

Investors' Perception towards Mutual Funds in India A Case Study in Twin Cities of Telangana

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ABSTRACT:

In the present financial market, mutual funds have emerged as the key player of saving and investment process. Majority of the individual investors have been showing keen interest in the structured financial operation. With the growing emphasis on the adoption of well structural professional management of investments, the role of mutual fund has assumed greater importance. The study reveals that all factors influencing level of "Risk and Return involvement" is very high in selection of mutual fund by investors and Thereafter, Company's Stability and Financial Information is very high influencing level. Profit maximization occupied first rank in investment objectives preferred by investors and Thereafter, Risk involvement objectives of investors.

Keywords: Mutual funds, investor perception, Hyderabad and Secunderabad, mutual funds in Telangana.

Introduction:

In the present financial market, mutual funds have emerged as the key player of saving and investment process. Majority of the individual investors have been showing keen interest in the structured financial operation. With the

growing emphasis on the adoption of well structural professional management of investments, the role of mutual fund has assumed greater importance. A mutual fund is the most suitable investment for the retail investors as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. At the retail level, investors are unique and are a highly heterogeneous group. A large number of investment options are available to investors. Currently there are large numbers of schemes available and the Asset Management Companies (AMCs) compete against one another by launching new products or repositioning old ones. Unless mutual fund schemes are tailored to the changing needs, and the AMCs understand the fund selection behavior of the investors then their survival will be difficult in future. Therefore, present study made an attempt to understand the investor perception on mutual funds in Telangana state.

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Review of Literature:

Some of the important studies on this topic are presented as follows:

Meenakshi et al (2019)¹ have emphasized on the perception of 150 investors on five mutual fund schemes in Alwar city. The study revealed that, high return, safety and security, risk involvement and capital appreciation are top influencing factor of mutual fund investment decisions. The study also observed, news papers and magazines are still major sources for mutual fund information and still 60 percent of investors buying mutual funds through agents and 40 percent through direct mode. The study found and ranked the major problems of investors in mutual fund investments such as unaware of fund market, delay in selling units, fee and commission, low income, poor service from brokers and AMCs and absence of branches.

Suman Rani (2019)² evaluated the performance 15 mutual fund schemes of four sectors India such as banking sector, IT sector, Pharma and FMCG sector for the period of 2009-2017. The study also analyzed the investment pattern and perception of 517 investors from Delhi, Faridabad, Gurugram and Bahadurgarh. The study used judgment and convenience sampling techniques for selection of investors and AMCs. The study observed that among four sectors banking sector funds returns are just beaten the bench mark returns and pharma sector funds returns are substantially greater than benchmarks (NIFCY index and sectoral index) during entire period of study, while IT and FMCG sector funds could not beat even bench mark returns in short period and reported good returns in medium and long runs. The study

also found significant differences in investment pattern and interception due to differences in demographic factors of education, occupation and income levels of investors in the study area.

Rajesh Trivedi (2018)³ has investigated the effect of demographic factors on the investment size, period, purpose and expected return of investors on mutual funds in khodra, puri and Cuttack districts of Odisha state. The study also emphasized on the 360 investor's preferences and investor's attitude towards investment in mutual funds and their satisfaction in the study region. The study examined the perception of investors invested in the period of 2007-2017. The study found that age, gender, occupation and incomes levels have shown significant impact on the size, purpose, period and expected return on investment during study period. The selected investors have given first priority to fixed deposit and eighth rank to mutual funds and avenue of investment, and in mutual funds also first priority given equity funds. The top purpose of investment in mutual funds by investors is tax exemption. The study also observed difference in satisfaction level of respondents as per their income groups.

Meenakshi Garg (2014)⁴ evaluated the performance of select mutual funds in India based on certain performance measures and also according to the perceptions of the investors. She also studied the preferences, investment objectives and attitude of the investors towards mutual funds and looked into the impact of regulation on the performance of mutual funds in India.

