



A STUDY ON INVESTORS PERCEPTION TOWARDS MUTUAL FUND IN SALEM DISTRICT, TAMIL NADU

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Abstract

Mutual fund nowadays emerges as a favorite investment vehicle because of the advantages it holds comparing to other types of investment avenues. In this paper attempt is made to know the preferences towards mutual fund and analyze the importance of demographic factors that influence the decision of investor towards making investments. This study attempts to find out the significance of demographic factors of population such as gender, age, education, occupation, income over investment decisions. The hypotheses have been developed considering its relevancy to the research objectives. Investment decision making behavior has been taken as dependent variable and demographic factors (age, gender and education) are considered as independent variables. Data are classified; tabulated and tested. Statistical inferences are drawn by the use of hypothesis and Pearson's Chi-square technique.

Keywords: *Investment, Demographic factors, Mutual fund, Investment decisions.*

Introduction

Saving is an important part of the economy of any nation in the world. Savings means that portion of disposable income that is not used on final consumption of goods and services. It is defined as the difference between income and consumption. Mutual funds have become a hot favorite of millions of people all around the world. Mutual funds investment give 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 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 are 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.10,000/- to invest, it may not be appreciated very much on its own. But, when it is pooled with Rs.10,000/- 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 in 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 a 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 of creation of wealth.

Importance of the Study

The Indian financial system has undergone a number of changes over the last three decades. New schemes were launched for attracting investments in different sectors of the economy. 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 investor perception about the mutual fund investment in Bhubaneswar. The review of literature given in the preceding pages reveal 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.

Review of Literature

Review of literature is an important part of any research. Literature on performance evaluation of mutual fund is enormous. Some of the research studies that substantially influenced the preparation of this study are discussed in this section.

Jaspal Singh and Subhash Chander (2003)

- Investors look for repurchase facility, prompt service and adequate information in mutual funds.
- Evaluated two major factors, past record and growth prospects influenced the choice of scheme.
- It is indicated in the results that occupational status and age are insignificant influencing the choice of scheme. For appraisal of mutual funds return, portfolio selection and NAV were important criteria.

Jaspal Singh and Subhash Chander (2004)

- Investors belonging to the salaried category, and in the age group of 20-35, years showed inclination towards close-ended growth (equity-oriented) schemes over the other scheme type.
- The results show that the investors consider gold to be the most preferred form of investment, followed by NSC and Post Office schemes.

Ranganathan (2006)

- He found that mutual funds have become an important investment option for the 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.



- Analysed the fund selection behavior of individual investors towards mutual funds- with reference to Mumbai City.

Walia and Kiran (2009)

- The study examined investor's perception towards risk involved in mutual funds, returns from mutual funds in comparison to other financial avenues, transparency and disclosure practices.
- The study also reported that significant relationship of interdependence exists between income level of investors and their perception for mutual funds investments.
- The study found that majority of individual investors did not consider mutual fund as highly risky investment.

Dr. Nishi Sharma (2012)

- It examines the investors perception with reference to distinct features provided by mutual fund companies to attract them for investing in specific funds/schemes.
- Attempted to investigate the reasons responsible for lesser recognition of mutual fund as a prime investment option.

Binod Kumar Singh (2012)

- The study found that some demographic factors like gender, income and level of education have their significant impact over the attitude towards mutual funds. On the contrary age and occupation have not been found influencing the investor's attitude.
- The study noticed that return potential and liquidity have been perceived to be most lucrative benefits of investing in mutual funds and the same are followed by flexibility, transparency and affordability.

Objectives

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

Research Methodology

The study is mainly based on primary data which is collected through a interview schedule (the question are closed ended with multiple choices). A sample of 180 respondents were taken on the basis of convenience. Whether demographic factors influence significantly the decision on investment in mutual fund is studied using chi-square test.

