Journal of Management & Entrepreneurship
ISSN 2229-5348
UGC Care Group I Journal
Vol-9 Issue-02 July 2020

Investor's perception towards mutual fund investment in public and Private sector Banks*

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Abstract:

The study deals with preference and perception of investors towards mutual fund. Its main objective is to study the factors responsible for the preference for mutual funds as an investment option. The study also examines the investment objectives undertaken by investors while investing in Financial Instruments and finds out the highly used/preferred source of information for various investments options to invest in their most preferred Financial Instrument. This data is collected from 500 respondents residing at Chittoor district Andhra Pradesh through a structured questionnaire. Descriptive statistics namely rank order, frequency tables, cross tabs, bar charts and factor analysis are used for the purpose of data analysis.

It is found that "Benefits & Transparency" is the major factor that is responsible for the investor's preference for mutual funds. It is also observed from the study that most of the investors studied under present study are moderate risk taker and are interested in Balanced Fund, through which they can earn higher returns at low risk. People in India still think with the perspective of savings rather than taking risk and investing in high ended equity markets. Even investors who invest in mutual funds are unclear about how they function and how to manage them. So, proper information must be provided to the investors in order to increase the loyalty among the investors towards Mutual Funds.

Key words: perception of investors towards mutual fund- preferred Financial Instrument

4.1 Introduction

Indian economy has always been very dynamic. This economic development is an outcome of the open mindedness of the Indian governments towards new schemes and formulations to protect both institutional and individual investors" interest. The policies formulated by the Indian Government and Finance Ministry related to Foreign Indirect Investments (FIIs), Foreign Direct Investments (FDIs) and other domestic financial investments have taken Indian economy into a new regime. The one of the most important factors of this growth is the initiatives taken by Indian government to scatter the financial literacy amongst Indian citizens towards financial investments with the help of Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and other financialregulatory bodies.

4.2 Key factors of Investor's perception towards mutual fund investment:

Indian financial system is regulated by independent regulators in the sectors of banking (RBI), insurance (IRDA), capital markets (SEBI) and so on. Ministry of Finance, Government of India looks after financial sector in India. Reserve bank of India (RBI) established in 1935 is the Central bank and formulates monetary policy and prescribes exchange control norms.

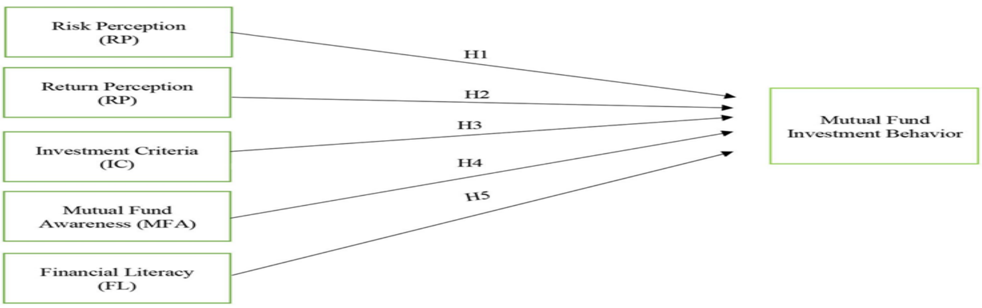

Figure 4.1 Key factors of Investor's perception towards mutual fund investment

Indian Banking Sector follows a 3 tier system i.e. Public Banks, Private Banks and Foreign Banks.The banks are further categorised based upon their functions like Regional Rural Banks, Cooperative Banks, Investment Banks and Commercial Banks etc. The public sector banks comprise the State Bank of India and its seven associate banks and nineteen other banks owned by the government.

