Original Article

A STUDY ON INVESTOR'S PERCEPTION TOWARDS MUTUAL FUNDS IN INDIA

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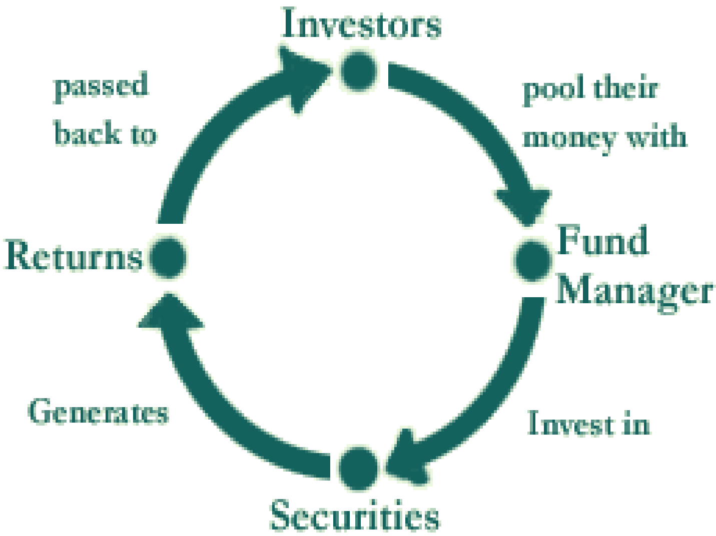
Abstract

Mutual funds have been the subject of inquiry and investigation by academics, researchers, and professionals in the field of finance. It is essential to the growth of the mutual fund industry that investors have a widespread readiness to accept mutual funds as a solid investment. Investors come from a wide range of socioeconomic backgrounds, and they also differ in terms of the rates of return they anticipate earning and the amount of risk they are ready to face. It is quite difficult to produce products that may fulfill the requirements of investors if one does not first determine the demographic and economic characteristics of these individuals. By analyzing the level of risk an investor is willing to take, one may infer the patterns of asset allocation they will use. When investing in mutual funds, it is essential to determine the factors and considerations that influence the investment decisions made by investors. The track records of mutual fund schemes are formed via the use of periodical performance evaluations. These reviews also act as an aggressive marketing technique for the purpose of obtaining cash from individual investors. The following are the objectives of the study to study the perception of the investors towards the mutual fund and to analyze the investors' behaviour towards mutual funds. The study is qualitative in nature carried out in during the month of August 2022. To understand the investors' perception towards the mutual funds, 250 sample respondents having investment in the mutual funds are purposively selected. The information is collected through Google forms and analyzed with the help of SPSS.

Keywords: Investor's perception, mutual funds and Investment Dimension

Introduction:

The capacity of mutual funds to pool money and then transfer that capital to locations where it may be of the greatest use to the economy makes mutual funds an essential component of the economy. The availability of these resources as a result of these investments will, among other positive effects, result in increased access to money, global financial stability, and a healthy corporate community. As a consequence of this development, mutual funds have developed into influential financial intermediaries that make a substantial contribution to the stability of the financial system as well as the efficiency with which resources are distributed. The mutual fund industry is one sector of India's economy that is seeing fast expansion. There has been a notable rise in the use of these products as a method of channeling savings into the stock market, especially among individual and family savers. In particular, the use of these instruments has been on the rise in the United States. On the Indian Capital Market in 1964, mutual funds made their debut with the intention of providing individual investors with risk diversification, return guarantee, and professional management. Since then, they have had nothing short of incredible growth in terms of both their workforce and their income, as well as interest from possible investors. The mutual fund industry, which serves as a cornerstone of the financial markets, is required to respond rapidly to unanticipated movements in the economy by distinguishing their products and gaining a knowledge of the dynamics of investors' views of the value of their investments