Chi-square test:

Chi-square test formula = $\frac{((\text{Observed frequency} - \text{expected frequency})^2 / \text{Expected frequency})}{1}$

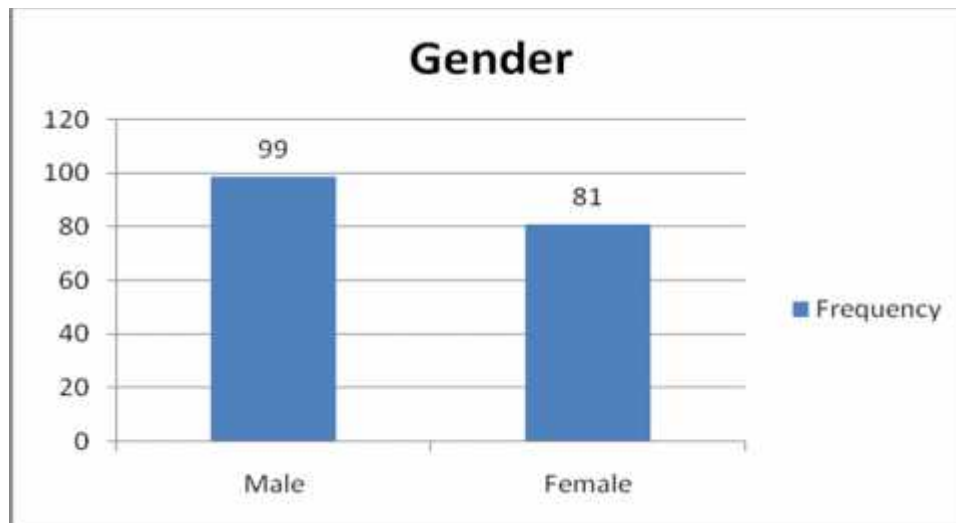
The computer calculates a Chi-square (pronounced Ki-square) value. If the actual data and expected data (if no difference) are identical, the Chi-square value is 0. A bigger difference will give a bigger Chi-square value. Greater differences between expected and actual data produce a larger Chi-square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



Analysis and Interpretation

Table – 1, Table shows Gender of the Respondent

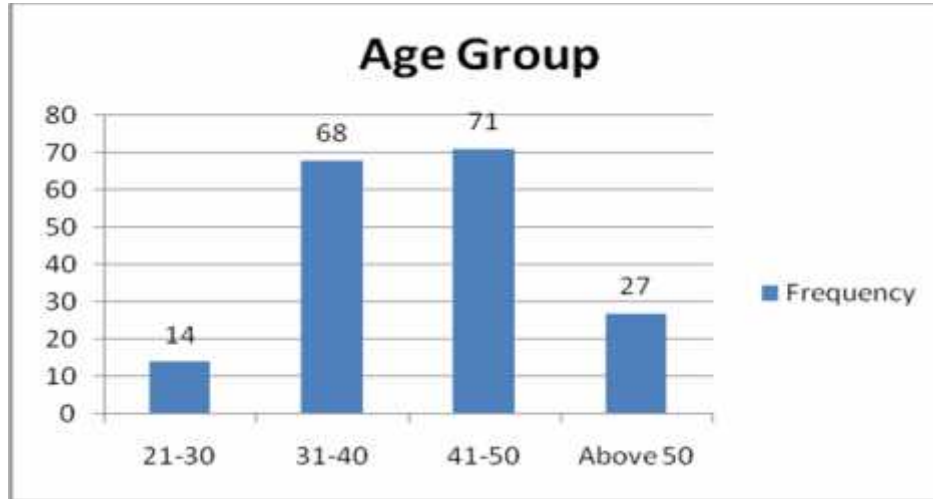
Gender	Frequency	Expected	Percentage
Male	99	99	55
Female	81	81	45
Total	180	180	100
p value	0.177287		



From the above analysis it is clear that 55% of the respondents who are male prefer to invest in mutual funds as compared to female which is 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 mutual fund.

Table – 2, Table shows Age of the Respondents

Age Group	Frequency	Expected	Percentage
21-30	14	44.5	7.77
31-40	68	44.5	37.78
41-50	71	44.5	39.45
Above 50	27	44.5	15
Total	180	180	
p value	1.14711		