Financial institutions in India have a two-tier structure. First tier is All India financial institutions comprise term-lending institutions, specialized institutions and investment institutions, including in insurance. Second tier is State level institutions comprise of State Financial Institutions and State Industrial Development Corporations providing project finance, equipment leasing, corporate loans, short-term loans and bill discounting facilities to corporate. Non-banking Financial Institutions provide loans and hire- purchase finance, mostly for retail assets and are regulated by RBI. The capital market of India is regulated by Securities and Exchange Board of India (SEBI) established under the Securities and Exchange board of India Act, 1992. A total of 23 recognized stock exchanges operate under government approved rules, bylaws and regulations in India. These exchanges constitute an organized market for securities issued by the central and state governments, public sector companies and public limited companies. The Bombay Stock Exchange, Mumbai and National Stock Exchange are the premier stock exchanges.

For most people, money is a delicate matter and when it comes to investing they are wary as there are many investment options out there, each out promising the other. An important question faced by many investors is whether to invest in banks, national savings, post office, non-banking finance companies,fixed deposits, shares etc. or to invest distinctively in mutual funds.

As financial markets have become more sophisticated and complex, investors need a financial intermediary like Banking institutions, Insurance companies, Non-banking institutions, Mutual Funds and Housing Finance companies etc. which provides the required knowledge and professional expertise on successful investing. Mutual funds represent perhaps the most appropriate investment opportunity for investors. No wonder the concept of mutual fund was initially developed in the U.S market, but the entry of the concept in the Indian financial market was in the year 1964 with the formulation of UTI, an initiative of RBI and Govt. of India.

A Mutual Fund is a nothing but a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized are shared by its unit holders in proportion to the number of units owned by them. Mutual Fund, as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost is therefore considered as the most suitable investment for the common man.

Ho: There is no significant difference of investment benefits of mutual funds between selected private and public sectors banks.

Table: 4.1 Demographic factors

		Frequency	Percentage
Gender	Male	330	66.6
	Female	170	33.3
Age	< 20 years	32	6.4
	21 to 30 years	220	44.0
	31 to 40 years	146	29.1
	41 to 50 years	71	14.2
	> 50 years	32	6.4
Qualification	HSC	89	17.7
	Graduate	209	41.8
	Post graduate	131	26.2
	Specific	71	14.2
Occupation	Student	92	18.4
	Business	153	30.5
	Professional	64	12.8
	Salaried	131	26.2
	Others	61	12.1
Earning Family Member	1	46	9.2
	2	192	38.3
	3	117	23.4
	4	78	15.6
	More than 4	68	13.5
Family Annual Income	Below 3,00,000	57	11.3
	3,00,001 to 5,00,000	82	16.3
	5,00,001 to 7,00,000	96	19.1
	7,00,001 to 9,00,000	82	16.3
	Above 9,00,001	184	36.9
Marital Status	Married	326	65.2
	Unmarried	163	32.6
	Divorce	11	2.1

Source: Data compiled from the field survey

Table 4.1 the study of Mutual fund and Traditional investment plan found that 66.6%

investors are male and 33.3% investors are female respondents. Majority of the investor's age group has between 21-30 years which considered highest 40% of sample population. 141of respondents were represent donewith graduate which constituted highest 41.8% of sample population. Majority of the investors are doing business which considered highest 30.5%. The majority of the investors in their family earning member is 2 which constituted highest 38.3%. The majority of the investors in their family annual income are Above 9, 00,001 which constituted highest 36.9%. Majority of the investors are married which constituted highest 65.2% of sample population.

Table 4.2: Do you invest in mutual fund?

Particulars	No of respondents	Percentage
Yes	330	66
No	170	34
Total	500	100

Source: compiled from the field data

Table 4.2 As per the above table it is clear that while 66% of respondents are investing in mutualfunds, 34% of respondents are not investing in mutual funds. As per the above graph it can be interpreted that most respondents are investing in mutual funds. That is 66%. This still indicates that mutual fund products are to be used by a large pool of investors.

