

Investors Perception Towards Mutual Funds In Madurai District, Tamil Nadu

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Abstract - Mutual funds are most suitable investment for a common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. The diversification of schemes provides variety of options to suit the individual objectives according to their age, financial position, risk tolerance and return expectations. In the past few years, we had seen a dramatic growth of the Indian Mutual Fund industry with many private players bringing global expertise to the industry. Investment in mutual funds is effected by the perception of the investors. The objectives of the study are to identify the investor's perception on mutual funds and to analyze the factors affecting investors' perception towards mutual funds by using 200 convenience samples in Madurai District, Tamil Nadu. The study found in Madurai District is that mostly the Lower Net worth Individuals have positive approach towards investing in mutual funds.

Keywords: Mutual Funds, Financial Asset, Fund Objective, Investor perception, Madurai

INTRODUCTION

Investment is a commitment of funds in real assets or financial assets. Investment involves risk and gain. In the present dynamic global environment, exploring investment avenues are of great relevance. Investment skills developed over a period of time are considerably influenced by experience and spadework carried out to arrive at conclusions. The success of an investment activity depends on the knowledge and ability of investors to invest, the right amount, in the right type of investment, at the right time.

Real assets, being tangible material things, are less liquid than financial assets. Compared to financial assets, returns on real assets are more difficult to measure accurately due to the absence of broad, ready, and active market. Financial assets available to individual investors are manifold, having different concomitant benefits to choose from. All financial investments are risky but the degree of risk and return differ from each other. An investor has to use his discretion, which is an art acquired by learning and practical experience. The knowledge of financial investment and the art of its management are the basic requirements for a successful investor.

Investment also lies in its liquidity, apart from risk and return on investment. Liquidity through easy marketability of investments demands the existence of a well organized Government regulated financial system.

Financial system comprises of financial institutions, services, markets and instruments, which are closely related and work in conjunction with each other. The litany of new financial institutions and instruments developed in recent years, with the ostensible objective of modernizing the financial sector, is impressively long; Mutual Funds, Discount and Finance House of India, Money Market Mutual Funds, Certificate of Deposit, Commercial Paper, Factoring and Treasury Bills. Financial services through the network of elements (institutions, markets and instruments) serve the needs of individuals, institutions and companies. It is through these elements, the functioning of the financial system is facilitated.

Financial services comprise of various functions and services that are provided by financial institutions. Financial services are offered by both asset management companies, which include leasing companies, mutual funds, merchant bankers, issue managers, portfolio managers and liability management companies comprising of bill discounting houses and acceptance houses. Financial services lend a big hand in raising the required funds and ensure its efficient deployment.

Over the years, the financial services in India have undergone revolutionary changes and had become more sophisticated, in response to the varied needs of the economy. The process of financial sector reforms, economic liberalization and globalization of Indian Capital Market had generated and augmented the interest of the investors in equity. But, due to inadequate knowledge of the capital market and lack of professional expertise, the common investors are still hesitant to invest their hard earned money in the corporate securities. The advent of mutual funds has helped in garnering the investible funds of this category of investors in a significant way. As professional experts manage mutual funds, investment in them relieves investors from the emotional stress involved in buying and selling of securities.

Review of Literature:

Lenard et., al. (2003) empirically investigated investor's attitudes toward mutual funds. The results indicated that the decision to switch funds within a fund family is affected by investor's attitude towards risk, current asset allocation, investment losses, investment mix, capital base of the fund age, initial fund performance, investment mix and portfolio diversification. The study reported that these factors are crucial to be considered before switching funds regardless of whether they invest in non-employer plans or in both employer and non-employer plans.

Bollen (2006) studied the dynamics of investor fund flows in a sample of socially screened equity mutual funds and compared the relation between annual fund flows and lagged performance in Social equity returns funds to the same relation in a matched sample of conventional funds. The result revealed that the extra-financial equity funds attribute serves to dampen the rate at which Social equity Returns investors to trade in mutual funds. The study remarked that mutual fund companies can expect Social equity Return funds provided investors to be lower cost funds than investors in ordinary funds.

