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INTRODUCTION
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NEED/IMPORTANCE OF THE STUDY
STATEMENT OF THE PROBLEM
OBJECTIVES
HYPOTHESES
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
CONCLUSIONS
LIMITATIONS
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INVESTORS PERCEPTION ON MUTUAL FUNDS AT NELLORE DISTRICT

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ABSTRACT

The mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. The plethora of schemes provides variety of options to suit the individual objectives whatever their age, financial position, risk tolerance and return expectations. In the past few years, we had seen a dramatic growth of the Indian Mutual Fund industry with many private players bringing global expertise to the industry. Investment in mutual funds is effected by the perception of the investors. The objectives of the study are to identify the small investor's perceptions on mutual funds and to analyse the factors affecting small investors' perception towards mutual fund. The study aims at finding out the attitude of the small investors towards investment in mutual funds in Nellore. By adopting convenience sampling, 200 sample respondents were selected for this study. Simple statistical tools are used for analysing the data whatsoever collected in this study. Small investors are now turning more to mutual funds because of safety, liquidity, capital gains and transparency. The present investigation outlined that mostly the small investors have positive approach towards investing in mutual funds.

KEYWORDS

Demographic Factors, Mutual Funds, Perception of investors.

JEL CLASSIFICATION

G11, G12

INTRODUCTION

Mutual fund is suitable for the common man as it offers an opportunity to invest and diversified, professionally managed basket of securities comparatively at low cost. The investors pool their money to the fund manager and the fund manager invest the money in the securities and after generating returns passed back to the investors. "Mutual fund is a pool of money is invested in accordance with the common objective stated before the investment to the investors." The SEBI regulations 1993 defines a mutual fund as " a fund in the form of trust by a sponsor, to raise money by the trustees through the sale of units to the public, unser one or more schemes, for investing in securities in accordance with these regulations" Mutual funds offers several advantages over investment in single stocks, including diversification and professional management. A mutual fund can hold investments in number of stocks, thus reducing the risk associated with any particular stock. Moreover, the transaction cost associated with buying and selling.

REVIEW OF LITERATURE

Lenard et., al. (2003) empirically investigated investor's attitudes toward mutual funds. The results indicate that the decision to switch funds within a fund family is affected by investor's attitude towards risk, current asset allocation, investment losses, investment mix, capital base of the fund age, initial fund performance, investment mix, fund and portfolio diversification. The study reported that these factors are crucial to be considered before switching funds regardless of whether they invest in non-employer plans or in both employer and non-employer plans.

Bollen (2006) studied the dynamics of investor fund flows in a sample of socially screened equity mutual funds and compared the relation between annual fund flows & lagged performance in SR funds to the same relation in a matched sample of conventional funds. The result revealed that the extra-financial SR attribute serves to dampen the rate at which SR investors trade mutual funds. The study noted that the differences between SR funds and their conventional counterparts are robust over time and persist as funds age. The study found that the preferences of SR investors may be represented by conditional multi-attribute utility function (especially when SR funds deliver positive returns). The study remarked that mutual fund companies can expect SR investors to be more loyal than investors in ordinary funds.

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 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. The study found that majority of individual investors doesn't consider mutual funds as highly risky investment. In fact on a ranking scale it is considered to be on higher side when compared with other financial avenues. The study also reported that significant relationship of interdependence exists between income level of investors and their perception for investment returns from mutual funds investment.

Saini et., al. (2011) analyzed investor's behavior, investors' opinion and perception relating to various issues like type of mutual fund scheme, its objective, role of financial advisors / brokers, sources of information, deficiencies in the provision of services, investors' opinion relating to factors that attract them to invest in mutual and challenges before the Indian mutual fund industry etc. The study found that investors seek for liquidity, simplicity in offer documents, online trading, regular updates through SMS and stringent follow up of provisions laid by AMFI.

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. On the contrary age and occupation have not been found influencing the investor's attitude. The study noticed that return potential and liquidity have been perceived to be most lucrative benefits of investment in mutual funds and the same are followed by flexibility, transparency and affordability.

NEED FOR THE STUDY

Indian Mutual Fund (IMF) industry provides reasonable options for an ordinary man to invest in the share market. Financial markets are constantly becoming more efficient by providing more promising solutions to the investors. As of now big challenge for the MF 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 IMF industry more vibrant and competitive. Therefore a need is there to study investor's perception regarding the MFs. In this context, the need of study has been aroused in order to see the preference, awareness and the investors' perception regarding the MFs. The study at first tests whether there is any relation between demographic profile of the investor and MFs and the factors that influences the selection of MF schemes. For the purpose of analysis perceptions of selected small investors are taken into consideration.

