"PERCEPTION AND SELECTION BEHAVIOUR OF INVESTOR TOWARDS MUTUAL FUNDS WITH SPECIAL REFERENCE TO GAZIABAD REGION"

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ABSTRACT

Abstract: *Owing to human behaviour we peruse loads of expectation. Out of all expectation, one of the expectations is how to create benefit out of available surplus funds. In order to have a beneficial return on investment, many avenues are available. One of the avenues which are now popular in the financial market is mutual funds. This study focuses on investors' investing decisions and the variables that influence them. For the purpose of this Study data collected from 100 investors belonged to Ghaziabad.*

Keywords: Investment, Investment avenues, Mutual Funds, Investor, Surplus of money

Introduction:

Mutual Funds were first started by the Unit Trust of India (UTI) in 1964 and since then, this sector has grown manifold. Thus, it is imperative to study the future scope of mutual funds in India. According to Association of Mutual Fund of India (AMFI), the Assets under Management (AUM) of the mutual fund industry has now reached 19.47 Lakh crores.

The study which has been undertaken will enable the company to understand the investor psyche and their perception towards mutual funds. ICICI Prudential AMC has the highest Assets under Management (AUM) among all the AMCs. On the basis of the findings, the company will be able to strategies accordingly to improve the penetration of its mutual fund products across India.

This study will also provide an insight into the investor behaviour. Thus, the financial products will be made and remodeled on the basis of the findings of the study so that the investor.

Factor effecting mutual fund decision

This study focuses on how investors make investment decisions and the variables that influence those decisions:

1. Risk factor
2. Return factor
3. Liquidity factor
4. Consistency factor
5. Awareness factor
6. Specialization factor

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Risk factors:

Mutual fund investments are exposed to market risk, and the NAV of the various schemes might vary based on the forces and elements that shape the securities market. Investors might utilize the offer papers, SAI, SID, and KIM in this regard to identify the various aspects. Mutual funds are supposed to disclose in their offer documents any risk factors that have been recognized over time mostly by the mutual funds and the investors. All of the risks associated with mutual funds may be categorized as follows:

1. Market Risk
2. Country Risk
3. Political Risk.
4. Interest rate Risk
5. Currency Risk

Liquidity Factors

Liquidity factors was not in everyone's radar until the global financial crisis occurred. Liquidity risk can be categorized as:

1. **Funding (cash flow) liquidity**: Credit risk tend to manifest its incapability to rescue liability and tend to produce default.

2. **Market (Asset) liquidity**: Market risk tends to manifest its incapability to sell an asset during the time of market requirement i.e., indecipherability of stocks market price. investments market liquidity can be measured in respect of width, depth and resiliency i.e., its bid asked and position size.

However, as a norm newly implemented mutual funds has to fulfil the redemption request applied by the investors within seven working days. In order to meet the redemption, sufficient liquidity funds must be maintained, with view to have less impact over remaining shareholders. (PWC's A Closure Look, Asset Managers: The SEC's Road ahead (May 2015).

Consistency Factors

What is the purpose and need of the investor, played a vital role in investment in mutual funds? For example, for short term objective debt investment is not advisable. Equity funds are popular for medium- and long-term objective. Benchmarks and category average can be parameters to judge the consistency of a fund's performance. Special Importance has been given by CRISIL, funds which are consistent performers. As per the consistent return a separate ranking system has been established

Awareness Factors

The primary step of investing is making people aware of mutual funds. According to a study of investors, 50% of respondents said they would like to invest in infrastructure, 23% said they would like to participate in mutual funds, and only 3% said they would like to engage in equity shares. According to a different poll, those with high incomes from self-employment and high salaries are more likely to participate in mutual funds since they are aware of the advantages that come with doing so, one of which is tax exemption. Small company owners, people from semi-urban areas, low-income groups, and farmers were found to be unaware of mutual funds. After the global slowdown, the government made the decision to form a special committee to monitor investor awareness. "Investor protection and awareness has been one of the key areas of concern for regulators, the government, and other stakeholders. The significance of having sound financial knowledge has been reinforced by the global financial crisis. Therefore, it was agreed to form a committee, the government stated in a release. ET Bureau, April 4, 2009, However, you may also learn about other mutual fund Programmes via newspapers and journals.