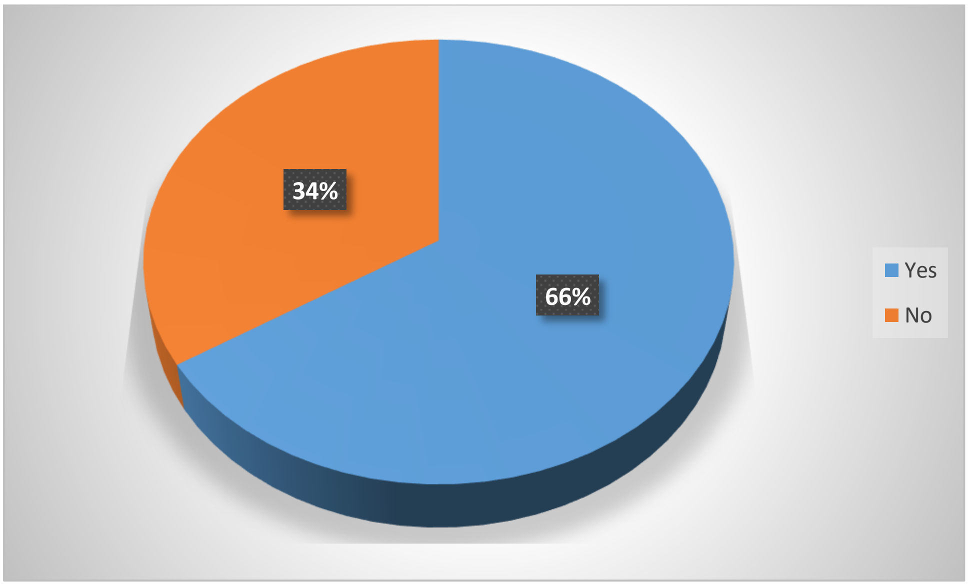

Figure4.2 invest in mutual fund?

Table 4.3: The age group under you belong to

Age group	No of investors	Percentage
21-30	110	22
31-40	160	32
41-50	180	36
51-60	050	10
Total	500	100

Source: compiled from the field data

As in the above table4.3, the majority of respondents can be analyzed to be in the 31-40 years' age group, i.e. 32%. The second most common investor is the age group of 41 to 50 years, i.e. 36%, the age group of 51 to 60 years has 10% investors and the lowest investor of 22% is 21 to 30 years It is an age group.

Table 4.4: Occupation of the investors

Occupation	No of investors	Percentage
Business	130	26
Professional	210	42
Salaried	160	32
Total	500	100

Source: compiled from the field data

Table 4.4 From the analysis out of respondents as per above table 42% investors are professionals like doctor, CA and others. 32% investors are of salaried persons and 26% investors are business persons.

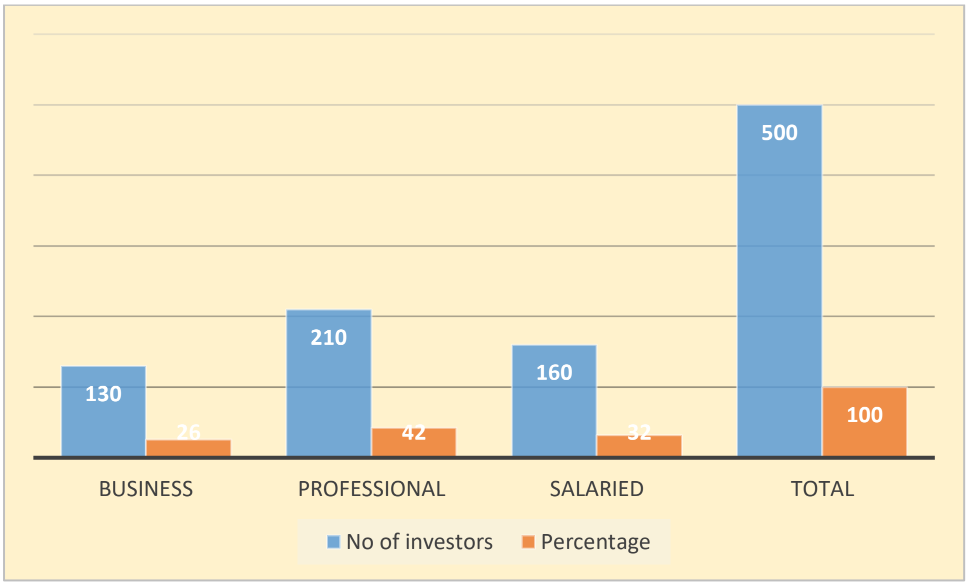

Figure 4.3 Occupation of the investors

Table 4.5: Why do you invest in mutual funds?

