

Investors' Perception towards Investment in Mutual Funds (With Reference to Return Options of Public and Private Sector in Jodhpur City)



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Abstract

In today's competitive environment, different kinds of investment avenues are available to the investors. Among various investment modes, Mutual Fund is the most suitable investment mode for the common man, as it offers an opportunity to invest in a diversified and professionally managed portfolio at a relatively low cost. Various schemes of mutual funds have been in operation in India by public and private sector for a considerable period of time and it have three types of return options like dividend, growth and re-investment option.. Therefore, it is important to know the perception of the investors towards different sector mutual fund and their return options. This paper makes an attempt to identify various factors affecting perception of investors regarding investment in Mutual funds of public and private sector. The findings will help mutual fund companies to identify the areas required for improvement in order to create greater awareness among investors regarding investment in mutual funds.

Keywords: Investment Avenue, Diversified, Professionally Managed, Return Options.

Introduction

The concept of mutual fund emerged in Netherlands in 18th century and introduced in India by Unit Trust of India in 1961. 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 appreciation realized is shared by its unit holders in proportion to the number of units owned by them. As the mutual fund industry provides an option of diversified investment structure with varying degree of risk, it was supposed to be the most lucrative market for Indian investors. There is considerable amount of research being done regarding investment in mutual funds. However, very little research has been done in India, to study the investors' perception regarding investment in public or private sector mutual funds and their return options.

Aim of the Study

Among various investment modes, Mutual Fund is the most suitable investment mode for the common man, as it offers an opportunity to invest in a diversified and professionally managed portfolio at a relatively low cost. Various schemes of mutual funds have been in operation in India by public and private sector for a considerable period of time and it have three types of return options like dividend, growth and re-investment option.. Therefore, it is important to know the perception of the investors towards different sector mutual fund and their return options. This paper makes an attempt to identify various factors affecting perception of investors regarding investment in Mutual funds of public and private sector.

Review of Literature

Madhusudhan V Jambodekar (1996) conducted his study to size-up the direction of mutual funds in investors and to identify factors that influence mutual fund investment decision. The study tells that open-ended scheme is most favored among other things and that income schemes and open-ended schemes are preferred over closed- ended and growth schemes. Walia and Kiran (2009) studied investor's risk and return perception towards mutual funds. The study examined investor's perception towards risk involved in mutual funds, return from mutual funds

Remarking An Analisation

in comparison to other financial avenues, transparency and disclosure practices. The study investigated problems of investors encountered with due to unprofessional services of mutual funds. Singh (2012) conducted an empirical study of Indian investors and observed that most of the respondents do not have much awareness about the various function of mutual funds and they are bit confused regarding investment in mutual funds. The study found that some demographic factors like gender, income and level of education have their significant impact over the attitude towards mutual funds. The study found that majority of individual investors doesn't consider mutual funds as highly risky investment. The findings of the study were more relevant, at that time, to the policy makers and mutual funds to design the financial products for the future. The results explained that they are economical, sociological and psychological factors which control investment decisions. News papers are used as information source, safety of principal amount and investor services are priority points for investing in mutual funds.

Chi- square test was applied to find the relation between the different parameters and different sectors funds.

$$\chi^2 = \sum \frac{(O-E)^2}{E}$$

O = Observed Frequency

E = Expected Frequency

Gender of Investors

Different gender investors have different perception regarding investment in different mutual fund companies. So we circulated questionnaire to both the genders.

**Table 1.1 & Exhibit
Gender Wise Classification**

Gender	No. of Respondents	% of Respondents
Male	231	65.25
Female	123	34.75
Total	354	100.00

Objectives of Study:

1. To study the investment pattern of Indian Investor.
2. To analyze investors perspective towards investment in mutual fund.
3. To find the preferred sector of mutual fund by investor.
4. To ascertain the most preferred return option for investing in Mutual Fund.

Limitations of the Study

The present study is based upon the results of survey conducted on 354 mutual fund investors. The implications of the study are subject to the limitations of sample size, psychological and emotional characteristics of surveyed population in the Jodhpur City.

