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A Study on Investor's Perception towards Mutual Funds with Special Reference to Krishnagiri District Tamilnadu

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Abstract: *This paper involves a detailed study about the investor's perception towards the mutual funds and the degree of awareness among the people in Hosur. Recently, Mutual funds have bloomed as a tool for securing one's financial prosperity. This paper is mainly based on the level of awareness of mutual funds among the people and perception of investors towards mutual funds and to examine the factors considered by the investors along with influencing factors while investing the plans they are opting and reason behind the selection which people prefer in mutual funds. The study will be immensely useful to the brokers, distributors and to the other potential investors and last but not least to academician as well.*

Key Words: *Mutual Funds, Investors, Marketing*

1. INTRODUCTION

A mutual fund is an alloy of money from numerous investors who wish to save or make money. Investing in a mutual fund can be a lot effortless than obtaining and transacting individual stocks and bonds on your own. Mutual Funds emerged for the first time in Netherlands in the18th century and then got outlandish to Switzerland, Scotland and then to United States in the 19^{th}century. In India, the mutual fund concept flourished in 1960.The credit goes to UTI for introducing the first mutual fund in India. Mutual funds have been a significant source in both government and industries through these monetary funds got benefitted in India. In early stage investors used to invest entirely in the stock market and suffered from loss due to wrong guess estimate. But with the coming up of mutual funds, which were influenced by skilled fund managers, the investment risks were reduced to a great measure. The modified investment structure of mutual funds and diversified risk contributed emphatically in the growth of mutual funds. With the passage of time many new mutual funds flourished and the methods and ways of selling these funds have also changed. Besides, the growth of mutual funds is continuing to emerge to a better future, where the investors will get newer opportunities. In this era of globalization and competition, the success of an industry is determined by the market performance of its stock. The investors too like to invest only in the stock of those companies from which they can get maximum benefits. In early stage of growth of mutual fund industry, investors were available only with least investment avenues to invest their money. But with the passage of time due to lack of knowledge the investors cannot invest in many investment channels.

2. OBJECTIVE OF THE STUDY

The main objectives are
To analyze about the awareness about the mutual funds
To analyze the impact of demographic factors in influencing buyer's decision.
To identify the intensity of various factors that positively and adversely affect buyer's decision.

3. LITERATURE REVIEW

Abhay Kaushik, et al (2010)their benchmark used in the analysis (S&P vs sector specific) was shown to influence the results greatly. This explains about how Sector funds demonstrate positive timing ability during recessions and negative timing ability during expansions when using the S&P 500 as the benchmark, but this timing ability disappears when sector specific benchmarks are used. As a whole, sector funds exhibit significant negative timing ability across all stages of the business cycle. When using the more appropriate industry specific benchmarks, only the utility sector demonstrates significant timing ability over both stages of the business cycle. Only two recessions are observed over the period of study. But More recession periods have given a clearer picture of findings across business cycle and explains the readers about how the market-timing abilities of sector fund managers across the business cycles. It also helps the investors to develop hedging strategies especially when the economy is going through recession.

Bruce A. Huhmann and Nalinaksha Bhattacharyya, (2005)their research was based on Mutual fund advertisements are not providing the information necessary for optimal investment decisions. Mutual funds use techniques known to increase the likelihood that their advertisements are noticed, and to decrease the readership of their advertisements. Mutual fund advertisements attempt the activation of the advertised brand-quality and the long copy-quality heuristic. However, future research must determine whether or not consumers are applying these two heuristics on seeing mutual fund advertisements.

DavidE. Allen andJerry T. Parwada, (2006)their paper aims to examine mutual fund investors' response to mergers of Australian mutual fund companies. Two matching-control techniques are employed to analyse the impact of mergers on excess money in and out of open and closed funds involved in the transactions. The paper employs cross-sectional regression analyses to examine the impact of mergers on different types of parties to mergers. The results suggest that mergers are not accompanied by increased money flows. Instead investors withdraw from the target funds prior to and after the merger. Funds belonging to specialist mutual fund companies record more gains in assets under management than declines following mergers, and that money inflow gains at competing funds induce reductions of management expense ratios at target funds. This paper studies mergers in only one industry in a single country. Future studies may extend to other industries and economies.