Particulars	No of investors	Percentage
Safety	150	30
Good return	115	23
Tax benefit	65	13
Capital appreciation	35	7
Risk diversification	135	27
Total	500	100

Source: compiled from the field data

As per the above table 4.5, it is analysed that 30% of respondents invest in mutual funds for purpose of safety, 23% of respondents are invest for good returns, 13% of the respondents invest to get tax benefit, 7% of the respondents are for capital appreciation and 27% respondents for risk diversification. It can be interpreted that safety and risk diversification are key considerations for investing in mutual funds. Capital appreciation is found to be least considered for making investment.

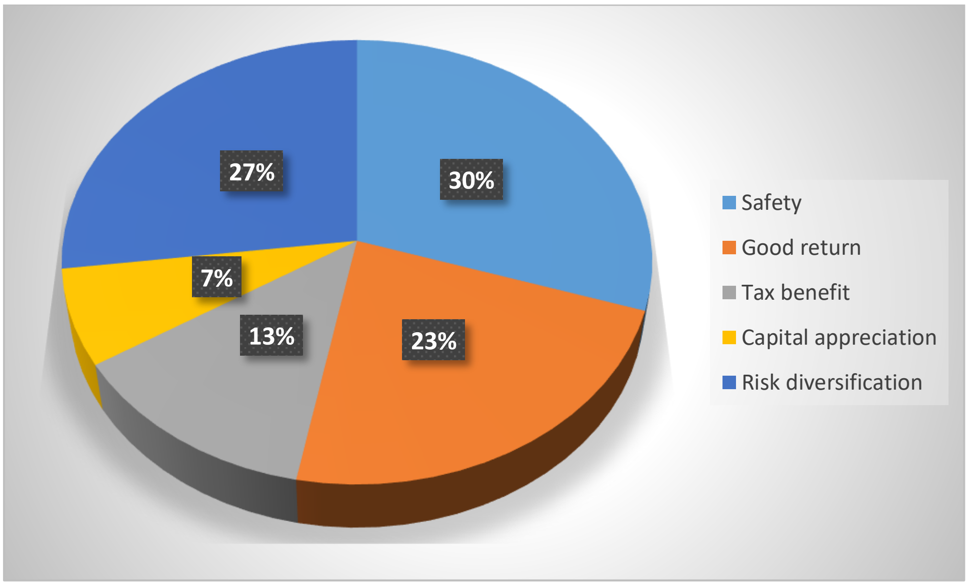

Figure 4.4 Invest in mutual funds

Table 4.6: What is your income?

Income level	No of respondents	Percentage
1 lakh	135	27
2-4 lakh	180	36
4-5 lakh	100	20
More than 5 lakh	85	17
Total	500	100

Source: compiled from the field data

As per the above table4.6, it is analysed that 27% of the investors have income below 1lakh, 36% of the respondents have income between 2-4 lakh, 20% of the respondents have income between 4-5 lakh and 17% of the respondents are of above 5 lakhs. It can be interpreted that most of the respondents belonging to the income above 2-4 lakhs. These investors are interested in mutual funds because it is their primary financial goal.

Table 4.7: what is Duration of your investment:

Duration	No of respondents	Percentage
0-1 Year	165	33
1-2 Year	215	43
2-4 Year	85	17
More than 4 year	35	7
Total	500	100

Source: compiled from the field data

As per the above table4.7, it can be analysed that 33% of the respondents are interested to invest between 0-1 year, 43% of the respondents are interested to invest between the duration of 1-2 years, 17% of the respondents are interested to invest between duration of 2-4 years and 7% of the respondents are interested in investing more than 5 years. Iit can be interpreted that most of the respondents are investing for 1-2 years and these respondents are short term investors who expecting high profits in short term.