. The potential for a financial loss, including the loss of the original investment as well as any gains generated, is referred to as the "risk" associated with an investment. Risk also refers to the inability to produce a profit from an investment. The investment objective of a fund and the kind of assets it holds are the primary factors that define the amount of risk associated with that fund. Investors need to educate themselves on the risks associated with purchasing shares of the fund by reading the accompanying prospectus. As a consequence, it is time to discover how investors think about and prepare for the sorts of risks and shocks mentioned above, and it is also time to supply some really helpful statistics for the purpose of informing investment decisions pertaining to mutual funds. Mutual funds, just like any other company, may create money via the sale of investor shares just as any other organization can issue stock to the general public. It purchases stocks, bonds, and other money market instruments using the proceeds from the sale of its assets, in addition to any gains it has accumulated from investments made in the past. (Cecily and Rangarajan.2012)

Background of the Study

The potential for monetary loss is inherent in the nature of mutual funds, as it is with any other kind of investment. The financial investing market is fundamentally risky. There is always the potential for loss. Even with all of the professional safeguards that come with a diversified investment vehicle, there is still some level of risk involved when investing in the stock market because of the inherent instability of the financial system. Investments in mutual funds are susceptible to market risk across all available financial markets (debt, equities, money, and capital). The possibility of incurring a loss of investment money (including principle and interest) or the inability of an investment to provide the desired rate of return is what is meant by the word "risk." In spite of the fact that it is willing to take on investment risk, the regulations that control it ensure that the funds are invested in a wise manner and that the expenses connected with the investments of the funds are maintained within boundaries that are fair. In general, mutual funds closely adhere to the all-encompassing principle of risk return. When there is a bigger potential for loss in an investment, there is also a greater potential for gain. To reduce investors' exposure to risk, fund managers distill the benefits of diversification into a more manageable format. Diversification, on the other hand, may be used to mitigate non-systematic risk. The investing objective of a fund and its holding pattern are two factors that influence the degree of risk that is connected with the fund. Therefore, it is essential for investors to have a solid understanding of the risks associated with the market. It may be helpful for investors to read the prospectus, maintain a close watch on the movement of the market, and have appropriate understanding of financial matters in order to assist offset some of the risks they encounter.

Theoretical underpinning

Rajesh Trivedi, et al.(2017)[9] As a result of the fact that the Indian financial industry is expanding at a rapid rate, it is essential that the supply of various financial products satisfy the demand from investors. This research shed light on the myriad of potential risks that are associated with participating in an investment plan for a mutual fund. A survey was conducted with investors in mutual funds as well as people who don't typically invest in mutual funds in order to get this information. The authors study the ways in which factors such as cash on hand, financial knowledge, and population affect the decisions that might be made about investments. It was found out that the availability of low-risk funds and the fund liquidity plan had an effect on investors' judgments of the attractiveness of mutual funds. As a consequence of this finding, the authors of the research came to the conclusion that the mutual fund industry faced additional obstacles when trying to broaden its pool of investors. For the development of this industry, it is essential to broaden the understanding of personal finance held by younger people and women. This need has been recognized by the government, and efforts are now being made to include financial education into the K-12 curriculum. (Ganapathi 2015)[5] Indian mutual funds are clearly growing more important as more money is invested and as new mutual fund schemes are developed. This may be investigated and it is obvious that more mutual fund schemes are being created. According to the data, a statistically significant link exists between the degrees of education held by investors and their risk tolerance. This association also exists between the levels of education held by investors and the vocations they hold. In addition, the statistics indicate that neither the investors' employment nor their rates of monthly savings had a significant relationship with their level of competence in relation to mutual funds. When analyzing the effectiveness of a fund, investors often compare it to a standard known as the rate of risk-free returns. This information will be used to make a decision on which chances for investment and schemes will be pursued. The incapacity of the fund manager to take risks, lack of knowledge in timing investments, poor stock choosing competency, and insufficient diversification were direct contributors to the low returns that were generated by the schemes. The author draws the conclusion that fund managers for debt and balanced plan investments have shown their capability in locating companies at reasonable prices and diversifying their portfolios. If they had the option, investors would invest even more money in a mutual fund if they were given the opportunity. To put it another way, the private sector's mutual funds have developed at a quicker rate and performed better than their counterparts in the public sector. Jaspal Singh and Subash Chander (2006),[7] the fifth spot was taken up by investors' equity mutual funds. Investors who were between the ages of 20 and 35 and had a consistent income were more likely to choose equity-oriented schemes that were closed-ended. Prior to making any big choices about their investments, investors often sought the advice of brokers, specialists, and financial advisers. A significant number of respondents, particularly those in the wage band and between the ages of 35 and 50, reported having had quite diverse experiences with the returns on their investments in mutual funds.

