International Journal of Science and Research (IJSR)
ISSN (Online): 2319-7064
Index Copernicus Value (2013): 6.14 | Impact Factor (2013): 4.438

Investor Perception on Mutual Fund with Special Reference to Ananthapuramu, Andhra Pradesh

Mahabub Basha Shaik

Accounting Analyst, Neovia Logistics Services India Pvt Ltd, Bangalore – 560066, India

Abstract: ***In India Financial Markets provides various investment avenues to the investors. Among the various financial products, Mutual fund ensure the minimum risk and maximum returns to the investors, Mutual fund companies collect the savings of the investors and make a big corpus of these savings and invested in a well-diversified portfolio of different companies. It is generally believed that mutual funds are able to diversify the risk. Mutual Fund is vehicle for investment in stock and bonds. Each Mutual Fund has a specific stated objective. So the present study aims at Perception of investors towards Mutual funds with special reference to Ananthapurmu, Andhra Pradesh.***

Keywords: Investment, Diversified, Portfolio, Financial Products, Risk, Return

1. Introduction

A mutual fund is a financial intermediary that pools the savings of investors for collective investment in a diversified portfolio of securities. A fund is “mutual” as all of its returns, minus its expenses, are shared by the fund’s investors. The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 defines a mutual fund as a ‘a fund established in the form of a trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities, including money market instruments’.

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is invested by the fund manager in different types of securities depending upon the objective of the scheme. These could range from shares to debentures to money market instruments. The income earned through these investments and the capital appreciations realized by the scheme are shared by its unit holders in proportion to the number of units owned by them (pro-rata). Mutual funds as an intermediation mechanism and products play an important role in India’s financial sector development. Apart from pooling resources from small investors, they also provide informed decision making mechanism to them. A Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost.

Mutual fund in Indian context is a challengeable phenomenon. In a short span of less than one decade it has changed the investment pattern of medium and small investors in India. Consequently study of mutual fund has become an essential ingredient of any business and finance program. Besides, the investors should know how a mutual fund operates and what should they expect from them, if they really want to benefit from this new vehicle of investment.

2. Literature Review

Gupta (1994) surveyed household investor to find investors’ preferences to invest in mutual funds and other available financial assets. The findings of the study were more relevant, at that time, to the policy makers and mutual funds to design the financial products for the future.

Syama Sunder (1998) conducted a survey with an objective to get an in-depth view into the operations of private sector mutual fund with special reference to Kothari Pioneer. The survey tells that knowledge about mutual fund concept was unsatisfactory during that time in small cities like Visakhapatnam. It also suggested that agents can help to catalyse mutual fund culture, open-ended options are much popular than any other schemes, asset management company’s brand is chief consideration to invest in mutual fund.

Ken L. Bechmann and Jasper Rangvid (2007) examine Danish mutual funds. Theauthors describe what is special about Danish mutual funds, as well as the dimensions along which Danish funds are comparable to other European funds. They discuss how Danish mutual funds have performed in absolute terms and in relation to other European mutualfunds, and focus also on the costs to the investor of purchasing Danish mutual funds certificates.

Badrinath & Gubellini (2011) have investigated two types of funds that make more extensive use of derivatives, global funds and specialized domestic equity fund and found that risk and return characteristics of these two groups of funds are significantly different from funds employing derivatives sparingly or not all and that fund managers time their use of derivatives in response to past returns.

3. Objectives of the Study

This research paper focused attention on number of factors that highlights investors perception about mutual funds, these are to find,

1. To find out the awareness level of investors regarding mutual funds.

2. To find out the importance of factors like liquidity, higher return, company reputation and other factors that influence investment decision of mutual fund holder.
3. To find out the which scheme most preferred by the investor's.
4. To find out the risk usually affects in Mutual funds.
5. To study the problems of mutual fund investment finally.

4. Research Methodology

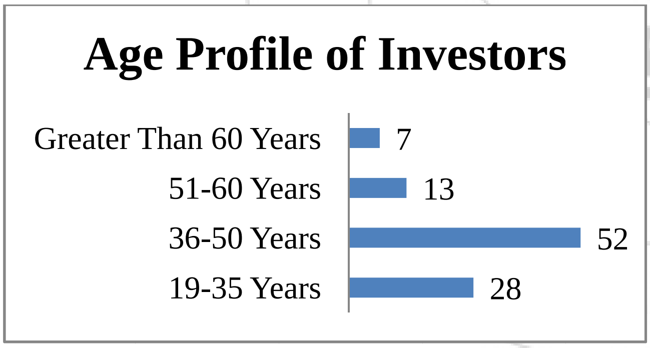
A survey was conducted in Ananthapuramu during the period October 2014 to December 2014. A sample of 100 individual mutual fund investors was surveyed through questionnaire. The respondents are segregated on the basis of different variables such as income, age, occupation gender, marital status, academic qualification and annual saving. An attempt has been made to find out the perception of investors regarding mutual fund investment and to identify the factors considered to be important by the investors before investing in any mutual fund.

