Volume-4, Issue-4, April-2015 • ISSN No 2277 - 8160

Research Paper | Management

Investors Perception towards Mutual Funds: An Indian Perspective

Mr. Mukesh. H.V

Assistant Professor, Department of Rural Management,/ Karnataka Folklore University, Shiggon, Haveri, Karnataka- 581197, India

ABSTRACT

Financial market's main function is to facilitate transfer of funds from surplus sectors to deficit sectors. A financial market consists of investor or buyers, sellers, dealers and does not refer to physical location. Capital market provides the framework in which savings and investments take place. On one hand it enables companies to raise resources from the investing community and on the other, it facilitate households to invest their savings in industrial or commercial activities. So, mutual fund is the part of capital market. Mutual fund industry in India began with setting up of Unit Trust of India (UTI) in 1964 by the government of India. Now a day mutual fund is playing very important role in the industry. Investors will get the benefit of return, capital appreciation, tax benefits and safety to their investment and companies will get the capital for their growth.

KEYWORDS : Mutual Funds, Investors, Perception.

INTRODUCTION

A Mutual Fund is 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 appreciations realized are shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. The SEBI (MF) Regulations, 1993 defines mutual fund as "A fund established in the form of a trust by a sponsor to raise monies by the trustees through the sale of units to the public under one or more schemes for investing in securities in accordance with these regulations." Mutual fund industry in India began with setting up of Unit Trust of India (UTI) in 1964 by the government of India. During last 39 years UTI has grown to be a dominant player in the industry. The UTI is governed by a special legislation, the Unit Trust of India Act 1963. In 1987 public sector banks and insurance companies were permitted to set up mutual funds and accordingly in 1987 six public sectors banks have set up mutual funds. Also the two insurance companies LIC and GIC established the mutual funds. Securities Exchange Board of India (SEBI) formulated the mutual fund regulation in 1993, which for the first time established a comprehensive regulatory framework for the mutual fund industry. Since then several mutual funds have been set up the private and joint sectors.

II REVIEW OF LITERATURE

Mutual fund industry in India began with setting up of Unit Trust of India (UTI) in 1964 by the government of India. During last 39 years UTI has grown to be a dominant player in the industry. The UTI is governed by a special legislation, the Unit Trust of India Act 1963. In 1987 public sector banks and insurance companies were permitted to set up mutual funds and accordingly in 1987 six public sectors banks have set up mutual funds. Also the two insurance companies LIC and GIC established the mutual funds.

Securities Exchange Board of India (SEBI) formulated the mutual fund regulation in 1993, which for the first time established a comprehensive regulatory framework for the mutual fund industry. Since then several mutual funds have been set up the private and joint sectors. Unit Trust of India (UTI) was established on 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and administrative control of the Reserve Bank of India. In 1978 UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. The first scheme launched by UTI was Unit Scheme 1964. At the end of 1988 UTI had Rs.6,700 crores of assets under management. 1987 marked the entry of non- UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund was the first non- UTI Mutual Fund established in June 1987 followed by Can bank Mutual Fund (Dec 87), Punjab National Bank Mutual Fund (Aug 89), Indian Bank Mutual Fund (Nov 89), Bank of India (Jun 90), Bank of Baroda Mutual Fund (Oct 92). LIC established its mutual fund in June 1989 while GIC had set up its mutual fund in December 1990. With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry, giving the Indian investors a wider choice of fund families. Also, 1993 was the year in which the first Mutual Fund Regulations came into being, under which all mutual funds, except UTI were to be registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993. The 1993 SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEBI (Mutual Fund) Regulations 1996. The number of mutual fund houses went on increasing, with many foreign mutual funds setting up funds in India and also the industry has witnessed several mergers and acquisitions. In February 2003, following the repeal of the Unit Trust of India Act 1963 UTI was bifurcated into two separate entities. One is the Specified Undertaking of the Unit Trust of India with assets under management of Rs.29, 835 corers as at the end of January 2003, representing broadly, the assets of US 64 scheme, assured return and certain other schemes. The Specified Undertaking of Unit Trust of India, functioning under an administrator and under the rules framed by Government of India and does not come under the purview of the Mutual Fund Regulations.

The second is the UTI Mutual Fund Ltd, sponsored by SBI, PNB, BOB and LIC. It is registered with SEBI and functions under the Mutual Fund Regulations. With the bifurcation of the erstwhile UTI which had more than Rs.76,000 crores of assets under management and with the setting up of a UTI Mutual Fund, conforming to the SEBI Mutual Fund Regulations, and with recent mergers taking place among different private sector funds, the mutual fund industry has entered its current phase of consolidation and growth.

III METODOLOGY

The research is undertaken with an objective to know the following aspects:

- To know the awareness level of mutual funds
- To know the parameters the people look in while investing in mutual fund.
- To study the investor perception towards mutual fund.

The Data collected for a specific purpose for the first time is Original known as Primary Data. The primary data is collected in two different ways.

- Observation Method
- Questionnaire Method

In the observation method instead of asking the respondents about the behavior and attitudes, an Observation was done and the data was collected.

