

**“A STUDY ON INVESTOR’S PERCEPTION TOWARDS MUTUALFUNDS WITH SPECIAL
REFERENCE TO COCHIN CITY”**

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Abstract

In today’s competitive environment, different kinds of investment avenues are available to the investors. All investment modes have advantages & disadvantages. An investor tries to balance these benefits and shortcomings of different investment modes before investing in them. Mutual funds are one among them. Despite the advantages linked with mutual funds, people still prefer to invest their money independently. So far mutual funds have not been able to introduce the schemes which are suitable to the needs of the farmers, small entrepreneurs and merchants to tap target customers. The interesting thing is that mutual funds are the most misunderstood financial products in India. Mutual fund industries are also not making efforts in investor awareness programmes which are the need of the day. Therefore, there is a an urgent need to look into the awareness and perception of mutual funds among investors

Keywords: Mutual Funds, Capital gains distributions, Systematic Investment Plan, Loads, Open-End Fund, Closed-End Fund.

INTRODUCTION

A mutual fund is an institutional device through which investors pool their funds and invest the same in capital market instruments such as shares, debenture and other securities. The income earned through these investments and the capital appreciation realized is shared to the unit holders in proportion to the number of units owned by them. Indian investors got attracted to invest their money in mutual funds for two reasons. First, they offer a better return than fixed deposits and second the funds are being run by professionals with requisite infrastructure to monitor company workings and their outlook of stock markets, etc. There are also a good number of mutual funds operating various schemes tailored to meet the needs of their target customers. Different mutual funds are designed to meet the objectives of different types of savers such as bond funds, income funds, money market funds and so on. This paper presents an outlook to understand the perception of mutual fund investors and gives a broad outlook on the research problem as well as the preference of Mutual Funds as an investment option among the investors.

Need for the Study

Mutual Funds play an important role in mobilising the savings of small investors and channelizing the same for productive ventures in the Indian economy. Globally, mutual funds have established themselves as the means of investment for the retail investor. The subject assumes greater significance now than ever before in view of the present dynamic and turbulent capital market environment as well as economic scenario of liberalization and globalization leading to more intense competition.

Objectives of the Study

- To analyse the investors perception regarding investing in Mutual Funds.
- To find out the factors that influence while buying mutual funds.
- To know the level of satisfaction among investors regarding mutual fund.

METHODOLOGY

The study will analyse the level of satisfaction among the investors, the factors influencing their decision to invest and their risk and returns from Mutual Fund investments. The population consists of Mutual Fund investors spread over different places in Cochin city, Kerala, India. Here, Mutual Fund investors refer to those who have made an investment through the purchase of Mutual Fund units. The study was conducted in two stages. In the first stage, secondary data was collected from related research works, published books, journals, and reports of Securities and Exchange Board of India (SEBI), Association of Mutual Fund of India (AMFI), Reserve Bank of India (RBI) and other authorized sources of data. Internet facility was also used to collect relevant information on the topic. A questionnaire was prepared by keeping in view the objectives of the study which would give relevant information regarding the awareness and perception of mutual fund investors. Primary data is collected from a sample of 100 respondents. Convenient sampling

method will be used for selecting the respondents for the study. The period of the study consists of 6 months starting from 1st October 2016 to 31st March 2017. The data and information collected is classified, tabulated and processed. Tables, graphs, charts, diagrams, percentage methods and correlation are some of the statistical tools used in the study.

Perception of Investors towards Mutual Funds

Mutual Funds have been a recent phenomenon for investors due to better performing capital market which has enhanced the returns expected by investor on their investments with lower risk of a downside. The present study was conducted in Cochin city of the Kerala state in India, regarding the perception of Mutual Fund investors. The level of satisfaction and attitude of the investors were analysed with the help of different statistical tools and methods.

Table 1. Showing the factors affecting the investment decisions

Factors	Respondents	Percentage
Liquidity	17	17
High return	28	28
Professional Management	7	7
Diversification	5	5
Brand Image	11	11
Price	13	13
Risk	19	19
Total	100	100

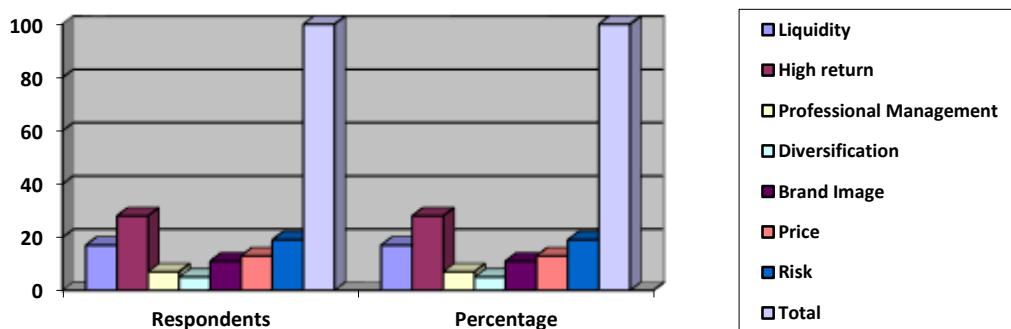


Figure 1. Factors affecting the investment decisions of the Mutual Fund Investors

It is clear from Table 1.1 that most of the investors (28 percent) invest in Mutual Funds for the purpose of earning high return. The other major factors which affect the investment decisions of the Mutual Fund investors are risk (19 percent) and liquidity (17 percent) followed by price (13 percent), brand image(11 percent), professional management (7 percent) and diversification(5 percent).

