

# A Study on Investor's Perception towards Mutual Funds Investment with Special Reference to Salem City

Dr.S.Krishnaraj

Assistant Professor

Dept of Management, Dr NGP Arts and Science College Coimbatore

**Abstract:** “Small drops of water make a big ocean”, on this concept mutual fund works, small investors can invest in mutual fund and earned fair rate of return with less risk compare to shares. The main focus of the study is to understand the investor's perception regarding investment in mutual funds and to analyze the investor's preference towards mutual funds investment. Descriptive research design is used for this study and convenience sampling method is used for collecting the primary data. For the purpose of analysis and interpretation the researcher used the statistical tools through simple percentage analysis.

**Keywords:** Investors, Mutual Funds, Perception, Preference, Investment.

## Introduction

A mutual fund is a trust that pools the savings of a number of investors who share a common financial goal. The money is collected from public then invested in capital market instruments such as shares, debentures and other securities, bonds and gold under the 44 mutual companies in different schemes. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to the number of units owned by them. Thus, mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. The mutual fund is evaluated through Net Assets Value (NAV).

## Review of Literature

**Singh and Vanita (2002)** observed the investor's preferences and perception towards mutual funds investment by conducted a survey of 150 respondents in the city of Delhi. The findings of the study were that the investors preferred to invest in public sector mutual funds with an investment objective of getting tax exemptions and invested for a period of 3-5 years and the investors evaluated past performance. The study further concluded that majority of the investors were dissatisfied with the performance of their mutual funds and belonged to the category who held growth schemes.

**Walia and Kiran (2009)** conducted a research on investor's risk perception towards mutual fund services. In this study they identified investor's expectations and parameters that caused dissatisfaction and the innovation of mutual funds portfolio were also highlighted that these

innovations should be according to the investor's expectations. A major finding of the study was that the investors want innovative products and to add quality in existing services.

## Statement of the Problem

Nowadays mutual fund schemes are attracting small investors. Many investors today are investing in mutual funds by expecting high return with low risk coverage. Therefore it is most essential to study the investor's perception towards mutual funds. What are the factors which influencing for selecting mutual fund schemes and what are the investor's preference in different type of investment avenues?

## Importance of the Study

The concept of mutual funds is gaining gradually popularity in India and large numbers of mutual funds industry have been floated in recent trends. When compared with other financial instruments, investments in mutual funds are safer and also yield more returns on the portfolio investment. This study is to understand investor's perception that is being conducted in mutual funds investment in Salem city. The study is aroused in order to see the preference, satisfaction and the investor's perception regarding the mutual funds investment.

## Objectives of the Study

- ❖ To understand the investor's perception regarding investment in mutual funds.
- ❖ To analyze the investors preference towards mutual funds investment.
- ❖ To determine the level of satisfaction regarding mutual funds investors.

## Research Methodology

This study is based on descriptive in nature. The present study is to understand the investor's perception, preference and satisfaction towards mutual funds investment. The target population is individual mutual funds investors in Salem District. Convenience sampling method is used for collecting the primary data. The research study is based on both primary and secondary data. Primary data was collected through structured questionnaire. The questionnaires are given to all the investors and they are requested to fill the form. Secondary data was collected through books, journals and website. The collected primary data

were analyzed by applying simple percentage analysis.

**Data Analysis and Interpretation**  
**Table: 1 Demographic Factors Wise Classification**

**(Primary data)**

The above table ascertains that out of 150 samples, majority 68% of the respondents are male, majority 33.33% of the respondents belong to the age group of 41 to 50 years, majority 84.67% of the respondents are married, 35.34% of the respondents are postgraduate, majority 48% of the respondents are government employee and majority 42% of the respondents annual income are Rs.200000.

**Table: 2 Annual Savings Wise Classification**

S. No	Annual Savings	Frequency	Percentage
1	Upto Rs.25000	50	33.33%
2	Rs.25001 to Rs.50000	44	29.33%
3	Rs.50001 to Rs.100000	42	28%
4	Above Rs.100000	14	9.34%
<b>Total</b>		<b>150</b>	<b>100%</b>

**(Source: Primary data)**

The above table reveals that out of 150 samples, 33.33% of the respondents annual savings are up to Rs.25000, 29.33% of the respondents are Rs.25001 to Rs.50000, 28% of the respondents are Rs.50001 to Rs.100000 and 9.34% of the respondents are above Rs.100000. So it is clear that the majority 33.33% of the respondent's annual savings are up to Rs.25000.

