



## INTERNATIONAL JOURNAL OF RESEARCH IN COMPUTER APPLICATION AND MANAGEMENT

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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.

**Journal and other articles**

- 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.

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- Chandel K.S. (2009): "Ethics in Commerce Education." Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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**INVESTORS PERCEPTION TOWARDS INVESTMENT IN MUTUAL FUNDS****DR. R. NANDAGOPAL****DIRECTOR****PSG INSTITUTE OF MANAGEMENT****PSG COLLEGE OF TECHNOLOGY****COIMBATORE – 641 004****M. SATHISH****ASST. PROFESSOR****PSG INSTITUTE OF MANAGEMENT****PSG COLLEGE OF TECHNOLOGY****COIMBATORE – 641 004****K. J. NAVEEN****SR. RELATIONSHIP MANAGER****ICICI SECURITIES****TIRUNELVELI****V. JEEVANANTHAM****MANAGEMENT TRAINEE****COCA-COLA****CHENNAI****ABSTRACT**

*The investment decision making process is a multi-faceted subject to change over a period of time. Mutual Funds have become an important portal for the small investors. The objectives of the study are to know investor's motivational factors, investment preference and problems faced by investors in Mutual Funds. The study reveals that 1) The motivational factors to invest in mutual funds are Portfolio diversification, Risk minimisation and greater tax benefits; 2) Lack of knowledge is the primary reason for not investing in mutual fund. It is concluded that the mutual fund business in Coimbatore is still in the growth phase.*

**KEYWORDS**

Portfolio diversification, Risk minimization, Mutual Funds.

**INTRODUCTION**

The term investment is used to describe the process of investing money in shares, debentures, fixed deposits, gold, real assets, life policies, mutual funds and money market instruments. These outlets where the money is invested are known as investment assets. By investing, an investor commits the present funds to one or more assets to be held for some time in expectation of some future return in terms of interest (revenue) or capital gain.

Individual investors consider a number of factors before deciding to invest their funds in various securities involving varying degrees of risk and return. In the present economic scenario, the options available to them are different and the factors motivating the investors to invest are governed by their socio – economic profile including expected return and risk tolerance. In short, the investment decision making process is a multi-faceted subject to change over a period of time. An attempt has been made in this study to identify the perceptual factors which influence the investors to invest in mutual funds.

There are a number of investment opportunities available to an investor. Each of these investments has its own risk and return features. The proverb “never put all the eggs in the same basket” guides the investor to diversify the risk. Diversification refers to the process whereby an investor invests his funds in more than one investment opportunity. An investor must learn to analyse and measure the risk and return of the portfolio.

All investors may not be in a position to undertake fundamental and technical analysis before they decide about their investment options. Neither do they have the resources nor the expertise to do so. Instead of investing directly, the investors particularly, small investors may go for indirect investment through the mutual funds. Instead of becoming the share holder or bondholder of a company, these investors would become the unit holders of mutual funds. In almost all the capital markets throughout the world, mutual funds have gained a significant position.

The mutual fund industry plays a significant role in the development of the economy as well. 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.

**INDIAN MUTUAL FUND INDUSTRY**

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank. The history of mutual funds in India can be broadly divided into four distinct phases ? First Phase – 1964-87 Unit Trust of India (UTI) was established on 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and Administrative control of the Reserve Bank of India. In 1978, UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. The first scheme launched by UTI was Unit Scheme 1964.

Second Phase – 1987-1993 (Entry of Public Sector Funds) 1987 marked the entry of non- UTI, public sector banks, Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC) to set up their mutual funds. SBI Mutual Fund was the first non- UTI Mutual Fund established in June 1987 followed by LIC, which established its mutual fund in June 1989 while GIC had set up its mutual fund in December 1990.