OBJECTIVES

1. To study the attitude of investors(categorize and selected demographically) towards investment in mutual funds

2. To identify the opinion among demographic groups on attitude towards investment
3. To identify the objectivity of investment among demographic groups

HYPOTHESIS

1. There is significant difference in opinion among Demographic groups on attitude towards Investment
2. There is significant difference in Objectivity of Investment among Demographic Group

RESEARCH METHODOLOGY

The research design for the study is descriptive in nature. The researcher collected primary data from the investors living in Nellore and invested in MF schemes during the period between August to November, 2014 through a structured questionnaire. The sample size covered 200 small investors of Nellore . In order to collect referred information from the investors, the sampling design was carefully decided and properly chosen for the study. From the selected area, ten approved brokers of were chosen and contact the investors with the help of brokers. Thus, this study was based on the responses by 200 selected respondents. To analyse the primary data simple statistical tools like percentage method, cross tabulation and Chi-Square analysis were used.

ANALYSIS

DIFFERENCE IN OPINION OF VARIOUS DEMOGRAPHIC GROUPS ON ATTITUDE TOWARD INVESTMENT

H1 *There is significant difference in opinion among Demographic groups on attitude towards Investment.* To analyze the difference in attitude of Investment among various Demographic groups, Independent sample t-test is employed. In this statistical analysis the attitude toward investment is considered as test variable and each Demographic factor is considered as grouping variable. The results of attitudinal difference are collected by employing each demographic variable separately. The results of independent sample t-test are summarized in the following table.

TABLE 1: DIFFERENCE IN OPINION OF VARIOUS DEMOGRAPHIC GROUPS ON ATTITUDE TOWARD INVESTMENT

Demographic Factors	Investment Objective	Willingness to Take Risk
Age	9.387	13.652**
Gender	12.5*	15.42**
Occupation	35.76**	27.303**
Education	14.49*	18.20**
Marital Status	9.485	4.854
Monthly Income	19.054*	28.55**
Monthly Savings	28.603**	7.408

*significant at 0.05 level

**significant at 0.00 level

It is observed that there is insignificant difference in attitude towards investment objective among age groups (t= 9.38, p > 0.05) and there is significant difference in attitude pertaining to Willingness to take Risk (t= 13.65, p < 0.00). Further it is observed that there is significant difference in attitude towards Investment Objective (t = 12.5, p < 0.05) and Willingness to take Risk (t = 15.42, p < 0.00) among men and women.

It is observed that there is significant difference in attitude towards Investment Objective (t = 35.6, p < 0.00) and Willingness to take Risk (t = 27.3, p < 0.00) among occupational groups. Further it is observed that there is significant difference in attitude towards Investment Objective (t = 14.4, p < 0.05) and Willingness to take Risk (t = 18.2, p < 0.00) among educational groups.

The analysis states from the above table states that there is insignificant difference in attitude towards Investment Objective (t = 9.4, p > 0.05) and Willingness to take Risk (t = 4.8, p > 0.05) among marital status groups. Further it is observed that there is significant difference in attitude towards Investment Objective (t = 19.05, p < 0.05) and Willingness to take Risk (t = 28.55 , p < 0.00) among income groups. It is also observed that there is significant difference in attitude towards Investment Objective (t = 28.60, p < 0.00) and insignificant difference in attitude toward Willingness to take Risk (t = 7.408, p < 0.00).

It can be concluded from the above table that Gender, Occupation, Education and Monthly Income groups have difference in attitude towards investment and the rest are partially have difference in opinion. Hence the H1 can be partially accepted.

DIFFERENCE IN OPINION READING THE OBJECTIVITY OF INVESTMENT AMONG DEMOGRAPHIC GROUPS

H2 *There is significant difference in Objectivity of Investment among Demographic Group.* The analysis difference in objectivity can be analyzed by employing Chi-Square test. The objectivity of investment can be Return, Stability, Marketability and Tax Benefit. The each objectivity is again sub-categorized into three is considered as test variable. Demographic factors and its sub groups are considered as grouping variable. The results are been summarized as the following table.

TABLE 2: DIFFERENCE IN OPINION READING THE OBJECTIVITY OF INVESTMENT AMONG DEMOGRAPHIC GROUPS

Demographic Factors	Return	Stability	Marketability	Tax Benefit
Age	3.74	20.58**	8.49	7.323
Gender	4.31	2.76	0.736	1.478
Occupation	9.78	11.50	7.71	20.37**
Education	5.81	16.38**	1.35	13.82**
Marital Status	6.92	10.01	8.45**	16.83**
Monthly Income	14.93**	3.08	10.54**	5.66
Monthly Savings	4.55	7.63	7.22	9.08

*significant at 0.05 level

**significant at 0.00 level

It is observed that Monthly Income (Z=14.9, p <0.00) groups have difference in opinion on Returns of Mutual Fund and the rest demographic variables are indifferent in opinion. Further Groups of Age (Z = 20.58, p < 0.00) and Education (Z = 16.38, p<0.00) have difference in objectivity of Stability.