Specialization Factors

If mutual funds want to reach out to smaller communities, financial literacy is essential. Financial literacy is crucial in the context of specialization since it is necessary for making decisions about one's own financial future or for participating fully in the economy. According to Standard & Poor's Ratings Services, 34% of Indian adults do not fully comprehend basic financial concepts including compound interest, risk diversification, and inflation. Financial illnesses such as underinsurance, debt traps, inadequate retirement money, and low return on investment afflict the financially illiterate. This is below the global average for financial literacy but somewhat on par with other BRICS countries and in compared to South Asian countries, 57% of adults in the US and 67% in the UK are financially literate. 2015-12-15 (ET Bureau). Investors are under a great deal of strain as a result of financial product developments and increased complexity. As a result, it is recommended that financial literacy instruction begin in schools. There is already the Investor Education and Protection Fund (IEPF) of BSE, which allocates one rupee from each stock exchange transaction to the fund for financial literacy. The amount of money from each transaction must be increased in order to raise the cash available to hold more seminars and promote financial literacy.

Review of Literature

Mutual Fund is now growing in India and the researchers and academicians have sensed the potential of mutual funds as an investment. Thus, there have been researchers conducting surveys to analyses the investor's perception towards mutual funds; the findings of the research can have a significantly utility for assets management companies, distributors, brokers, investors, and financial advisors. The research which has been carried out earlier have come up with the following results and conclusions.

Mane Priti (2016), 'A Study of Investors Perception towards Mutual Funds in the city of Aurangabad has concluded that investors are not performing to invests in Mutual Funds because they find the mutual funds to be risky as compared to other investment options. The awareness levels among the investors are low. They prefer fixed deposits over other vehicle due to safety of principal.

Kumar Vipin and Bansal Preeti (2017) in their research paper, 'A study on Investors Behaviour towards Mutual Funds in Rohtak, Haryana' have concluded that mutual fund is the most preferred investment instrument. They also concluded from their findings that mutual funds were considered to be safe, a completely opposite conclusion from that of the study conducted in Aurangabad.

Kumar Rajesh and Goel Nitin (2018) in their research paper, 'An Empirical Study on the Investors Perception Towards Mutual Fund' stated that most of the investors were dissatisfied with the services being provided by the AMCs. They have concluded that investors invest in mutual funds for growth, corpus building and tax saving. Investors expected a bright future ahead for mutual fund.

Sharma Priyanka and Agarwal Payal (2015) in their research paper, 'Investors Perception and Attitude towards Mutual Fund as an Investment Option' have concluded that mutual funds are in nascent stage in Udaipur. They said the process of investing in mutual funds should be easier and convenient for the people. They have also observed that demographic factors like age, gender and profession have an impact on the perception of the investors towards mutual funds. All the researcher has followed a similar research methodology. The researchers have relied on the primary data, which was collected by administering a questionnaire. They have used pie charts and bar graphs to show the descriptive data. They have relied on the chi-square test statistics to test the relationship between the variables.

Sen (2009) conclude that the average performance of sample mutual funds lagged behind the average returns of market of the market proxy. The researcher found that the performance of mutual fund in India support the Efficient Market Hypothesis and the fund manager do not make use of any superior information for fund selection

From the above paper one inferences, it can be inferred that Mutual Funds have a tremendous potential in India.

Research Methodology

This study is both analytical and descriptive in nature. It has to do with Indian investments in mutual funds. Sample Size: A sample of 100 respondents from the primary purposeful sampling source is employed in the current investigation. To test the theory, chi square analysis is being used.

Data Analysis and Interpretation

Table1: Relation between Age and Investment in Mutual Funds
Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi- Square	4.350	1	.114
Likelihood Ratio	4.249	1	.120
N of Valid Cases	200		

Ho: Age of the Investor and Mutual fund investment are independent of each other
H1: Age of the Investor and Mutual fund investment are not independent of each other

In the above table, the p value of 0.114 is greater than the p value of 0.05. Thus, we will not reject the null hypothesis. Hence, there is no dependence between the age of the investor and Mutual fund investment. As the investment opportunity has been observed by all the age group of the investors.

Table 2: Relation between Gender and Mutual fund investment

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi- Square	1.100	1	.294
Likelihood Ratio	1.125	1	.289
N of Valid Cases	200		

Ho: Gender of the Investor and Investment in Mutual Funds are independent of each other
H1: Gender of the Investor and Investment in Mutual Funds are not independent of each other

In the above table, the p value of 0.294 is greater than the p value of 0.05. Thus, we will not reject the null hypothesis. This means that investment in mutual funds and the gender are independent of each other.

