Investor's Perception toward Mutual Fund in the Ernakulam City

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Abstract-Mutual fund is now being considered as a leading tool in the Indian financial market. An investment in mutual fund helps the investor in identifying their goal, considering the risk return factor, better planning, understanding the various avenues available and so on. The study tries to find out the awareness level of investors towards mutual fund, factors considered while investing and also to know the commonly preferred asset management companies as well as fund schemes.

Keywords- Asset Management Company (AMC),Association of Mutual Funds in India (AMFI), Mutual fund, Securities and Exchange Board of India (SEBI).

I. INTRODUCTION

The first introduction of a mutual fund in India occurred in the year 1963. It was at the time when the Government of India launched Unit Trust of India (UTI). The history of mutual funds in India can be broadly divided into four different phases. In the first phase (1964-1987), by an Act of Parliament Unit Trust of India (UTI) was established in the year 1963. It was set up by the Reserve Bank of India. UTI operated under the regulatory and administrative control of the RBI. The Industrial Development Bank of India (IDBI) took over the control of UTI in place of RBI by the year 1978. Unit Scheme 1964 was the first scheme launched by UTI. In the second phase (1987-1993) entry of public sector funds took place set up by public sector banks and LIC of India and GIC of India. SBI mutual fund was the first non-UTI mutual fund set up in June 1987.This was followed by Canbank Mutual Fund, Punjab National Bank Mutual Fund, Bank of India, and Bank of Baroda Mutual fund. In the third phase (1993-2003), entry of private sector took place. The establishment of this new era gave the Indian investors more varieties scheme of fund. In this phase, the first mutual fund regulations came into being. Under this regulation, all mutual funds were to be registered and governed except the UTI.

The Kothari Pioneer was the first private sector mutual fund registered in the year 1993 July and it was later merged with Franklin Templeton. The SEBI mutual fund regulations were substituted to a revised mutual fund regulations in 1996. In the fourth phase (since February 2003), UTI was bifurcated into two distinct entities. All the SEBI registered mutual fund in India came together in 1995 to form the Association of Mutual Funds in India. AMFI was formed with the objective to protect the interest of investors. The regulator of mutual

funds in India is the SEBI (Securities and Exchange Board of India). A mutual fund is a pool of money collected from many investors for the purpose of their income generation or capital appreciation by investing through securities such as stocks, bonds, money market instruments and other assets.

II. STATEMENT OF THE PROBLEM

Everyone does not have a clear cut idea about mutual funds, their working and their role in the economy and that is the reason why Indian investors does not portray a favourable attitude towards mutual funds. There exist a wrong notion that mutual fund does not provide adequate return to the investors. But when compared with other securities, mutual funds provide an extensive platform for the investors to safeguard their funds cautiously. Even after demonetization, the mutual fund industry witnessed a significant growth rate leading to heighten demand for various mutual funds schemes. The study mainly focuses on the awareness level of investors towards mutual fund, their perception and preference towards mutual fund.

III. LITERATURE REVIEW

Santhi N.S. and Gurunathan K. (2013) in the article "The growth of Mutual Funds and Regulatory Challenges" from Indian Journal of Applied Research have stated that, Regulators are keeping close watch on any of the potential impact of mutual fund products on financial stability and market volatility, as mutual fund industry has grown tremendously over past few years. The growth of mutual funds has been complemented by innovative products and servicing methods. Regulators through careful risk management and not imposing unnecessary regulation will have to do balancing act.

Sharma N. and Ravikumar R (2013) in an article "Analysis of the Risk and Return relationship of Equity based Mutual Fund in India" from International Journal of Advancements in Research & Technology have stated that their study examined the performance of Equity based mutual fund schemes using Capital Asset Pricing Model (CAPM). In the long run private and public sector mutual funds have done well. But when the performance over last 15 years is compared, it is found that private sector mutual funds have outpaced the Public Sector mutual funds. Not only the performance of the mutual funds schemes of private sector were better than those of public sector mutual funds but also the private sector were found to be less risky.

Vasantha S. et al (2013) in an article "Evaluating the Performance of some selected open ended equity diversified Mutual fund in Indian mutual fund Industry" from International Journal of Innovative Research in

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Science, Engineering and Technology have mentioned that an important role in selection of mutual fund is played by an investor's risk appetite. While deciding their investment in mutual funds, decision by the investor should be taken based on their investment objective and analysis of the fund based on various criteria such as risk prevailing in the market, variations on the return and deviations in the return etc.

Jani D and Jain R (2013) in an article "Role of Mutual Funds in Indian Financial System as a Key Resource Mobilizer" from Abhinav Journal (International Monthly Referred Journal of Research in Management & Technology) have restated that since fundamentals of Indian economy are relatively strong, the economy will be on a successful path in the future year. Mutual Funds are going to be key resource mobilizer for Indian financial system due to the growth in the economy. In the near future there will be an increasing growth rate to be witnessed in the Indian Mutual Fund industry.