Table 4.8: How much amount do you invest?

Amount of investment	No of investors	Percentage
<Rs.50000	235	47
Between Rs.50000 - Rs.100000	165	33
>Rs.100000	100	20
Total	500	100

Source: compiled from the field data

As per the above table4.8, it is analysed that 47% of the respondents are invest below 50000 in mutual fund, 33% of the respondents are interested to invest between Rs-50000-Rs.100000 and 20% respondents are interested to invest above Rs.100000. It can be interpreted that most of the people invest <50000 because they are not ready to take risk, second most of the respondents are interested to invest between Rs.50000-Rs100000 and they are ready to take risk.

<u>H0: There is no significant impact on perception of investors towards mutual funds and various schemes of selected private and public sectors banks.</u>

Table 4.9: what is risk preference

Risk Preference	No of respondents	Percentage
Innovator	165	33
Moderator	250	50
Risk adverse	135	17
Total	500	100

Source: compiled from the field data

As per the above table4.9 it can be analysed that 33% of the respondents are innovators they invest more amount of money and they are ready to take any risk, 50% of the people will check out all the factors and then if they find that they can bear the risk moderately they will invest and 17% of the people are never ready to risks. The majority of investors are prepared to take medium level risk by investing in mutual fund and some respondents fall into the "high risk and high return" category. Here, investors can be interpreted as being essentially medium risk takers.

Table 4.10: what type of scheme do you prefer?

Schemes	No of investors	Percentage
Equity	150	30
Debt	50	10
Balanced	185	37
Fixed maturity plan	115	23
Total	500	100

Source: compiled from the field data

As per the above table4.10, it can be analysed that where in the scheme preference most of the investor Prefer a balanced scheme which has 37%, the second most investors are in Equity Schemes are in 30% then fixed maturity plan has 23% and the least investors scheme debt has10%. It is highly likely that there is a balanced fund in the market. This is not revealed to investors because of its complexity and low awareness.

Table: 4.11Investment analysis

Particular	Frequency	Percent
Are you investor?		
Yes	489	97.9
No	11	2.1
How do you know about mutual fund schemes? (Multiple choice)		
Family & Friends	101	20.2
Agent & broker	126	25.1
Outdoor media	92	18.3
Print media	81	16.3
Electronic media	68	13.7
Word-of-Mouth	32	6.5
How do you select mutual fund schemes?		
Schemes objective	128	25.5
Performance	142	28.4

Investment	110	22.0
fund manager	42	8.5
Comparison with others schemes	78	15.6
Which types of traditional plans do you prefer?		
Insurance	142	28.4
Bank deposit	131	26.2
Postal schemes	54	10.6
Mutual fund	110	22.0
Equity	53	10.6
Others	10	2.1

Table 4.11 that the total investors141, 97.9% of the respondents are Investors and 2.1% of the respondents are not Investors. Majority of the investors are known about mutual fund scheme by the Agent and Brokers which constituted highest 25.1% of sample population. Majority of the investors are select Performance option which constituted highest 28.4%. Majority of the investors prefer Insurance Traditional plan which constituted highest 28.4% of Population.

Table 4.12 Represent association between Gender and investment decision of mutual fund.

Statements	Mean	Standard deviation	Chi-square	Result(H0)
Investment decision frequently	1.65	0.927	0.694	Accepted
Investment decision do have impact on lifestyle	1.95	0.936	0.260	Accepted
Wise decision for investing in MF	2.25	1.050	0.126	Accepted
long term financial goal	1.84	1.086	0.981	Accepted
Never put all money in a singleinvestment option	2.01	1.236	0.533	Accepted
Invested in MF after consult withexpert	2.06	1.184	0.723	Accepted

Invested repeatedly in MF	2.40	1.207	0.616	Accepted
Recommend others to invest in Mf	2.02	1.268	0.441	Accepted

Source: Data compiled from the field survey

Table 4.12 Represent association between Gender and investment decision of mutual fund. Chi square result shows that investment decision frequently, Investment decision impact on life style, decision for investing in MF, set long term financial goal, never put money in a single investment, invested in MF after consult with expert, invested repeatedly in MF, recommend others to invest in Mf this all statements shows that there is association between Gender and investment decision because result is greater than 0.05 so H0 is accepted.