Table 2. Showing the primary source of awareness about Mutual Funds

Particulars	Investors	Percentage
Newspaper and Journals	16	16
Friends and Relatives	14	14
Banks	60	60
Others(brokers)	10	10
TOTAL	100	100

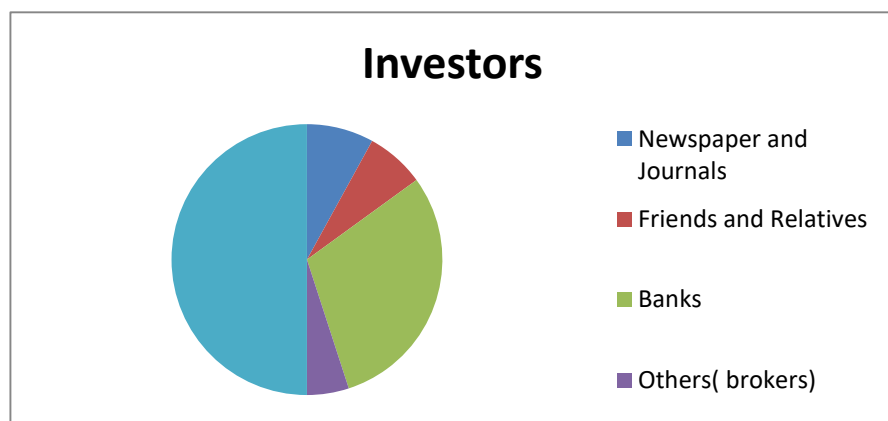


Figure 2. Showing the primary source of awareness about Mutual Funds

According to Table 2 the majority (60 percent) of the investors came to know about Mutual Funds through banks. Out of the balance, 16 percent came to know about Mutual Funds through newspapers, 14 percent through friends and relatives, 10 percent through other sources like

Table 3. Level of satisfaction of investors of mutual fund

Rating	5	4	3	2	1
Investment in Mutual Funds earns good returns	31	37	29	3	0
Awareness about Mutual Funds	16	59	17	8	0
Investment in mutual funds enhanced market participation	37	35	23	4	1
Efficiency of Mutual Funds guides	18	38	39	4	1
Avail Margin Funding against Mutual Fund	11	42	35	9	3

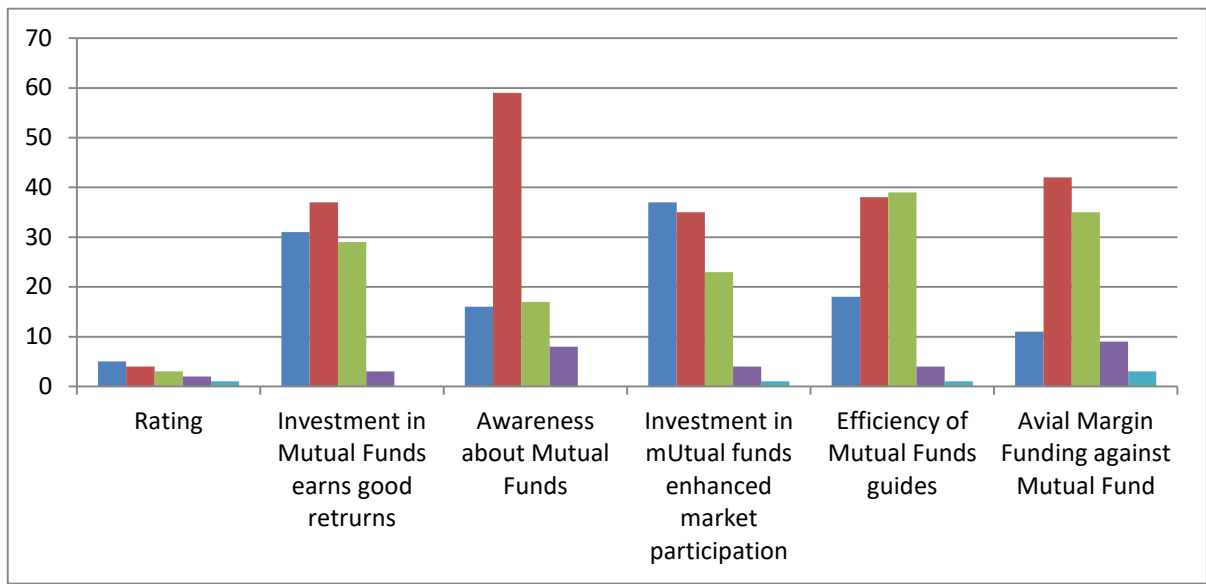


Figure 3. Factors affecting the investment decisions of the Mutual Fund Investors

