A Study on the Investors Perception of Various Mutual Fund Schemes

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Introduction

Investing has been an activity confined to the rich and business class in the past. This can be attributed to the fact that availability of investible funds is a pre- requisite to deployment of funds. But, today, we find that investment has become a house hold word and is very popular with people from all walks of life. In choosing specific investments, investors will need definite ideas regarding features which their portfolios should posses. The risks are also being considered.

The concept of mutual fund is better understood in its role. The operation of mutual fund is simple. A large group of investors-small, medium or large- entrust their savings to a fund and as such the corpus of fund become sizable. The fund is managed by a team of investment specialists backed by critical evaluation and supporting data. The investment specialists make an ideal investment port-folio of securities out of the corpus of the fund. Thus the investor in a particular fund takes much less risk than direct equity investors, besides getting specialist investment expertise ensuring greater success to the fund.

Mutual fund is a trust that pools the savings of a number of investors who share a common financial goal. Each scheme of a mutual fund can have different character and objectives. Mutual funds issue units to the investors, which represent an equitable right in the asset of the mutual fund.

The main reason of its poor growth is that the mutual fund industry in India is new in the country. Large sections of Indian investors are yet to be intellect with the concept. Hence, it is the prime responsibility of all mutual fund companies, to market the product correctly abreast of selling

Statement of the Problem

Mutual fund investments are not totally risk free. In fact, investing in mutual funds contains the same risk as investing in the markets, the only difference being that due to professional management of funds the controllable risks are substantially reduced.

Many of the investors are come in the mutual fund investment. As the matter it is less risky than others. So it is very important to study how well they aware about the investment, the service of brokering agency and the invested sectors. It is very important to study the investors' perception towards various schemes of mutual funds. The sponsor and the asset management company play a vital role in this field, We can say mutual fund is less risky, because the investment made are using best strategic ideas, port folio management and with great professional skill.

The investors in India are rational many of them are not ready to take risk because they are not well aware of such investment. They want to safe their investment. But today's market shows a tremendous growth in the investment field in India, Because of the better service provided by investment agency and provide them most wise investment opportunity with less risk and more profit. Many of the investors are investing in mutual fund. There are several mutual fund schemes in India, so it is very important to study the investors' perception of various mutual fund schemes. This study gives more important to tracking investors' preference and priorities towards the mutual funds, their habits and others. There are relatively few studies been made in the mutual fund markets.

Objective of the Study

1) To study the investors perception of various mutual fund schemes.
2) Tracking investors' preference and priorities towards different types of mutual fund products.

Research Methodology

The data collection begins after a research problem has been defined and research design is checked out. While deciding about the method of data collection, the researchers should keep in mind two types of data, primary and secondary data. The present study has been conducted in Malappuram district, Kerala. The study is on the investors' perception on various mutual fund schemes. And it's qualitative in nature. The in formations are collected using primary and secondary data. The secondary data are also been used for this study. The secondary data mainly used to collect theoretical frame work relating to study. The main source of information of this study is primary data, which has been collected from different individual investors through direct meeting and sending questionnaire through mail. Primary data collected mainly through the sampling method. The data are is collected using interview schedule method by interviewing the mutual fund investors using an interview schedule consisting of 31 closed ended and multiple choices questions. Due to time constraints most of the respondents are contacted over through mails. And their responses are saved by the interviewer. The data are tabulated accordingly and presented using charts, diagrams, and graphs which are more helpful and suitable to present the data the researcher collected.

The data analysis is also the base of the research we conducted. And it helps us to decide whether we accept or reject our hypothesis. Here the researcher uses chi-square, ANOVA and correlation for the data analysis. Accidental sampling is used here. It is a type of non probability sampling which involves the sample being drawn from that part of the population which is close to hand. That is a population is selected because it is readily available and convenient. It may be through the meeting the person or including a person in the sample when one meets them or chosen by finding them through technological means such as internet or through phone. The researcher using such a sample cannot scientifically make generalization about the total population from this sample because it would not be representative enough. Sampling frame consist of 280 investors from Malappuram district

Theoretical Review

Mutual fund, the investors pools their money in a ‘fund’, which is run by professional managers. The fund managers invest the pooled funds in a wide selection of securities. The investors contributions to the pool are divided in to equal portfolios called “units”. The units are sold or bought back on the basis of an offer price and bid price. First one is the price at which units are sold and the second one is at which units are re-purchased.