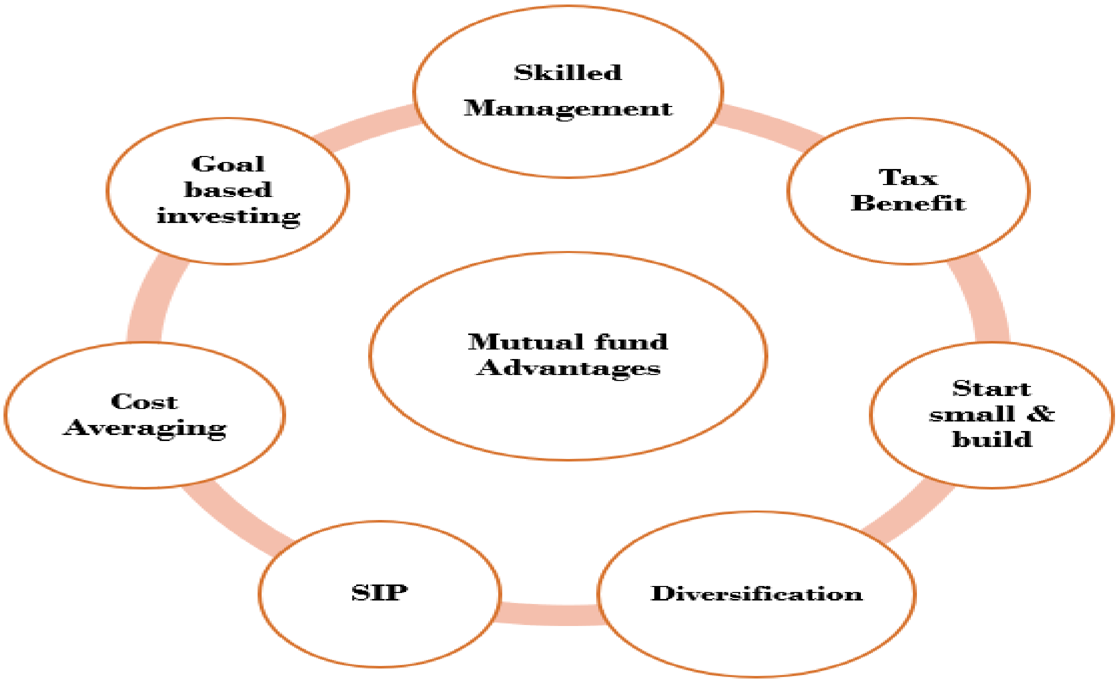
Need for Professional Investment Dimension

The phrase "investment dimensions" may refer to either a predetermined set of principles, a predetermined point of view, or a strategy for guiding investors in the process of developing their very own investment portfolios. In contrast to low-return investment channels such as bank deposits, post office savings, and other similar types of investments, mutual funds enable individuals to invest in a manner that is both logical and needs-based. A well-balanced approach to investing often includes both short-term and long-term planning, as well as a predetermined degree of comfort with risk. When returns are rigorously enforced in accordance with an effective dimension, it is possible for returns to increase. Before making any purchases, prospective investors in mutual funds have to first do a careful examination of the offer document supplied by the AMC. The market, as a rule, operates on the assumption that a fund's existing performance is representative of the fund's potential going forward. This indicates that the vast majority of investors base their selections on the previous performance of an asset. When attempting to predict how a mutual fund will perform in the future, an investor should first look through the fund's information sheet and then consider how the fund has performed in the past before moving on to the next step.