The Questionnaire method is a powerful tool to collect the information a structured Questionnaire involves in asking the questions in a prearranged order. This research contained a questionnaire that had structured (prearranged order), open ended (free answer questions) and close ended (limited answer can be given) questions. Some were also dichotomous questions i.e. having only two options to answer. Sampling size

The sample composition was of 300 individuals from various levels of working from Bangalore and Hubli.

Sampling

The sample consists of people who are working as

- Employees in Government and Private organizations
- Business people
- Professionals
- Retired people

IV FINDING AND INTEARPITATION

Among the respondents, the age group between 21-30 has invested more in mutual fund compared to other age groups. The analysis states that people among the respondent's savings are 10000 to 20000 and they are investing in the mutual fund due to return, safety and tax benefit purpose. About the awareness it is concluded that most popular media for advertising the mutual fund is financial advisors because they will be investing for tax benefit and return purpose. And also news paper is the best media for advertising the mutual fund. From the investors of the mutual fund investors it is concluded that the main objective of the investment of the mutual fund is for tax benefits, return and capital appreciation. While investing in the equity scheme most of the respondent's objective was capital appreciation. While investing in the debt scheme most of the respondent's objective was tax benefit and capital appreciation both. While investing in the debt scheme most of the respondent's objective was tax benefit and safety both. Most of the respondents have invested in the mutual fund for the 2 to 5 years. By this we can say that most of the people prefer to go for mutual fund investment for 2 to 5 years depending upon there objectives on investment. By asking the respondents to rank the schemes, they have chosen equity scheme as very good, debt scheme as neutral and balanced scheme as neutral and good. By asking them to rank the various equity schemes, respondents have ranked as dividend fund, madcap fund, and Growth and ELSS schemes as very good schemes. By asking them to rank the various debt schemes, respondents have ranked as diversified fund, high yield fund, assured return fund are given more preference, than fixed term fund. Most of the non investors have not invested due to risk of return, lack of information and low savings. Most of the non investors among the respondents give mutual fund third preference while investing. Most of the non investors also give equity scheme as first preference, balanced scheme as second preference, and debt scheme as third preference.

V CONCLUSION

Investors prefer to invest in the mutual fund for return, tax benefit and capital appreciation sake. And most of the people to go for long term investment. Most of the people do not know about the SIP (Systematic, Investment Plan), so company has to give seminars and other information about this to the customers. It is necessary create awareness of mutual fund the best media will be news paper because employees, businessman and retired people will be reading news paper daily. Mutual fund companies should also provide the facility for liquidity purpose so that some people whose objective will be this can invest in these schemes. All mutual fund companies should conduct seminars, workshops on financial markets, which will help the individuals to asses, the risk involved in investing in mutual funds and also know the possible returns they will get if they invest in that particular sector. Preferably these seminars should be held on weekends. This points will help in developing mutual fund as a major investment option.

REFERENCES

R. Anitha, C. Radhapriya and T. Devasenathipathi, "AComparative Analysis of Market Returns and Fund Flows with Reference to Mutual Funds" International Journal Of Research In Commerce, It & Management, Volume no. 1, Issue no. 4, September, 2011. | Ippolito R A., "Consumer Reaction to Measure of Poor Quality: Evidence from the Mutual Fund Industry", Journal of Law and Economics, Vol. 35, pp. 45-70, 1992. | PAlekhya, "AStudy on Performance Evaluation of Public & Private Sector Mutual Funds in India", Asia Pacific Journal of Marketing & Management Review, Vol.1 No. 2, October 2012, Pp. 147 – 168. | Sapar, Narayan Rao and Madava, Ravindran, "Performance Evaluation of Indian Mutual Funds". Available at SSRN: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=433100 | Kalpesh P Prajapati and Mahesh K Patel (2012), Comparative Study On Performance Evaluation Of Mutual Fund Schemes Of Indian Companies, Researchers world, Journal of Arts, Science & CommerceVol–III, Issue3(3), July 2012, pp. 47-59 | Pournima S. Shenvi Dhume and Prof. B. Ramesh(2011), "Performance Analysis of Indian Mutual Funds with a Special Reference to Sector Funds", The Indian Journal of Commerce, Vol. 64, No. 9, JulySeptember 2011. | B.Nimalathan; Mr.R.Kumar Gandhi; —Mutual fund financial performance analysis‖(A Comparative study on equity diversified schemes and equity mid cap schemes) , excel international journal of multi disciplinary management studies, vol 2 pp 91,96. | Sathya Swaroop Debasish "Investigating Performance of Equity-based Mutual Fund Schemes in Indian Scenario", KCAJournal of Business Management. Vol. 2, Issue 2 (2009), pp. 1-15 | Shivani Inder and Shikha Vohra, "Mutual Fund Performance: An Analysis of Index Funds", International Journal of Research In Commerce & Management, volume no. 3 (2012), issue no. 9 (september), pp. 143-146. | http://crisil.com/capital-markets/mutual-fund-rankings.html | http://crisil.com/ratings/crisil-pioneers.html | http://www.moneycontrol.com/mutual-funds/best-funds/index.html |