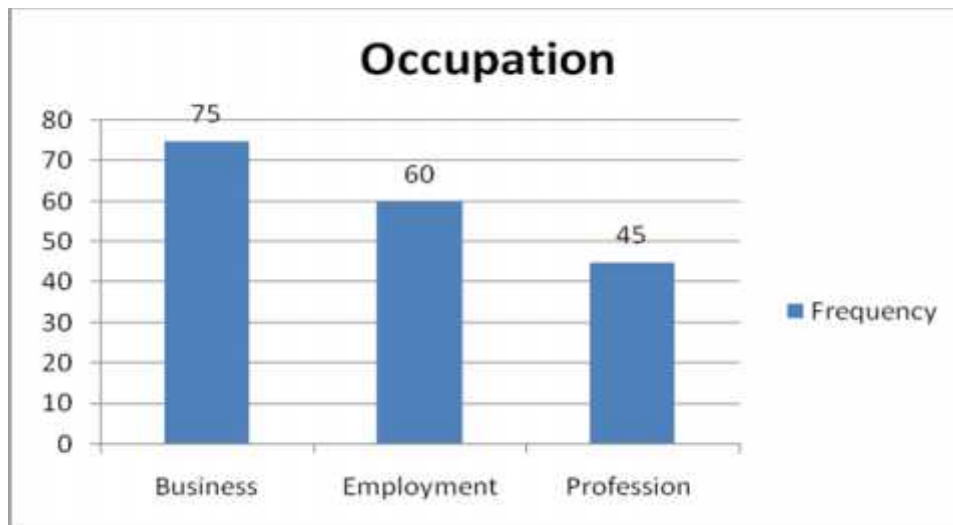


From the above analysis it is clear that 39.45% of the respondents who are in the age group of 41-50 prefer to invest in mutual funds followed by the age group 31-40 which is 37.78%. The chi square result shows a p-value which is less than 0.05 (5% level of significance). So it is concluded that there is an association between age and preference towards mutual fund investment. As we grow old the risk taking ability is likely to decrease and those who are much young less than 25 years of age donot think about investment that seriously.

Occupation

Table – 3, Table shows Occupation of the Respondents

Occupation	Frequency	Expected	Percentage
Business	75	59.3333	41.67
Employment	60	59.3333	33.33
Profession	45	59.3333	25
Total	180	180	
p value	0.0220464		



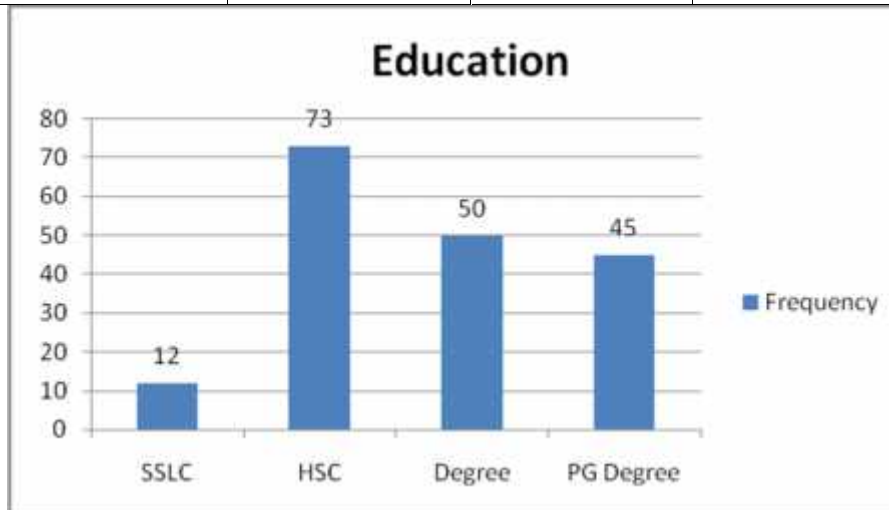


From the above analysis it is clear that 41.67% of the respondents belong to business class prefer to invest in mutual funds followed by 33.33% of job holders. The chi square result shows a p-value which is less than 0.05 (5% level of significance). So it is concluded that there is an association between 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

Table – 4, Table shows Education of the Respondents

Education	Frequency	Expected	Percentage
SSLC	12	44.5	6.67
HSC	73	44.5	40.56
Degree	50	44.5	27.77
PG Degree	45	44.5	25.00
Total	180	180	
p value	9.65348		