Inderjit Kaur and K. P. Kaushik, (2016) their research provided that investment behavior could be explained with awareness, perception and socioeconomic characteristics of individual investors. Better awareness related to various aspects of mutual funds will have a positive effect on investment in mutual funds. Contrary to belief, risk perception for mutual funds had no effect on the investment decision. Further, socioeconomic characteristics such as age, gender, occupation, income and education of investors had an impact on the awareness about mutual funds. As the study has been confined to Delhi-NCR, it should be considered a pilot study and needs to be replicated in other states of India to have more robust result. It has implications for mutual funds and regulators. This study highlights a lack of awareness about mutual funds among particular sections of society as a reason for non-investment in mutual funds. The mutual funds and regulators need to focus on females, older age groups and middle-income groups in their efforts to improve their awareness about mutual funds. So this would improve their investor base and flow of funds in mutual funds. Furthermore, the process of investment in mutual funds needs to simplified.

Jana Hili et al (2016) Their Research analysis reveals that EM exposed fund managers fail to collectively outperform the market. It thereby offers ground to believe that the emerging world is very close to being efficient, proving that the Efficient Market Hypothesis ('EMH') ideal exists in this scenario where market inefficiency might only be a perception of market participants as any apparent opportunity to achieve above-average returns is speedily snapped up by very active managers. Overall these managers take a conservative approach to portfolio construction, whereby they are more unperturbed investing in large cap equity funds so as to lessen somewhat the exposure towards risks associated with liquidity, stability and volatility. Furthermore, the findings show that large-sized equity portfolios have the lead over the medium and small-sized competitors, whilst the high cost and mature collective investment vehicles enjoy an alpha which although is negative is superior to their peers. The riskiest funds generated the lowest alpha, and thereby produced doubts as to whether investors should accept a higher risk for the hope of earning higher returns, at least when aiming to gain an exposure into the emerging world.

Joan C. Junkus and Thomas C. Berry, (2010) Their paper finds that the typical SR investor is female and more likely to be single, younger, less wealthy, and better educated than their non-SR counterparts. Further research is needed to determine whether the higher risk aversion of women and their greater concern for the environment found is responsible for the results. Based on statistically significant differences, additional efforts must be made to convince wealthier and male investors of the merits of socially responsible investing.

Maureen Morrin et al (2011)their results indicate that larger fund assortments tend to reduce participation among women, and to increase it among men. Replication in other contexts and with other data sets would be worthwhile. To enhance retirement plan adoption/participation, financial service firms may want to tailor such plans according to gender (and other consumer characteristics) according to the present set of findings.

Qiang Bu and Nelson Lacey, (2013) their study finds that funds that receive net money inflows fail to earn risk-adjusted abnormal returns, while funds with net outflows earn statistically significant negative abnormal returns. Neither the net inflow funds nor the net outflow funds show any ability to time the market return, but there is some evidence that net inflow funds exhibit an ability to time market volatility. Because cash holdings of the net outflow funds are much lower than that of the net inflow funds, it is concluded that the underperformance of net outflow funds is to an extent an asset fire sale. It helps us to know that fund investors on the whole are driven by market volatility, and they do not have an ability to time the market return. The results do not exclude the possibility that a small number of investors possess market timing skills.

Taejun (David) Lee et al (2013) their research examines the effects of financial services advertising disclosures by pairing a content analysis documenting how mandatory financial disclosures are presented in mutual fund advertisements between-subjects experiment assessing whether the inclusion of the disclosures influences consumer responses to the ad, brand and company. The findings show more positive consumer responses for perceived advertising responsibility, recall, and cognitive response as well as higher risk perception when consumers are exposed to the financial disclosures in mutual fund advertisements. Also, the results indicate a mediating role of positive cognitive responses on attitude toward the mutual fund company only when consumers are exposed to advertising disclosures. The paper extends knowledge of whether and how required information disclosures pertaining to mutual funds influence investors ' psychological responses in mutual fund advertising contexts. From a managerial perspective, it has implications for financial services advertising and other social marketing campaigns by uncovering the effects of advertising-as-information in financial decision-making. From a public policy standpoint, the paper is among the first to make explicit claims regarding the role of advertising disclosure in retail investment circumstances.

Thillai Rajan Annamalai and Smitha Hari, (2016) They proposed that the IDFs have emerged as an effective intermediation mechanism for attracting long term capital by offering a new investment product with appropriate risk adjusted returns. For the fund seekers, IDFs are able to provide long term capital at lower rates and higher flexibility. Unlike commercial banks, IDFs are able to add value to the projects apart from funding by periodic monitoring of the projects. Creating new forms of financial intermediation can help in reducing the financing gap for infrastructure projects, especially in emerging countries.