Furthermore, Marital Status (Z= 8.45, p < 0.00) and Monthly Income (Z= 10.54, p< 0.00) groups have difference in opinion regarding Marketability. Occupation (Z= 20.37, p< 0.00), Education (Z= 13.82, p< 0.00) and Marital Status (Z= 16.83, p< 0.00) groups have difference in objectivity of Tax Benefit.

The rest of demographic variables have insignificant difference in opinion on various objectivity of investment pertaining to Return, Stability, Marketability and Tax Benefit. Hence it can be concluded that H2 is partially accepted.

INVESTORS PREFERENCE OF FINANCIAL ASSETS

Investors invest their money in various investment instruments to satisfy their different needs. The investment in various avenues determines the risk taken by the investor and amount of return he could earn. Hence this section explains the preference of Financial Assets of the investor. The results of the preferences are been detailed in Table 3.

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TABLE 3: INVESTORS PREFERENCE OF FINANCIAL ASSETS

Financial Assets	Order of Preference						Total Score	Avg Score	Rank
	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Rank 6			
Bank Deposits	84	84	12	12	6	2	1022	5.11	1
P.O Saving Schemes	26	52	54	38	14	16	790	3.95	2
Bonds and Debentures	40	18	64	46	24	8	780	3.90	3
Equity Shares	32	26	22	62	22	36	676	3.38	6
Mutual Funds	18	52	32	30	54	14	708	3.54	5
Insurance Policies	56	28	24	18	22	52	722	3.61	4
Others		2	8				42	0.21	7

The above table explains the frequencies obtained and weights assigned to each Financial Asset along with Total Score, Average Score and Rank. It can be observed the investors preferred Bank Deposits at the first instance as the investment avenue average score of 5.11.The second preference made by the investor Postal Office Schemes with a average score of 3.95. The investors preferred the other Financial Assets in order of Bonds and Debentures, Insurance Policies, Mutual Funds, Equity Shares and Other Financial Assets respectively.

PREFERENCE OF MUTUAL FUNDS

The Mutual fund Industry is categorized as follows Bank Sponsored Mutual Fund, Institution Sponsored Mutual Fund, Private – Indian Mutual Fund, Private Joint Venture (Predominantly Indian) and Private Joint Venture (Predominantly Foreign). The following section explains the preference of Investors in various sectors of Mutual Funds.

TABLE 4: PREFERENCE OF MUTUAL FUNDS

Type of Mutual Fund (Sector)	Order of Preference					Total Score	Avg Score	Rank
	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5			
Bank Sponsored MF	102	58	18	16	6	834	4.17	1
Institution Sponsored MF	38	72	44	28	18	684	3.42	2
Private –Indian MF	26	48	62	50	14	622	3.11	3
Private Joint Venture (Predominantly) Indian	16	34	54	70	26	544	2.72	4
Private Joint Venture (Predominantly) Foreign	42	19	25	46	68	521	2.605	5

It is observed from the above table that investors prefer Bank Sponsored Mutual Funds for the first instance and followed by Private – Indian Mutual Fund, Private Joint Venture (Predominantly Indian) and Private Joint Venture (Predominantly Foreign) in order.

PREFERENCE OF FUND OBJECTIVE

The Mutual Fund industry provides various schemes based on the investment policy. The following table lists the type of mutual funds based on schemes. The Investors are open to opt any of the mutual fund and a scheme. This section details about the preference of the investors in various schemes. The following table lists various schemes, frequencies, total score and average score of each scheme. Further the table gives ranking based on the average score

TABLE 5: PREFERENCE OF FUND OBJECTIVE

Type of Mutual Fund (Fund Objective)	Preference of Fund Objective						Total Score	Avg Score	Rank
	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Rank 6			
Growth	78	46	20	22	24	10	902	4.51	1
Income	32	72	40	30	14	12	842	4.21	2
Balanced	38	40	54	36	24	8	808	4.04	3
ELSS	28	22	46	40	32	32	678	3.39	5
Money Market	22	42	24	72	30	10	724	3.62	4
Gilt	52	24	14	26	28	56	678	3.39	6

FACTORS INFLUENCE IN CHOICE OF MUTUAL FUNDS

The following table summarizes the opinion on significant factors that determine the choice of Mutual Funds. The table consists of list of parameters considered in choice of Mutual funds, further respective Weighted Mean Scores and Skewness. It is observed from the analysis of data that Goodwill of the institution serving the Mutual fund in the most critical factor with an Weighted Mean Score of 4.01 is considered by the investor in choice of Mutual Fund. Sector, Investment Philosophy and Methodology, Volume of Business, Experience, Investor Services, Past Performance, Infrastructure and suggestions in order were perceived as the influential factors in choice of Mutual fund.

