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   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

INVESTORS' PERCEPTION IN MUTUAL FUND INVESTMENTS (A STUDY IN SELECTED MUTUAL FUND ORGANIZATIONS IN VISAKHAPATNAM)

B. MURALI KRISHNA
DIRECTOR
SAMATA DEGREE & P.G. COLLEGE
M.V.P. COLONY
VISAKHAPATNAM

K. RAKESH
ASST. PROFESSOR
SCHOOL OF MANAGEMENT STUDIES
MVGR COLLEGE OF ENGINEERING
VIZIANAGARAM

P.V.S. SIVA KUMAR
ASST. PROFESSOR
SCHOOL OF MANAGEMENT STUDIES
MVGR COLLEGE OF ENGINEERING
VIZIANAGARAM

ABSTRACT

In the last two decades, there has been a sea change in the financial services industry. To acclimatize this change, these financial institutions are turning to new technologies and new delivery channels to identify, attract and retain profitable investors, while reducing costs. No longer can these firms continue to act as independent entities regardless of the interest of the investors. As companies evolve from product-or campaign-centric marketing to investor-centric marketing, a set of best practices are emerging, which focuses on measuring and increasing the value of the investor base. We call these practices investors service. Knowing the perception levels of investors' will help the organizations to act better and provide them better knowledge on mutual funds. This paper highlights the role of perception levels on attributes in the Mutual fund industry and an attempt has been made to identify and explore live events and experiences that influence the customer to choose a particular company as a business partner.

KEYWORDS

Financial Services, Investor-Centric Marketing, Perception, Mutual Funds, Attributes.

INTRODUCTION

In the four decades of its subsistence in India, the mutual fund industry has moved out through numerous structural changes. The mutual fund industry in India has been on a roll as the assets under management maintain to see a strong squirt in growth. Apart in view of the fact that this, the industry in addition seen a spurt in the number of schemes catering to diverse needs of investors. A booming economy and a conductive regulatory environment and others factors have added to the growth of an industry. A mutual fund is alternative investment avenue for investors, especially in a scenario where the interest rates are falling. The only thing is that an investor ought to bear in mind that asset in mutual fund is not risk-free, unlike a bank deposit. It carries a convinced amount of risk and one has to consequently to weigh those risks and returns, and the investment objectives.

Though there are around 30 companies in service in the industry, the competition is limited. There is nothing like competition between the public and private sector, as all players operate in the same environment. Mutual fund players formulate their strategies to have the shares of their growing market. They develop their products for both the mass and niche markets, considering clients' financial goals, risk taking ability and time duration. They meticulously segment and target their customers and position their products according to their needs. There is remarkable change in promotional activities taken up by mutual fund players. AMCs now opt for the services of the large distributors to sell their products by leveraging their value chain, which compromises of broker, sub-brokers and agents. The AMCs also use banks and non-banking financial AMCs as distribution channels to leverage their reach and huge client base. Mutual fund players also make use the internet to distribute products because of the cost advantages and increased communications. Even as the number of funds operating in India is high, the penetration of the industry is significantly low. So there is a huge market available in the country for channelizing the savings of the people into mutual funds. Currently, mutual funds are concentrating on the urban market and it is incumbent capability before penetration the rural market.

KEY CHALLENGES

While the industry faced several challenges during its evolution, its key challenge in the current phase is to mobilize a large pool of investments available in the country. In the equity segment there is a huge amount of volatility. Another important challenge for the industry is to increase awareness levels and take the industry to the masses. Mutual funds are generally perceived as investments in equity markets and hence, investors expect a return which is much superior to the normal return that other comparable instruments yield. It is the industry's responsibility to educate the investors and remove any pre-convinced notions about investing in mutual funds. This has to be done through a broad-based campaign either by the mutual funds themselves or by AMFI or both.

OBJECTIVES

The specific objectives of the present study are

- To assess urban & rural household investment preferences of different financial asset like bank deposits, provident funds, LIC policies, Shares & products of MF.
- To measure the degree of awareness of savers towards mutual fund organizations and their products in urban and rural areas.
- To assess the perception and preferences of small investors among various MF products such as regular income scheme, tax saving scheme, equity linked saving scheme etc.,
- To find out investors' preferences among various MF organizations
- To measure investors' satisfaction regarding after sale service by MF organizations.

METHODOLOGY

The study is based on a survey of 150 respondents through a questionnaire covering different groups of investors but we could collect 123 complete questionnaire from investors out of which 100 were taken as an effective sample.

The data obtained from the study were summarized and analyzed for identification of the key features preferred by the respondents in a mutual fund product.

The primary data was collected through personal interview with the help of questionnaire, the questionnaire consists of two parts, Part – I go to their personal profile, Part – II go to measure the perception about MF investment and the organizations after sale service.

