



INVESTORS PERCEPTION TOWARDS MUTUAL FUNDS IN HYDERABAD CITY

Dr. V. N. Santhisree

Professor & Principal, Manpower Development College, Osmania University.

Abstract

Mutual Funds provide a platform for a common investor to participate in the Indian capital market with professional fund management irrespective of the amount invested. The Indian mutual fund industry is growing rapidly and this is reflected in the increase in assets under management of various fund houses. Mutual fund investment is less risky than directly investing in stocks and is therefore a safer option for risk averse investors. The study investigated the impact of investors perception on mutual funds, concluded that investors perception significantly impacts on mutual funds in Hyderabad city. Conclusion drawn from the test of difference was that no significant difference existed on the factor of investors perception of mutual funds across gender, age, occupation, qualification and income are accepted.

Key Words: *Investors, Opportunities, Mutual Funds and Hyderabad city.*

Introduction

It is quite commendable that the mutual fund industry mark of almost 10 trillion INR of assets under management as of May 2014. The industry has seen net flows of approximately 4900 billion INR from 2001 to 2014 (an average of 352 billion INR per annum). The change in the financial assets (gross financial savings) of the household sector in FY2012-13 was approximately 109,69 billion INR, of which mutual funds attracted 274 billion INR (approximately 2.5%). Mutual fund penetration in India is low as compared to global and peer benchmarks. The AuM to GDP ratio stands at 7 to 8% as compared to a global average of 37%. Even the SAAAME economy of Brazil, considered a peer emerging economy, is significantly ahead, with an AuM to GDP ratio of 45% (Source – AMFI, ICI Fact Book 2013).

This is because of the low customer awareness and financial literacy poses which act as the biggest challenge to channelize the household savings into mutual funds there is also a concern of having investors stay invested in mutual funds and perceives the long-term benefits of the product. Investors need to realize that mutual funds are a way to meet their financial goals and not just a means of short-term financial gain. Given the current scenario of market volatility and uncertainty, the investor perceives investments in the capital market to be risky and unsafe, and hesitates to channelize his savings into mutual fund products. Fund managers need to build confidence in the minds of investors and encourage them to stay invested in funds to derive the desired benefits. It is well known that mutual funds offer their investors benefits difficult to obtain through other investment vehicles. Benefits such as diversification, access to equity and debt markets at low transaction costs and liquidity are some such advantages.

Literature Review

B. B. S. Parihar, Rajeev Sharma and Deepika Singh Parihar (2009) conducted a study on analyzing investors' attitude towards mutual funds as an investment option and found that majority of investors have still not formed any attitude towards mutual fund investments. The main reason behind this has been observed to be lack of awareness of investors about the concept and working of the mutual funds. They concluded that demographic variables are concerned; age, gender and income have been found



influencing the attitude of investors towards mutual funds significantly. Whereas, amazingly, the other two demographic variables (education and occupation), have not been found influencing the attitude of investors towards mutual funds. They also analyzed that benefits delivered by the mutual funds are concerned; return potential and liquidity have been perceived to be the most attractive by the investors, followed by flexibility, affordability and transparency. Barber et al., 2005 argue that the purchase decisions of mutual fund investors are influenced by salient, attention-grabbing information. Investors are more sensitive to salient in-your-face fees, like front-end loads and commissions, than operating expenses; they are likely to buy funds that attract their attention through exceptional performance, marketing, or advertising. They found consistently negative relations between fund flows and front-end load fees. A negative relation between fund flows and commissions charged by brokerage firms was also documented. In contrast, no relation (or a perverse positive relation) was found between operating expenses and fund flows. Additional analyses indicate that mutual fund marketing and advertising, the costs of which are often embedded in a fund's operating expenses, account for this surprising result.