Walia and Kiran (2009) in their study investigated the problems encountered by investors with due to unprofessional services of mutual funds. The study found that majority of individual investors doesn't consider mutual funds as highly risky investment. In fact on a ranking scale it is considered to be on higher side when compared with other financial avenues. The study also reported that significant relationship of interdependence exists between income level of investors and their perception for investment returns from mutual funds investment.

Saini et., al. (2011) analyzed investor's behavior, investors' opinion and perception relating to various issues like type of mutual fund scheme, its objective, role of financial advisors / brokers, sources of information, deficiencies in the provision of services, investors' opinion relating to factors that attract them to invest in mutual and challenges before the Indian mutual fund industry etc. The study found that investors seek for liquidity, simplicity in offer documents, online trading, regular updates through SMS and stringent follow up of provisions laid by AMFI.

A study done by **Singh (2012)** found that demographic factors like gender, income and level of education have their significant impact over the attitude towards mutual funds. On the contrary, age and occupation have not been found influencing the investor's attitude. The study supposed that return potential and liquidity have been perceived to be most lucrative benefits of investment in mutual funds and the same are followed by flexibility, transparency and affordability.

Statement of the Problem

The primary objectives of an investment proposal would fit into one or a combination of two broad categories viz., income and capital appreciation. Mutual funds are emerging as the favorite investment vehicle because of many advantages they have than other investment alternatives, particularly for the investor who has limited resources and intends low risks. From the review of previous studies, it is found that they were concentrated on Investors' financial behavior in Indian perspective. There was no study establishing the perception of investors, characteristics of mutual funds on investment decisions with respect to a specific district in Tamil Nadu. In this background a study has been felt necessary to discover the pattern of investment adopted by them and to elucidate their expectations to make them achieve their investment objectives. Hence, this study would be helpful of too many investors who want to know a rational method to have a better, safe and profitable investment portfolio.

NEED OF THE STUDY

Stock market plays a vital role in developing economy in India and attracting many people in recent years. Investors usually perceive that all capital market investment avenues are risky. Based on objectives and risk bearing capacities, investors go for different investment alternatives. Among the various investment possibilities, mutual fund seems to be viable for all kind of investors as it is considered to be a safer mode of investment. As the mutual fund industry provides an option of diversified investment structure with varying degree of risk, it was supposed to be the most lucrative market for Indian investors. As of now big challenge for the mutual fund industry is to mount on investor awareness and to spread further to the semi-urban and rural areas. These initiatives would help towards making the mutual fund industry more vibrant and competitive. Since, the need of study has been aroused in order to see the preference, awareness and the investors' perception in Madurai Region. The predominant motive for selecting the Mutual fund investors in Madurai region for the study was that the cost of living in Madurai was comparatively low expenditure involved for meeting family commitments was moderate compared to other metropolitan cities.

Objectives of the Study:

1. To study the attitude of investors towards investment in mutual funds
2. To analyze the opinion among demographic groups on attitude towards investment
3. To study the objectives of investment among demographic groups

Hypothesis of the Study:

1. There is no significant difference in opinion among Demographic groups on perception towards Investment.
2. There is no significant difference in Objectives of Investment among Demographic Groups.

METHODOLOGY OF THE STUDY:

The data were collected through structured Questionnaire from the investors invested in mutual fund schemes living in Madurai district during the period between January 2016 and December 2016. The sample size covered 200 investors of Madurai District by covering all the regions. From the selected district, the investors contacted through ten approved brokers of AMC. The data were analyzed by using Descriptive Statistics such as Independent t-sample test, Chi-square Test, Rank, Weighted Mean, Skewness are used for the study.