Investors' Perception Regarding Return Options of Public and Private Sector Mutual Funds

Research Methodology

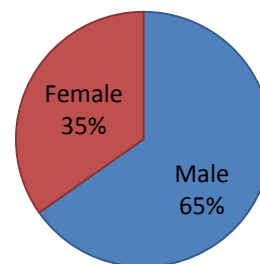
The various types of investors prefer differently to invest in public and private sector mutual funds. The categories of investors can be divided on the basis of Age, Income and profession.

Some investors prefer Growth option, some prefer to get dividend and some choose re-invest option. All these are analysed on the basis of the primary data which are collected through a well prepared questionnaire.

The primary data were collected from Jodhpur city and nearby places. Through this analysis, it was tried to cover all categories of investors, for this approximate 550 questionnaire were distributed, out of them 396 were received, out of these 396, 354 investors invested in mutual funds.

The data collected during the survey were tabulated in a bi-variate table.

% OF RESPONDENTS



As shown in table, 65.25% Male investors and 34.75% Females investors are taken as respondents. These both types of investors are from different age groups, different professions and different income groups.

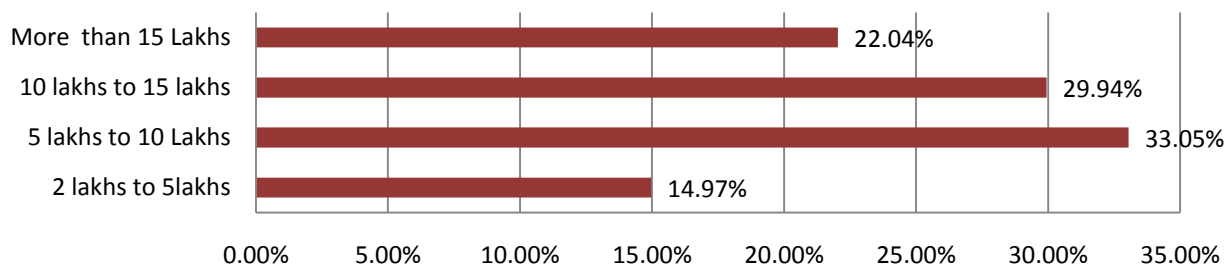
Income of Investors

Income of investors is the most crucial aspect which affects the pattern of investment; different income group investors invest in different companies. Some prefer private companies and some prefer public sector mutual fund companies. Different intervals of income are shown below

**Table 1.2 & Exhibit
Income of Respondents**

Annual Income of Respondents	No. of Respondents	% of Respondents
2 lakhs to 5lakhs	53	14.97%
5 lakhs to 10 Lakhs	117	33.05%
10 lakhs to 15 lakhs	106	29.94%
More than 15 Lakhs	78	22.04%
Total	354	100.00%

INCOME OF RESPONDENTS



	2 lakhs to 5lakhs	5 lakhs to 10 Lakhs	10 lakhs to 15 lakhs	More than 15 Lakhs
■ % of Respondents	14.97%	33.05%	29.94%	22.04%

14.97 % of investors having income between 2 lakhs and 5 lakhs.

33.05 % of investors having income between 5 lakhs and 10 lakhs.

29.94% of investors having income between 10 lakhs and 15 lakhs.

22.04 % of investors having income More than 15 lakh.