Parasar Bandyopadhyay (2012)⁵ has evaluated the performance of top ten best and worst performed open-ended mutual fund and compared with stock market indices during the post liberalized period i.e. 2006-2010. The study also adopted beta, Sharpe and Fama's decomposition model. The study also investigated the 70 investor's perception on mutual funds. The study found that, very positive investor's perception on fund management, brokerage and redressed mechanism of mutual funds.

Manimurugan (2012)⁶ has done a comprehensive analysis on perception, attitude, satisfaction and problems investors of mutual funds namakkal district for the period of 1992-2011. The respondents of study are 400 investors in namakal district. The study found significant difference in investment perception of investors as per gender, educational qualification and occupation. The study also observed significant differences in investor's perception as per gender and occupation. The study observed ranked government ownership for preferring in investment in mutual fund. The investors ranked savings as top one as purpose of investment. The investor's top three preferred schemes are growth oriented, income oriented and equity schemes.

Need for the Study:

It is revealed from the above literature that, numerous research studies have been carried on the topics of performance measurement of mutual fund schemes, companies, industry, growth of industry, relationship between stock market and mutual funds, determinants of mutual fund investments, challenges, issues

of mutual fund industry, influencing factors of mutual fund investment, impact of regulatory framework on mutual fund, stock selection ability of investors, market timing, investors attitudes, preferences, customer satisfaction and impact of recession on mutual fund performance etc. Only few studies have done on the perception and influencing factors on investment behavior in India, therefore, present investor survey has done in two twin cities of Telangana i.e., Hyderabad and Secunderabad recently. Thus, present study fulfills this gap.

Objectives of the Study:

From the review of literature following objectives are framed and presented as follows:

- 1) To study the investor's perceptions on mutual funds investment aspects
- 2) To measure the investor's importance level for investment objectives in mutual funds
- 3) To analyze the influencing factors of mutual funds investment decisions
- 4) To rank the investment objectives as preferred by investors in investment of mutual funds.

Research Methodology:

Present study is purely based on the primary data collected from the mutual fund investors living in twin cities of Telangana i.e. Hyderabad and Secunderabad. Present study targets the 785 educated retail investor's living in Hyderabad and Secunderabad cities and invested in different mutual fund schemes over a period of time. The main reason for the selection of sample investors from these two cities is mainly Hyderabad is sixth richest city

in India with assets worth of \$ 310 billion, but, its contributes to mutual fund business is only a meager of two percent due to low participation rate of investors. This calls for strategic efforts for improvement of contribution to mutual fund industry from Hyderabad. Thus, present study address this problem through analyzing and understanding the awareness, perception and influencing factors of investment decision of investors living in two cities The data from the investors is collected from the well-structured questionnaire. The study employed the descriptive statistical techniques such as multiple responses, minimum, maximum, mean, average and standard deviation. The questions are measured by using 5-points Likert Scale.

Data Analysis:

1.1 Investors Agreement on The Given Statements

Present study examined the perception of investors on the given statements regarding mutual funds. Perception of investors is measured through Likert’s five scale model of Point 1 to 5 such as (1) Strongly Disagree, (2) Disagree, (3) Neutral, (4) Agree and (5) Strongly Agree.

Table 1.1 exhibits about the investor’s agreement with the mutual fund’s statements. The study reveals that, the statement 9, “To beat inflation small investors must invest in mutual funds” obtained highest mean score of 3.90 among all the statements which means that highest number of investors agreed that mutual fund is good financial instrument to beat the inflation rate (mutual fund returns are higher than inflation rate). Thereafter,

statement “Mutual fund is better option for long term investment” is obtained second highest mean of 3.81 which indicates that investors are looking mutual fund product is best long term investment tool. Similarly, Statement 8 “Mutual funds help every investor in minimizing the risk” got mean value of 3.77 which indicates that, investors are agreed that mutual fund helps to minimize the investment risk of portfolios. Thereafter, Thereafter, statements 5 &10 “Mutual fund must be one of the most important components in everyone’s investment portfolio” and " Mutual funds diversify sector wise with active fund manager” are scored mean value of 3.75 which means that investors are agree with these statements. Similarly, the investors are agreed with the statement that selection of mutual fund scheme is very easy (mean of 3.72), Similarly, investors are agreed with the