ANALYSIS OF THE STUDY:

I. Difference in Opinion of various Demographic Groups on Attitude towards Investment

To analyze the difference in attitude towards investment among various Demographic groups, **Independent sample t-test** is employed. In this statistical analysis the attitude toward investment is considered as test variable and each Demographic factor is

considered as grouping variable. The results of attitudinal difference are collected by employing each demographic variable separately. The results of independent sample t-test are summarized in the following table.

Table 1: Difference in opinion of various Demographic Groups on attitude towards Investment

| Demographic Variable | Investment Objective | Willingness to take Risk |
|----------------------|----------------------|--------------------------|
| Age | 9.387 | 13.652* |
| Gender | 12.5* | 15.42* |
| Occupation | 35.76* | 27.303* |
| Education | 14.49* | 18.20* |
| Marital Status | 9.485 | 4.854 |
| Monthly Income | 19.054* | 28.55* |
| Monthly Savings | 28.603* | 7.408 |

Source: Primary Data, * Significant at 5% level

It is observed that there is insignificant difference in attitude towards investment objective among age groups ($t=9.38, p > 0.05$) and there is significant difference in attitude pertaining to Willingness to take Risk ($t=13.65, p < 0.05$). Further it is observed that there is significant difference in attitude towards Investment Objective ($t=12.5, p < 0.05$) and Willingness to take Risk ($t=15.42, p < 0.05$) among men and women.

It is observed that there is significant difference in attitude towards Investment Objective ($t=35.6, p < 0.05$) and Willingness to take Risk ($t=27.3, p < 0.05$) among occupational groups. Further it is observed that there is significant difference in attitude towards Investment Objective ($t=14.4, p < 0.05$) and Willingness to take Risk ($t=18.2, p < 0.05$) among educational groups.

The analysis states from the above table states that there is insignificant difference in attitude towards Investment Objective ($t=9.4, p > 0.05$) and Willingness to take Risk ($t=4.8, p > 0.05$) among marital status groups. Further it is observed that there is significant difference in attitude towards Investment Objective ($t=19.05, p < 0.05$) and Willingness to take Risk ($t=28.55, p < 0.05$) among income groups. It is also observed that there is significant difference in attitude towards Investment Objective ($t=28.60, p < 0.05$) and insignificant difference in attitude toward Willingness to take Risk ($t=7.408, p < 0.05$).

It can be concluded from the above table that Gender, Occupation, Education and Monthly Income groups have difference in attitude towards investment. Hence **the null Hypothesis "There is no significant difference in opinion among Demographic groups on perception towards Investment" is rejected.** It is concluded that there is a significant difference in opinion among Demographic groups on attitude towards Investment.

II. Difference in opinion reading the Objectives of Investment among Demographic Groups

Difference in objectives can be analyzed by employing **Chi-Square test**. The objectives of investment can be Return, Stability, Marketability and Tax Benefit. The each objective is again sub-categorized into three is considered as test variable. Demographic factors and its sub groups are considered as grouping variable. The results are been summarized as the following table.

Table 2: Difference in opinion reading the Objectives of Investment among Demographic Groups

| Demographic Variable | Returns | Stability | Marketability | Tax Benefit |
|----------------------|---------|-----------|---------------|-------------|
| Age | 3.74 | 20.58* | 8.49 | 7.323 |
| Gender | 4.31 | 2.76 | 0.736 | 1.478 |
| Occupation | 9.78 | 11.50 | 7.71 | 20.37* |
| Education | 5.81 | 16.38* | 1.35 | 13.82* |
| Marital Status | 6.92 | 10.01 | 8.45* | 16.83* |
| Monthly Income | 14.93* | 3.08 | 10.54* | 5.66 |
| Monthly Savings | 4.55 | 7.63 | 7.22 | 9.08 |

Source: Primary Data, * Significant at 5% level

It is observed that Monthly Income ($Z=14.9, p < 0.05$) groups have difference in opinion on Returns of Mutual Fund and the rest demographic variables are indifferent in opinion. Further Groups of Age ($Z=20.58, p < 0.05$) and Education ($Z=16.38, p < 0.05$) have difference in objectivity of Stability.