Investors may now get the most recent information and particulars on the funds by visiting the websites of AMCs and downloading digital PDFs of the documents. Individual investors may have a tough time selecting the appropriate mutual fund since it requires a substantial amount of study and a strategic approach. Investors would make judgments based on the track record of the mutual fund, and the high returns of many funds are the result of the ability of their fund managers in navigating the ups and downs of the stock market. Investors are often unaware of the ways in which fund fees reduce the profits they get on their investments. Investors are less likely to purchase costly funds, such as those with higher brokerage costs or front-end loading, since these types of funds have a higher overall cost. Due to the significant degree of volatility in fund outcomes, investors are given with operating cost percentages; however, the exact amounts of these charges are not publicized.

Concept about perception towards Investments

In the field of behavioural finance, psychology research is used to the analysis of financial markets in order to get a deeper understanding of the variables that impact the decisions made by individual investors. When a person saves money or puts money away on a monthly basis for long-term needs, they are making investments in that money. Although it is impossible to alter human nature, investors might improve their ability to establish a more secure nest egg for retirement by increasing their knowledge of the many investment opportunities available to them. The field of research known as behavioural finance examines how the feelings and attitudes that individuals have towards money and markets impact their choices when it comes to investing. For the purpose of satisfying one's future financial responsibilities, investments undertaken with a longer time horizon are seen as being more essential. People living on a more limited income have just as much of a chance as those with more disposable income to save money for the future by participating in India's financial markets. Individuals are increasingly the ones who make financial decisions for their families, including those involving mutual funds, pensions, mortgages, home equity loans, and other significant purchases. This trend is expected to continue in the foreseeable future. As a direct consequence of this, the number of individuals actively trading on financial markets saw meteoric growth. The overall behaviour of the stock market is a reflection of the patterns of behaviour seen in individual investors. After reviewing the approaches that are currently being used, we can see that investors have access to a wide range of tools that allow them to evaluate and forecast the profitability of a firm. The historical price patterns, financial performance, and accounting ratios are analyzed using these approaches in order to make predictions on the future direction of stock prices. When it comes to making financial decisions, according to the principles of behavioural finance means taking into consideration the scope, nature, and impact of human behaviour.



Need for the Study

As a direct consequence of efforts made to address preexisting issues, the mutual fund industry has greatly expanded in recent years. Within the scope of this study, comparisons and contrasts were made between public and private mutual funds. Because it will throw light on the inner workings and track records of these fund institutions, the results of this study will be helpful to ordinary investors. This is because the findings will cast light on the research. This document gives fund houses access to useful information on investor mood and behaviour in relation to investing in mutual funds.

Importance of the study:

There has been a significant amount of study done in the past on India's mutual fund business. The opinions of investors as well as their attitudes about mutual funds were investigated over the course of this investigation. This material is helpful in gaining a better understanding of the mutual fund sector and the growth opportunities that exist within it. It would be in the best interest of mutual fund companies to examine the findings of this study in order to improve the level of service they provide to their investors and to grow their operations. The insights that were gathered from this study may be used by future researchers in the field of mutual funds and investor attitude to better analyze similar problems from various aspects. The recent investigation advises customers to save aside some of their spare money and donate it to charitable organizations. As a direct consequence of this, the wealth of the nation and the earnings of investors both increase.

Significance of the Study

It is essential for a nation's economy to have a reliable financial system in place in order to experience growth. Because it serves as an outlet for the placement of one's accumulated savings, the capital market is an essential component of the overall monetary system. The capital market played a relatively little part in India's monetary system throughout the almost three decades that followed India's independence from British rule. During this time period, just a tiny percentage of businesses looked to the capital market to satisfy their needs for short-term financing, and the market's overall contribution to the businesses' efforts to fulfill all of their funding requirements was equally insignificant. Investors either lacked an interest in or understanding of corporate securities, and those investors who did participate in the equity market witnessed returns that were far lower than the -16 risk premium. The respondents to the survey ranked bank deposits as their top choice for an investment vehicle because of the perception that these investments are low risk. The revisions that were made in 1970 that weakened the Foreign Exchange Regulation Act contributed to an increase in investor excitement for the stock market (FERA). Since the middle of the 1980s, when the government first started pushing for liberalization, the capital market in India has seen significant changes in terms of resource mobilization. These developments began in the early 1990s. The financial liberalization process that took place in 1991 emphasized the free playing of market forces. This was accomplished by reducing barriers to entry for both domestic and foreign institutional investors. Investors from all over the world were enticed to participate in India's stock market as a result of its deregulatory policies, chances for diversification, and high profits. Twenty percent of the total trading volume on India's capital market is contributed by foreign institutional investors. The fact that FIIs conduct their operations according to global trends is one of the primary contributors to the high level of volatility seen in the Indian capital market.