Table 1.1 Investors Agreement to Mutual Fund Statements

	N	Minimum	Maximum	Mean	Std. Deviation
1 Mutual fund is best alternative investment among all alternatives	785	1	5	3.64	1.125
2 Mutual fund is a very safe investment	785	1	5	3.66	1.125
3 Investing into a type of equity shares through a mutual fund is safer than investing directly	785	1	5	3.58	1.111
4 Mutual funds help every investor in maximizing the return	785	1	5	3.55	1.118
5 Mutual funds must be one of the most important components in everyone’s investment portfolio	785	1	5	3.75	1.122
6 Selection of Mutual fund scheme is very easy	785	1	5	3.72	1.154
7 Mutual fund is better option for long term investment	785	1	5	3.81	1.244
8 Mutual funds help every investor in minimizing the risk	785	1	5	3.77	1.159
9 To beat inflation small investors must invest in mutual funds	785	1	5	3.90	1.130
10 Mutual funds diversify sector wise with active fund manager	785	1	5	3.75	1.049
AVG				3.71	1.13

Source: Compiled from Primary data

statements of I, II, III and IV with means of 3.64, 3.66, 3.58 and 3.55. This implies that investors agreed that mutual funds are best investment tool among all alternative, Mutual fund investment are very safe, investments in equity through mutual funds is very safe and mutual fund investment maximizes investors returns. In overall, the average of mean score of investor’s respondents given statements is 3.71. The study also observed that the standard deviation of all statements is less than significant value i.e. 1.8, which indicates insignificant deviations in the attitudes among the investors.

1.1 Investment Objectives of Investors in Mutual Fund

The study examined the importance level of objectives of mutual fund investment by investors. The study has measure the importance level through five points Likerts scale in the range of 1 to 5. This is like (1) Very High (2) High (3) Neutral (4) Low (5) Very Low. In the study ten mutual fund investment objectives are identified and asked the investors responses accordingly. In the objectives savings for retirement is given top priority due to the reason that, most of the investor focus on financial support after retirement. Thereafter, children education and marriage is included which indicates family responsibility subject to huge cost and long period commitment. Thereafter, tax benefits are included which saves tax payments. Liquidity is another objective included which means of possibility to convert in to cash as and when required and avoid lock in period. Protection against inflation is included as fifth objective due to the reason that every investor expects the return on investment to beat

inflation rate. Thereafter, maximum return is included which indicates real rate of returns. Thereafter, diversification of assets is included due to the reason of mitigation investment risk. Capital appreciation is included as eighth objective due to reason that this indicates creation of wealth in long run. Short term gain is also included as one the objectives due to the reason that preferring short term income by investors to meet their current expenditure. In the study, safety is included as tenth objective which generally primary objective of investment. Safety of investment means of certainty in repayment of principal amount of investment. The study measures the investors importance level in the above ten objectives.

Table 1.2 Importance Level of Investment Objective of Investors in Mutual Fund

	N	Minimum	Maximum	Mean	Std. Deviation
1 Saving for Retirement	785	1	5	4.45	.906
2 Children Education & Marriage	785	1	5	4.33	.984
3 Tax Benefits	785	1	5	4.12	.972
4 Liquidity	785	1	5	2.41	.879
5 Protection Against Inflation	785	1	5	4.43	.698
6 Maximum returns	785	1	5	4.01	.826
7 Diversification of Assets	785	1	5	4.43	.715
8 Capital Appreciation	785	1	5	3.66	1.081
9 Short Term Gain	785	1	5	4.05	.802
10 Safety	785	1	5	4.26	.790
AVG				4.01	0.865