**Table: 3 Savings Preference Wise Classification**

S.NO	Savings Preference	Frequency	Percentage
1	Bank / Post office deposits	37	24.67%
2	Capital markets	18	12%
3	Mutual funds	46	30.67%
4	Real estate	17	11.33%
5	Other	32	21.33%
<b>Total</b>		<b>150</b>	<b>100%</b>

**(Source: Primary data)**

The above table shows that out of 150 samples, 24.67% of the respondents savings preference are bank / post office deposits, 12% of the respondents

are capital markets, 30.67% of the respondents are mutual funds, 11.33% of the respondents are real estate and 21.33% of the respondents are others. So it is clear that the majority 30.67% of the respondents savings preference are mutual funds.

**Table: 4 Investments Period Wise Classification**

	Investments Period	Frequency	Percentage
1	Up to 1 year	12	8%
2	2 years	31	20.67%
3	3 years	77	51.33%
4	Above 4 years	30	20%
<b>Total</b>		<b>150</b>	<b>100%</b>

1	Gender	Male Female	102 48	68% 32%
<b>Total</b>			<b>150</b>	<b>100%</b>
2	Age	20-30 years 31-40 years 41-50 years Above 50	30 49 50 21	20% 32.67% 33.33% 14%
<b>Total</b>			<b>150</b>	<b>100%</b>
3	Marital Status	Married Unmarried	127 23	84.67% 15.33%
<b>Total</b>			<b>150</b>	<b>100%</b>
4	Educational Status	School study Diploma Graduate PG Professional	20 17 41 53 19	13.33% 11.33% 27.33% 35.34% 12.67%
<b>Total</b>			<b>150</b>	<b>100%</b>
5	Occupation	Government employee Private employee Business Farmer Professional	72 36 13 23 6	48% 24% 8.67% 15.33% 4%
<b>Total</b>			<b>150</b>	<b>100%</b>
6	Annual Income	Up to Rs.75000 Rs.75001 to Rs.150000 Rs.150001 to Rs.200000 Above Rs.200000	12 44 31 63	8% 29.33% 20.67% 42%
<b>Total</b>			<b>150</b>	<b>100%</b>

**(Source: Primary data)**

The above table depicts that out of 150 samples, 8% of the respondents investment period are up to 1 year, 20.67% of the respondents are 2 years, 51.33% of the respondents are 3 years and 20% of the respondents are above 4 years. So it is clear that

the majority 51.33% of the respondent's investment period are 3 years.

**Table: 5 Investment Option Wise Classification**

S. No	Investment Option	Frequency	Percentage
1	Dividend	62	41.33%
2	Growth	88	58.67%
<b>Total</b>		<b>150</b>	<b>100%</b>

(Source: Primary data)

The above table reveals that out of 150 samples, 41.33% of the respondents investment option are dividend and 58.67% of the respondents are growth. So it is clear that the majority 58.67% of the respondents investment option are growth.

**Table: 6 Types of Mutual Funds Wise Classification**

S.NO	Types	Frequency	Percentage
1	Open ended	79	52.67%
2	Close ended	71	47.33%
<b>Total</b>		<b>150</b>	<b>100%</b>

(Source: Primary data)

The above table shows that out of 150 samples, 52.67% of the respondents are investing their money open ended and 47.33% of the respondents are close ended. So it is clear that the majority 52.67% of the respondents are invest their money open ended.

**Table: 7 Sources of Information Wise Classification**

S. No	Sources	Frequency	Percentage
1	Advertisement	18	12%
2	Share brokers / Agents	35	23.33%
3	Friends / Relatives	59	39.33%
4	Family members	31	20.67%
5	Others	7	4.67%
<b>Total</b>		<b>150</b>	<b>100%</b>

(Source: Primary data)

The above table depicts that out of 150 samples, 12% of the respondents source are advertisement, 23.33% of the respondents are share brokers / agents, 39.33% of the respondents are friends / relatives, 20.67% of the respondents are family

members and 4.67% of the respondents are others. So it is clear that the majority 39.33% of the respondents source are friends / relatives.

**Table: 8 Investment Decision Wise Classification**

S. No	Investment Decision	Frequency	Percentage
1	Past experience	39	26%
2	Consulting agency	9	6%
3	Expert advice	36	24%
4	Friends / Family members	32	21.33%
5	Self decision	26	17.33%
6	Others	8	5.34%
<b>Total</b>		<b>150</b>	<b>100%</b>

(Source: Primary data)

The above table reveals that out of 150 samples, 26% of the respondents investment decision are past experience, 6% of the respondents are consulting agency, 24% of the respondents are expert advice, 21.33% of the respondents are friends / family members, 17.33% of the respondents are self decision and 5.34% of the respondents are others. So it is clear that the majority 26% of the respondents investment decision are past experience.