The secondary data was collected with the help of broachers, text books, websites etc,

REVIEW OF LITERATURE

Mutual funds have already attracted the attention of global practitioners and academicians but most of the existing research available is on either accelerating the return on funds or comparing it with benchmark fund schemes. Few studies are available that focus on investor's objective and considering risk orientation of investors that has been categorized as:

Studies pertaining to Investor's Rationality: Risk –Return trade off

Investors are generally more careful while making investment decision and presence of rationality in every investor demands higher return at minimum risk but when markets are efficient it is not possible to gain abnormal returns. Risk is generally, associated with various applications differently but in common it means negative connotation such as harm or loss or some undesirable action. Risk expressed by Kaplan and Garrick (1981) demonstrates that risk involves a factor of uncertainty and potential loss that might be incurred. Elmiger and Kim (2003) elucidate risk as .the trade-off that every investor has to make between the higher rewards that potentially come with the opportunity and the higher risk that has to be borne as a consequence of the danger. Although different literature available on risk define it variedly but in common the word risk refers to situations in which a decision is made whose consequences depend on the outcomes of future events having known probabilities(Lopes,1987). Risk from a strategic management perspective has been defined as one that is often taken as manager's subjective judgment of the personal or organizational consequences and it may result from a specific decision or action. Beta has been accepted as most appropriate measure of risk that describe the slope of any regression line .i.e. it reveals the volatility of a stock relative to a market benchmark (Sharpe 1966). Uncertainty in investment decision prevails when Mutual fund AMCs skills and knowledge fail to have proper access of decision relevant information due to complexity of financial markets. This incapacity forces decision makers to adopt a simplified approach where risk is considered to be exogenous variable. Extensive literature available has proved that since Markowitz (1952) attempts have been made to resolve the conflicts of how decision makers should choose among composite alternatives that combine stochastic outcome as he was strongly in favor that choice for portfolio of securities is entirely different from securities that an individual investor holds (Bernstein 1996). Risk adverse behavior of investors reflects the choice of investors to avoid risk or take negligible risk that means whenever an individual investor is given option to go for guaranteed return with probability one which are comparatively less than gambling return with probability less than one, chances are that he may go for guaranteed return.

Studies relating to investment expectations

Huge literature available on predicting stock market returns has proved that generally investors think high past stock market return predict high future return (De Bondt, 1993) even though there is no support for such belief in the data (Fama 1988). Further, evidence by Fisher and Statman (2000) have shown that individual investor's stock market return expectations are positively correlated with past returns. An attempt to relate stock expected returns and interrelated attributes can be well traced from Asset pricing Model that explains an assets expected return is positively related to its systematic market risk (Black 1972). The crux of these models is that risky portfolio yields higher return. Although majority of investors who invest in mutual fund themselves are not clear with the objective and constraints of their investment but in addition to this most important critical gap that exist in this process is lack of awareness about presence of risk elements in mutual fund investment. The new marketing philosophy and strategies place special emphasis on recognition of customer needs in an effort to provide high level of quality services (Harrison, 2000). Study by Laukkanen (2006) explains that varied attributes present in a product or service facilitate customer's achievement of desired end-state and the indicative facts of study show that electronic services create value for customers in service consumption. Return ambiguity and changes in risk perception of individual investor affect action taken in risky financial market. In a more complex situation taking rational decision is undoubtedly difficult but certainly not impossible. Computational complexities are not only the reason why rationality assumption is challenged rather challenges also come from cognitive reasoning (Anderson 1991) where question is how optima human beings are. A more realistic notion of rationality is bounded rationality defined by Simon (Simon 1957) that property of an agent who behaves in a manner that is nearly as optimal with respect to its goals as resource will allow. Here resource includes processing power, algorithm and time available to the agent.