Secondary data which is collected from various sources like published annual reports of the sponsoring agencies, online bulletins, journals books, magazines, brochures, newspapers and other published and online material.

5. Data Analysis

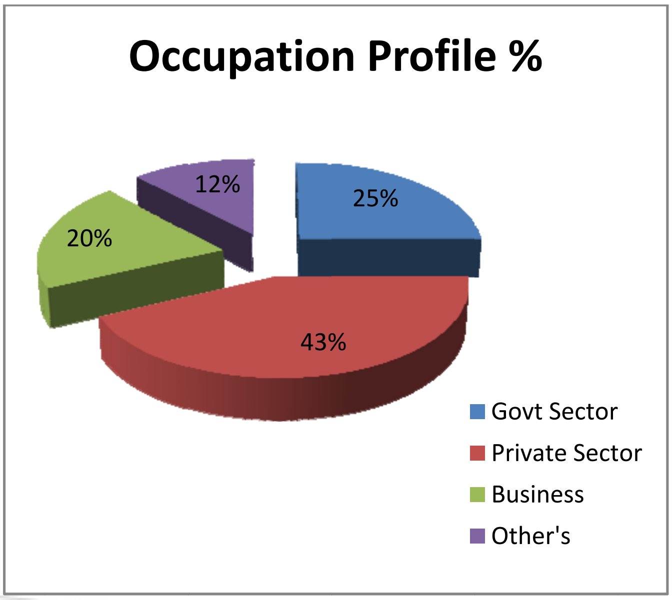
The data collected through the questionnaire is analysed considering each factor and the analysis is presented below.

1) Age profile of Investors



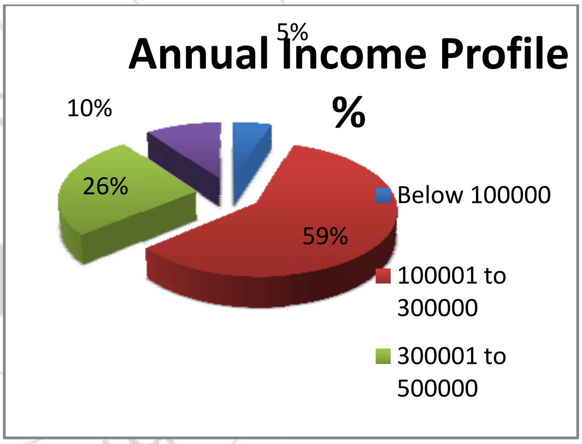
We see the above diagram; Most of investors belongs to the age group 36 to 50 Years and followed by 19 to 35 Years age group.

2) Occupation profile of Investors



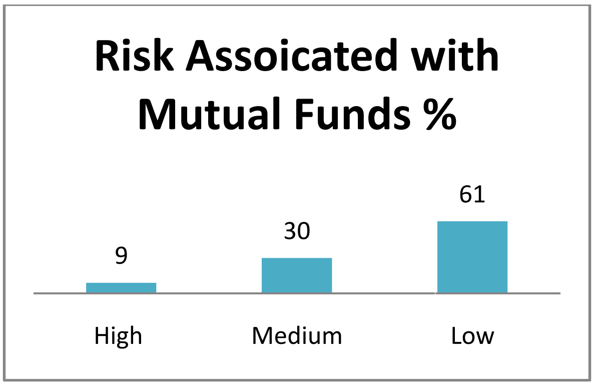
Most of the investors belong to Private sector which is carried out 43% and Govt Sector 25% followed by Business Occupation 20%.

3) Annual Income profile of investor



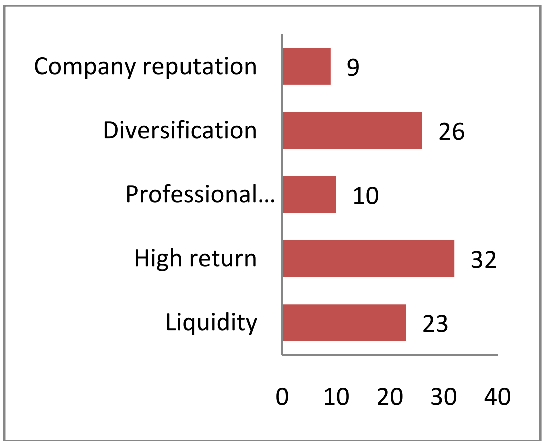
The annual income of the investor 59% reflects that 100001 to 300000 followed by 26% of investors belong to 300001 to 500000 and respectively 10% annual income investor above 500000.