Peles, Nadav (1997) in his research on "Cognitive dissonance and mutual fund investors", suggests that purchase decisions for financial assets should be made on the basis of investor beliefs regarding the future return and risk of those assets otherwise it leads to cognitive dissonance. We find ample proof for the wide prevalence of such a psychological state among Mutual Fund (MF) investors in India. The growing middle class in many mature and emerging market economies is also expected to support the expansion of mutual fund sales in the future. From an institutional perspective, the privatization of pension systems and increasing market penetration of the insurance industry—especially in emerging markets—is also expected to increase the demand for mutual fund products. Ippolito (1992) and Chander Subash and Mahajan, Mukesh (1992) says that investors basically invest in MFs for tax benefits, growth and for availing professional expertise. The research highlights that major portion of investment is from professional and salaried class. Madhusudhan V Jambodekar (1996) a study reveals that investors look for safety of Principal, Liquidity and Capital appreciation in the order of importance. Peles, Nadav (1997) in his research work on "Cognitive dissonance and mutual fund investors" provide evidence that investor psychology may affect the fund-switching decision.

Priyanka Sharma and Payal Agrawal (2015) in their study made an attempt to understand the effect of demographic factors in mutual fund investment decisions. The study reveals that the investors' perception is dependent on their demographic profile. Investor's age, marital status and occupation has a direct impact on investors' choice of investment. The study further reveals that the female segment is not fully tapped. The research also reveals that the liquidity and transparency are some factors which have a high impact on investment decisions. Parihar B B S, Sharma R and Parihar D.S (2009) also studied that respondent's age, gender and income are significantly associated with their attitude. Desigan G, Lalaiselvi S and Anusuya L (2006) conducted a study on women investors' perception towards investment and found that women investors generally hesitate in investing in mutual funds due to lack of their knowledge and awareness regarding investment protection, procedure of making investment, valuation of investment and redressal of grievances regarding their investment related problems. Peggy D Dwyer, James H Gilkenson and John a List (2001) also concluded in their paper which suggests that women take less risk than men in their mutual fund investments. Binod Kumar Singh (2012) had studied the impact of various demographic factors on investor's attitude towards mutual fund for measuring and analyzing various factors responsible for investment in mutual funds.

SimranSaini and BimalAnjum (2011) had analyses the mutual fund investments in relation to investor's behavior that attract them to invest in mutual funds. Investor's opinion and perception has been studied



relating to various issues like type of mutual fund scheme, main objective behind investing in mutual fund scheme, level of satisfaction, role of financial advisors and brokers, sources of information, deficiencies in the services provided by the mutual fund managers, challenges before the mutual fund industry etc. R. Vasudevan & Peermohaideen (2012) The study aimed to understand and analyze investor's perception of such risk and expectation associated with specific mutual fund. The research also revealed that investors perceive risk as under performance as risk and return in mutual fund investment are medium and not so satisfactory. D. Rajasekar (2013) The study was conducted with a sample size of 150 respondents by using the statistical tools like percentage analysis, chi square, weighted average, with an objective to know about the investor's perception on their profile, income, savings pattern, investment patterns and their personality criteria. The study was concluded by taking into consideration various parameters involved in investors decision making keeping in mind investors perception towards mutual fund investment. Vipin Kumar & Preeti Bansal (2014) this research paper has focused attention on various parameters that highlights investor's perception on mutual funds. It was studied that the scheme of mutual fund investment was not known to many of the investors as still the investors rely upon the traditional pattern of investments like investment in banks and investment in postal savings. As most of the mutual fund investors used to invest in mutual fund for not more than three years and used to quit from the fund as they were not giving desired result as stated in the objective during inception of mutual fund scheme. It was also found from the research that maximum number of mutual fund investors has to depend upon their brokers and agent to invest in mutual fund.