Studies relating to Financial Innovations in mutual funds

New financial product and market designs, improved computer and telecommunication technologies and advances in theory of finance during past quarter century have led to dramatic changes in structure of mutual fund industry. Financial innovation is fighter promoted when the financial authorities recognize the obsolescence of existing statutory framework and deregulate the essential part of it (Suzuki 1986). Financial system of any country comprises of regulatory bodies, financial institutions, financial products and financial markets and whenever the regulatory bodies try to interfee and restrict the actions of financial intermediaries, to sustain their position in the financial market, mutual funds (FMI) are required to come up with innovative and more lucrative solutions. Wide literature available on financial innovations has proved that regulatory restraints encourage innovations (Ben-Horim, 1977). Study by Kane (1978) has described the process of avoiding regulations, as "loophole mining" which suggests that when regulatory constraints are so burdensome that large profits can be made by avoiding them, financial innovations is more likely to occur. These financial innovations may look for searching either entirely new product or making some structural changes in already built financial products to focus on investor's requirement. Financial innovation in case of mutual funds is an ongoing process but innovation and success are not parallel to each other. A large size of enterprise implies that product supported by adequate innovation is more likely to yield greater return (Schumpeter 1950). Study contrast to this by Scherer (1984) has suggested that smaller firms with only modest level of market power are more likely to be rapid innovators. Mutual fund managers have to use various investment styles depending upon investor's requirement. Most of the empirical evidences have shown that mutual fund investor's purchase decision is influenced by past performance (Patel, 1992). Research study by (Jones et al, 2007) has proved that a negative correlation exists between advertisement and fund quality. A common investor may expect that mutual fund should opt strategies that have been documented to produce superior returns in the past instead they follow to select portfolios that don't deviate markedly from market benchmarks (Lokonishok, Shleifer and Vishny, 1997).

FUTURE GROWTH

The mutual fund industry has evolved in many aspects in the last decade or so, be it product innovation, distribution reach, investor education or leveraging technology. At present, only small portions of public savings reach the capital markets through the MF route. In future, the percentage of savings reaching capital markets through MF route will raise gradually. Innovations like arbitrage funds, exchange-traded funds are going to benefit investors in a very tangible way. However, again within the exchange traded funds category, products like real estate exchange –traded funds will take some time to be introduced in the Indian market. The industry is one of the most regulated and has so far seen a very small number of issues. This fact alone should illustrate the likely future development of the mutual funds industry. Although the competitive scenario is getting together by the day, it actually helps in the expansion of the market. Competition will also lead tom innovation in product development and a race for better returns. Going by India's demography, the purchasing power and the savings rate and the kind of money people earn will increase in the future. Obliviously, they need investment opportunities and mutual funds will be one of the best opportunities for the future, because of the kind of returns they yield, which no other class can give vis-à-vis the risks. Investors can map these risks and returns on the basis of investments in the mutual fund industry. With this background, the industry's future seems bright for the coming years. It has great potential to grow and is already on the path.

In India, mutual funds play a dominant role by mobilizing savings and investing them in the capital market, thus establishing a link between savings and capital market. The main objective of investing in mutual fund scheme is to diversify risk. Mutual funds made an opening in 1963 under the enactment of Unit Trust of India which launched its first scheme named US 1964, which is continuing even to-day. In1986, the Government amended the Banking Regulation Act and permitted public sector commercial banks like SBI, PNB, Canara bank and so forth to set up mutual funds. Government allowed insurance companies in the public sector- GIC in 1989 and LIC in 1991, to set up mutual funds. In 1993, under its New Economic policy of liberalization opened the gates to the private sector to set up mutual funds. In March 1991, the government entrusted the function of regulating mutual funds to Securities and Exchange Board of India (SEBI) which issued guidelines in October, 1991 for regulating the Indian capital market.

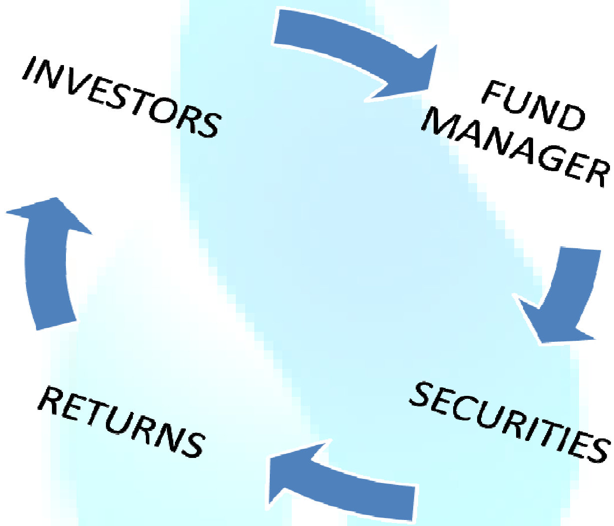
SECTOR WISE MOBILIZATION OF FUNDS BY MUTUAL FUNDS

Mutual funds have become an important segment of institutional investors. The total mobilization of funds by private sector MFs during 2007-2008 was Rs.37, 80,753 crores, followed by UTI MFs Rs.3, 46,126 crores, and public sector MFs Rs.3, 37,498 crores. As in the preceding years, the private sector MFs continued to dominate resource mobilization in 2007-2008 Now there is SIP (systematic investment plan) method of investing in the mutual fund. Before starting a SIP, an investor has to decide on which fund scheme he wants to invest in dividend or growth option? How much one wants to invest? How long one wants SIP to go on? and so forth. Interest rate future was launched in National Stock Exchange on 31st August, 2009. It is a contract to buy or sell a debt security (10 year government bond bearing interest rate of 7% payable half yearly) at a price decided in advance for delivery at a future date .The contract helps to eliminate the interest rate risk.

