



Investors perception towards investment in Mutual Funds - A Study in Thanjavur District

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ABSTRACT

One of the important components of Behavioural Finance is the Mutual Funds Selection Process. This paper aims at identifying the factors which influencing the Mutual Funds selection decision. This study follows a qualitative methodology to investigate small investor's behaviour in choosing Mutual Funds in Thanjavur District. The purpose of this study is to examine the role of various socio-economic, demographic and attitudinal factors affecting the investment decision of investors in the Mutual Funds. The researcher collected primary data from 100 small investors living in Thanjavur District through a Structured Questionnaire. It is found that majority of the sample small investors in Thanjavur District took into consideration all the 41 factors before selecting the Mutual Funds to invest. In this study an attempt is made to study the various factors influencing mutual fund investment decision making.

KEYWORDS : Behavioural Finance, Influential factor, perception, Small investor

Introduction

There are a number of investment opportunities available to an investor. Each of these investments has its own risk and return features. An investor must learn to analyse and measure the risk and return of the portfolio. The mutual fund industry plays a significant role in the development of the economy. Its buoyant growth leads to lower intermediation costs, more efficient financial markets, and increased vibrancy of the capital markets and higher local ownership of financial assets. If retail investment is directed through the mutual fund route, it will lead to greater wealth creation in the long run. Thus, the industry can be one of the causative factors for a healthy economy. The Indian mutual funds business is expected to grow significantly in the coming years due to a high degree of transparency and disclosure standards comparable to anywhere in the world, though there are many challenges that need to be addressed to increase the mobilization of funds in the sector.

Behavioral Finance

In the present scenario, behavioural finance is becoming an integral part of the decision-making process, because it heavily influences investors' performance. They can improve their performance by recognising the biases and errors of judgment to which all of us are prone. Understanding the behavioural finance will help the investors to select a better investment instrument and they can avoid repeating the expensive errors in future. The pertinent issues of this analytical study are how to minimize or eliminate the psychological biases in investment decision process.

Investors' perception about Mutual Fund

Financial markets are constantly becoming more efficient by providing more promising solutions to the investors. Although the mutual funds industry is fast in understanding the dynamics of investor's perception towards rewards, MF companies are continuously following this race in their endeavor to differentiate their products by responding to sudden changes in the economy. Thus, it is high time to understand and analyze investors' perception and expectations, and unveil some extremely valuable information to support financial decision making of mutual funds. Financial markets are becoming more exhaustive, with financial products seeking new innovations and to some extent, innovations are also visible in designing a mutual funds portfolio, but these changes need alignment in accordance with investor's expectations. Thus, it has become imperative to study mutual funds from different angle, which is to focus on investor's perception and expectations and uncover the unidentified parameters that account for their dissatisfaction.

Review of Literature

Badla and Garg (2007) observed that most of the schemes outperformed the market and the risk undertaken in the schemes is more than the market risk.

Bard M. Barber and Jerrance Odean (2000) conducted a study on "Behaviour of MF Investors" in which they analyzed the MF purchase and Sales decision of over 30000 households which reveals that investor

buy funds with strong past performance, investors are sensitive to the form in which fund expenses are charged.

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 & lagged performance in SR funds to the same relation in a matched sample of conventional funds. The result revealed that the extra-financial SR attribute serves to dampen the rate at which SR investors trade mutual funds. The study noted that the differences between SR funds and their conventional counterparts are robust over time and persist as funds age. The study found that the preferences of SR investors may be represented by conditional multi-attribute utility function (especially when SR funds deliver positive returns). The study remarked that mutual fund companies can expect SR investors to be more loyal than investors in ordinary funds.

Chakarabarti and Rungta (2000) examined the importance of brand effect in determining the competitive advantage of the AMCs. The study revealed that brand image influenced investor's perception and ultimately the fund/scheme selection.