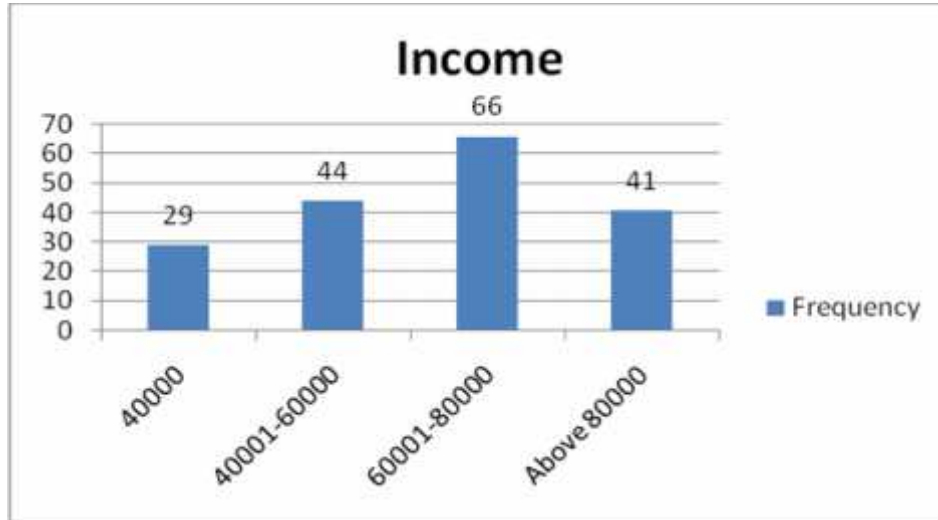


From the above analysis it is clear that 27.77% of the respondents who are degree holders prefer to invest in mutual funds. 6.67% SSLC holder also show interest in mutual investment. The chi square result shows a p- value which is less than 0.05 (5% level of significance). So it is concluded that there is a relationship between education level and preference towards mutual fund investment.

Income

Table – 5, Table shows Income of the Respondents

Income	Frequency	Expected	Percentage
40000	29	44.5	16.11
40001-60000	44	44.5	24.44
60001-80000	66	44.5	36.67
Above 80000	41	44.5	22.78
Total	180	180	
p value	0.002615		

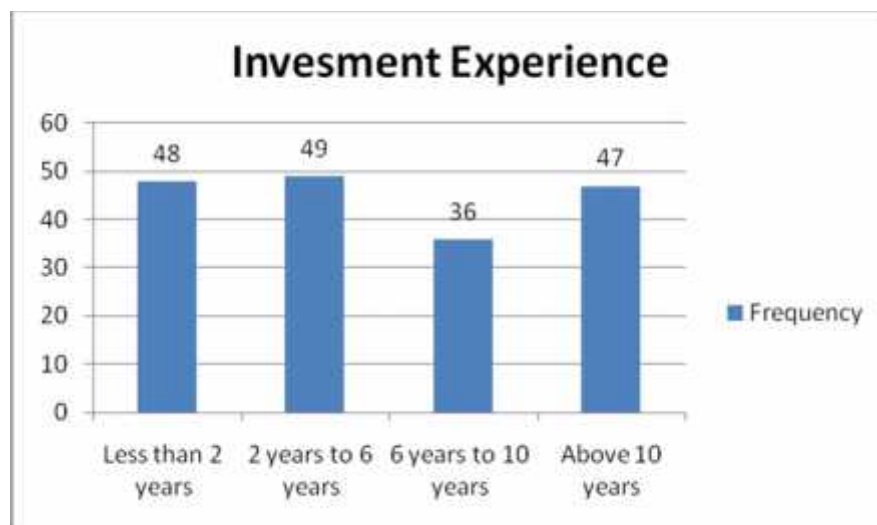


From the above analysis it is clear that 16.11% of the respondents only who have income 40000 INR prefer to invest in mutual funds. The chi square result shows a p-value which is less than 0.05 (5% level of significance). So it is concluded that there is a relationship between income level and preference towards mutual fund investment.