**Table: 9 Kinds of Return Wise Classification**

S. No	Return	Frequency	Percentage
1	Risk free returns	47	31.33%
2	Reasonable return	32	21.33%
3	Expected rate of returns	23	15.34%
4	High return	48	32%
<b>Total</b>		<b>150</b>	<b>100%</b>

(Source: Primary data)

The above table shows that out of 150 samples, 31.33% of the respondents expecting are risk free returns, 21.33% of the respondents are reasonable return, 15.34% of the respondents are expected rate of returns and 32% of the respondents are high return. So it is clear that the majority 32% of the respondents expect are high return.

**Table: 10 Factor Influences Wise Classification**

S.N O	Factor Influences	Frequ ency	Percentage
1	Tax benefits	27	18%
2	Low risk	35	23.33%
3	High returns	74	49.33%
4	Portfolio diversification	14	9.34%
<b>Total</b>		<b>150</b>	<b>100%</b>

(Source: Primary data)

The above table depicts that out of 150 samples, 18% of the respondents factor influencing are tax benefits, 23.33% of the respondents are low risk, 49.33% of the respondents are high returns and 9.34% of the respondents are portfolio diversification. So it is clear that the majority 49.33% of the respondents factor influences are high returns.

**Table: 11 Overall Satisfaction about Schemes and Services Wise Classification**

S.N O	Satisfactio ns	Frequenc y	Percentag e
1	Highly satisfied	6	4%
2	Satisfied	87	58%
3	Moderate	57	38%
4	Dissatisfied	0	0%
5	Highly dissatisfied	0	0%
<b>Total</b>		<b>150</b>	<b>100%</b>

(Source: Primary data)

The above table reveals that out of 150 samples, 4% of the respondents schemes and services are highly satisfied, 58% of the respondents are satisfied, 38% of the respondents are moderate, 0% of the respondents are dissatisfied and 0% of the respondents are highly dissatisfied. So it is clear that the majority 58% of the respondents schemes and services are satisfied.

**Suggestions**

- Most of the respondents are not aware of mutual fund products and the type of mutual fund schemes. So mutual fund industry / companies should provide complete information of various products to their investors by way of newspaper advertisement and other modes.
- Mutual fund industry / companies should provide effective services to the investors, so that they can gain more number of investors who still are moderate by their mutual funds investment.

- Mutual fund companies / industry should disclosure their annual report to their investors. This report will help the investors to know the status of their investment in mutual funds.
- Most of the investments complaint and grievances regarding the mutual fund schemes are not properly resolved. It is recommended that mutual fund industry / company should be careful enough in resolving the grievance of the investors.

**Conclusion**

Today a lot of investment opportunities are available to the investors in the financial markets. It is very important to judge the investors perception in a financial markets like India, where the competition increases day by day due to the entry of large number of players with different financial strengths and strategies. The study concluded that many of the investors are preferred to invest their money in mutual funds in order to earn high return at low level of risk, safety and liquidity. The present investigation outlined that mostly the investors have positive approach towards investing in mutual funds. In order to maintain their confidence in mutual funds they should be provided with timely information relating to different trends in the mutual fund industry.

**References**

1. Singh and Vanita (2002), "Mutual Fund Investors Perceptions and Preferences: A Survey", Indian Journal of Commerce, Volume.55, Issue.3, pp. 8-20.
2. Walia and Kiran (2009), "An analysis of Investors Risk Perception towards Mutual Funds Services", International Journal of Business and Management, Volume.4, Issue.5, pp.106-120.
3. Singh and Kumar (2012), "A Study on Investors Attitude towards Mutual Funds as an Investment Option", International Journal of Research in Management, Volume.2, Issue.2, pp. 61-70.
4. Nishi Sharma (2012), "Indian Investor's Perception towards Mutual Funds", Business Management Dynamics, Volume.2, Issue.2, pp.1-9.
5. Subramanya and Renuka (2013), "Investors Attitude towards Mutual Fund Special Reference to Chikkamagalore District, Karnataka State, India", International Journal of Management and Business Studies, Volume.3, Issue.1, pp. 68-72.
6. Rathnamani (2013), "Investors Preferences towards Mutual Fund Industry in Trichy", Journal of Business and Management, Volume.6, Issue.6, pp.48-55.