Third Phase – 1993-2003 (Entry of Private Sector Funds) With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry giving the Indian investors a wider choice of fund families. Also, 1993 was the year in which the first Mutual Fund Regulations came into being, under which all mutual funds, except UTI were to be registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector

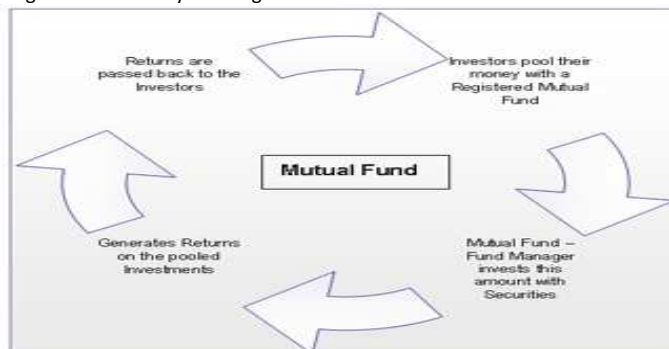


mutual fund registered in July 1993. The number of mutual fund houses went on increasing, with many foreign mutual funds setting up funds in India and also the industry has witnessed several mergers and acquisitions.

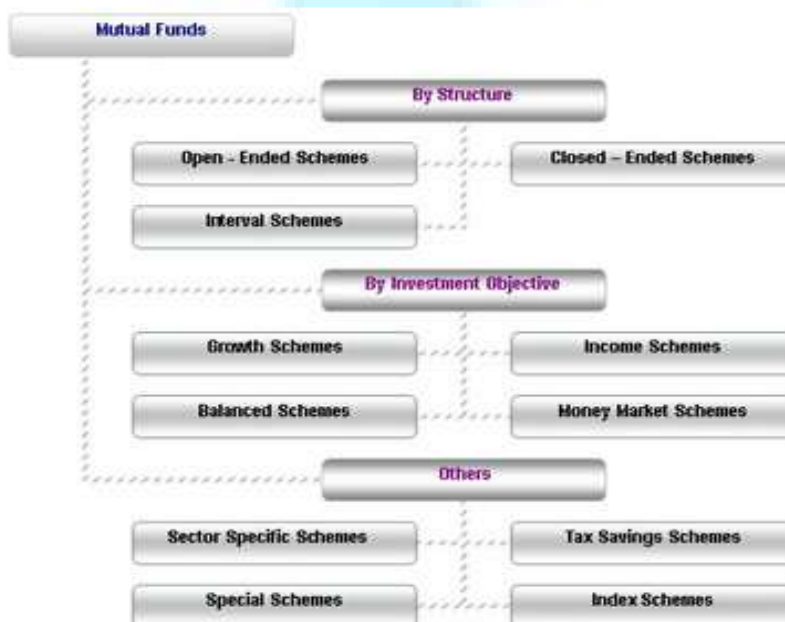
Fourth Phase – since February 2003 In February 2003, following the repeal of the Unit Trust of India Act 1963, UTI was bifurcated into two separate entities. One is the Specified Undertaking of the Unit Trust of India with assets under management of Rs.29, 835 crores as at the end of January 2003, representing broadly, the assets of u/s 64 schemes. (Assured return and certain other schemes).

**OPERATIONAL FLOW OF MUTUAL FUND**

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 net mobilisation of funds in the sector.



**TYPES OF MUTUAL FUND**



**REVIEW OF LITERATURE**

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.

Rajeshwari TR and Rama moorthy VE (2002) studied the financial behavior and factors influencing fund/scheme selection of retail investors by conducting factor analysis using principal component analysis, to identify the investors underlying fund scheme selection criteria, so as to group them into specific market segment for designing of the appropriate marketing strategy.

