earning above Rs.25000 are 11.81%.

3.5. CLASSIFICATION OF RESPONDENTS BASED ON SAVINGS**Table No.3.5: Table showing the Classification of Respondents Based on Savings**

S. No:	Savings	No: of Respondents	Percentage of Respondents
1	Below 10%	34	26.77
2	10%-15%	53	41.73
3	15%-25%	29	22.83
4	Above 25%	11	8.67
	Total	127	100

Inference:

Among the Respondents 26.77% of the Respondents has a saving of below 10% of their income and 41.73% of respondents Saves about 10-15% of their income whereas 22.83% of Respondents has a saving of about 15-25% of their income and above 25% of their income are saved by the remaining 8.67% of the Respondents.

3.6. CLASSIFICATION OF RESPONDENTS BASED ON PREFERRED INVESTMENT AVENUE**Table No.3.6: Table Showing the Classification of Respondents Based on Preferred Investment Avenue**

S. No	Investment Avenue	No: of Respondents	Percentage of Respondents
1	Fixed Deposit	31	24.40
2	Insurance	26	20.47
3	Bonds/Debentures	3	2.36
4	Mutual Funds	40	31.87
5	Real Estates	10	7.87
6	Stocks/Shares	4	3.14
7	Others	13	10.23
	Total	127	100

Inference:

Among the Various Investment avenues Mutual Funds are Preferred by 31.87% of the respondents whereas Fixed deposit are preferred by 24.40% and Insurance is preferred by 20.47% of the Respondents whereas the other investment avenues are less preferred by the Respondents .

3.7. ANALYSIS OF REASONS FOR SELECTING THE PARTICULAR INVESTMENT AVENUE**Table No. 3.7: Table Showing the Reasons for selecting the Investment Avenue**

S. No	Reasons	No: of Respondents	Percentage of Respondents
1	Low Risk	36	28.34
2	High Returns	22	17.32
3	High Liquidity	18	14.17

4	Life Coverage	29	22.83
5	Ease of Investment	22	17.32
	Total	127	100

Inference:

About 28.34% of the Respondents select the investment avenue based on Low risk and 22.83% of the respondents select the Particular investment Avenue Based on Life Coverage whereas 17.32% of Respondents select their investment avenue based on High Returns and Ease of investment and about 14.17% of the Respondents consider high liquidity as the reason for selecting their investment avenue.

3.8. ANALYSIS OF RESPONDENTS TOP OF MIND AWARENESS ABOUT MUTUAL FUND COMPANIES

Table No. 3.8: Table Showing the Respondents Top of Mind Awareness about Mutual Fund Companies

S. No	Mutual Funds	No: of Respondents	Percentage of Respondents
1	UTI	14	11.03
2	SBI	31	24.04
3	RELIANCE	30	23.62
4	TATA	16	12.59
5	HDFC	4	11.02
6	ICICI	10	7.87
7	LIC	9	7.08
8	OTHERS	3	2.36
	Total	127	100

Inference:

Among the Top of the Mind awareness about various Mutual Fund Companies SBI Ranks First with 24.04% and Reliance Ranks Second with 23.62% followed by Tata, UTI , ICICI ,LIC and HDFC.

3.9 ANALYSIS OF INVESTORS OF MUTUAL FUNDS

Table No. 3.9: Table Showing the Investors and Non-Investors of Mutual Funds

S.No	Mutual Fund Investor/ Non Investor	No: of Respondents	Percentage of Respondents
1.	Investor	104	81.8
2.	Non-Investor	23	18.12
	Total	127	100

Inference:

Of the overall Respondents 81.8% of the respondents were Mutual fund Respondents and the remaining 18.12% of the Respondents have not invested in mutual funds.

3.10. ANALYSIS OF THE PURPOSE OF INVESTING IN MUTUAL FUNDS

Table No. 3.10 : Table Showing the Purpose of investing in Mutual funds

S.No	Purpose	No: of Respondents	Percentage of Respondents
1	Savings	24	23.10
2	Returns	34	32.70
3	Security	25	24.00
4	Future Plans	21	20.20
	Total	104	100

Inference:

32.70% of Respondents consider returns as the main purpose of investing in Mutual funds and 24% of the Respondents consider Security as the main purpose whereas 23.10% of Respondents consider Savings and 20.20% of Respondents opt for Future Plans as the Purpose of Mutual Fund Investments.

3.11. ANALYSIS OF THE INFLUENCING FACTORS FOR INVESTMENT IN MUTUAL FUNDS

Table No.3.11 : Table Showing the Influencing factors for Investment in Mutual Fund

S. No	Influencing Factor	No: of Respondents	Percentage of Respondents
1	Brand Image	18	17.30
2	Performance	30	28.80
3	Reference	23	22.10
4	Schemes	20	19.20
5	Advertisement	13	12.50
	Total	104	100

Inference:

From this table it is found that 28.8% of respondents feels that performance is the most influencing factor , 22.10% of respondents feels that Reference is the influencing Factor whereas Schemes and Brand image are preferred as the influencing factor by 19.20% and 17.30% respectively.