Table 3: Relation between Income and Investment in Mutual Funds
Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi- Square	11.900	3	.008
Likelihood Ratio	12.618	3	.006
N of Valid Cases	200		

Ho: Income of the Investor and Investment in Mutual Funds are independent of each other
H1: Income of the Investor and Investment in Mutual Funds are not independent of each other

In the above table, the p value is coming out to be 0.008 which is less than that 0.05. Thus, we can reject null hypothesis. This means that the investment in mutual funds is dependent on the income of the investor. From the figure. We observe that some of the investors who did not invest in mutual funds cited the reason that they have a budget constraint.

Table 4: Relation between Profession and Investment in Mutual Funds
Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi- Square	7.415	5	.192
Likelihood Ratio	8.729	5	.120
N of Valid Cases	200		

Ho: Profession of the Investor and Mutual fund investment are independent of each other
H1: Profession of the Investor and Investment in Mutual Funds are not independent of each other

In the above table, the p value is 0.192 which is greater than that of 0.05. Thus, we will not reject the null hypothesis. Thus, Mutual fund investment is not dependent on the profession of the investor.

Table 5: Relation between Educational Qualification and Awareness Level of Investors
Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi- Square	16.874	9	.050
Likelihood Ratio	19.639	9	.020
N of Valid Cases	200		

Ho: Educational Qualifications and Awareness Level of Investors are independent of each other

H1: Educational Qualifications and Awareness Level of Investors are not independent of each other

In the above table, the p value is coming to be 0.05. Thus, we can reject the null hypothesis. This means that the awareness level of the investors is dependent on the educational qualification of the investor.

Table 6: Relation between Risk Appetite and Investment in Mutual Funds
Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi- Square	23.171	12	.026
Likelihood Ratio	24.161	12	.019
N of Valid Cases	200		

Ho: Risk Appetite of Investor and Investment in Mutual Funds are independent of each other
H1: Risk Appetite of Investor and Investment in Mutual Funds are not independent of each other

In the above table, the p value is 0.026 which is less than 0.05. Thus, we will reject the null hypothesis. This means that the risk appetite of the investors and the investment in mutual funds are dependent on each other. In figure. We observed that the investors are generally risk averse. In the figure. We also observed that majority of the investors considered mutual funds to be having moderate degree of risk. From figure. We observe that many a significant no. of investors did not invest in mutual funds because they thought that mutual funds had a high risk. Thus, we observe that the investment in mutual funds is dependent on the risk appetite of the investors.

Table 7: Relation between Risk Appetite and Type of Mutual Funds
Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi- Square	23.171	12	.026
Likelihood Ratio	24.161	12	.019
N of Valid Cases	200		

Ho: Risk Appetite of the Investor and Type of Mutual Funds are independent of each other
H1: Risk Appetite of the Investor and Type of Mutual Funds are not independent of each other

In the above table, we see that the p value is coming out to be 0.026 which is less than that of 0.05. Thus, we can reject the null hypothesis. This means that the investment in type of mutual funds is dependent on the risk appetite of the investors. It is observed that the AMCs and the financial advisors will suggest the mutual fund scheme on the basis of the risk appetite of the investor. Hence, we observe that conservative investors will invest in hybrid and debt funds whereas aggressive investors will invest in equity fund.

Table 8: Relation between Source of Information about Mutual Funds and Investment in Mutual Funds
Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi- Square	17.820	3	.000
Likelihood Ratio	19.238	3	.000
N of Valid Cases	200		

Ho: Source of Information about Mutual Funds and Investment in Mutual Funds are independent of each other
H1: Source of Information about Mutual Funds and Investment in Mutual Funds are not independent of each other

In the above table, the p value is coming out to be 0.000 which is less than 0.05. Thus, we will reject the null hypothesis. This means that an investor who is in regular touch with his financial advisor is likely to invest in mutual funds since he will be persuaded by the advisor to invest in mutual funds. This also means.

Table 9: Relation between Level of Awareness and Investment in Mutual Funds
Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi- Square	33.584	3	.000
Likelihood Ratio	35.080	3	.000
N of Valid Cases	200		

Ho: Level of Awareness of the Investor and Investment in Mutual Funds are independent of each other
H1: Level of Awareness of the Investor and Investment in Mutual Funds are not independent of each other

In the above table, the p value is coming to be 0.000 which is less than that of 0.05. Thus, we will reject the null hypothesis. Hence, we can say that the investment in mutual funds is dependent on the awareness level of the investor. From figure., we see observe that a significant no. of investors who did not invest in mutual funds cited the reason that they were not aware about mutual funds and hence were not feeling confident to invest in mutual funds.