Vyas and Moonat (2012) studied the perception and behavior of mutual funds investors in Indore, Madhya Pradesh. The study was based on 363 mutual fund investors. The results revealed that most of the respondents invested in equity options with a time span of one to three years. Through 73 per cent of the investors were aware about the risk associated with the mutual funds, yet only 53 per cent of the investors analysed the associated risks. Lump sum investment was the most the most preferred mode followed by SIP. Gold was the most important option among investors, and mutual funds ranked 6th in this regard. Further, mutual funds got an average score on all parameters like safety, liquidity, reliability, tax benefits and high returns.

Objectives of the study

To identify the factors affecting investors' perception and the selection of Mutual Funds.

Methodology

This part explains the methodology used in this study. The methodology includes data and sources of data, sample size, area of the study and framework of analysis. The study is based on primary and secondary data. Primary data have been collected from 100 respondents through a questionnaire covering different groups of peoples in Thanjavur District area. The secondary data have been collected from various books, magazine, journals, newspapers and websites.

Sampling

A sample of 100 respondents was taken. Initially, it was decided to select the sample on a random basis, but due to non-availability of a sampling framework, the research plan was modified, and it was decided to adopt convenient sampling.

The respondents are segregated on the basis of different variables such as income, age, occupation gender, family size, academic qualification and annual saving. All required information from investors of mutual funds has been collected based on their knowledge, information source and investment decision factors related to their selection of a particular scheme fund.

Tools of Data Analysis:

The data and information collected have been classified, tabulated and processed and its findings presented in a systematic manner. Statistical tools as Chi-square test, Pearson Correlation, cross tabulation are employed to analyze the data effectively.

Scope of the Study

The scope of the study is to track out the investors' preferences, priorities and their awareness towards different mutual fund schemes. Keeping in view the various constraints the scope of the study is limited only to the investors residing in Thanjavur district. Data for the study is collected from a sample of 100 investors by using convenient sampling.

Results and Discussion

Gender and Willingness to invest in different assets

Age of the respondents may also reflect on willingness to invest in different assets. The result of ANOVA is tabulated below:

Table 1
Investors Age and Willingness to Invest In Different Assets

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Government Deposit	Between Groups	44.051	3	14.684	12.222	.000
	Within Groups	115.339	96	1.201		
	Total	159.390	99			
Share	Between Groups	11.271	3	3.757	1.674	.178
	Within Groups	215.479	96	2.245		
	Total	226.750	99			
Real Estate	Between Groups	144.251	3	48.084	42.353	.000
	Within Groups	108.989	96	1.135		
	Total	253.240	99			
Bank deposit	Between Groups	115.346	3	38.449	29.649	.000
	Within Groups	124.494	96	1.297		
	Total	239.840	99			
LIC	Between Groups	53.544	3	17.848	7.792	.000
	Within Groups	219.896	96	2.291		
	Total	273.440	99			
Mutual Fund	Between Groups	100.113	3	33.371	27.074	.000
	Within Groups	118.327	96	1.233		
	Total	218.440	99			

Priority towards share related factors only varies other factors. As per the study, most of the respondents are willing to invest riskless assets. Hence, the investors to avoid risk assets like shares.

Conclusion

Safety, risk and high return are sound to be the major factors influencing the investment decision in mutual fund. Liquidity, Tax benefit, low risk safety are the reason for choosing particular mutual fund are the special features that investors look in mutual fund. Investors perceive mutual funds to be better investment avenues than others because of the expectations of receiving higher return than other investment instrument along with the feeling of they being useful for small investors. The investors generally complaint that regulatory bodies like SEBI and others have not been able to controlled the working of mutual funds properly and legal framework is not appropriately designed. Moreover, the funds have underperformed as against expectations and management has been inefficient, thereby discouraging investors to keep their funds parked in mutual funds

Direction for Further Research

The present study is quite holistic covering all the aspects of investors' perception towards mutual funds. Even than there is some scope to extend the present research. Present study has been conducted for three years for which whole data set was available. Similar kind of study might be carried for a shorter span of time period say one to two years so that data for large number of mutual fund schemes will be available and sample size may be increased. Due to constraint of time and resources, the study about investor's perception has been limited to Thanjavur District. Such study might be conducted in other parts of the state and country as well.

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