Furthermore, Marital Status ($Z=8.45, p < 0.05$) and Monthly Income ($Z=10.54, p < 0.05$) groups have difference in opinion regarding Marketability. Occupation ($Z=20.37, p < 0.05$), Education ($Z=13.82, p < 0.05$) and Marital Status ($Z=16.83, p < 0.05$) groups have difference in objectives of Tax Benefit.

The rest of demographic variables have insignificant difference in opinion on various objectivity of investment pertaining to Return, Stability, Marketability and Tax Benefit. Hence it can be concluded that the null hypothesis **"There is no significant difference in Objectives of Investment among Demographic Groups" is partially accepted.**

III. Investors Preference on Financial Assets

Investors invest their money in various investment instruments to satisfy their different needs. The investment in various avenues determines the risk taken by the investor and amount of return he could earn. Hence this section explains the preference on Financial Assets by the investor. The results of the preferences detailed in Table 3.

Table 3: Investors Preference on Financial Assets

| Financial Assets | Order of Preference | | | | | | Total Score | Avg Score | Rank |
|----------------------|---------------------|--------|--------|--------|--------|--------|-------------|-----------|------|
| | Rank 1 | Rank 2 | Rank 3 | Rank 4 | Rank 5 | Rank 6 | | | |
| Bank Deposits | 84 | 84 | 12 | 12 | 6 | 2 | 1022 | 5.11 | 1 |
| P.O Saving Schemes | 26 | 52 | 54 | 38 | 14 | 16 | 790 | 3.95 | 2 |
| Bonds and Debentures | 40 | 18 | 64 | 46 | 24 | 8 | 780 | 3.90 | 3 |
| Equity Shares | 32 | 26 | 22 | 62 | 22 | 36 | 676 | 3.38 | 6 |
| Mutual Funds | 18 | 52 | 32 | 30 | 54 | 14 | 708 | 3.54 | 5 |
| Insurance Policies | 56 | 28 | 24 | 18 | 22 | 52 | 722 | 3.61 | 4 |
| Others | | 2 | 8 | | | | 42 | 0.21 | 7 |

Source: Primary Data

The above table explains the frequencies obtained and weights assigned to each Financial Asset along with Total Score, Average Score and Rank. It can be observed that the investors preferred Bank Deposits at the first instance as the investment avenue average score of 5.11. The second preference made by the investor on Postal Office Schemes with an average score of 3.95. The investors preferred in order of Bonds and Debentures, Insurance Policies, Mutual Funds, Equity Shares and Other Financial Assets respectively.

IV. Preference of Mutual Funds

The Mutual fund Industry is categorized as Bank Sponsored Mutual Fund, Institution Sponsored Mutual Fund, Private – Indian Mutual Fund, Private Joint Venture (Predominantly Indian) and Private Joint Venture (Predominantly Foreign). The following section explains the preference of Investors in various sectors of Mutual Funds.

Table 4: Preference of Mutual Funds

| Type of Mutual Fund (Sector) | Order of Preference | | | | | Total Score | Avg Score | Rank |
|---|---------------------|--------|--------|--------|--------|-------------|-----------|------|
| | Rank 1 | Rank 2 | Rank 3 | Rank 4 | Rank 5 | | | |
| Bank Sponsored MF | 102 | 58 | 18 | 16 | 6 | 834 | 4.17 | 1 |
| Institution Sponsored MF | 38 | 72 | 44 | 28 | 18 | 684 | 3.42 | 2 |
| Private –Indian MF | 26 | 48 | 62 | 50 | 14 | 622 | 3.11 | 3 |
| Private Joint Venture (Predominantly Indian) | 16 | 34 | 54 | 70 | 26 | 544 | 2.72 | 4 |
| Private Joint Venture (Predominantly Foreign) | 42 | 19 | 25 | 46 | 68 | 521 | 2.605 | 5 |

Source: Primary Data

It is observed from the above table that investors prefer Bank Sponsored Mutual Funds for the first instance and followed by Private – Indian Mutual Fund, Private Joint Venture (Predominantly Indian) and Private Joint Venture (Predominantly Foreign) in order.