Subramanya PR (2015) The research has been studied on socio economic factors like age, gender, education income and savings of investor's perception towards mutual fund is not encouraging but the age of investor's and saving habit of the respondent is closely correlated. Mukesh. H. V. (2015) had studied investor's perception on mutual fund for return, tax benefit and capital appreciation, but most of the investors lack awareness about mutual funds and their various schemes like, SIP (Systematic Investment Plan). Hence, it becomes necessary to create awareness among the investors through conducting seminars, workshops on financial market and published data like newspaper, magazines and journals. Preeti Khitoliya (2014) examined through her research that majority of the respondents in the age of 35-44 wish to invest in mutual fund having moderate risk which ensures wealth maximization followed by balanced fund and income funds. Similar results have been seen in the age group of 25-34. But a reverse trend was seen in the age group of 45 above where majority is risk averse as they wish to invest in mutual fund schemes which guarantees safety of principal amount followed by balanced fund and growth fund. K. Lakshman Rao (2011) surveyed in their paper that majority of investing respondents were found to be in the age group of 31-50 years. People belonging to the age group of more than 60 years and less than 20 years were found to be less aware of different investment schemes and so their investments are comparatively much less. Singh and Jha (2009) conducted a study on awareness and acceptability of mutual fund and found that consumers basically prefer mutual fund due to return potential, liquidity and safety and they were not fully aware about the systematic investment plan. In this respect V Rathnamani (2013) concluded in her research that many investors prefer to invest in mutual fund in order to gain high gain at low level of risk, safety and liquidity.

Research Problem

In today's upcoming world people have a higher thought of investing their salaries in various schemes of investment depending upon its future benefits. Mutual funds seem to be the most advanced upcoming investment needs has it depends upon the market value, which may furnish a higher as well as lower value of risk and return. At investors point of view, the complete detail analyzed was their perception towards it and how they face the growth and the risk-return involved in it. A mutual fund investor may



invest his funds on the advice of the broker, agents or other banking or online fund institutions. People have to cogitate before funding their money in different schemes of mutual funds and should have a comparative analysis of which plan has a higher profit of risk and return in both past and future aspects.

Research Objectives

1. To study the impact of investors perception on mutual funds.
2. To explore the differences in the investors perception of mutual funds across demographic variables.

Research Hypothesis

H01: There is no significant difference in investors perception of mutual funds with respect to demographic variables.

- H0_{1.1}: There is no significant difference in investors perception of mutual funds with respect to gender.
- H0_{1.2}: There is no significant difference in investors perception of mutual funds with respect to age.
- H0_{1.3}: There is no significant difference in investors perception of mutual funds with respect to occupation.
- H0_{1.4}: There is no significant difference in investors perception of mutual funds with respect to qualification.
- H0_{1.5}: There is no significant difference in investors perception of mutual funds with respect to income.

Research Methodology

Sampling Procedure

Sample Size

Sample size plays a pivotal role in the accuracy of results and in the appropriateness of chosen statistical technique. This study was conducted with the help of Statistical Packages for Social Sciences (SPSS) version 22.0 ,A total of 394 questionnaires were distributed away among respondents in the state of Hyderabad city. After collecting the data from 348 respondents, 46 questionnaires were found defective. So, the study confirmed to 348 sample respondents. (Using convenience sampling method).

Statistical Tools

- Z-Test
- One-Way-ANOVA

Data Analysis & Results

Z-Test

H0_{1.1}: There is no significant difference in investors perception of mutual funds with respect to gender.

Table: 1. Investors perception of mutual funds with respect to gender.

Gender	N	Mean	Std. Deviation	Std. Error Mean	Z	Sig.
Male	219	3.58	.970	.066	0.455	0.002
Female	129	3.51	.977	.086		
Total	348	3.56	.972	.052		



To analyze the differences in a mean value of investors perception of mutual funds on the basis of gender, Z-test was applied. It was noted that the mean value for a male is 3.58 and for a female is 3.51. This indicated that the males have high level opportunities on the mutual funds than females. Since, Z value is 0.455 and significance=0.002 less than to 0.05, which indicated there is a significant difference. Hence, null hypothesis $H_{0,1}$: Stating that there is no significant difference in investors perception of mutual funds with respect to gender is rejected. This specifies that there is a significant difference in investor's perception of mutual funds with respect to gender.