3.12. ANALYSIS OF THE EXPECTED LEVEL OF RISK AND RETURN

Table No.3.12 : Table Showing the Respondents Expected level of Risk & Return

S.No	Risk & Returns	No. of Respondents	Percentage of Respondents
1	Low Risk Low Returns	8	7.7
2	Low Risk Medium Returns	5	4.8
3	Low Risk High Returns	40	38.50
4	Medium Risk Low Returns	0	0
5	Medium Risk Medium Returns	13	12.50
6	Medium Risk High Returns	22	21.20
7	High Risk Low Returns	0	0
8	High Risk Medium Returns	3	2.90
9	High Risk High Returns	13	12.50
		104	100

Inference:

Among the various Types of Respondents the expected Level for Low Risk and High Returns is much Higher and the level of expectation for Medium Risk High Returns is also Higher which is followed by Medium Risk Medium Returns and High Risk High Returns whereas the expected level for various types of Risk and Returns are much Lower and none of the Respondents expect Medium Risk and High Risk with Low Returns.

3.13. ANALYSIS OF NON INVESTORS REASONS FOR NOT INVESTING IN MUTUAL FUNDS

Table No. 3.13: Table Showing the Reasons for not investing in Mutual Funds

S. No	Reasons	No: of Respondents	Percentage of Respondents
1	Low Returns	4	17.40
2	Lack of Awareness	3	13.00
3	Not given a Thought	6	26.10
4	High Risk	4	17.40
5	Insufficient Funds	6	26.10
	Total	23	100

Inference:

Among the Non-investors of Mutual Funds 26.10% of respondents believes that Insufficient funds is the main Reason for not investing in mutual funds and 17.40% of respondents say that Low Risk and High Returns are the reasons for not investing in Mutual funds.

4. FINDINGS:

- The Total number of Male Respondents is 63% and that of Female Respondents is 37% and hence the male investors are much higher when compared with that of female investors
- The Respondents belonging to the age group of 31-40 Years with a percentage of 37% is higher than the other Age groups.

- The Professionals and Self employed people are higher in number when compared with that of Total Respondents
- Respondents with the Monthly income of Rs.10001-15000 are higher in Number of the Total Respondents
- Respondents prefer Mutual funds as the best investment avenue among the Various investment Avenues.
- The main reason for investing in Mutual fund is the investors perception of its low risk.
- SBI has the advantage of Top of the Mind Awareness among the Various Respondents.
- Returns are considered to be the Main Purpose for investing in Mutual Funds among the Mutual Fund investors
- Performance of Mutual Funds is Considered to be the most influencing factor for investing in Mutual Funds
- About 38.50% of the investors expects Low Risk and High Level of Returns and it is the Highly expected level of Risk and Return among the Respondents
- Among the non investors of Mutual Funds about 26.10% of the respondents believes that Mutual funds comprises of insufficient Funds and it is the main reason for not investing in Mutual Funds.
- Low Returns has been ranked as the important factor of consideration while investing in Mutual Funds.

4.1. SUGGESTIONS:

- Female group of the investors have to be targeted and better awareness level have to be created. By doing so the number of Mutual fund investors can be increased.
- The retired group of people has to be ensured about the risk diversification concept in Mutual fund. The investors who are above 60 years of age are a good source of lump sum investment.
- To increase the market share professionals and self Employed People should be targeted.
- Moderate income group should be continuously contacted. The reasons for high income group not going for Mutual fund investment should be analyzed for evolving suitable strategy for bringing them also under the fold of Mutual fund.
- The Performance of Mutual funds should be increased which acts as a influencing factor and the asset management companies should concentrate more on the advertisements so that it can reach the customer Easily.
- The advantage of various funds can also be explained clearly so that the option of insufficient Funds can be avoided and hence the Investors of Mutual funds can be increased.
- For those Asset management companies that have not captured the attention of the investors should go on with more advertisements and research so that they get more support from the client side.

5. CONCLUSION:

The study helped in bringing out the various investment opportunities available for the investors. Among all the investments, there were very specific reasons to why people preferred investing in one mode of investment. The dominating factor as far as Mutual fund investment was considered is the very low risk due to diversification.

As far as Asset management companies were considered there was clarity among the investors as to which company's products should be selected for investing. The demographic factor played vital role in their decision making process. For those Asset management companies that have not captured the attention of the investors should go on with more advertisements and research so that they get more support from the client side. Thus this study helped to understand the perception of investors. The future scope of research area may be a study that concentrates more on specific sector such as the lump sum investors or the SIP (systematic investment plan) investors. This will help in getting clear picture of the segments of investors.

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