Nair R K (2014) in the article **"Indian Mutual Fund Market – A tool to stabilize Indian Economy"** from International Journal of Scientific and Research Publications has restated that a Mutual fund is a powerful tool to stabilize Indian economy. The products of mutual funds are playing a vital role in mobilizing savings among investors and channelize these funds to infrastructural development of the country. The banks and Financial Institutions are also playing a crucial role by promoting mutual fund business in the country.

Sehdev R and Ranjan P (2014) in the article **"**A study on Investor's perception towards mutual fund investment" from Scholars Journal of Economics, Business and Management have stated that people prefer balanced funds and debt funds mostly. After that people look for Equity diversified and Sector funds. Benefits and transparency, returns, redemption period, Liquidity and Institutional Investor's activity are some of the factors responsible for investor's preference for mutual funds. Internet is depended more for information on mutual funds rather than any other media channel.

IV. OBJECTIVES OF THE STUDY

1. To know the awareness of mutual fund in Ernakulam people
2. To know the investors perception towards mutual funds.
3. To know the preference of investors towards mutual fund.
4. To know the various factors that may affect selection of mutual fund schemes.

V. HYPOTHESIS

1. There is no significant difference in awareness level among mutual fund investors.
2. There is no significant association between demographic factors and investors perception towards mutual fund.
3. There is no significant difference between the factors affecting the mutual fund selection.

VI. RESEARCH METHODOLOGY

The study is based on both primary and secondary data. The research design is descriptive research. The 60 samples were selected and stratified random sampling technique is used.

Primary data were collected using structured questionnaire and the data are analysed using Statistical Package for Social Sciences (SPSS). The tools used were frequency analysis, one way anova and chi-square test. Secondary data consist of various articles, journals and information from website. The research was conducted in Ernakulam city.

VII. MAJOR ANALYSIS AND INTERPRETATION

A. There Is No Significant Difference Betweeen The Demographic Factors With That Of Awareness Level In Mutual Fund.

TABLE I AWARENESS LEVEL OF MUTUAL FUND INVESTOR AND AGE OF THE RESPONDENT

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	7.448	3	2.483	3.742	.016
Within Groups	37.152	56	.663		
Total	44.600	59			

Interpretation

The above table reveals that the F value is (3.742) is not significant at ($p<0.05$). So we reject null hypothesis and accept alternative hypothesis. So in a nutshell there is significant difference in the awareness level in mutual funds with that of age of the respondents.

Inference

From the study it is known that there is difference in the awareness level in mutual fund when compared with the age of the respondents. Therefore the age of the respondents affects the investor's awareness level. In a nutshell, as the age increases maturity level also varies leading to significant differences in the awareness level of the investors.

TABLE II AWARENESS LEVEL OF MUTUAL FUND INVESTOR AND QUALIFICATION OF THE RESPONDENT

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	13.078	4	3.270	5.705	.001
Within Groups	31.522	55	.573		
Total	44.600	59			

Interpretation

The above table reveals that the F value is (5.705) is not significant at ($p<0.05$). So we reject null hypothesis and accept alternative hypothesis. So in a nutshell there is significant difference in the awareness level in mutual funds with that of qualification of the respondents.

Inference

From the study it is known that there is difference in the awareness level in mutual fund when compared with the qualification of the respondents. Therefore the qualification of the respondents affects the investor's awareness level.

TABLE III AWARENESS LEVEL OF MUTUAL FUND INVESTOR AND OCCUPATION OF THE RESPONDENT

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	13.078	4	3.270	5.705	.001

Within Groups	31.522	55	.573		
Total	44.600	59			

Interpretation

The above table reveals that the F value is (5.705) is not significant at (p<0.05). So we reject null hypothesis and accept alternative hypothesis. So in a nutshell there is significant difference in the awareness level in mutual funds with that of occupation of the respondents.

Inference

From the study it is known that there is difference in the awareness level in mutual fund when compared with the occupation of the respondents. Therefore the occupation of the respondents affects the investor's awareness level.

TABLE IV AWARENESS LEVEL OF MUTUAL FUND INVESTOR AND GENDER OF THE RESPONDENT

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.011	1	.011	.015	.903
Within Groups	44.589	58	.769		
Total	44.600	59			

Interpretation

The above table reveals that the F value is (0.015) is not significant at (p>0.05). So we accept null hypothesis and reject alternative hypothesis. So in a nutshell there is no significant difference in the awareness level in mutual funds with that of gender of the respondents.

Inference

From the study it is known that there is no difference in the awareness level in mutual fund when compared with the gender of the respondents. Therefore the gender of the respondents does not affect the investor's awareness level.

B. THERE IS NO SIGNIFICANT ASSOCIATION BETWEEN DEMOGRAPHIC FACTORS AND INVESTORS PERCEPTION TOWARDS MUTUAL FUND.

TABLE V INVESTORS PERCEPTION TOWARDS MUTUAL FUND AND GENDER OF THE RESPONDENTS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.511[a]	3	.473
Likelihood Ratio	3.506	3	.320
Linear-by-Linear Association	.015	1	.902
N of Valid Cases	60		

Interpretation

The above table shows that the significance value (.473) is more than the cut-off value of (0.05). Hence, the null hypothesis is accepted. This means that there is no significant association between gender and the investment perception towards mutual fund.