One-Way-ANOVA

$H_{0,2}$: There is no significant difference in investors perception of mutual funds with respect to age.

Table: 2. Descriptive Statistics of Investors perception across Age

Age (Years)	N	Mean	Standard Deviation	Standard Error
< 20	56	3.59	.930	.124
20-30	121	3.90	1.020	.093
31-40	86	3.29	.931	.100
41-50	62	3.45	.843	.107
>50	23	2.96	.638	.133
Total	348	3.56	.972	.052

Table: 3. Analysis of variance of Investors perception across Age

	Sum of Squares	Df	Mean Square	F	Sig. (P value)
Between Groups	29.443	4	7.361	8.461	0.000
Groups	298.407	343	.870		
Total	327.851	347			

To analyze the differences in a mean value of investors perception of mutual funds on the basis of age, One-way ANOVA was applied. It was noted that the investors belong to the age group of below 20-30 years was obtained maximum mean value of 3.90. This indicates that the investors belong to this age group have high opportunities level on the dimension of mutual funds however the investors belong to the age group of above 50 years showed less satisfaction (mean=2.96), as compared to other age groups of investors. The result of One-way ANOVA test shows F value=8.461 and significance=0.000 which is less than 0.05, which indicates there is a significant difference. Hence, null hypothesis $H_{0,2}$: Stating that there is no significant difference in investors perception of mutual funds with respect to age is rejected. This specifies that there is a significant difference in investors perception of mutual funds with respect to age.

$H_{0,3}$: There is no significant difference in investors perception of mutual funds with respect to occupation.



Table: 4. Descriptive Statistics of Investors perception across Occupation

Occupation	N	Mean	Standard Deviation	Standard Error
Student	39	3.21	.951	.152
Self-Employed	97	3.73	1.036	.105
Salaried	165	3.55	.965	.075
Others	47	3.51	.804	.117
Total	348	3.56	.972	.052

Table: 5. Analysis of variance of Investors perception across Occupation

	Sum of Squares	Df	Mean Square	F	Sig. (P value)
Between Groups	7.904	3	2.635	2.833	0.038
Groups	319.947	344	.930		
Total	327.851	347			

To analyze the differences in a mean value of investors perception of mutual funds on the basis of occupation, One-way ANOVA was applied. It was noted that the self-employed have obtained the maximum mean value of 3.73. This indicates that the self-employed have high awareness level on the mutual funds however the students show less opportunities (mean =3.21) as compared to salaried and others. The result of One-way ANOVA test shows F value= 2.833 and significance= 0.038 which is less than 0.05, which indicates that there is no significant difference. Hence, null hypothesis $H_{01,3}$: Stating that there is no significant difference in investors perception of mutual funds with respect to occupation is not rejected. This specifies that there is no significant difference in investors perception of mutual funds with respect to occupation.

$H_{02,4}$: There is no significant difference in investors' perception of mutual funds with respect to qualification.

Table: 6. Descriptive Statistics of Investors perception across Qualification

Qualification	N	Mean	Standard Deviation	Standard Error
Undergraduate	70	3.51	.913	.109
Postgraduate	150	3.83	.993	.081
Others	128	3.26	.890	.079
Total	348	3.56	.972	.052

Table: 7. Analysis of variance of Investors perception across Qualification

	Sum of Squares	Df	Mean Square	F	Sig. (P value)
Between Groups	23.039	2	11.520	13.039	0.000
Groups	304.811	345	.884		
Total	327.851	347			



To analyze the differences in a mean value of investors perception of mutual funds on the basis of qualification, One-way ANOVA was applied. It is noted that the postgraduates have obtained the maximum mean value of 3.83. This indicates that the investors who are postgraduates have high opportunities level on the mutual funds however the investors who are others show less satisfaction (mean =3.26) as compared to undergraduates. The result of One-way ANOVA test shows F value=13.039 and significance= 0.000 which is less than 0.05, which indicates there is a significant difference. Hence, null hypothesis $H_{01.4}$: Stating that there is no significant difference in investors perception of mutual funds with respect to qualification is rejected. This specifies that there is a significant difference in investors perception of mutual funds with respect to qualification.