Table 4.13 Represent association between Qualification and investment decision of mutual fund.

Represent association between Qualification and investment decision of mutual fund.				
Statements	Mean	Standard deviation	Chi-square	Result(H0)
Investment decision frequently	1.65	0.927	0.325	Accepted
Investment decision do have impact on lifestyle	1.95	0.936	0.670	Accepted
Wise decision for investing in MF	2.25	1.050	0.023	Rejected
Long term financial goal	1.84	1.086	0.397	Accepted
Never put all money in a single investment option	2.01	1.236	0.189	Accepted
Invested in MF after consult with expert	2.06	1.184	0.148	Accepted
Invested repeatedly in MF	2.40	1.207	0.636	Accepted
Recommend others to invest in Mf	2.02	1.268	0.545	Accepted

Source: Data compiled from the field survey

Table 4.13 Represent association between Qualification and investment decision of mutual fund. Chi square result shows that there is association between Qualification and investment decision of mutual fund because all statements chi square result is greater than 0.05 so H0 is accepted and H0 is rejected in made wise decision for investing in MF because their result is less than 0.05.

It can be concluding that the Indian mutual fund industry is growing at a good pace. But large segment of investors is still outside the umbrella of the industry. The aim of study waspreference about various schemes for asset in mutual fund andfactors considered by the investors while making invest in mutual fund and traditional investment plan. Safety, high return, tax benefits, and low risk are the factors that you feel are important while making investment in mutual fund and traditional plan. From the above report it is conclude investor do investment with the suggestion of their friends and families, agents & brokers, media and word-of-mouth. Insurance plan is most prefer by the investors and Bank deposit, Postal scheme, equity and others traditional investment plan. Mutual fund plan and investment periodplace are better to concentrate.

Table 4.14: from which sources you came to know about mutual funds

Particulars	No of respondents	Percentage
Friend’s suggestion	100	20
Self-decision	200	40
Television	65	13
Agents/brokers	135	27
Total	500	100

Source: compiled from the field data

As per the above table 4.14 it is analysed that 27% of respondents are came to know about mutual funds by agents, 20% of the respondents by friend’s suggestion, 40% of the respondents are self-decided and 13% of the respondents came to know by television. From the above, it can be interpreted that most respondents will take a self-determining answer to start investing in mutual funds. Only a few respondents helped TV make investment decisions. As a result, AMC and SBI have found that more information is needed to provide the best materials, services and information to facilitate investors' subsequent investment.