Statement of the Problem

An investment known as a mutual fund brings together several investors with the intention of achieving a common financial goal or series of objectives. The manager of the fund collects resources from a number of contributors and invests the money in assets that have well defined objectives. A mutual fund, in its most fundamental form, is just a pool of money that may be invested in stocks or bonds, and each investor in the fund gets a part of ownership in the fund. A mutual fund is one of the most common types of investment vehicles. Earnings from these types of investors, as well as any value gain experienced by the schemes, are dispersed in a fair manner. It is essential to keep in mind, however, that the quantity of units an investor holds is what determines the proportion of the profits or losses that the investor is entitled to. Because it enables participation in a portfolio that is both diversified and well managed, a mutual fund is, as a result, the most suitable investment instrument for the typical individual. Mutual funds make it possible for the common individual to invest in major companies while requiring just a small fraction of the usual amount of cash.

Research Objectives

The following are the main aim of the study

1. To study the perception of the investors towards the mutual fund
2. To analyze the investors' behaviour towards mutual funds

Research Methodology

The study is qualitative in nature carried out during the month of August 2022. To understand the investors' perception towards the mutual funds, 250 sample respondents having investment in the mutual funds are purposively selected. The information is collected through Google forms and analyzed with the help of SPSS.

Findings

The nature of the investors is key for influencing their behaviour towards the investment decisions. In this respect, the nature of the respondents is given below.

Table 1: Socio-Economic characteristics

Socio-economic characteristics		N	%
Age	<30 years	28	11.20
	30-40 years	124	49.60
	<40 years	98	39.20
Gender	Male	218	87.20
	Female	32	12.80
Education	School level	37	14.80
	Graduates	143	57.20
	Post graduates	54	21.60
	Others	16	6.40
Occupation	Private employees	48	19.20
	Government employees	72	28.80
	Business	63	25.20
	House wife	34	13.60
	Others	33	13.20
Annual income	<Rs. 5 Lakhs	51	20.40
	5 to 10 lakhs	78	31.20
	>10 lakhs	121	48.40
Monthly saving	< 20%	7	2.80
	20%-40%	53	21.20
	41%-60%	127	50.80
	61%-80%	39	15.60
	>80%	24	9.60
Total		250	100.00

The age group of the respondents depicts that 28 (11.20%) of the respondents are aged below 30 years, 124 (49.60%) are aged between 30 and 40 years. 98 (39.20%) respondents are aged more than 40 years. 218 (87.20%) respondents are male and the rest of the 12.80% of the respondents are female. The educational qualification of them shows that 37 (14.80%) have studied upto school level, 143 (57.20%) respondents are graduates, 54 (21.60%) are post graduates and 16 (6.40%) belong to other groups.

The occupational status of the respondent's shows that 48 (19.20%) respondents are working in private organizations, 72 (28.80%) are government employees, 63 (25.20%) respondents are self-employed and 34 (13.60%) are home makers. The respondents are also grouped based on the annual income of their family. 51 (20.40%) are from the group of family havig annual income less that Rs. 5 lakh per annum. 78 (31.20%) are between the Rs. 5 lakhs to Rs. 10 lakhs group and 121 (48.40%) of the respondents have annula income more than Rs. 10 lakhs. The saving from their earning is also an important parameter to influence the investment bhaviour. 7 (2.80%) respondents save only less than 20% of the income, 53 (21.20%) respondents could save from 20% to 40% of their income, 127 (50.80%) respondents saves from 41% to 60%. 39 (15.60%) are between 61% to 80% and the rest of the 24 (9.60%) respondents able to save more than 80% of their earnings.