$H_{01.5}$: There is no significant difference in investors perception of mutual funds with respect to income.

Table: 8. Descriptive Statistics of Investors perception across Income

Income	N	Mean	Standard Deviation	Standard Error
< 25000	61	3.69	.941	.120
25000-50000	74	3.69	1.006	.117
50001-75000	74	3.64	.959	.111
75001-100000	93	3.44	.994	.103
> 100000	46	3.28	.886	.131
Total	348	3.56	.972	.052

Table: 9. Analysis of variance of Investors perception across Income.

	Sum of Squares	Df	Mean Square	F	Sig. (P value)
Between Groups	7.518	4	1.879	2.012	0.032
Groups	320.333	343	.934		
Total	327.851	347			

To analyze the differences in a mean value of as a dimension of investors perception of mutual funds on the basis of income, One-way ANOVA was applied. It was noted that the investors belong to the income group of <25000 and 25000-50000 have obtained maximum mean value of 3.69, this indicates that the investors of this income group have high opportunities level on the dimension of mutual fund whereas the investors belong to the income group of >100000 (mean=3.28) show less awareness compared to other income groups. The result of One-way ANOVA test shows F value = 2.012 and significance = 0.032 which is less than 0.05, which indicates there is a significant difference. Hence, null hypothesis $H_{01.5}$: Stating that there is no significant difference in investors perception of mutual funds with respect to income is rejected. This specifies that there is a significant difference in investors perception of mutual funds with respect to income.

Suggestions

Present research identifies key variable that helps to understand what perceived to be the opportunity to invest in mutual funds by investors. Research reveals that future benefits and return with safety have been given prime importance by respondents. The output for opportunity study would help companies to access key important variables while designing a product for target customers considering socio economic variables, which ultimately would help companies to penetrate mutual funds market successfully.



Conclusion

The study investigated the impact of investors perception on mutual funds, concluded that investors perception significantly impact on mutual funds. Conclusion drawn from the test of difference was that no significant difference existed on the factor of investors perception of mutual funds across gender, age, occupation, qualification and income are accepted.