4. RESEARCH METHODOLOGY

The method used in the research is the consolidation of descriptive and exploratory methods. The descriptive approach deals with the information about the factors that influence and also act as a hindrance towards investing in mutual funds. The goal of the descriptive study is the evaluation of the demographic profile- the investor's age, marital status and occupation has direct impact on the investors' choice of investment. The main aim of exploratory research is to find the lack of awareness that prevail among the people regarding investing in mutual funds and to provide more insights and understanding about the specified problem. The exploratory study help in comprehending the research problem, conceptualizing the framework of the study and operational sing the dependent and independent variables. Data collection: Primary and Secondary data, Sampling : Convenience sampling Scaling:

Liker scale Result Analysis: Influence of Demographic Profile – Demographic Breakdown. The Demographic profile that influence the invertors include Gender, Age, Nature of job, Experience and Income level. Gender Demographic Status of the respondent in the phase of the study, 159 people were interviewed. All the respondents in Hosur have been interviewed randomly. The information collected from the people has revealed the following facts:

TABLE 1. Gender

		Frequency	Percentage
Gender	Male	80	50.3
	Female	79	49.7
	Total	159	100.0

From the information it is clear that the percentage of awareness exist more among the male rather than female. On interpreting the information from the people which is collected according to age wise. The awareness is large among the people of age between 20-40 whose percentage is 34%

TABLE 2. Age

		Frequency	Percentage
	20-30	54	34
	31-40	54	34
Age	Above40	51	32.1
	Total	159	100

The total number of people from whom the information is collected is 159. Nature of Job In the survey made on the awareness towards mutual funds, the responders who are employed as manager has awareness about 51.6% while self employed people are aware of about 48.4% and by the table below managers are more aware about mutual funds than self employed people.

TABLE 3. Nature of Job

		Frequency	Percentage
	Manager	82	51.6
Nature of Job	Self employed	77	48.4
	Total	159	100

Experience: From the survey we come to know that the responders who have work experience of about 3-6 years are more aware on investing in the mutual funds .Their percentage of awareness is about 34%.

TABLE 4. Experience

		Frequency	Percentage
	3-Jan	53	33.3
	6-Mar	54	34
Experience	above 6	52	32.7
	Total	159	100

While the responders with experience of 1-3, above 6 have awareness of about 33.3% and 32.7% respectively this implies that the degree of awareness is less among them. Income: From the information collected we separated the datum according to the income of the responders whose annual income is between 3-4lakhs and above 4 lakhs are aware to a percentage of about 32.1% and 33.3% respectively and the people whose annual income is between 3-4lakh have awareness of about 34.6% .

TABLE 5. Income

		Frequency	Percentage
	3-Feb	55	34.6
	4-Mar	51	32.1
	>4	53	33.3
Income in Lakh	Total	159	100

Hence, a major focus should be on the people whose annual income is above 3 lakhs.

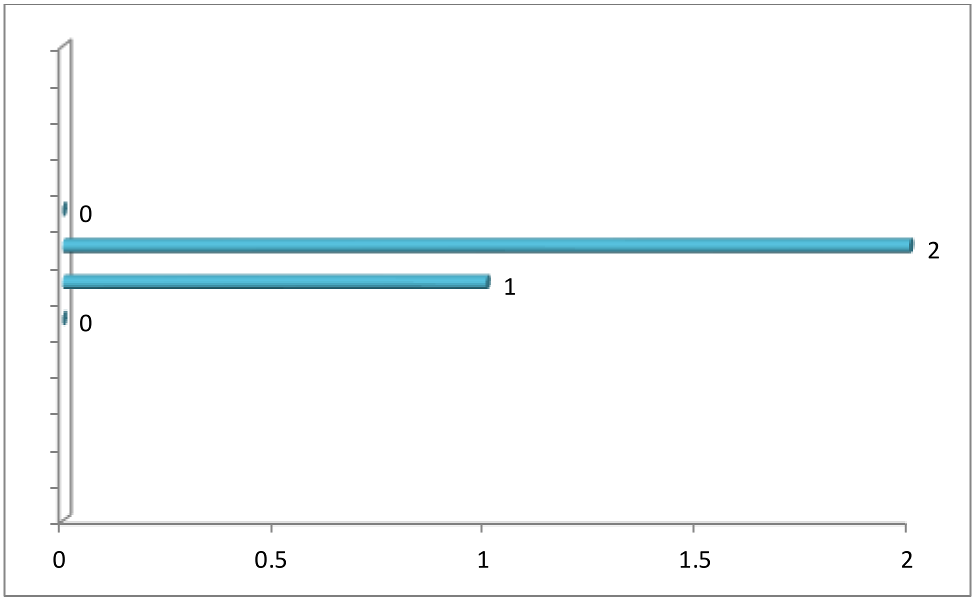

FIGURE 1. Graphical representation of demographic breakdown

TABLE 6. Mean and Standard Deviation

	Mean	SD
Tax Benefits	2.25	1.22
Savings	2.31	1.25
Balanced Risk	3.72	1.24
Potential Returns	3.85	1.28
Diversification	1.99	1.13
Past Performance	3.62	1.32
Brand Image	2.35	1.33
Liquidity	2.47	1.27
Credit Rating	2.31	1.25