TABLE 6: FACTORS INFLUENCE IN CHOICE OF MUTUAL FUND

SL. No	Parameters	Investor	
		Weighted Mean	Skewness
1	Goodwill	4.01	-0.9
2	Volume of business	3.11	-0.2
3	Sector represented	3.42	-0.6
4	Investor services	2.97	0.0
5	Past performance	2.94	-0.0
6	Infrastructure	2.92	-0.0
7	Suggestions (friends, relatives etc)	2.73	0.2
8	Background Experience	2.98	0.0
9	Investment Philosophy & Methodology	3.24	-0.1
10	Others	3.01	-0.7

IMPORTANT FACTORS IN SELECTION OF MUTUAL FUND

In the previous section we have observed the general factors initially observed in choice of Mutual Funds. In the following section we observe the technical parameters considered while making choice of Mutual Fund. The table summarizes the list of technical parameters and its respective Weighted Mean score and Skewness. It is observed from the table Return on Investment is the critical factor in selection of Mutual fund with a Weighted Mean Score of 3.95.

Safety, Objective of Fund Capital Appreciation, Convenience of Reinvestment, Liquidity, Loan Facility and Fund Managers background in order are perceived as important factors in selection in Mutual Funds.

TABLE 7: IMPORTANT FACTORS IN SELECTION OF MUTUAL FUND

SL. No	Parameters	Investor	
		Weighted Mean	Skewness
1	Capital Appreciation	3.65	-0.7
2	Objective of the fund	3.67	-0.7
3	Return on Investment	3.95	-1.2
4	Tax benefit	2.64	0.3
5	Liquidity	3.14	-0.1
6	Safety	3.93	-1.3
7	Loan facility	2.94	0.1
8	Convenience of reinvestment	3.16	-0.2
9	Fund Managers Background	2.73	0.3
10	Others	-	-

DEGREE OF SATISFACTION

The investor's opinion regarding the Mutual Fund Industry Performance, Investment Opportunities and Industry are summarized in the following table. It is observed that the investors are satisfied with Industry performance with a Weighted Mean Score of 3.51, Investment Opportunities in Mutual Fund Industry with an Weighted Mean Score of 3.29 and Services to Investors by Mutual Funds with a Weighted Mean Score of 3.26.

TABLE 8: DEGREE OF SATISFACTION

SL. No	Parameters	Investor	
		Weighted Mean	Skewness
1	Mutual Fund Industry performance	3.51	-0.7
2	Investment opportunities in M F Industry	3.29	-0.3
3	Services to Investors by Mutual Funds	3.26	-0.2

CONCLUSION

It is concluded that the MFs business in Nellore is still in an embryonic stage. So, concerted efforts are needed for its success. The success depend upon high returns, professional competence of Fund Managers, a MF brings together a group of people and invests their money in stocks, bonds and other securities, it have so many advantages such as professional management, economics of scale. The MF should be easy to buy and sell through broker or directly in the market. It also has some draw backs such as low awareness, too many formalities, difficult to select. Finally, the MF should be great transparency, prudent accounting norms, less transaction cost, low management fees. It is very attractive between sub urban and rural areas, it have innovative schemes and efficient administrative system. The present study analyses the MF investments in relation to investor's behaviour. Investors' opinion and perception has been studied relating to various issues like Difference in Opinion of various Demographic groups on Attitude toward Investment, Difference in Opinion reading the Objectivity of investment among Demographic Groups, Investors Preference of Financial Assets, Investors Preference on Mutual Funds, Fund Objectives, Factors in influence of Mutual Funds, Degree of Satisfaction,etc.

This study is very important in order to judge the investors' behaviour in a market like India, where the competition increases day by day due to the entry of large number of players with different financial strengths and strategies. The present investigation outlined that mostly the investors have positive approach towards investing in MF. MFs have emerged as an important segment of financial markets and so far have delivered value to the investors. The study reveals that the investors' perception is dependent on the demographic profile and assesses that the investor's age, marital status and occupation has direct impact on the investors' choice of investment. The study further reveals that female segment is not fully tapped and even there is low target on higher income group people. Hence, fund managers should take steps to tap the female segment and higher income group segment to enhance more investment in MF investment avenue which would really help the industry to flourish. Further, the findings of the research were on the factors influencing investor's perception on public private MF's. It reveals that liquidity, flexibility, tax savings, service quality and transparency etc. are the factors which have a higher impact on perception of investors. These factors give them the required boosting in the investment process. Therefore, it becomes imperative on part of the fund managers to enhance these features for attracting more investors and also to retain the trust, the investors have in them.

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