Investment Experience

Table – 6, Table shows Investment Experience of the Respondents

Investment Experience	Frequency	Expected	Percentage
Less than 2 years	48	44.5	26.67
2 years to 6 years	49	44.5	27.22
6 years to 10 years	36	44.5	20.00
Above 10 years	47	44.5	26.11
Total	180	180	
p value	0.535943		



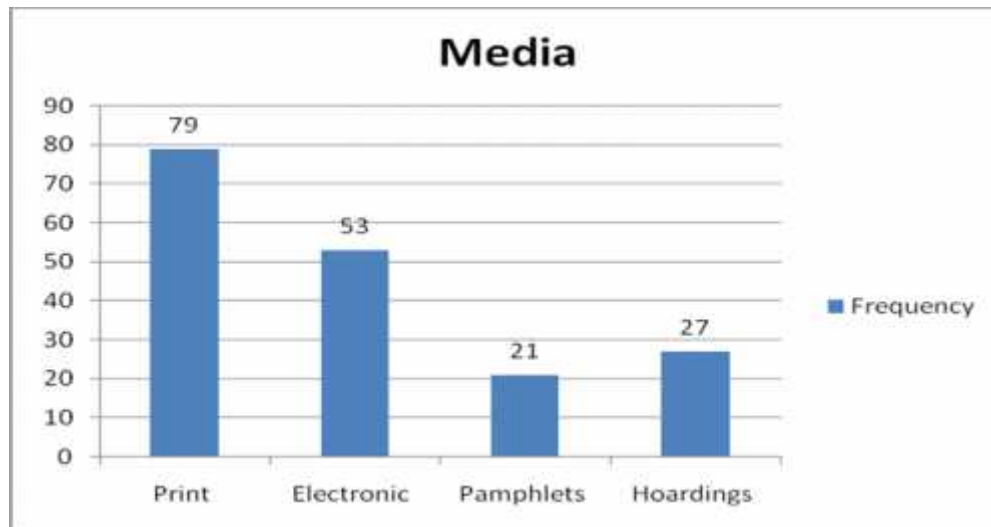


From the above analysis it is clear that experience in investing in mutual fund does not matter much as a factor. The chi square result shows a p-value which is greater than 0.05 (5% level of significance). So it is concluded that there is no relationship between experience and preference towards mutual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

Media

Table – 7, Table shows Media of the Respondents

Media	Frequency	Percentage
Print	79	43.89
Electronic	53	29.44
Pamphlets	21	11.67
Hoardings	27	15.00
Total	180	

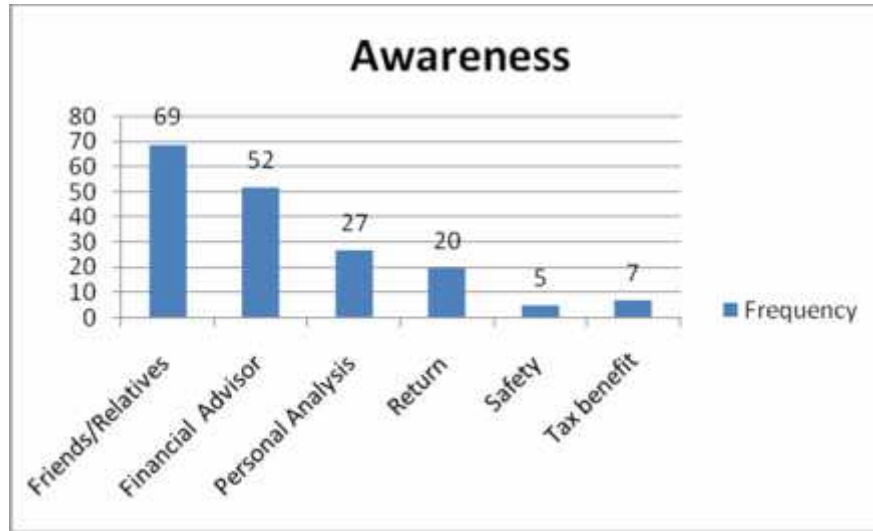


From the above table and graph it is clear that print media and electronic media attracts more than any other medium of advertisement.