Source: Compiled from Primary data

Table 1.2 exhibits about the importance level of investment objective of investors in mutual fund. The study reveals that, saving for retirement mean score is 4.45 which mean investors are have assigned very high importance to investment objective of “savings for retirement”. Thereafter, next very high importance is given to diversification of

assets and protection against inflation which scored means of 4.43. Similarly, investment objective of “liquidity” also score mean of 4.41 which indicates highest importance from investor point of view. Next to this, children education and marriage the mean score is 4.33 which indicates highest importance by investors. Thereafter, safety is also given very high importance by investor with mean score of 4.26. Similarly, tax benefit is next very high important objective to investors which mean value is 4.12. In similar line, short term gain and maximum return objectives next very high important objective to investors which scored mean valued of 4.05 and 4.01 respectively. In contrast, capital appreciation is scored mean value of 3.66 which indicates that high important objective by investors in mutual fund investments. Liquidity stands as least objective of mutual fund investments where majority of investors opined is “Neutral” with mean of 2.41. The study also found that, the standard deviation is less than significant value i.e., 1.8 in case of all investment objectives which indicates insignificant deviations in importance level.

1.3 Factors Influencing in Selection of Mutual Fund Schemes

Every investor selects the scheme of mutual fund after collecting required information on different factors concerned mainly with personal, financial and economic factors. These factors strongly influence the buying behavior of mutual fund investors. Therefore, present study analyzes the influencing level of different factors on fund selection behavior of investors. These factors included economic factor such as inflation & deflation, company factors such as company’s stability and

financial information, company market image, risk and return involvement, fundamental analysis of company, EPS, Price Earnings Ratio and stock exchange ratio, individual factors such as brokers advice and media information and personal factors such as Friend’s & Relatives Advice. These factors are interdependent factors. Investor’s selection behavior of mutual funds are influenced by any one or few or all factors are mentioned above. Some of these factors available at free cost and some are fee based. Influencing factor of investors is depended upon availability and accessibility of information from influencing factor. In the present study level of influence of these factors is measured Likerts five points model of importance. Likerts scale of measuring level of influence is pointed in as Very High, High, Neutral, Low and Very low.

Table 1.3 Level of Influencing Factors in Selection of Mutual Fund Schemes

	N	Minimum	Maximum	Mean	Std. Deviation
1. Broker's Advice	785	1	5	4.23	.785
2. Media Information	785	1	5	1.67	.849
3. Inflation & Deflation	785	1	5	3.31	1.253
4. Friend's & Relatives Advice	785	1	5	3.88	1.069
5. Risk & Return Involvement	785	1	5	4.76	.557
6. Company's Stability and Financial Information	785	1	5	4.60	.613
7. Company's Market Image	785	1	5	4.28	.878
8. Company's Fundamental Analysis	785	1	5	3.99	1.086
9. EPS/Price Earnings Ratio	785	1	5	3.86	1.130
10. Stock Exchange information	785	1	5	4.21	.968
AVG				3.87	0.918

Table 1.3 exhibits the level of influencing factors in selection of mutual fund schemes. The study reveals that, among all factors influencing level of “Risk and Return involvement” is very high in selection of mutual fund by investors mean score is 4.76.

Thereafter, Company’s Stability and Financial Information mean score is 4.60 which indicates that its very high influencing level. Similarly, company’s market image, broker’s advice and stock exchange factors scored mean of 4.28, 4.23 and 4.21 which implies its very high influencing level in selection behavior of investors in mutual fund. On the other hand, company’s fundamental analysis mean score is 3.99 followed by Friend and Relatives is 3.8, EPS/Price Earning Ratio is 3.86, and inflation & deflation is 3.31 which indicates that influencing level of these factors is high in mutual fund selection behavior of investors. Finally, the study found that, among all influencing factors media information influencing has low (mean is 1.67) influence of investors buying behavior. On the study also observed that, the standard deviation of all influencing factors is not more than significant level of 1.8 which implies insignificant deviation in investor’s opinion regarding influencing factor of mutual fund selection behavior.

1.4 Ranking of Investment Objectives of Investors:

Present study examined that preference order of investment objectives of investors by ranking them. The investments objectives consists of seven such as Profit maximization, Capital gains, Just for investment, For future use, Safety of the money, Tax benefit and Risk involved. All these objectives are financial in nature. In the present study, investors are asked to rank the states investment objectives from the 1-7. The responses of investors are presented in the below table.