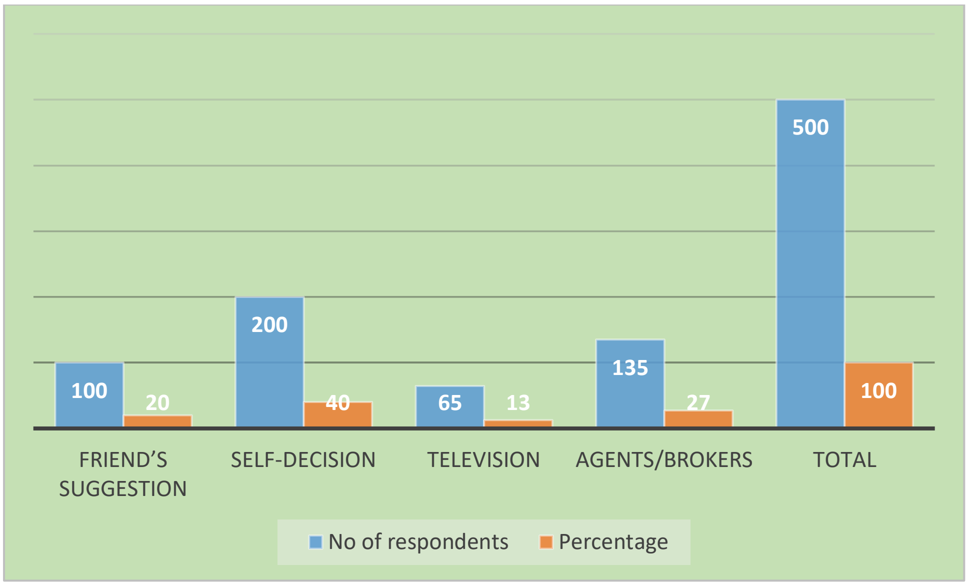

Figure 4.5 sources you came to know about mutual funds

Table 4.15: what type of scheme do you prefer:

Scheme type	No of respondents	Percentage
Open Ended method	250	50
Close Ended method	165	33
Interval method	135	17
Total	500	100

Source: compiled from the field data

As per the above table 4.15, it can be analysed that 50% of the respondents are prefer open ended method, 33% of the respondents prefer close ended schemes and 17% of the respondents are prefer intervals scheme. With regard to the scheme's prioritization based on its structure, most individual investors prefer “open-end scheme” mainly for redemption, investment, good return, flexibility of liquidity It can be interpreted. No investor likes the interval method. In fact, some individual investors have confused interval-based names.

Table 4.16: performance of the fund manager:

Particulars	No of respondents	Percentage
Most important	135	27
Important	115	23
Neutral	165	33
Less important	135	17
Not all important	0	0
Total	500	100

Source: compiled from the field data

Table 4.16, it is analysed that 27% of the respondents are ranked performance of the fund manager a most important, 23% of the respondents given rankinghas important, 33% given neutral and no one has marked it has not at all important.

From the above, it can be interpreted that most of the respondents marked performance of fund manager has neutral and some respondents of fund manager's performance has most important. Therefore, the fund manager is responsible for conducting the fund investment strategy and managing the portfolio trading activities. The quality of the fund manager is one of the key factors to consider when analyzing the quality of the fund investment.

H0: There is no significant impact of risk and returns of the different schemes of mutual funds of selected private and public sectors banks

Table 4.17: Current Economic and Market condition:

Particulars	No of respondents	Percentage
Most important	150	30
Important	170	34
Neutral	115	23
Less important	65	13
Not at all important	0	0
Total	500	100

Source: compiled from the field data

Table 4.17, it is analysed that 30% of the respondents are ranked current economic and market condition as most important, 34% of the respondents given ranking has important, 23% given neutral, 13% of the respondents ranked as less important and none of the respondent has market it has not at all important. From the above, it can be interpreted that the majority of the respondents who evaluated the fund manager's performance is important. As such, investments use economic indicators to adjust their views on economic growth and profitability. Improved economic conditions will make investors more optimistic about the future and increase the likelihood ofinvesting in hopes of a positive return.

Kruskal Wallis Test

This test has been used to ascertain that whether there is no significant difference in the order of preference of various investment avenues across the age and income level of the respondent. The data pertaining to age, annual income and investment avenues are given in below table:

Table 4.18 Age, Annual Income and Investor's Perception towards Investment Avenues