The difference in prices would reflect the income accrued to the fund and after meeting the expenses, will be available for distribution to the unit holders. The price of the unit of any mutual fund is governed by the value of securities invested.

The mutual fund performs two important economic functions:

(a) They provide small investors with a convenient vehicle for spreading risk at a cost which is generally not too high, when compared with the alternatives; and
(b) They raise the average returns realized by small investors whose alternative investment is mainly fixed interest bearing asset like bond and bank deposit.

The first mutual funds were established in Europe. One researcher credits a Dutch merchant with creating the first mutual fund in 1774. The first mutual fund outside the Netherlands was the Foreign & Colonial Government Trust, which was established in London in 1868. It is now the Foreign & Colonial Investment Trust and trades on the London stock exchange.

No doubt contributing to the mutual fund is just like investing in good and multi corporate securities in the stock markets. The advantages of mutual funds as a vehicle for investment in capital market securities are manifold. The unit trust in India , a public sector corporations established by the govt. under the unit trust of India act of 1964, was the only mutual fund in the country till 1987. By an amendment to banking (regulations) act 1949, the reserve bank of India in 1987 the subsidiaries of 5 public sector commercial banks to launch mutual funds viz, FBI mutual fund, CANBANK mutual fund, bank of India mutual fund, PNB mutual fund and INDBANK mutual fund.

Subsequently LIC and GIC have ended in to the fray by introducing their mutual fund schemes in 1991, common regulations were framed by RBI for all mutual funds and also permitted the entry of private sector mutual funds. Accordingly mutual funds were setup by industrial investment trust, predict capital Finance Corporation, apple industries Birla global finance, Tata mutual fund, 20^{th} century finance, Shree ram mutual fund, pioneer mutual fund etc.. Close to the heel, foreign institutional investors were allowed to setup mutual fund in India. Of late in 1995, the IDBI has also entered in to mutual fund business. At present there are about 32 players in the market selling different products under varying schemes. Brief descriptions of the scheme are given at the end of this chapter.

UTI is the largest single mobiliser of resources through the sale of mutual fund unit in the country (rs.9297 crore in 93-94). Some of their important schemes are:

UTI unit scheme, 1964(us 64), Dhana Raksha 89, Dhana Vriddhi 89, Dhana sahyog 91, Dhana Vidhya 92, UTI primary equity fund, Unit scheme 95, UTI master plus , master gain, UTI UGS Rs 5000 India growth fund 88, India fund 86(both off shore).

Banks have mobilized Rs 147.51 crore from the sale of mutual fund units in 93-94

SBI-caps(SBI) schemes include, magnum regular income scheme, magnum tax saving scheme, magnum monthly income scheme, India magnum fund(off shore) etc.

Can fin, the subsidiary of Canara bank have sold products like can share, Can stock, Can growth, Can star, Can pep, etc. Indian bank sold products like Indratna and Indjyothi, Bank of India sold BOI Dbl. squ, Panjab National Bank PNB premium pulse, bank of Baroda, bob growth 95 etc.

Subsidiaries of financial institution like LIC, GIC, ICICI,IDBI etc have mobilsed R s249 crore from the market in 93-94 by selling products like DHANASREE, GIC rise 91 cum-INC, ICICI premier ,IDBI I-Nits etc.

Some of the private sectors players in the market including foreign participants in India are:

Reliance industries, Tata groups, A.V. Birla group, escorts groups, 20^{th} century, alliance, apple, sreeram, Taurus, pioneer, Kothari, Morgan Stanly, Merrill lynch, BZW wellington and peregrine. The private sector has mobilised Rs 1551.34 crores from the market in 93-94

In India, we have both capital market mutual fund and money market mutual funds. While the capital funds are organized and administered as per SEBI, guidelines the money market mutual funds are organized and administered as per the guidelines issued by RBI.
In the capital market in order to organize a mutual fund, as per SEBI (MF) regulations 1993, the following four key players performing four distinct functions are required to be organized.

1- The sponsor or settler
2- The trustee
3- The asset management company and,
4- The custodian

In case of mutual funds, the investments of different investors are pooled to form a common investible corpus and gain/loss to all investors during a given period are same for all investors while in case of portfolio management scheme, the investments of a particular investor remains identifiable to him. Here the gain or loss of all the investors will be different from each other.