Table 2: Investors behaviour

Investment behaviour		N	%
Risk taking	Very high	35	14.00
	High	48	19.20
	Moderate	114	45.60
	Less	33	13.20
	Very less	20	8.00
Awareness	Well	49	19.60
	Some what	179	71.60
	Less	22	8.80
Belief in wealth creation	Very high	163	65.20
	High	51	20.40
	Moderate	24	9.60

	Less	8	3.20
	Very less	4	1.60
Belief in regular return	Very high	37	14.80
	High	92	36.80
	Moderate	77	30.80
	Less	26	10.40
	Very less	18	7.20
Total		250	100.00

The respondents are asked to mention about their risk taking ability. The result shows that most of the respondents (45.60%) are ready to take moderate risk in their portfolio. Majority of the respondents (71.60%) feel that they are partially aware and 49 (19.60%) respondents only fully aware about mutual fund investments. The respondents are also asked about their belief in the wealth creation through the mutual fund. Majority (65.20%) of the respondents are believe in that at very high level. only very few (12) respondents do not have such belief. The respondents belief on the regular return from the mutual fund investment shows that 37 (14.80%) respondents very highly belief, 92 (36.80%) highly belief, 77 (30.80%) respondents moderately belief on the regular income from the mutual funds.

Behaviour

The behaviour of the investors towards the mutual funds may be influenced by some perception of the investors. A regression model is proposed to measure the influence. The 6 aspects of perception i.e., risk perception, return perception, investment criteria, awareness, financial literacy are considered as influencing factors and the investor behaviour towards mutual investment as dependent factor. The result of the model is discussed below.

Table 3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.957[a]	0.916	0.914	1.35697
a. Predictors: (Constant), Risk perception, return perception, investment criteria, awareness, financial literacy				

The model summary shows that the calculated R value is 0.957, R Square value is 0.916. It shows that the six predictor variables are explaining 91.6% of the variance in the model. It is significant.

Table 4 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4884.260	5	976.852	530.500	0.000[b]
	Residual	449.296	244	1.841		
	Total	5333.556	249			
a. Dependent Variable: Investment behaviour						
b. Predictors: (Constant), Risk perception, return perception, investment criteria, awareness, financial literacy						

The ANOVA result shows that the F value is 530.500 for the degree of freedom 5 and significance is at 1%. It is understood from the result is that the model is fit. Hence, the result of the coefficients is discussed from the following table.

Table 5 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.057	0.356		-5.783	0.000
	Risk perception	1.258	0.089	0.308	14.089	0.000
	Return perception	0.938	0.083	0.257	11.300	0.000
	Investment criteria	1.232	0.096	0.315	12.833	0.000
	Awareness	0.797	0.091	0.190	8.802	0.000
	Financial literacy	1.331	0.086	0.318	15.560	0.000
a. Dependent Variable: Investment behaviour						

The above table shows that the predictors have a strong influence on the investment behaviour towards the mutual fund investment. Risk perception (14.089), return perception (11.300), investment criteria (12.833), awareness (8.802) and financial literacy (15.560) have significant influence as their t values are more than the critical value of 1.96. It is concluded that the perception towards the investment is strongly influence on the mutual fund investment.

Implications

Investors have only in recent years started to take mutual funds as a viable choice in their investment strategies. In this context, the growth of a country's financial industry is an extremely important factor. When the general population acquires a better education, they are better able to understand the saving and investment cycle as well as the consequences that it has on the economy of a nation. However, there are still a few aspects of our economy that need to be improved, such as the criterion for investing in mutual funds. Many people never even attempt to get into this sector because they are paralyzed by the worry that they would fail. (Gordon and Natarajan 2013) [6].The future of the mutual fund industry is heavily influenced by a variety of demographic characteristics, including age, gender, monthly saving and others.

Conclusion

Investors' perceptions of risk, investors' perceptions of the individual investments they hold, the characteristics of mutual fund features, and the quality of fund management were found as elements that effect investors' views of mutual funds. The results of the research indicate that it is essential for companies in India that deal in mutual funds to have a solid understanding of the most significant factors that should be taken into consideration while establishing mutual fund products and other investment plans. (Binod Kumar Singh 2012)[3]. It is concluded that the perception towards the investment is strongly influence on the mutual fund investment.

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