



Investors Perception and Growth Prospects of Mutual Funds: With Special Reference to SBI Mutual Fund

KEYWORDS

Mutual Fund, Investors, Perception, NAV, SIP

Susanta Swain

Dr. Anuman Sahoo

House No-1, Archees Home, Infront of Nilakantheswar Temple, Patia, Bhubaneswar, Odisha, pin-751024

Plot No: S/108, Maitree Vihar, Chandrasekharpur, Bhubaneswar-751023

ABSTRACT Financial markets are constantly becoming more efficient by providing more promising solutions to the investors. Being a part of financial markets although mutual funds industry is responding very fast by understanding the dynamics of investor's perception towards rewards, still they are continuously following this race in their endeavor to differentiate their products responding to sudden changes in the economy. Thus, it is high time to understand and analyze investor's perception and expectations, and unveil some extremely valuable information to support financial decision making of mutual funds.

In few years Mutual Fund has emerged as a tool for ensuring one's financial well being. Mutual Funds have not only contributed to the India growth story but have also helped families tap into the success of Indian Industry. As information and awareness is rising more and more people are enjoying the benefits of investing in mutual funds. The main reason the number of retail mutual fund investors remains small is that nine in ten people with incomes in India do not know that mutual funds exist. But once people are aware of mutual fund investment opportunities, the number who decide to invest in mutual funds increases to as many as one in five people. The analysis and advice presented in this paper is based on market research on the saving and investment practices of the investors and preferences of the investors for investment in Mutual Funds. This paper will help to know about the investors' Preferences in Mutual Fund means Are they prefer any particular Asset Management Company (AMC), Which type of Product they prefer, Which Option (Growth or Dividend) they prefer or Which Investment Strategy they follow (Systematic Investment Plan or One time Plan).

Introduction

The origin of mutual fund industry in India is with the introduction of the concept of mutual fund by UTI in the year 1963. Though the growth was slow, but it accelerated from the year 1987 when non-UTI players entered the industry. In the past decade, Indian mutual fund industry had seen a dramatic improvement, both qualities wise as well as quantity wise. 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 intellectualized with the concept. Hence, it is the prime responsibility of all mutual fund companies, to market the product correctly abreast of selling.

Review of literature

A number of studies have been made on the working of Mutual Fund industry. Many of them are general topics like study of operations, growth and development of Mutual Funds, perceptual views of investors on Mutual Funds.

Tripathy (1994) has examined the importance and growth of MFs and evaluate the operations of MFs and suggest some measures to make it a successful scheme in India. The consumer behaviour from the marketing world and financial economics has brought together to the surface of an exciting area for study and research. MFs which has become an important portal for the small investors, is also influenced by their financial behaviour.

Jambodekar (1996) conducted a study to assess the awareness of MFs among investors, to identify the information sources influencing the buying decision and the factors influencing the choice of a particular fund. The study reveals among other things that Income Schemes and Open Ended Schemes are more preferred than Growth Schemes and Close Ended Schemes during the then prevalent market conditions.

Need of the Study

The mutual funds industry has grown by leaps and bounds in last couple of years. Following the strengthening of regulatory framework there is now greater transparency and

credibility in the functioning of mutual funds and has been successful in regaining investor's faith. But to sustain the momentum it should start focusing on the areas where greater accountability and transparency could propel the industry towards a new growth trajectory. 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 Indian mutual fund industry more vibrant and competitive. To make this happen it calls for a greater role not only part of the regulator but also on industry and distributors and ensure that investor confidence is maintained through consistent performance and best business practices. In this context, the relevance of study has been aroused in order to see the preference, awareness and the investors' perception regarding the investment in mutual funds.

Objectives of the study

The primary objective of the present study is to analyze the investors' perceptions towards investment in Mutual Funds. The following are the specific objectives of the study.

- 1) To find out the Preferences of the investors for Asset Management Company.
- 2) To know the Preferences for the portfolios.
- 3) To know why one has invested or not invested in SBI Mutual fund
- 4) To find out the most preferred channel.
- 5) To find out what should do to boost Mutual Fund Industry.

Limitations of the study

The present study is based upon the results of survey conducted on 120 mutual fund investors. The implications of the study are subject to the limitations of sample size, psychological and emotional characteristics of surveyed population.

Data source and methodology

Research design of the study is both descriptive and analytical. The study is prepared to be based on data to be col-

lected both from primary and secondary sources. Data from secondary sources will be collected from the various issues of Annual Reports of the SBI, and other Mutual Fund schemes of India, internet pages, various news papers, journals, magazines, various published or unpublished reports, dissertations available at different institutions and news papers. The data collected from secondary sources would be supplemented by primary data collected from 200 prospective investors in random sampling method through a well-developed questionnaire. As this paper is based both on primary as well secondary data, primary data collection was given more importance since it is overbearing factor in attitude studies. Research has been done by primary data collection, and primary data has been collected by interacting with various people. The sample size is limited to 200 people only. Out of which only 120 people had invested in Mutual Fund. Other 80 people did not have invested in Mutual Fund. Secondary data can be used only for the reference. The data has been analyzed by using mathematical/Statistical tool.

Findings

- In Bhubaneswar in the Age Group of 36-40 years were more in numbers. The second most Investors were in the age group of 41-45 years and the least were in the age group of below 30 years.
- In Bhubaneswar most of the Investors were Graduate or Post Graduate and below HSC there were very few in numbers.
- In Occupation group most of the Investors were Govt. employees, the second most Investors were Private employees and the least were associated with Agriculture.
- In family Income group, between Rs. 20,001- 30,000 were more in numbers, the second most were in the Income group of more than Rs.30, 000 and the least were in the group of below Rs. 10,000.
- About all the Respondents had a Saving A/c in Bank, 76% Invested in Fixed Deposits, Only 60% Respondents invested in Mutual fund.

Conclusion

Running a successful Mutual Fund requires complete understanding of the peculiarities of the Indian Stock Market and also the psyche of the small investors. This study has made an attempt to understand the financial behavior of Mutual Fund investors in connection with the preferences of Brand (AMC), Products, and Channels etc. I observed that many of people have fear of investment in Mutual Fund. They think their money will not be secure in Mutual Fund. They need the knowledge of Mutual Fund and its related terms.

Suggestions and Recommendations

- The most vital problem spotted is of ignorance. Investors should be made aware of the benefits. Nobody will invest until and unless he is fully convinced. Investors should be made to realize that ignorance is no longer bliss and what they are losing by not investing.
- Mutual funds offer a lot of benefit which no other single option could offer. But most of the people are not even aware of what actually a mutual fund is? They only see it as just another investment option. So the advisors should try to change their mindsets. The advisors should target for more and more young investors. Young investors as well as persons at the height of their career would like to go for advisors due to lack of expertise and time.
- Mutual Fund Company needs to give the training of the Individual Financial Advisors about the Fund/Scheme and its objective, because they are the main source to influence the investors.
- Before making any investment Financial Advisors should first enquire about the risk tolerance of the investors/customers, their need and time (how long they want to invest). By considering these three things they can take the customers into consideration.
- Younger people aged fewer than 35 will be a key new customer group into the future, so making greater efforts with younger customers who show some interest in investing should pay off.
- Customers with graduate level education are easier to sell to and there is a large untapped market there. To succeed however, advisors must provide sound advice and high quality.
- Systematic Investment Plan (SIP) is one the innovative products launched by Assets Management companies very recently in the industry. SIP is easy for monthly salaried person as it provides the facility of do the investment in EMI. Though most of the prospects and potential investors are not aware about the SIP. There is a large scope for the companies to tap the salaried persons.

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