

## Abstract

*Investment in mutual funds is effected by the perception of the investors. As a common investor who invests their savings into the different assets class are not very much aware about the mutual funds. Financial markets are constantly becoming more efficient by providing more promising solutions to the investors. Being a part of financial markets although mutual funds industry is responding very fast by understanding the dynamics of investor's perception towards rewards, still they are continuously following this race in their endeavor to differentiate their products responding to sudden changes in the economy. A need is there to study investor's perception regarding the mutual funds. The study is carried out through questionnaire survey in Durgakund area of Varanasi, Uttar Pradesh. Hypothesis is tested using z-test and Chi-square. The analysis finding suggest that majority of investor are aware about mutual funds and are willing to invest in mutual fund. Most preferred scheme is balanced fund. Findings also suggest that investment in fixed deposit is more likely to be done than mutual funds. Hypothesis is also proving that occupation of the investor is not affected in investment decision for mutual funds. Investment in mutual fund is not effect in near future.*

**Keywords:** *Mutual funds, perception about mutual funds, occupation of investors.*

# An Analysis of Investor's Perception Regarding Mutual Fund

**Prof. M.P. Singh**

*Professor, Faculty of Commerce, S.G.R. Postgraduate College, Dobhi, V.B. Singh Purvanchal University, Jaunpur.*

## Introduction

As a common investor who invest their savings into the different assets class are not very much aware about the mutual funds and so, lack of awareness result into their own perception regarding the mutual funds and so, a need is there to study investors perception regarding the mutual funds. A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. Units are issued to the investors in accordance with quantum of money invested. They are known as unit holders. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. VNR dictionary of business and finance says mutual fund is "an investment fund that pools the invested funds of others and invests money market instruments, municipal bonds, or common stock". The structure of the mutual funds in India is governed by the SEBI regulations, 1956. These regulations make it mandatory for the mutual funds to have a three – tire structure of Sponsor – Trustee – Asset Management Company. The sponsor is the promoter of the mutual fund, and appoints the trustees. The trustees are responsible to the investors in the mutual fund and appoint the AMC for managing the investment portfolio. The AMC is the business face of the mutual fund, as it manages all the affairs of the mutual fund. The mutual fund and the AMC have to be registered with SEBI.

## Review of Literature

Elmiger and Kim (2003) elucidate risk as the trade-off that every investor has to make between the higher rewards that potentially come with the opportunity and the higher risk that has to be borne as a consequence of the danger.

Although different literature available on risk define it variedly but in common the word risk refers to situations in which a decision is made whose consequences depend on the outcomes of future events having known probabilities(Lopes,1987). Risk from a strategic management perspective has been defined as one that is often taken as manager's subjective judgment

of the personal or organizational consequences and it may result from a specific decision or action. Beta has been accepted as most appropriate measure of risk that describe the slope of any regression line .i.e it reveals the volatility of a stock relative to a market benchmark (Sharpe 1966). Although majority of investors who invest in mutual fund themselves are not clear with the objective and constraints of their investment but in addition to this most important critical gap that exist in this process is lack of awareness about presence of risk elements in mutual fund investment. The new marketing philosophy and strategies place special emphasis on recognition of customer needs in an effort to provide high level of quality services (Harrison, 2000). Study by Laukkanen (2006) explains that varied attributes present in a product or service facilitate customer's achievement of desired end-state and the indicative facts of study show that electronic services create value for customers in service consumption. Return ambiguity and changes in risk perception of individual investor affect action taken in risky financial market. In a more complex situation taking rational decision is undoubtedly difficult but certainly not impossible. Computational complexities are not only the reason why rationality assumption is challenged rather challenges also come from cognitive reasoning (Anderson 1991) where question is how optima human beings are. A more realistic notion of rationality is bounded rationality defined by Simon (Simon 1957) that property of an agent who behaves in a manner that is nearly as optimal with respect to its goals as resource will allow. Here resource includes processing power, algorithm and time available to the agent.

### **Methodology**

The purpose of this research is to contribute towards a very important aspect of financial services known as Mutual Fund. The investor perception regarding mutual fund investment is been carried out through a questionnaire survey in Varanasi area of Uttar Pradesh. Objective behind selecting these is to find out whether common man knows about mutual funds and their invest in mutual funds.

### **Objective**

- To know about perception of investor towards mutual funds
- To know whether there is difference in investor's preference regarding mutual fund and fixed deposit.
- To study the investment done in mutual funds is having relation with occupation of the investor.
- To know investor perception about future investment in mutual funds.

### **Data Set and Sample**

The data used in this study was acquired through questionnaire survey of 100 investors in Varanasi area of Uttar Pradesh. Questionnaire survey conducted in the month of April – June 2010. The study is done only in the Varanasi branch where mostly people are aware about the mutual funds and so, other areas people's perception may differ from this area people.