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)

Mustafa Soleimanzadeh in his article, "Learn how to invest in Mutual Funds" had discussed about the risk and return in mutual funds. He stated that the risk and return depend each other, the greater the risk, the higher the potential return; the lower the risk, the lower the expected return. Mutual funds try to reduce their risk by investing in a diversified group of individual stocks, bonds, or other securities. He concluded that the investment in stocks can get more return than mutual funds but investment in mutual funds the risk is lower. Mutual funds are great for funding retirement plans and investors that don't have the time or energy to consider individual stocks.(2006)

Kum Martin in his article, "Basics about Mutual Funds" had discussed about different types of mutual funds. He stated that the equity funds involve just common stock investments. They are extremely risky but can end up earning a lot of money. Fixed income funds are government and corporate securities. Fixed income funds offer fixed returns and the risk associated with these funds is very low. Balanced mutual funds are a combination of bonds and stocks. He concluded that the low risk in investment will not earn a lot of returns. (2007)

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, et al. 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).

**OBJECTIVES OF STUDY**

- To Analysis the Perception of investors on various investment options
- To analysis the Motivational Factors of Mutual Fund investors
- To study the why the investor are not ready to invest in Mutual Funds

**RESEARCH METHODOLOGY**

**RESEARCH DESIGN**

The research is built on a Descriptive research design as the objective of the research is to describe the reasons behind investing in Mutual Funds among the various schemes in the Mutual Fund Industry and other than Mutual Funds.

**SAMPLING METHOD**

Here, in this research, simple random sampling method is used in order to get the survey results from the investors through which we have to formulate the research result with the further processes of the research. This study was conducted in Coimbatore district. In Coimbatore district there are around 50 share broking offices (including franchisees). Since the number of Investor into the mutual fund is not known, Therefore 103 investors were interviewed based on the convenience of the researcher on their living environment.

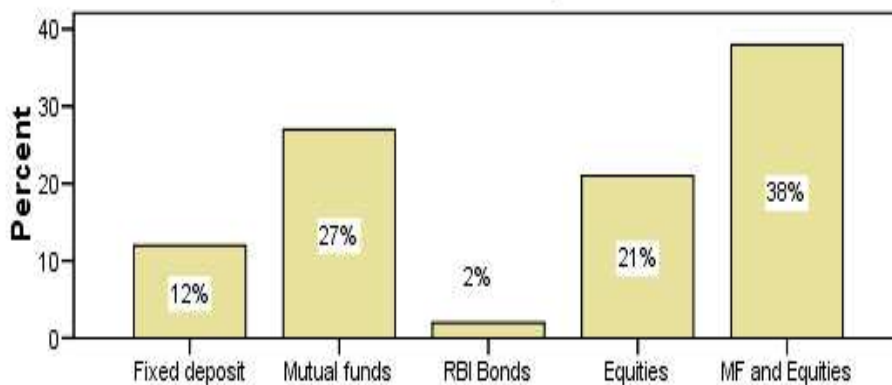
**DATA COLLECTION**

The primary data with the help of interview schedule were collected from various investors. The primary data was collected from both the male and female respondents themselves who are engaged into the investment in mutual funds. Secondary data is collected from company websites, company fact sheets, magazines, brochures, standard text books, from various publishing articles, and internet websites.

**ANALYSIS AND INTERPRETATION**

**VARIOUS INVESTMENT TOOLS**

**FIGURE: 6.1 INVESTMENT TOOLS CURRENTLY INVESTED**



It is clear that 38 % of respondents have invested in both Mutual fund and Equities, 27% of respondents have invested in Mutual funds, 21% of respondents have invested in Equities, 12% of respondents have made investments in fixed deposits and only 2% of respondents have invested in RBI bonds.