Inference

From the study it is known that there is no association between gender and their perception towards investment. That is irrespective of their gender whether male or female their attitude towards mutual funds does not get affected.

TABLE VI INVESTORS PERCEPTION TOWARDS MUTUAL FUND AND AGE OF THE RESPONDENTS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.266[a]	9	.032
Likelihood Ratio	19.541	9	.021
Linear-by-Linear Association	.053	1	.817
N of Valid Cases	60		

Interpretation

The above table shows that the significance value (.032) is less than the cut-off value of (0.05). Hence, the null hypothesis is rejected. This means that there is significant association between age and the investment perception towards mutual fund.

Inference

From the study it is known that there is an association between age and their perception towards investment. That is as age of the respondents increases, their attitude towards mutual fund varies.

TABLE VII INVESTORS PERCEPTION TOWARDS MUTUAL FUND AND QUALIFICATION OF THE RESPONDENTS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	43.435[a]	12	.000
Likelihood Ratio	28.776	12	.004
Linear-by-Linear Association	3.119	1	.077
N of Valid Cases	60		

Interpretation

The above table shows that the significance value (.000) is less than the cut-off value of (0.05). Hence, the null hypothesis is rejected. This means that there is significant association between qualification and the investment perception towards mutual fund.

Inference

From the study it is known that there is an association between qualification and their perception towards investment. That is as educational level of the respondents increases, their understanding towards various divisions of mutual fund varies.

TABLE VIII INVESTORS PERCEPTION TOWARDS MUTUAL FUND AND OCCUPATION OF THE RESPONDENTS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24.338[a]	12	.018
Likelihood Ratio	24.125	12	.020
Linear-by-Linear Association	.623	1	.430
N of Valid Cases	60		

Interpretation

The above table shows that the significance value (.018) is less than the cut-off value of (0.05). Hence, the null hypothesis is rejected. This means that there is significant association between occupation and the investment perception towards mutual fund.

Inference

From the study it is known that there is an association between occupation and their perception towards investment. That is as occupation leads to effective change in the life of investors which in turn affects their attitude towards investment.

Investor's Perception toward Mutual Fund in the Ernakulam City

TABLE IX FACTORS AFFECTING MUTUAL FUND SELECTION

	Mean	Std. Deviation
Liquidity	3.5667	1.18417
High return	3.8000	1.03825
Professional management	3.7667	.88999
Diversification	3.3167	.92958
Brand image	3.7333	.88042
Investment amount	3.4500	1.08025
Risk	3.0500	1.21327

Interpretation

It is clear from the above table that mean and standard deviation were used to rank the factors affecting mutual fund selection. High return is the most important factor affecting mutual fund decision on the basis of mean (3.8000) and standard deviation (1.03825) followed by liquidity with mean (3.5667) and standard deviation (1.18417). The least important factor affecting mutual fund decision is risk with mean (3.0500) and standard deviation (1.21327).

VIII. FINDINGS

- From the above study it is clear that most of the respondents are male (63.3%) followed by female category (36.7%).
- Most of the respondents belongs to the age group of 26-50 (43.3%) followed by 51-75 (36.7%).
- In this highly volatile market, majority of the respondents (86.7%) prefer mutual funds as an investment destination.
- Out of the respondents (48.3%) prefer equity plan as the best mutual fund plan followed by income plan (23.3%) and balanced plan (21.7%).
- Most of the respondents (43.3%) give preference to the low risk factor while investing their money.
- Out of the respondents (41.7%) have only a partial knowledge of mutual fund.
- Open ended, mid cap and growth funds are the most commonly used mutual funds.
- Brokers only are the most preferred place of purchase of mutual funds.
- Systematic investment plan is the most preferred investment mode in mutual fund.
- UTI, SBI MF and HDFC are the most commonly preferred AMCs to invest.
- Annual returns preferred by majority of the respondents (63.3%) are by a growth in NAV.
- The above study reveals that there is significant difference in the awareness level in mutual funds with that of age, qualification and occupation of the respondents but there is no significant difference when compared with that of gender of the respondents.
- There is significant association between age, qualification and occupation with that of the investor's perception towards mutual fund.
- The most important factor which affects the selection of mutual fund is high returns followed by liquidity.

IX. SUGGESTIONS

- From the study it is seen that investors prefer investing in funds which provides lower risk and higher returns. So the companies need to bring such fund schemes in order to attract new as well as existing investors.
- The investors must be well informed about the different schemes available to them so that they do not face any difficulty in selection of schemes to invest.
- The knowledge and confidence level of investors can be increased with the help of conducting investor awareness programmes which can lead them to a better and potential investor.

X. CONCLUSION

The study found out that awareness level of investors are quite low as they have only a partial knowledge about mutual fund. The investor gives more preference to the low risk factor while investing. An important feature of mutual fund which attracts the investor is better return and safety. At the same time, the knowledge level of investors must be boosted in order to increase the confidence as well as to safeguard their interest towards mutual fund. The future scope of the study is to focus on the competitiveness of the mutual funds as it brings about a change in the behaviour of the investors and also to achieve the confidence of the investors to a great extent.

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