Net asset value on a particular date reflects the realizable value that the investor will get for each unit that he his holding if the scheme is liquidated on that date. It is calculated by deducting all liabilities (except unit capital) of the fund from the realizable value of all assets and dividing by number of units outstanding.

There are a number of mutual fund schemes which give us fixed monthly income. Further, we can also get monthly income by making a single investment in an open ended scheme and redeeming fix value of units at regular intervals.

Mutual funds are meant only for a small investor. The prime reason is that successful investments in stock markets require careful analysis of scrips which is not possible for a small investor. Mutual funds are usually fully equipped to carry out thorough analysis and can provide superior returns.

In India mutual funds were started with great expectations. In fact, until the Harshad Metha scam that shook the Indian market in April, 1992. All the mutual funds were cashing well, because of the prolonged Bull Run in the market. Private sector funds were not allowed to play in the market till then. It was said that: “the mutual funds were on the dream run and every scheme received on over whelming response”. The NAV of the funds were showing tremendous progress and many of the funds declared handsome dividend to their unit holders. Even immediately after the scam period, at least for two years, the investors’ confidence in the mutual fund industry remained unchanged as indicated by the issues of UTI (master gain) and Morgan Stanly which were sold in the (primary) grey market at hefty-premiums.

It was at the peak of their success in 1992, many private sector funds founded their way in to the Indian market. They have promised assured returns to the investors, thus fortifying the notions of low risk and high returns. They began to try to dominate the industry. However by the lax in regulatory frame work and the relative lack of ethics, the private sector mutual funds have become trend setter in cheating investors.

Between 1993 January and 1996 march, the 200 scrips of CRISIL mid Cap index depreciated by 15%, dropping another 49% over the next 12 months. Even some of the public sector mutual fund schemes had problems at time of their redemption, asking for a rollover of the scheme. At present 33% fund schemes operating in the country have NAV levels below par. In the stock exchanges too, about 73% of the listed scrips are trading at a discount. For many mutual funds meeting their redemption or repurchase commitments is proving major strains.

But what are the causes for this dismal state of affairs? The answer is not simple. Many of the mutual funds are not picking up securities for their portfolio with objective consideration. Though there are norms, the accounting and operational practices of many of the funds do not comply with the disclosure norms of SEBI. The offer letter often gives dubious claims, in the spree to out with the competitors, and there by trap the investors. Moreover, convenient swaps between different schemes of the same fund are becoming a standard practice in India.

More than poor performance, it is the chicanery that is challenging the trust which investors had reposed is the mutual funds in India

Analysis of Data

TABLE 1

Mutual Fund

This table explains number of person who opt mutual fund as their investment. And number of person who doesn't opt. it was coordinated in accordance with the occupation of the respondents

OPINION	SELF EMPLOYED	SALARIED	PROFESSIONALS	BUSINESS	TOTAL	PERCENTAGE
YES	14	28	36	48	126	45
NO	14	67	27	46	154	55
TOTAL	28	95	63	94	280	100

Source: Survey Data

Interpretation

Among the 280 samples of the respondents only 45% of the respondents have mutual fund investment and 55% have no mutual fund investment. Major of the samples have not mutual fund investment

TABLE 2

Investors Perception—Type of Fund

This table explains investors' perception on type of fund they preferred..

SL.NO		NO OF RESPONDENTS	PERCENTAGE
1	GUILT EDGED FUND	42	33.3
2	GROWTH FUND	54	42.8
3	INDEX FUND	0	0
4	SECTOR FUND	24	19.04
5	DIVERCIFIED FUND	6	4.7
		126	**100**

Source: Survey Data

Interpretation

Among the 126 investors 54 are preferring growth fund. And 42 prefer guilt edged funds .24 on sector fund. Other on diversified**.**

TABLE 3

Investors Perception on Investment Information

This table shows different level of satisfaction of respondents tabulated based on their occupation

SL. NO		SELF EMLOYED	SALARIED	PROFESSIONAL	BUSINESS	TOTAL	PERCENTAGE
1	EXTREAMLY SATISFIED	0	0	7	8	15	11.9
2	SOME WHAT SATISFIED	0	8	9	10	27	21.4
3	NEITHER SATISFIED NOR DISSATISFIED	6	12	16	18	52	41.2
4	EXTREAMLY DISSATISFIED	6	6	8	12	32	25.3
5	TOTAL	12	26	40	48	126	100

Source: Survey Data

Interpretation

Among the 126 mutual fund investors 25.3% are dissatisfied with their investment information. 21.4% are on somewhat satisfied on their investment and 11.9% extremely satisfied. 41.2% are averagely satisfied.