**REASON FOR CHOOSING THE VARIOUS INVESTMENT TOOLS**

**TABLE: 6.2 INVESTMENT TOOLS CURRENTLY INVESTED**

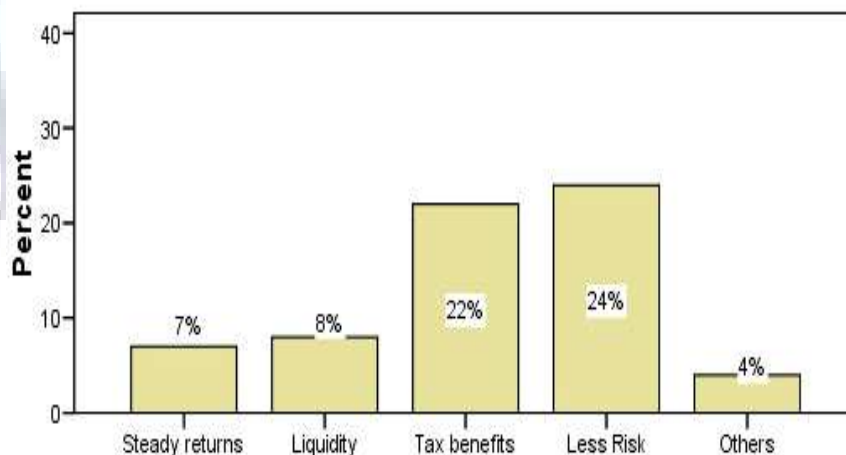
Reason for Investment	Mean Rank
Tax Benefits	3.18
Returns	1.54
Liquidity	3.16
Savings	2.16
Others	4.96

Source: Primary Data

It is clear from Table 4.2 that among 103 Investors majority of the investors gave first rank to the reason returns. The reason of savings has got second rank. Investors gave third position to the reason Liquidity. The Reason of tax benefits secured fourth place and the reason others has got fifth place from the investors.

**PERCEPTUAL REASONS TOWARDS SELECTING MUTUAL FUND**

**FIGURE: 6.3 PERCEPTUAL REASONS TOWARDS SELECTING MUTUAL FUND**





It is clearly inferred that among 103 Investors 65% of investors have invested in Mutual fund, out of 65% investors 24% respondents have stated that their reason for investment is lesser risk, 22% of investors have stated tax benefit as the reason for investment. 8% of investors have stated liquidity as the reason and only, 7% of investors have invested because of liquidity. Hence it can be concluded that the majority of investors have invested due to lesser risk.

Hypotheses

Ho: Tax benefits, Returns, Liquidity, Savings and others all the reasons have same ranking among the investors.

H1: Tax benefits, Returns, Liquidity, Savings and others all the reasons have unique ranking among the investors.

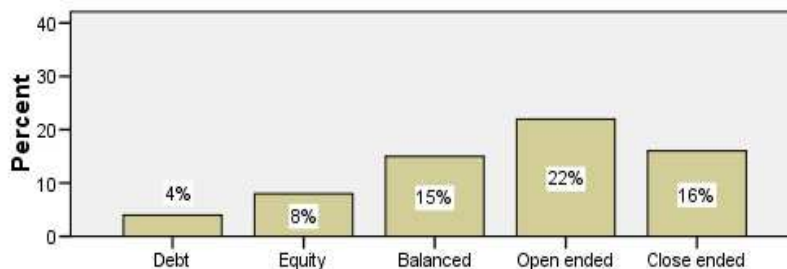
TABLE 6.3 CHI SQUARE STATISTICS

N	103
Chi Square	269.472
DF	4
Asymp Sig.	0.000

From the table 4.3 it is clear that the significant value is less than the Level of Significance (0.05). Hence the null hypothesis is rejected. It can be concluded that Tax benefits, Returns, Liquidity, Savings and others all the reasons have unique ranking among the investors.

**PREFERRED TYPE OF MUTUAL FUND**

FIGURE: 6.4 PREFERRED TYPE OF MUTUAL FUND



Among 103 Investors, 65% of Investors have invested in Mutual funds, among them 22% of Investors have invested in the open ended scheme, 16% of investors have invested in the close ended scheme, 15% of investors have invested in balanced scheme, 8% of investors have invested in equity scheme and only 4% of Investors have Invested in debt Scheme, Hence it indicated that the majority of investors have invested in open ended Scheme.