### **Hypothesis Testing**

#### ***Hypothesis: 1***

H01: Investments in Mutual fund is not more significant than fixed deposits

H11: Investments in Mutual fund is more significant than fixed deposits

Test type: z test

#### ***Hypothesis: 2***

H02: Investors investment in mutual funds does not depend on occupation of the investor

H12: Investors investment in mutual funds depends on occupation of the investor.

Test type: Chi- square test

## **An Analysis of Investor's Perception Regarding Mutual Fund**

### ***Hypothesis: 3***

H03: Investment in Mutual fund is not significant in near future

H13: Investments in Mutual fund is significant in near future

Test type: z test

### **Hypothesis testing formula (calculation done using Excel)**

**Z-test:**  $Z_{cal} = \frac{p1-p2}{\sqrt{PQ(1/n1 + 1/n2)}}$  1/2

**Chi-square:**  $X^2_{cal} = \sum \frac{(O_i - E_i)^2}{E_i}$

E

### **Data Analysis**

#### ***Questionnaire Analysis (Annexure)***

- ❖ Survey indicated that Investment done in mutual fund majority is salaried investor (43%)\*and businessman (27%).
- ❖ Monthly income of investors ranges between 15000-25000 (52%) and 25000-50000 (24%).
- ❖ Most preferred investment is insurance (23%), fixed deposit (19%) and mutual funds (16%), post saving (13%), equity market (12%)
- ❖ Return on investment (40%) and safety (40%) are the most proffered attributes for investment. liquidity is the second preferred option (15%)
- ❖ From the survey done majority (80%) of the investors were aware of mutual funds.

Analysis of 80% respondent who are aware about mutual funds

- ❖ 70% of the investors were willing to know about mutual funds schemes.
- ❖ Among 80% investors who know about mutual funds 63.75% were willing to invest in Mutual funds
- ❖ On an average 11 % to 30% of annual saving is invested in mutual funds (43.14%) and less than 10% (41.18%)
- ❖ Balanced scheme is most preferred investment of the 80% respondent and than equity.
- ❖ Majority of the investor invest in mutual funds based on recommendation done by banks
- ❖ Expectation of investor return in mutual fund is 10 to 15 percent
- ❖ Majority investor's Investment is done for 1 yr holding (39.21%) and 2-5 yrs (20%)
- ❖ 88% investors are willing to invest in future in mutual funds

[\*(%) refers to percent respondent in questionnaire survey]

### **Hypothesis Testing**

#### ***Hypothesis: 1***

H01: Investments in Mutual fund is not more significance than fixed deposits

H11: Investments in Mutual fund is more significance than fixed deposits

P1: Number of investors invests in Mutual fund

P2: Number of investors invests in fixed deposits

$P1 = \frac{16}{100} = 0.16$   $n1 = 16$

$P2 = \frac{84}{100} = 0.19$   $n2 = 19$

$$P = n_1p_1 + n_2p_2$$

$$n_1+n_2$$

$$Z_{cal} = |p_1 - p_2| / [PQ (1/n_1 + 1/n_2)]^{1/2}$$

$$= |0.16 - 0.19| / [(0.182)(0.818)(1/16 + 1/19)]^{1/2}$$

$$= 0.59$$

$$Z_{tab} = 1.96 \text{ (two tailed)}$$

$$Z_{cal} < Z_{tab}$$

Therefore null hypothesis is accepted. So, mutual fund is not more significant than fixed deposit.

**Hypothesis: 2**

H02: Investors investment in mutual funds does not depend on occupation of the investor

H12: Investors investment in mutual funds depends on occupation of the investor

**Table 1: Chi-square Test**

Occupation	Mutual Fund	Others	Total
Businessman	1514.09	1212.96	27
Professional	99.88	109.12	19
Salaried	2222.36	2120.64	43
Retired	44.06	33.36	7
Others	22.08	21.92	4
Total	52	48	100

$$X^2_{cal} = \sum \frac{(O_i - E_i)^2}{E_i}$$

$$= 0.3579$$

$$X^2_{tab} = (2-1)(5-1) \text{ d.f. at } 5\%$$

$$= 4 \text{ d.f. at } 5\%$$

$$= 9.49$$

$$X^2_{cal} < X^2_{tab}$$

Therefore null hypothesis is accepted. So, statistically Investors investment in mutual funds does not depend on occupation of the investor

**Hypothesis: 3**

H03: Investment in Mutual fund is not significant in near future

H13: Investments in Mutual fund is significant in near future

P1: Number of investors will invest Mutual fund in near future

P2: Number of investors will not invest Mutual fund in near future

$$P_1 = 88/100 = 0.88 \quad n_1 = 88$$

$$P_2 = 12/100 = 0.12 \quad n_2 = 12$$

$$Z_{cal} = |p_1 - p_2| / [PQ (1/n_1 + 1/n_2)]^{1/2}$$

$$= |0.88 - 0.12| / [(0.7888)(0.2112)(1/88 + 1/12)]^{1/2}$$

## **An Analysis of Investor's Perception Regarding Mutual Fund**

= 0.6876

**Ztab = 1.96 (two tailed)**

**Zcal < Ztab**

Therefore null hypothesis is accepted. So, Investment in Mutual fund is not significant in near future. As in all the three hypothesis null hypothesis is accepted. So investment preference of investor is more for fixed deposits and mutual funds, investments in mutual funds do not depend on the occupation and investment done in near future in mutual funds is not statistically significant.