TABLE 7. Correlations

		1	2	3	4	5	6	7	8	9	10
Investor Perception	Correlation	1	.315**	.113	.923**	.795**	.050	.263**	.013	.008	.113
	Sig. (2-tailed)		.000	.155	.000	.000	.534	.001	.875	.918	.155
	N	159	159	159	159	159	159	159	159	159	159
Tax Benefits	Correlation	.315**	1	.182*	.372**	.335**	.335**	.029	.233**	.184*	.182*
	Sig. (2-tailed)	.000		.021	.000	.000	.000	.713	.003	.020	.021
	N	159	159	159	159	159	159	159	159	159	159
Savings	Correlation	.113	.182*	1	.099	.109	.109	.083	.490**	-.074	1.000**
	Sig. (2-tailed)	.155	.021		.213	.173	.171	.297	.000	.353	.000
	N	159	159	159	159	159	159	159	159	159	159
Balanced Risk	Correlation	.923**	.372**	.099	1	.794**	.028	.249**	.017	.008	.099
	Sig. (2-tailed)	.000	.000	.213		.000	.727	.002	.829	.922	.213
	N	159	159	159	159	159	159	159	159	159	159
Potential	Correlation	.795**	.335**	.109	.794**	1	.027	.178*	.014	.040	.109

Returns	Sig. (2-tailed)	.000	.000	.173	.000		.740	.025	.861	.617	.173
	N	159	159	159	159	159	159	159	159	159	159
Diversification	Correlation	.050	.335**	.109	.028	.027	1	.393**	.337**	.045	.109
	Sig. (2-tailed)	.534	.000	.171	.727	.740		.000	.000	.570	.171
	N	159	159	159	159	159	159	159	159	159	159
Past Performance	Correlation	.263**	.029	.083	.249**	.178*	.393**	1	.012	.322**	.083
	Sig. (2-tailed)	.001	.713	.297	.002	.025	.000		.877	.000	.297
	N	159	159	159	159	159	159	159	159	159	159
Brand Image	Correlation	.013	.233**	.490**	.017	.014	.337**	.012	1	.148	.490**
	Sig. (2-tailed)	.875	.003	.000	.829	.861	.000	.877		.062	.000
	N	159	159	159	159	159	159	159	159	159	159
Liquidity	Correlation	.008	.184*	.074	.008	.040	.045	.322**	.148	1	.074
	Sig. (2-tailed)	.918	.020	.353	.922	.617	.570	.000	.062		.353
	N	159	159	159	159	159	159	159	159	159	159
Credit Rating	Correlation	.113	.182*	1.000**	.099	.109	.109	.083	.490**	.074	1
	Sig. (2-tailed)	.155	.021	.000	.213	.173	.171	.297	.000	.353	
	N	159	159	159	159	159	159	159	159	159	159

Correlation is significant at the 0.01 level (2-tailed). Correlation is significant at the 0.05 level (2-tailed).

5. CONCLUSION

Mutual Funds have bloomed as an important division of financial markets. The survey confesses that the awareness is dependent on demographic profile - the investor's age, marital status and occupation has direct impact on the investors' choice of investment. Further study acknowledges that the factors such as tax benefits, savings, balanced risk, potential returns, diversification, past performance, brand image, liquidity, credit rating, portfolio management are the various reasons which contribute in investing towards mutual funds. The study also reveals that female sections are not totally covered and even there is low target on higher income group people. Hence, fund managers should take steps to grab the attention of the female segment and higher income group segment to increase more investment in mutual Fund investment which will really help the industry to develop. When it comes to Mutual Fund's business in Hosur is still in an embryonic stage. So, concurrent steps are needed for its progress. The success is mainly based on high returns, professional sustainability of Fund managers; it brings the people and put in their money in stocks, bonds and other securities. The Mutual Funds should be easy to buy and sell through broker or directly in the market. It has some main hindrance such as low awareness, to many formalities, difficult to select. Hence, proper steps are to be taken for better awareness among the investors and also for the betterment of the Mutual fund.

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