Table 1.4 Ranks of Investment Objectives by Investors

	N	Minimum	Maximum	Mean	Rank
1. Profit maximization	785	5	7	6.66	1
2. Capital gains	785	1	5	3.60	3
3. Just for investment	785	1	7	2.56	7
4. For future use	785	1	5	2.93	6
5. Safety of the money	785	1	7	3.11	5
6. Tax benefit	785	1	7	3.18	4
7 Risk involved	785	2	7	5.95	2
Valid N (list wise)	785			3.99	

Source: Computed from SPSS

Table 1.4 exhibits the ranking of investment objectives by mutual fund investors. The study witness that, Profit maximization occupied first rank in investment objectives preferred by investors with mean score of 6.66. Thereafter, Risk involvement ranked number two in investment objectives of investors with mean of 5.95. Thereafter, capital gain is third rank in investors preferences as investment objectives with mean of 3.6. Tax benefit stands as forth rank in investment objectives with mean of 3.18 while investment made by investors. The safety of money occupied fifth rank with mean of 3.11 in investment objectives by mutual fund investors. Future use is sixth preferred objectives by investors with mean of 2.93. Finally, just for investment is seventh rank in investment objectives by investors with mean of 2.56.

Findings and Suggestions:

The study examined the investor’s agreement level with the given statements regarding mutual fund statements with Five points Likerts scale of agreement. The study found that, mean scores of all statements lies in the range of 3-4 which means that, investors are agreed with all given mutual fund statements. Consequently, the standard deviation score is

less than significant level of 1.8 which indicates that, deviations in investor's attitude/agreement is insignificant or negligible.

The study found the importance level of investment objective in mutual fund investment by investors through five points Likerts scale of importance. The study found that, investors importance level is "very high" on investment objectives of saving of retirement, followed by protection against inflation, diversification of asset, liquidity, children education and marriage, maximum returns tax benefit, safety and short-term gain. In contrast, capital appreciation is opted "high importance" by mutual fund investor. Finally, investor's importance towards liquidity is "neutral". This indicates, liquidity and capital appreciation are least preferred objectives than other objectives of importance. Therefore, the study suggests more savings and regular income after retirement plans for increase in customer base.

It is revealed from the study that, the mean scores of Risks and return involvement, Company's Stability and Financial Information, Company's Market Image, Stock Exchange information, and Broker's Advice are lies in the range of 4-5. This indicates that, these factors are "VERY HIGH" influencing factors of selection decision of investors in mutual funds. Thereafter, Company's Fundamental Analysis, EPS/Price Earnings Ratio, Friend's & Relatives Advice and Inflation & Deflation mean scores lie in between 3-4. This indicates that these factors are "HIGH" influencing factors of investors selection behavior of mutual funds. The study

also found that, low influence of media information level in mutual fund selection by investors which mean score is 1.67. The study also reveals that, standard deviation of all influencing factors is less than the significant level of 1.8 which means that deviation in investors opinion of influencing factors is not much significant. Therefore, the study suggests for full disclose of information regarding risk and return characters of schemes.

The study found that, investors ranked that objectives of mutual fund investment while profit maximization is top rank by investors(mean 6.6) followed by risk involvement as second rank (3.60 mean), capital gain occupied third place with mean of 3.60, tax benefit as fourth objective investment with mean of 3.18, safety of money is fifth rank with mean of 3.11, future use is sixth rank with mean of 2.93 and just for investment is last rank in investment objectives by investors with mean of 2.56.

Conclusion

The study concludes that, highest number of investors agreed that mutual fund is good financial instrument to beat the inflation rate and "Mutual fund is better option for long term investment" "Mutual fund must be one of the most important components in everyone's investment portfolio" Investments in equity through mutual funds is very safe and mutual fund investment maximizes investors returns. Savings for retirement is given top priority due to the reason that, most of the investor focus on financial support after retirement and thereafter, children education and marriage is included which indicates family responsibility

subject to huge cost and long period commitment and tax benefits are included which saves tax payment. The study reveals that all factors influencing level of “Risk and Return involvement” is very high in selection of mutual fund by investors and Thereafter, Company’s Stability and Financial Information is very high influencing level. Profit maximization occupied first rank in investment objectives preferred by investors and Thereafter, Risk involvement objectives of investors

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