TABLE 4

Complaint Mechanism Awareness

This table shows awareness of respondents about grievance redressal mechanism in the mutual fund industry

SL.NO		SELF EMPLOYED	SALARIED	PROFESSIONAL	BUSINESS	TOTAL	PERCENTAGE
1	VERY STRONG	0	0	6	8	14	11.1
2	STRONG	0	5	8	11	24	19.04
3	AVERAGE	2	7	11	12	32	25.3
4	WEAK	10	14	15	17	56	44.4
5	TOTAL	12	26	40	48	126	100

Source: Survey Data

Interpretation

From the above table, the researcher interpret that the awareness of the respondents about the complaint mechanism in the present market. 44.4% are not having the awareness of the complaint mechanism. 25.3% are average awareness. 19.4% are strong and 11.1 are very strong.

TABLE 5

Type of Fund Preferred

This table reveals the type of fund the mutual fund investors prefers

	NO OF RESPONDANTS	PERCENTAGE
OPEN ENDED FUND	52	41.2
CLOSED ENDED FUND	18	14.2
INTERVAL FUNDS	30	23.8
EXCHANGE TRADED FUND	26	20.6
TOTAL	**126**	**100**

Source: Survey Data

Interpretation

Here most of the respondents having mutual fund prefer open ended fund around 41.2% .and then they opt interval funds 23.8%. 20.6% are on exchange traded funds. Rests are on closed ended fund.

TABLE 6

Risk on Investment

Below table shows investors opinion on risk associated with the mutual fund investment

SL.NO		NO. OF RESPONDANTS	PERCENTAGE
1	VERY HIGH	30	23.8.
2	HIGH	26	20.6
3	AVERAGE	30	23.8
4	LOW	22	17.4
5	VERY LOW	18	14.2
6	TOTAL	126	100

Source: Survey Data

Interpretation

23.8% of the investors opined that it is very risky. And 20.6% on it is high risk. But 23.8% of the respondents opined that it is not highly risky and less risky but risk on average.

Findings

1) Among the 126 mutual fund investors only 76 gave top priority on mutual fund investment. Rest 50 gave second or third priority on mutual fund.

2) The various investment objectives of the respondents are classified in to low risk, popularity, liquidity, high return, safety etc. among that the researcher find 37.5% of the investors, prefer high return and 26.25% of them are well conscious about the safety of the investment. 17.5% of them on the popularity and on the less risk.

3) On the study the researcher make finds that only 126 persons are mutual fund investors among 280 samples drawn. And rest do not prefer mutual fund as their investment.

4) The investors who are not investing in the mutual fund are most of them are not invested because of lack of knowledge about the mutual fund investment, and most of them are well fear about the risk factor , then on less safe.. Some of them are not interested in mutual fund investment.

5) The reason for investing in mutual fund investment are classified on the basis of gender wise classification the researcher found how behaves of male and female on the mutual fund investment. Among 126 mutual funds the researcher found there are 90 male investors and 36 female investors. So, male investors are more than the female investors in mutual fund investment.

6) Most of the respondents having mutual fund prefer open ended fund and then they opt interval funds .then on exchange traded funds. Rests are on closed ended fund

7) Among the 126 investors 54 are preferring growth fund. And 42 prefer guilt edged funds .24 on sector fund. Other on diversified**.**

8) Among the sector fund 50% prefer infrastructure, 66.66% on information technology industries, 16% on banking industries. No one interested in investing pharmaceutical and metal industries from the samples the researcher taken.

Conclusion

To study the problem the investor perception of mutual fund schemes The researcher took 280 samples from Malappuram district which include self employed, salaried, professional like doctors, engineers, and business men, among that 126 having mutual fund investment and which include that four category too.

The study reveals that there exists the potential market for mutual fund. Here use the primary and secondary data collection and the interview method is adopted. Some of them are cooperate while others are not because of their busy factor.

The companies must take new techniques for improving the promotional strategies. Here the female investors are less than the male investors which shows the awareness need to given to the female investors. The investors do not having awareness on complaint redressal mechanism prevailed in the market.

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