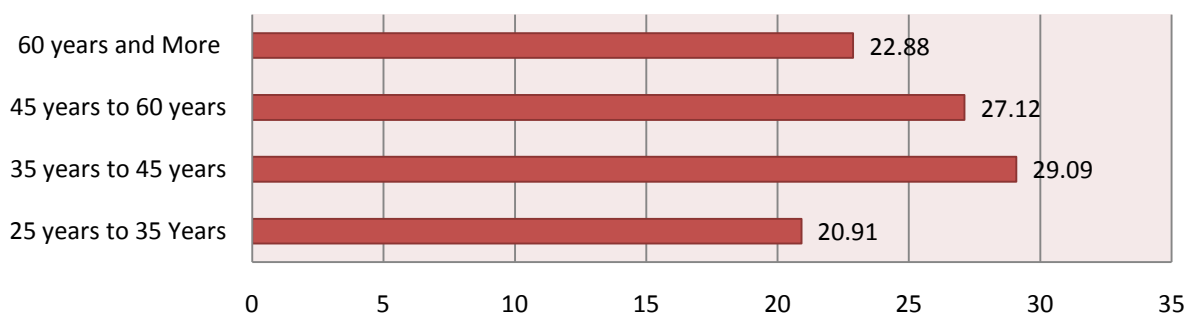
Age of Investors

Age is also an important factor to decide the investment pattern. Different age groups have different risk taking capacity as and when the age increases risk taking capacity decreases.

Table 1.3 & Exhibit
Age of Respondents

Age of Respondents	No. of Respondents	% of Respondents
25 years to 35 Years	74	20.91
35 years to 45 years	103	29.09
45 years to 60 years	96	27.12
60 years and More	81	22.88
Total	354	100.00

AGE OF RESPONDENTS



	25 years to 35 Years	35 years to 45 years	45 years to 60 years	60 years and More
■ % of Respondents	20.91	29.09	27.12	22.88

20.91% of investors are between the age group of 25 and 35 years.

29.09% of investors are between the age group of 35 and 45 years.

27.12% of investors are between the age group of 45 and 60 years.

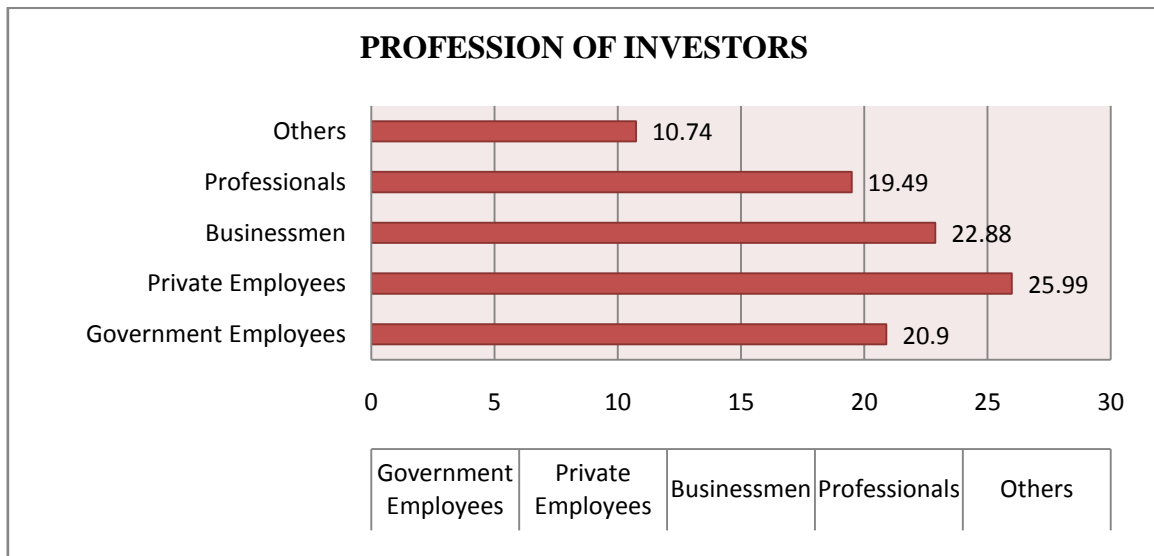
22.88% of investors are having age more than 60 years.

Profession of Investors

The pattern of investment is also decided by profession of investors. Here it has been tried to cover all professions like Government employees, Private employees, Businessmen, Professionals and others.