4) Risk associated with Mutual Funds



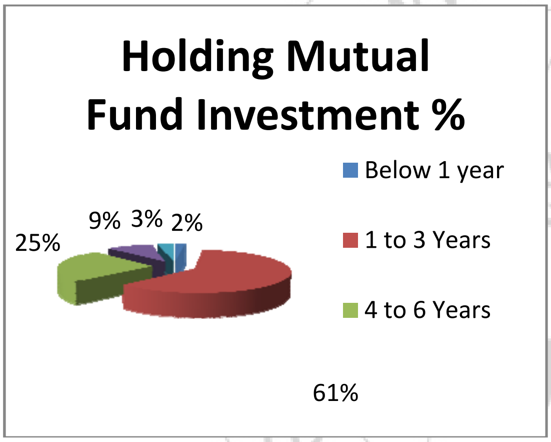
In above chart, 61% investors rated that risk impact is low followed by 30% is medium.

5) Factors considered while investing in Mutual Funds



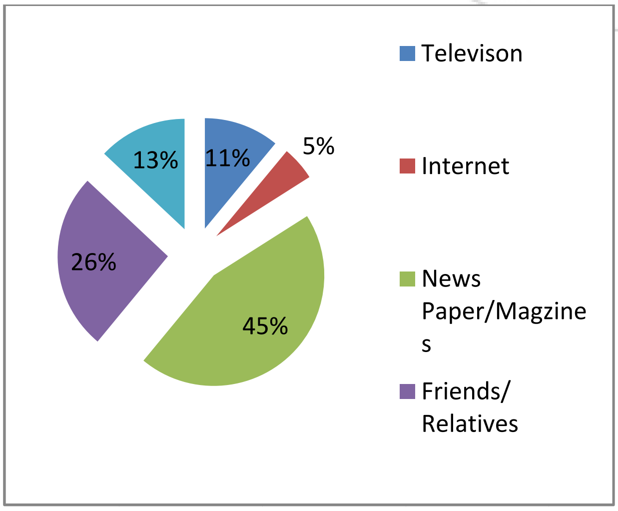
Investors are giving more importance to higher return and followed by diversification and liquidity respectively.

6) Holding Mutual fund investment



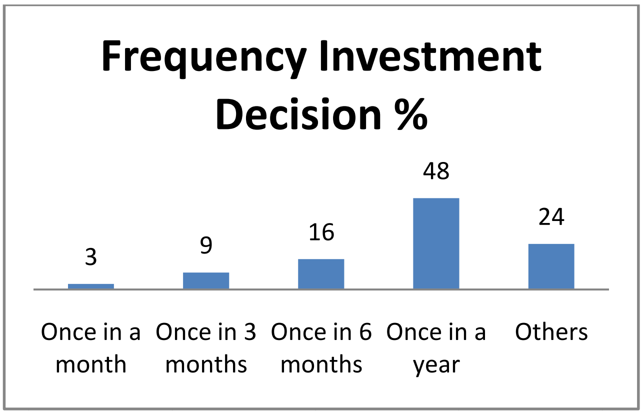
The above chart reflects 61% investors holding their investor 1 to 3 years, 25% investors 4 to 6 years and 9% investors 7 to 10 years.

7) Investors primary sources of Mutual fund as investment



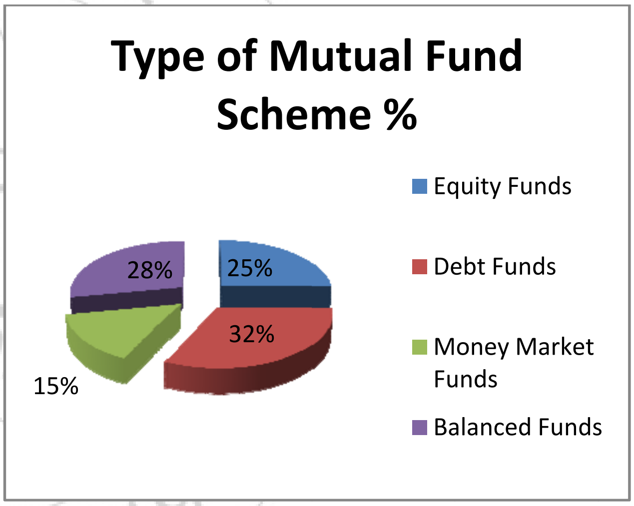
Around 45% investor's primary source are Newspaper/Magazine's and 26% investors depend on friends and relatives to know the mutual funds, similarly 13% investors followed by sales representatives.