References

1. Aggarwal, N and Gupta, M (2007) "Performance of Mutual Funds in India: An Empirical Study", The Icfai Journal of Applied Finance, Vol.13, No.9, pp.5-16.
2. Avadhani V.A," Security Analysis and Portfolio Management", 1997 edition, Himalaya publishing house.
3. Bansal, L. K (1996), "Mutual Funds Management and Working" Deep and Deep publications, New Delhi, pp 34-39. ZENITH International Journal of Multidisciplinary
4. B. B. S. Parihar, Rajeev Sharma and Deepika Singh Parihar "Analyzing Investors' Attitude Towards Mutual Funds as an Investment Option", The ICFAIAN Journal of Management
5. Chander Subash and Mahajan, Mukesh, 1992, "Perception of Investors towards Mutual funds: An Empirical Investigation", Indian Journal Commerce, June, pp 117-119
6. Donald e. fisher, Ronald j. Jordan-" Security Analysis and Portfolio Management" sixth edition. PHI Publisher.
7. Gupta S.P "Statistical Methods", 28th edition, Sultan Chand & son's publisher. Madhusudhan V Jambodekar, "Awareness of Mutual Funds"- Portfolio Management", vol 1, Feb. 1996.
8. Saini, S., Anjum, B., and Saini, R. (2011). "Investors' Awareness and Perception About Mutual Funds", International Journal of Multidisciplinary Research, Vol. 1 No. 1, pp. 14-29, accessed on 30, June.
9. Sujit Sikidar and Amrit pal Singh, "Investors Behavior in Equity and Mutual Funds Investment"- Journal of Applied Finance, Mar- 1996.
10. Yogeshwari phatak and others, "A Study of Performance Evaluation of Private and Public Sponsored Mutual Funds"-NMIMS Journal, Jan-July 2007, pp. 23-29.
11. Binod Kumar Singh (2012), "A study on Investors" attitude towards mutual funds as an investment option, International Journal of Research in Management, March 2012, Vol. 2, Issue 2, ISSN 2249-5908.
12. Desigan G, Kalaiselvi S and Anusuya L. (2006), "Women Investor Perception Towards Investment: An Empirical Study", Indian Journal of Marketing, Apr 2006, Vol. 36, Issue 4.
13. D. Rajasekhar (2013), "A study on investor's preference towards mutual funds with reference to Reliance private limited, Chennai – An empirical Analysis, International Research Journal of Business and Management, September 2013, Vol. III, ISSN 2322-083X. Economic Times Bureau, Apr 2009 and Dec 2015. ICF 2015, ICRON Analysis. IMFI, The Road Ahead, November 2015 (IMFI: Indian Mutual Fund Industry).
14. K Lakshman Rao (2011), "Analysis of Investor's Perceptions Towards Mutual Fund Schemes (With Reference to Awareness and Adoption of Personal and Family Consideration). International Journal of Multidisciplinary Research, Vol. 1, Issue 8, Dec 2011, ISSN 2231-5780.
15. Mukesh. H. V. (2015), "Investors perception towards mutual funds: An Indian perspective, Global Journal for Research Analysis, April 2015, volume – 4, Issue 4, ISSN 2277-8160.



16. Parihar B B S, Sharma R and Parihar D. S. (2009), “Analysis of Investors’ Attitude Towards Mutual Funds as an Investment Option” The IUP Journal of Management Research, Vol. 8 No. 7. Pp 56-64, 2009.
17. Peggy D Dwyer, James H Gilkeson and John a List “Economics Letter” 76 2002, pp 151-158.
18. Preeti Khitoliya (2014), “Investors Awareness and Perceived Risk Attitude Towards Mutual Fund: An Empirical Study in Delhi.”, IRAC ST International Journal of Commerce, Business and Management (IICBM), ISSN: 2319-2828, Vol. 3, No. 3, June 2014.
19. Priyanka Sharma and Payal Agrawala (2015), “Investors Perception and Attitude towards Mutual Fund as an Investment Option”, Journal of Business Management and Social Sciences Research (JBM & SSR), ISSN No.-2319-5614, Vol. 4, No.2, Feb 2015. PWC’s A Closure Look, Asset Managers: The SEC’s Road Ahead, May 2015.
20. R. Vasudevan (2012), “Investor’s perception of mutual fund risks” – An empirical study, www.mbainfoline.com/ Articles on Management. SEBI study 2013.
21. Simran Saini, Bimal Anjum, Ramandeep Saini 2011, “Investor’s awareness and perception about mutual funds, International Journal of Multidisciplinary Research, May 2011, Vol. 1, Issue 1, ISSN 2231-5780.
22. Singh and Jha (2009), “An Empirical Study on Awareness and Acceptability of Mutual Fund”, 45-55, Regional Student’s Conference, ICWAI.
23. Subramanya PR (2015), “Investors perception towards mutual fund (with special consideration of socio – Economic variables), Research hub – International Multidisciplinary Research Journal, January 2015, Vol. 2, Issue 1, ISSN 2349- 7637.
24. Vipinkumar, PreetiBansal (2014), “A study on Investors Behavior towards mutual funds in Rohtak, Haryana, International Journal of Engineering and Management Research, February 2014, Vol. 4, Issue 1, ISSN 2250-0758.
25. V. Rathnamani (2013), “Investors’ Perception towards Mutual Fund Industry in Trichy”, Journal of Business and Management, Vol. 6, pp 48-55, 2013.