**Table 1.4 & Exhibit
Profession of Respondents**

Profession	No of Respondents	% of Respondents
Government Employees	74	20.90
Private Employees	92	25.99
Businessmen	81	22.88
Professionals	69	19.49
Others	38	10.74
Total	354	100.00



20.9% of respondents are in Government Service.
 25.99% of respondents are in Private Service.
 22.8% of respondents are Businessmen.
 19.49% of respondents are Professionals.
 10.74% of respondents are in the category of others which include brokers etc.

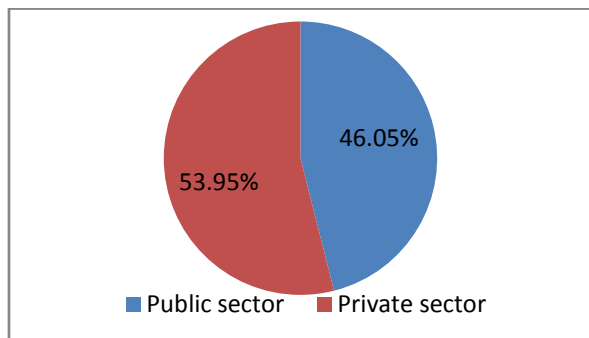
Preferred Sector of Mutual Funds

The different sector mutual funds are preferred by various investors. Two sectors (public and private sector) are taken for analysis.

Table 1.5 & Exhibit

Preferred Sectoral Mutual Fund

Preferred Sector for Mutual Fund	No. of respondents	% of respondents
Public sector	163	46.05%
Private sector	191	53.95%
Total	354	100.00



46.05% of respondents preferred to invest in public sector Mutual Funds and 53.95% of respondents preferred to invest in Private sector mutual funds.

Different Return Options of Mutual Funds

The various investors preferred different options of the return. Those investors who want regular return preferred to invest in dividend option, investors who want lump sum return, invested in growth option and the investors who wanted to increase their number of units, invested in Re-investment option.

Table 1.6

Return Options	No of Respondents	% of Respondents
Dividend	137	38.7
Growth	168	47.46
Re-Investment	49	13.84
Total	354	100

38.7% of investors preferred to invest in Dividend option.

47.46% of Investors preferred to invest in Growth option.

13.84% of investors preferred Re-investment option.

Relation between Public and Private Sector Mutual Funds and Different Return Options

The various investors of the public and the private sector mutual funds preferred different return options like Dividend option, Growth option and Re-

investment options. Summary of all these is given below.

Table 1.6

	Dividend	Growth	Re-Investment	Total
Public Sector	56	73	34	163
Private sector	81	95	15	191
Total	137	168	49	354

Hypothesis

H₀ (Null Hypothesis)

There is no significant difference between the different sector mutual funds and their return options.

H₁ (Alternative Hypothesis)

There is a significant difference between the different sector mutual funds and their return options.

o	e	o-e	(o-e) ²	(o-e) ² /e
56	63	-7	49	0.778
73	77	-4	16	0.208
34	23	11	121	5.261
81	74	7	49	0.662
95	91	4	16	0.176
15	26	-11	121	4.654
Total				11.738

$$\chi^2(Cal) = \left\{ \sum \frac{(O-E)^2}{E} \right\} = 11.738$$

$$\chi^2_{.05} \text{ at } 2 \text{ df} = 5.99$$

$$\chi^2 > \chi^2_{.05}$$

Conclusion

To find out, if there is any relation between Public sector and Private sector mutual funds and their return options. The Chi square test is applied.

Remarking An Analisation

The calculated value of Chi-square $\chi^2(cal)$ is 11.738 and the table value of Chi square $\chi^2_{.05}$ at 2 d.f. is 5.99. The calculated value of χ^2 is greater than the table value, therefore, it is concluded that the difference between observed frequency and expected frequency is significant. Since the difference is considered significant, the null hypothesis H₀ is rejected at 95% level of confidence. Since the null hypothesis is rejected, therefore, it is concluded that different sector mutual funds and their return options are not equally preferred by the investors. The dividend and the growth options are preferred in the Private sector mutual funds but Re-invest option is preferred in Public sector mutual funds.

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