Factors

Table – 8, Table shows Source of Awareness

Factors	Frequency	Percentage
Friends/Relatives	69	38.33
Financial Advisor	52	28.89
Personal Analysis	27	15.00
Return	20	11.11
Safety	5	2.78
Tax benefit	7	3.89
Total	180	

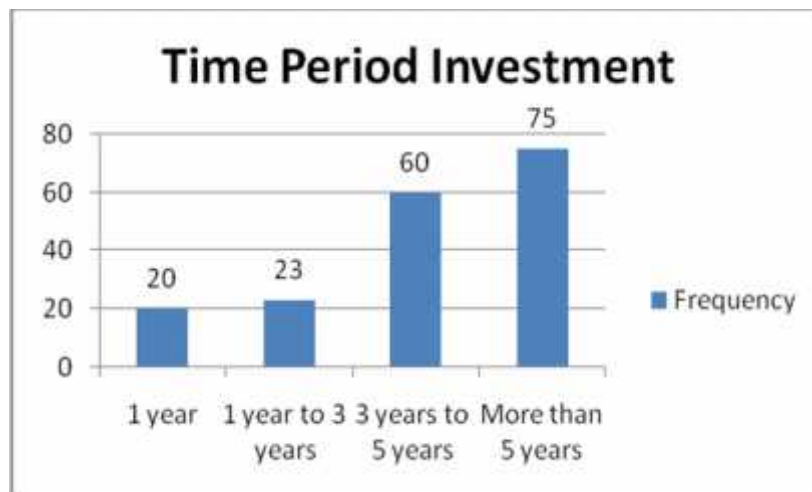


The above table and graph shows that Friends and Relatives and Financial Advisors influence the most for taking a decision in mutual fund investment.

Time

Table – 9, Table shows Period of Investment of Mutual Funds

Time period Investment	Frequency	Percentage
1 year	20	11.11
1 year to 3 years	23	12.78
3 years to 5 years	60	33.33
More than 5 years	75	42.79
Total	180	



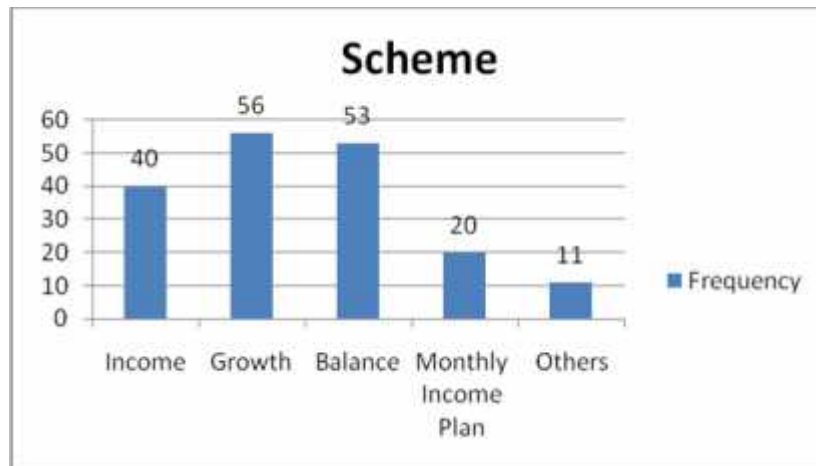
The above table and graph shows that 42.78% of have invested in mutual funds for more than 5 years.



Scheme

Table – 10, Table shows Scheme of Mutual Funds

Scheme	Frequency	Percentage
Income	40	22.22
Growth	56	31.11
Balance	53	29.44
Monthly Income Plan	20	11.11
Others	11	6.12
Total	180	



The above table and graph shows that the respondents opt for different schemes as per their requirement. % of the respondents feel that best scheme of mutual fund scheme is “Growth Fund”.

Conclusion

It is concluded from the research study that though the number of male investors is more, the difference is not significant from the female investors.

1. Gender is not criterions that affect investment decision in mutual funds.
2. People in the age between of 25 to 50 likely to invest more in mutual fund.
3. Business class people invest in mutual fund more than any other.
4. People who are more educated have more knowledge in mutual fund and tend to invest in mutual fund more than any other avenues of investment.
5. Low income level doesn't attract much for mutual fund investment.
6. It is evident from the study that income more than 40000 INR are more attracted towards mutual fund.
7. Print and electronic media attracts more for mutual fund than any other medium of promotion.
8. Friends and relatives and financial advisors influence a lot for investment in mutual fund.
9. Most of the investors want to stay invested for a minimum of 5 years and they invest in various schemes available. Most of the people are satisfied with mutual fund where as 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 fund is bright.



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