8) Frequency of investment decision



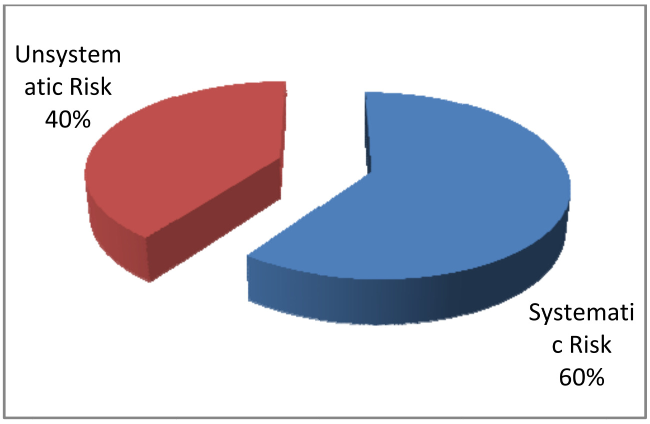
Above diagram shows 48% investors make investment decision once in year followed by others 24%.

9) Type of Mutual Fund scheme invested



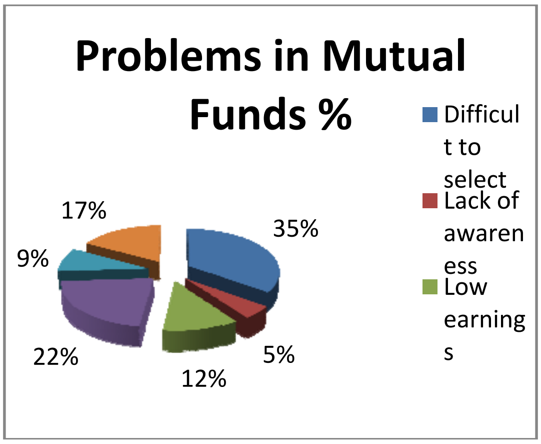
Around 32% investor's preferred Debt funds and 28% balanced funds followed by 25% Equity funds.

11) Risk usually affects Mutual Fund



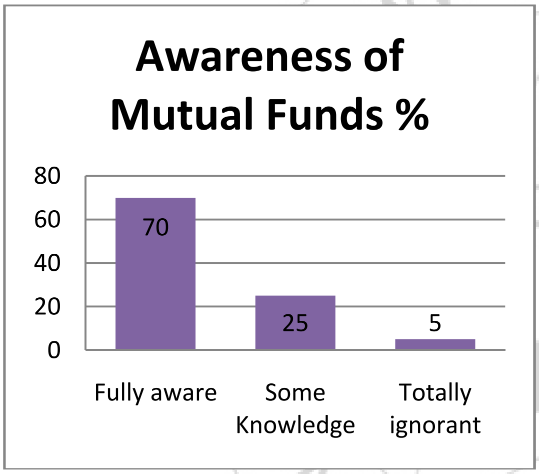
From the above diagram observed that Systematic risk is 60% affects usually to Mutual fund followed by Unsystematic risk 40%.

12) Problems/ Challenges in Mutual Fund Investment



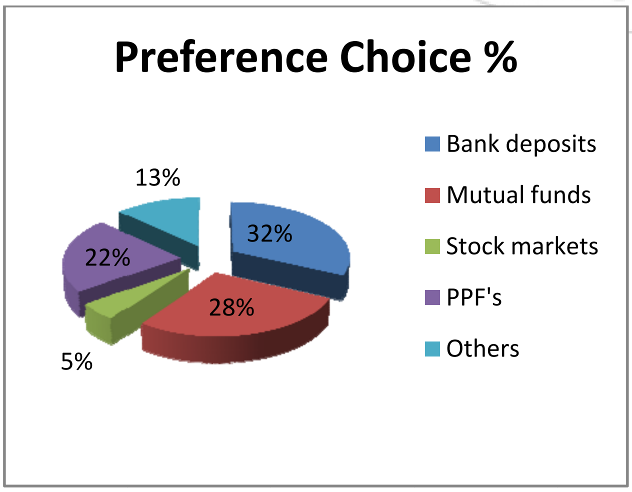
The above diagram, 35% investors are difficult to select particular mutual fund, 22% facing with slow growth followed by 17% lock in period.