Investment Avenues	Age	Chi-Square	Asymp. sig.	Annual Income	Chi-Square	Asymp. sig.
Saving	Less than 30 years	12.576	.002*	Less than 5 lakh	0.832	.628
account	30-40			5-15		
	40-50			15-25		
	More than 50 years			More than 25 lakh		
Mutual Funds	Less than 30 years	15.253	.006*	Less than 5 lakh	9.192	.024*
	30-40			5-15		
	40-50			15-25		
	More than 50 years			More than 25 lakh		
Gold/Silver	Less than 30 years	13.132	.000*	Less than 5 lakh	3.953	.187
	30-40			5-15		
	40-50			15-25		
	More than 50			More than 25 lakh		

	years					
Stock Market	Less than 30 years	24.297	.001*	Less than 5 lakh	2.142	.572
	30-40			5-15		
	40-50			15-25		
	More than 50 years			More than 25 lakh		
FDs	Less than 30 years	3.872	.127	Less than 5 lakh	2.925	.403
	30-40			5-15		
	40-50			15-25		
	More than 50 years			More than 25 lakh		
Insurance	Less than 30 years	6.825	.084	Less than 5 lakh	6.146	.068
	30-40			5-15		
	40-50			15-25		
	More than 50 years			More than 25 lakh		
Real Estates	Less than 30 years	3.928	.143	Less than 5 lakh	2.057	.316
	30-40			5-15		
	40-50			15-25		
	More than 50 years			More than 25 lakh		
Post Office	Less than 30 years	11.273	.003*	Less than 5 lakh	8.268	.016*
	30-40			5-15		
	40-50			15-25		
	More than 50 years			More than 25 lakh		

Source: Data compiled from the field survey

Table 4.18 deciphers that age and investment avenues are significantly associated with each other. The calculated values of Kruskal Wallis test in all variables like saving account (0.002), mutual funds (0.006), gold/silver (0.000), stock market (0.001) and post office (0.003) are less than the hypothetical value (α=0.05) at 5% level of significance except the variables like FDs, real estates and insurance. Hence, null hypothesis is rejected. Therefore, there is significant relation between age and behaviour of investors towards different investment avenues.

The same test for examining the relation between income status and investors' perception towards different investment avenues. The calculated value of variables like mutual funds and post office are less than the hypothetical value (α=0.05) at 5% significance level. Hence, null hypothesis is rejected. Therefore, it is clear that there is association between the income status of investors and their perception under some variables. So, the order perception on investment towards mutual funds and post office are same across the income level however it is different in saving account, stock market, insurance, FDs, gold/silver and real estates.

Table 4.19: Attitude toward risk

Particulars	No of respondents	Percentage
Most important	135	17
Important	185	37
Neutral	130	26
Less important	50	10
Not at all important	50	10
Total	500	100

Source: compiled from the field data

As per the above table 4.19 it is analysed that 17% of respondents are ranked attitude towards risk is most important, 37% of the respondent ranked it has important, 26% given neutral, 10% less important and 10% of the respondents marked as not at all important. From the above, it can be analysed that 17% of the respondents are ranked Attitude towards risk is most important, 36% of the respondents ranked it has important, the respondents who ranked important and most important, they are ready to take risk.

Findings and Suggestions

The risks associated with a fund are generally defined as the volatility or volatility of the revenue generated by the fund. The greater the change in the fund's income over a given period, the greater the risk associated with the fund's income. These fluctuations are reflected in the revenue generated by the two main outcome funds. First, the general market volatility that affects all securities in the market is called market risk or system risk. Second, certain securities in the fund portfolio are called non-systemic risk volatility. The total risk of a particular fund is the sum of the two funds and is measured as the standard deviation of the fund's earnings.

The main purpose of conducting intercompany analysis is to compare Livwealthy Equity Funds to other asset managers (AMCs) according to different criteria.

The following are those four categories

1. Equity Diversified Funds.
2. Equity large-cap
3. Equity mid and small-cap

A comparative analysis of the above categories is provided for comparative analysis because two parameters are considered: Fund return and Risk Profile.

The study has brought to light the differences in the patterns of investment among various classes of investors based on demographical differences. The study conducted shows that the investors are aware of various schemes of mutual funds. Better return & safety and tax benefitis the main factors of mutual fund that allure the investors. The mutual fund industry in the country has a lot to explore and look forward to. Despite the challenges it faces in terms of lack of awareness and low financial literacy, there is a growing importance of the industry with the increase in the youth population and the working class of the country.

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