V. Preference of Fund Objective

The Mutual Fund industry provides various schemes based on the investment policy. The following table lists the type of mutual funds based on schemes. The investors are open to opt any of the mutual fund and a scheme. The following table lists various schemes, frequencies, total score and average score of each scheme. Further the table gives ranking based on the average score.

Table 5: Preference of Fund Objective

| Type of Mutual Fund (Fund Objective) | Preference of Fund Objective | | | | | | Total Score | Avg Score | Rank |
|--------------------------------------|------------------------------|--------|--------|--------|--------|--------|-------------|-----------|------|
| | Rank 1 | Rank 2 | Rank 3 | Rank 4 | Rank 5 | Rank 6 | | | |
| Growth | 78 | 46 | 20 | 22 | 24 | 10 | 902 | 4.51 | 1 |
| Income | 32 | 72 | 40 | 30 | 14 | 12 | 842 | 4.21 | 2 |
| Balanced | 38 | 40 | 54 | 36 | 24 | 8 | 808 | 4.04 | 3 |
| ELSS | 28 | 22 | 46 | 40 | 32 | 32 | 678 | 3.39 | 5 |
| Money Market | 22 | 42 | 24 | 72 | 30 | 10 | 724 | 3.62 | 4 |
| Gilt | 52 | 24 | 14 | 26 | 28 | 56 | 678 | 3.39 | 6 |

Source: Primary Data

VI. Degree of Satisfaction

The investor's opinion regarding the Mutual Fund Industry Performance, Investment Opportunities and Industry are summarized in the following table. It is observed that the investors are satisfied with Industry performance with a Weighted Mean Score of 3.51, Investment Opportunities in Mutual Fund Industry with a Weighted Mean Score of 3.29 and Services to Investors by Mutual Funds with a Weighted Mean Score of 3.26.

Table 6: Degree of Satisfaction

| SL. No | Parameters | Investor | |
|--------|--|---------------|----------|
| | | Weighted Mean | Skewness |
| 1 | Mutual Fund Industry performance | 3.51 | -0.7 |
| 2 | Investment opportunities in M F Industry | 3.29 | -0.3 |
| 3 | Services to Investors by Mutual Funds | 3.26 | -0.2 |

Source: Primary Data

Conclusion

It is concluded that the Mutual Funds business in Madurai District is still in a growing phase. So, concerted efforts are needed for its success. The success depend upon high returns, professional competence of Fund Managers, a Mutual Fund brings together a group of people and invests their money in stocks, bonds and other securities, it has so many advantages such as professional management, economics of scale, etc. The present study analyzed the MF investments in relation to Investors' attitude. Investors' opinion among demographic groups and Services has been studied relating to various issues like Difference in Opinion of various Demographic groups on Attitude toward Investment, Difference in Opinion reading the Objectivity of investment among Demographic Groups, Investors Preference of Financial Assets, Investors Preference on Mutual Funds, Fund Objectives, Degree of Satisfaction, etc.

The present investigation outlined that mostly the investors have positive approach towards investing in Mutual Fund. The study revealed that the investors' attitude is dependent on the demographic profile and assesses that the investor's age, marital status and occupation has direct impact on the investors' choice of investment. The study further revealed that female segment is not fully tapped and even there is low target on higher income group people. Hence, fund managers should take steps to tap the female segment and higher income group segment to enhance more investment in Mutual Fund Investment Avenue which would really help the industry to flourish. Further, the findings of the research were on the factors influencing investor's attitude on public and private sector Mutual Funds. These factors give them the required boosting in the investment process.

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