13) Awareness of Mutual fund investment



70% of investor's aware of the mutual fund investment and 25% have some knowledge, followed by 5% totally ignorant.

14) Safest Investment Option



Majority of the investor's preferred investing in Bank deposits (32%) followed by Mutual funds (28%), only stock markets investment (5%).

6. Suggestions

Based on the observation made during the study the following suggestions are submitted for the betterment of the mutual funds.

- Investors should take help of private financial consultants to have investment portfolio so as to reduce risk in investment.
- Updates about the fund and schemes should be dispatched to the investors at least once in a month.
- Increase the awareness level to the retail investors in rural and semi urban areas.
- Providing the complete information to investors in order to increase the loyalty among the investors.
- To meet the financial goals of the small and retails investors should keep their investment for long term.
- Finally, regular saving to earn some more extra consistency returns through changing market scenario.

7. Conclusion

Mutual fund companies should come forward with full support for the investors in terms of portfolio design, awareness programme, advisory services, and proper consultancy should be given to the investors. In fact, majority of the investors doesn't know how mutual funds' work and performance. So the AMC's have to provide complete information to prospective investors relating to mutual funds. At present Private sector employees selecting fixed deposits and mutual funds are found to be a better investment. Most of investor's belong to the age group 36 to 50 Years and investor's aware the mutual funds scheme. Investor's usually takes the decision once in a year. The major difficulties are selecting mutual fund and slow growth. 70% Investors aware the mutual funds schemes and Investors preferred to invest on debt and balanced funds are best avenues.

References

[1] Binod Kumar Singh (2011), "A Study on Investor 'Attitude towards Mutual Funds as an Investment Option", Journal of Asian Business Strategy, Vol. 1(2): 8-15.
[2] Mehta, Rajan (2003), "Indian Mutual Fund Industry – Challenging Issues", Charted Financial Analyst, Vol.IX: 32-33.
[3] Aabhas Pandya (2001), "Have Mutual Funds passed the Test?" ICFAI Reader, Vol. III: 50-51.
[4] Singh, Chander (2004), "Performance of Mutual Funds in India – an Empirical Evidence", ICFAI Journal of Applied Finance – December, 81-98.
[5] Ravi Vyas (2012), "Mutual Fund Investors Behaviour and Perception in Indore City", Journal of Arts, Scientific & Commerce, Vol. III (3)-1: 67-75.
[6] Banerjee, Arindam (2006), " Mutual Funds: Wealth Creation through Systematic Investment Plans" , ICFAI Portfolio Organiser: 53-58

[7] Yogeshwari Phatak and Others (2007), "A Study of Performance Evaluation of Private and Public Sponsored Mutual Funds", NMIMS Journal, Jan-July 2007: 23-29.
[8] Prasada Rao and Venkatam Sai Kai (2006), "Mutual Funds Exploring the Retail Customer Expectations", The ICFAI Journal of Services Marketing, Vol. IV (2):25-33.
[9] Rajarajan (2003), "Determinates of Portfolio choice of Individual Investors", The Indian Economic Journal, Vol. 50(1): 81-84.
[10] Raja J, Ganesha (2000), "Mutual Funds, the Millennium Strategy", the Journal of the All India Management Association, Vol. 39(10): 42-47.
[11] Avadhani V.A (1997), "Security Analysis and Portfolio Management", Himalaya Publishing House, New Delhi.
[12] Donalad E Fisher, Ronaland J Jordan (1995), "Security Analysis and Portfolio Management" Sixth Edition, PHI Publisher, New Delhi.
[13] M Babu and Indumathi (2008), "Indian Mutual Fund Industry" an Overview, SMART Journal of Business Management Studies, Jan-Jun 2008, Vol. IV (1): 72-79.
[14] Chandra Prasanna (1995) "The Investment Game" Tata Mc.Graw-Hill Publishing, New Delhi.
[15] Agapova, Anna (2011), "The Role of Money Market Mutual Funds in Mutual Fund Families", Journal of Applied Finance, Vol. 21(1): 87-102.

Author Profile

Mahabub Basha Shaik, Accounting Analyst at Neovia Logistics Services India Pvt Ltd, Bangalore, Earned MBA from JNTUniversity Hyderabad in the year 2009. Completed project work on "Security Analysis and Portfolio Management" under guidance of Dr. AJ. Prasad, Hyderabad, India