- 31 percent of the investors strongly agrees that investment in Mutual Fund yields good return whereas, 37 percent agrees and 29 percent are neutral regarding the same followed by 3 percent disagreement and zero percent strong disagreement.
- 16 percent strongly agrees that there is awareness of Mutual Fund mechanism, 59 percent agrees with the statement whereas 17 percent are neutral regarding the same. 8 percent disagrees with the same with no percent of strong disagreement.
- The major portion (37 percent) of the investors strongly agrees with the statement investment in Mutual Fund enhanced market participation. 35 percent agrees with the same and 23 percent are neutral regarding the statement. 4 percent disagrees with the statement with 1 percent strong disagreement.
- The majority (39 percent) of the investors are neutral with respect to the statement that investment advisors are efficient in guiding Mutual Fund investment. 38 percent agrees, 18 percent strongly agrees, 4 percent disagrees and the rest 1 percent strongly disagrees with the statement.
- Most of the investors (42 percent) agree that they can avail margin funding against Mutual Funds along with 11 percent strong agreement. 3 percent strongly disagrees, 9 percent disagrees and the rest 35 percent are neutral regarding the same.

Findings and suggestions

Findings

- Majority of the respondents have neutral opinion on the level of satisfaction towards the efficiency of investment advisors in guiding Mutual Fund investment.
- Most of the respondents agree that investment in Mutual Fund yields good returns, and majority percent of respondents agrees that they are aware of the Mutual Fund mechanism.
- Majority of the respondents have got the idea of Mutual Funds through banks, through newspapers or journals, friends or relatives and through other sources.
- The mode of investment followed by the majority of the respondents are SIP (Systematic Investment Plan) and the rest follows one time Investment.
- Majority of the respondents agree that investors can avail margin funding against Mutual Fund.

Suggestions

- Generally, the subscribers of mutual funds are of high income and education group and urban area. So the lower and middle income group subscribers of rural areas remain untapped. The awareness about mutual funds is quite low in rural and semi urban areas. To popularize mutual funds in rural areas, some special promotional efforts should be done. The mutual fund companies should publicize SIP and encourage investors to invest more in SIP as it will help in compulsory savings.
- The guidelines issued by regulating bodies including SEBI are contradictory and confusing in some cases. The formulation and implementation of various provisions should be done in better way.
- Mutual Investors should choose the right Mutual Fund Scheme which suits their requirements. The offer document of the Mutual Fund Scheme should be thoroughly read and scrutinized.
- Investing in one Mutual Fund scheme may not meet all the investment needs of an investor. They should consider investing in a combination of schemes to achieve their specific goals.

- Investors should not consider only one or two factors for investing in mutual fund but they should consider other factors such as higher return, degree of transparency, efficient service, fund management and Reputation of mutual fund in selection of mutual funds.
- It should be mandatory for mutual fund companies to establish investor grievance cell. A separate ombudsman scheme should be initiated for redressing the grievances of mutual fund investors effectively

CONCLUSION

Mutual Fund is a collective savings scheme. An investor can invest directly in individual securities or indirectly through a financial intermediary. Mutual fund companies in India are influencing the retail investors to invest their surplus funds with or without complete understanding to the mutual funds. It also explores the factors influencing the retail investor to invest in mutual fund schemes. It also seeks to understand the role of SEBI in safe guarding the interest of retail investor in mutual funds. It also identifies the key factor that influences the customer preference for a particular mutual fund. One of the objectives of the present study was to evaluate the financial performance of various mutual fund schemes on different parameters. Mutual funds industry controls a sizeable stake of corporate equity and plays a fundamental role in the determination of the stock prices.

As a result, Investors are increasingly concerned about fund selection and demanding detailed mutual fund information and investment advice. The growth and success of mutual fund industry depends upon sound financial management policies and investment practices it pursues to bring about value addition to the corpus of the mutual funds. The performance evaluation of mutual funds is a matter of concern to the managers, investors and researchers. A proper evaluation measure will remove confusion and help small investors to decide regarding level of investment in various mutual fund schemes, so as to maximize the returns. Further, growing competition in the market forces the fund managers to satisfy themselves that management and research expenses for appropriate investments in different mutual funds are justified keeping in view the risk and return relationship. So, a regular performance evaluation of mutual fund is essential for investors and fund managers as well.

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