### **Conclusion**

Form the survey conducted to know the perception of investors towards mutual funds it was found that 80 % of the investor knows about mutual funds, so awareness level of mutual fund is there. Majority of investors are willing to invest in mutual funds. The investment of about 11 percent to 30 percent saving is done in mutual funds and expected returns are between 10 percent to 30 percent. Moreover in comparison of fixed deposit to mutual funds, fixed deposit is more significant than mutual funds (Hypothesis 1). Investments in mutual funds do not depend on the occupation (Hypothesis 2) and investment done in near future in mutual funds is not statistically significant (Hypothesis 3). So if the mutual funds firms provide a good return investors are willing to invest in mutual funds irrespective of its occupation and time frame. As investors are willing to invest in 1 to 5 yrs time frame. Asset management companies can provide the right kind of need base solutions to their Investors.

### **REFERENCES**

1. [www.amfi.com](http://www.amfi.com)
2. [www.mutualfundindia.com/history](http://www.mutualfundindia.com/history)
3. [www.mutualfindresearchonline.com](http://www.mutualfindresearchonline.com)
4. [www.appuonline.com/mutualfund](http://www.appuonline.com/mutualfund)
5. [www.rbi.com/mutualfund](http://www.rbi.com/mutualfund)
6. [www.valueresearchonline.com/mutualfund](http://www.valueresearchonline.com/mutualfund)
7. [www.investopedia.com/mutualfund](http://www.investopedia.com/mutualfund)
8. [www.individualinvestor.com](http://www.individualinvestor.com) – Different schemes for the investments.
9. [www.smartmoney.com](http://www.smartmoney.com) – Mutual funds schemes and the recent performance of different companies.
10. [www.sebi.in](http://www.sebi.in) – Regulatory information for the mutual funds.
11. Statistical Methods by S.P.Gupta 13th Edition published by Sultan Chand & Sons, Pg. No. 881-1000

### **ANNEXURE**

#### **QUESTIONNAIRE**

(Information provided by you would be kept confidential and it is only for the research purpose)

1. How many members are there in your family?  
Ans. . 1-2 . 3-4 . 5-6 . 7+
2. Which of the below mentioned category do you belong?  
Ans. . Businessman . Professional . Salaried . Retired . Others, please specify \_\_\_\_\_
3. What is your monthly income?  
Ans. a. . 5000-15000 b. . 15000-25000  
c. . 25000-50000 d. . Above 50000
4. What proportion of total income do you save? (In %)  
Ans. . below 10 . 11-30 . 31-50 . above 50

5. Where do you most prefer to invest your money?

(Rank the above investment as per your preferences. Ex. most preferable-1, least preferable-8)

Ans. a. . Post schemes b. . Fixed Deposits c. . Mutual Funds d. . Equity Market e. . Insurance f. . Gold g. . Real estate h. . Others, please specify\_\_\_\_\_

6. Please tick the following attributes you would consider while making investment.

Ans. a. . Rate of return b. . Safety of capital c. . Liquidity d. . Other, please specify \_\_\_\_\_

7. Are you aware about the mutual fund?

Ans. a. Yes b. No

If no, then are you willing to know more about the mutual fund and its schemes?

Ans. a. . Definitely b.. Not interested

8. If yes, then are you investing in mutual fund?

Ans. a. . Yes b. . No

If no, then why? Give reason.

Ans. \_\_\_\_\_

9. If yes, what proportion of total savings do you invest in mutual funds?

(In %)

Ans. . below 10 . 11-30 . 31-50 . above 50

10. Which type of mutual fund would you prefer to invest?

Ans. . Equity . Balanced . Debt

11. How do you decide up on your investment decision?

Ans. . Bank recommends . Friends . C.A. . Web sides . Wealth manager . Professional advisor . Others

12. Presently what % of returns do you receive on investment?

Ans. \_\_\_\_\_

13. What is your investment horizon?

Ans. a. . 1 year b. . 2 years c. . 3 years d. . More than 3 years

14. Are you willing to invest in near future?

Ans. a. . Yes b. . No

15. Personal information

Name. ....

Phone no. ....

Address.....

Gender .....

Age .....