**FACTORS THAT MOTIVATES INVESTORS TO INVEST IN MUTUAL FUND**

TABLE 6.5 MOTIVATORS TO INVEST IN MUTUAL FUND

Motivators	SA	A	N	DA	SDA	Total Score	Mean Score	Rank
Greater tax benefits	13	42	40	3	5	356	3.56	3
Greater Liquidity	12	33	49	7	2	346	3.46	6
Investment for shorter duration	8	31	38	22	4	318	3.18	7
Steady returns	12	41	32	15	3	350	3.50	4
Return better than FD	20	34	26	16	7	348	3.48	5
Diversification of portfolio	24	49	23	5	2	388	3.88	1
Minimization of risk	24	43	27	9	0	382	3.82	2

Source: Primary data

(SA – Strongly Agree, A – Agree, N – No Opinion, DA- Disagree, SDA- Strongly Disagree)

It could be seen from Table 4.21 that Diversification of portfolio was the top most factor that motivates investor to invest in mutual fund. Minimisation of risk was ranked the next factor that motivates investor to invest in mutual fund. Greater tax benefits secured third position among overall factors that motivates mutual fund investment. Steady returns were the Fourth important factor to invest in mutual fund as pointed out by the investors. In the view of the sample investors the factor return better than fixed deposit has received fifth rank. Investors have pointed out Liquidity and investment for shorter duration as the least motivating factor respectively.

**FINDINGS AND RECOMMENDATION**

A majority of investors have stated that lack of knowledge as the primary reason for not investing in mutual fund. The second foremost reason for not investing in Mutual fund is the difficulty confront by investors in selection of schemes.

Diversification of portfolio, Minimisation of risk, greater tax benefits were the top most factor that motivates investor to invest in mutual fund respectively.

Regarding the reason for investing majority of the investors gave first rank to Returns. The reason of savings got second rank from Investors. Liquidity has got third position to the reason of investment. The Reason of tax concession secured fourth and other reasons has got fifth place.

The relation is stronger between External advisor of the Investors and Scheme of investment in Mutual Fund as the contingency coefficient is closer towards 1(0.760). It reveals that the external advisor of investor influence the scheme of mutual fund investment.

From the study it was clear that the majority of investors are in the age group of below 30 yrs. The majority of the investors are male investors. Regarding the educational qualification of the investors the majority of the investors are graduates.

From the study it was clear that the majority of investors are employed in private sector. Regarding the income of the sample investors the majority of the investors are earning rupees 10001 to 15000 and the income of investors does not influence the frequency of investment.

The study shows that the majority of the investors have purchased their mutual fund directly and the investor's educational qualification has no impact on selection of external advisor.

**RECOMMENDATION**

Provision for Class Room training for the new investors to eradicate lack of knowledge and some investment tips can also be given to the investors during the session by the Mutual Fund Promoters.

Investment advisors / External advisors should update themselves with new investment schemes in market as well as other schemes to make sure that the information delivered to the customer is accurate.

The medium of communication should be simplified (region specific, language specific etc) to accommodate even rural investors.

Customers generally make a call to the respective branch for some problems or general queries, a customer can save the money by dialing on the toll free number. It gives a feeling to the customer that company cares for them.

AMCs should continuously design suitable schemes to meet the triple needs of safety, greater tax benefits and steady returns

## CONCLUSION

The present study analyses the investors' attitude towards mutual fund investments in Coimbatore city. Both the primary and secondary data were used in this study. The primary data was collected from the existing individual investors, who have invested on mutual funds in Coimbatore with the help of a structured interview schedule. It is concluded that the mutual fund business in Coimbatore city is still in the growth phase. So, concentrated efforts are needed for its success. The success depends upon professional competence of fund manager's track record, efficient administrative system, introducing innovative schemes with steady returns and tax concession.

## SCOPE FOR FURTHER RESEARCH

The present study is confined to the selected mutual fund investment scheme only. An analysis is undertaken from the point of view of the investors who invest their money in mutual funds. The study also includes the opinions of the investors on the various aspects such as scheme of investment, duration of investment, factors that motivates investors to invest in Mutual Fund, reason for selection of Mutual fund and reason for not selection of mutual fund.

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