INVESTORS' PERCEPTION

Perception of investors regarding type of scheme, growth, risk, returns, taxability etc will play a crucial role in the growth of organization. The following block diagram will help to study how crucial investor was in mutual fund investments.

FIGURE 1



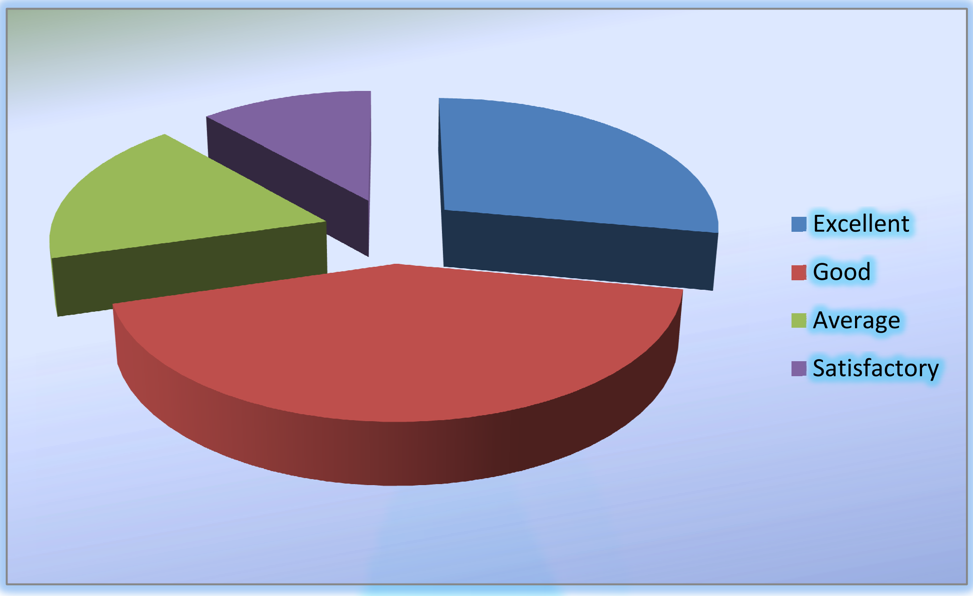
DATA ANALYSIS

Data was collected through questionnaire and tabulated and graph indicates that

TABLE 1

Particulars	Excellent	Good	Average	Satisfactory	**Total**
% Fund Allocation	23	49	17	11	100
Entry/Exit Load	34	42	14	10	100
Portfolio contents	24	56	14	6	100
Income	26	51	16	7	100
Growth	19	46	19	16	100
Maturity/Liquidity	14	27	40	19	100
Risk Disclosure	38	32	19	11	100
Returns	19	23	37	21	100
Taxability	31	46	14	9	100
Service	51	38	5	6	100
Total	**279**	**426**	**179**	**116**	**1000**

FIGURE 2



INTERPRETATION

The data collected through survey by executing a well structured questionnaire is analyzed and tabulated.

It is clearly indicated in the table that half of the respondents feel that the percentage of fund allocation is good. The table shows that nearly three-fourth of respondents opined positively regarding the Entry/Exit load of Mutual funds. The respondents' viewpoint towards the portfolio of funds can be understood clearly by watching the table. More than half of them feel that the portfolio content is good. The table even shows that it should be improved to certain extent so that it reaches to the level of excellence. Half of the respondents ventilated their opinion that some Income is generated from the mutual funds. To have a positive perception towards the mutual funds among the investors the income generated should be increased. Nearly half of the respondents feel that there is good growth in the funds. But to have great development in this area the growth should reach peaks as much as possible. More than one-third of respondents feel that the Maturity/Liquidity of funds is average. Most of them opined that the Risk Disclosure levels involved in the fund investment are more. But to be successful in the market and to reduce the negative perception among the investors the risk should be minimized. The table shows a clear view that most of are of negative opinion towards the returns. To attract more investors the returns from the funds should be more and reach the level of excellence. Nearly half of the respondents opined that the funds are taxable and they feel good towards it. Finally majority of respondents are of positive opinion and feel that the service provided by the funds are excellent and good.

CONCLUSION

Since the financial environment was been more educated, the investors' have a better opinion on the services and other terms of mutual funds. It is also clear that there are some unavoidable risk which cannot be overcome, but it was the advice for the investors to have a clear watch on market and other economic environmental factors which effect your investments. There should be a through check up with there fund managers throughout the investment process.

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