Table 10: Relation between Level of Awareness and Source of Information about Mutual Funds
Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi- Square	15727	9	.073
Likelihood Ratio	19.554	9	.021
N of Valid Cases	200		

Ho: Level of Awareness of the Investor and Source of Information about Mutual Funds are independent of each other
H1: Level of Awareness of the Investor and Source of Information about Mutual Funds are not independent of each other

In the above table, we see that the p value is coming out to be 0.073 which is greater than that of 0.05. This means that we will not reject null hypothesis. Thus, the level is awareness of the investors is not dependent on the source of information. This means that the investors who wish to invest in mutual funds are bound to do some additional research before parking their funds in a Mutual Fund.

Thus, we can summarize that the mutual fund investment is dependent on income, educational qualification, and risk appetite, source of information and level of awareness. The mutual fund investments are NOT dependent on age, gender and profession.

The investors were asked about their level of awareness towards mutual funds. Also checked whether educational qualifications and source of information have any relationship with the level of awareness of investors towards mutual funds. Also checked mutual fund investors about the methods which they used to evaluate the performance of mutual funds. This piece of information was used as a proxy to evaluate the level of awareness of investors towards mutual funds.

This data is being used to proxy to gauge the investor awareness and the time which they are willing to devote in their investment and portfolio management. Thus, aware investors will tend to evaluate their portfolio using risk adjusted returns and by comparing their returns with other schemes and the benchmark. These investors would be willing to devote more time to their investing activity. However, relatively unaware investors will be satisfied with a positive absolute return. They may not be in a position/willing to devote a lot of time to the investing activity.

Findings and Conclusion

- The result of the data analysis can be summarized as follows:
- The investors invested in various investment options primarily with the purpose of accumulating funds for future.
- Since, majority of our respondents invested in Bank deposits, thus according to the figures, the most preferred mode of investment was bank deposits. After investment in bank deposits, then Mutual funds. Direct equities, government securities and corporate bonds were less preferred investment options.
- Half of the mutual fund investors invested in equity funds followed by hybrid fund, ELSS and then debt fund.
- Systematic Investment Plan (SIP) is the most preferred option for the mutual fund investors.
- HDFC AMC was the most preferred AMC among the respondents.
- Most of the investors who did not invest in mutual funds said that mutual funds are risky, and they don't have the required knowledge.

- Most of the respondents (55.8%) preferred moderate degree of risk. There were a just 17.3% of respondents who claimed to be aggressive investors.
- Majority of the investors preferred to invest with a long-term horizon.
- The investment in mutual funds is dependent on educational qualification of the investors, risk appetite of the investors, source of information and the level of awareness of the investors.
- The investment in mutual funds is not dependent on age, gender and profession of the investors.
- One third of the investors came to know about mutual funds from their friends and relatives.
- Majority of the investors are totally ignorant about the mutual funds. Only 15.4% investors were fully aware of mutual funds.

The mutual fund sector continues to struggle to win investors' trust. Today, financial studies are taught in the classroom. Through advertisements, PR campaigns, and stall exhibitions, the organization to assist the mutual fund investment institution should make people aware of the advantages of mutual funds. Each AMC's District Adoption Program (DAP) and Investor Awareness Program (IAP) intends to boost mutual fund awareness in areas where it is either nonexistent or barely pervasive. In the first half of the current fiscal year, AMCs hosted 6,600 IAP in 250 cities, serving 0.26 million people.

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Annexure

Table 1

Liquidity Factors and Mutual Fund Investment Decision

Observed Frequency

Category	*Very Important*	*Neutral*	*Not so Important*	*Total*
Self Employed	*37*	*5*	*3*	*45*
Retired	*15*	*4*	*1*	*20*
Salaried	*27*	*6*	*2*	*35*
Total	*79*	*15*	*06*	*100*

Financial Awareness

Observed Frequency

Age	*Yes*	*No*	*Total*
25-34	*18*	*07*	*25*
35-44	*24*	*06*	*30*
45-54	*19*	*04*	*23*
55 +	*19*	*03*	*22*
Total			*100*

Table 3

Gender and Mutual Fund Investment

Observed Frequency				
Category	Positive	Neutral	Negative	Total
Male	31	8	11	50
Female	30	09	11	50
Total	61	17	22	100

Table 4
Age and Risk-Taking Factors

Observed Frequency

Age	*High risk*	*Moderate risk*	*Low risk*	*Total*
<30	*2*	*09*	*12*	*23*
31-40	*3*	*12*	*13*	*28*
41-50	*1*	*08*	*13*	*22*
51<	*2*	*13*	*12*	*27*
Total	*8*	*42*	*50*	*100*