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AN EMPIRICAL STUDY OF CUSTOMER'S PERCEPTION TOWARDS MUTUAL FUNDS INVESTMENTS

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ABSTRACT

In today's emerging global economy Mutual Fund is one of the most prospective financial instruments, which emphasizes not only on the return but safety of hard-earned investment also. This paper is an attempt to show change in investment trends through Mutual Funds. Key features which make Mutual Funds investment a better investment option for all investors especially for small investors are its quick liquidity, less risk factor involved, knowledge and experience of experts, various tax benefits, complete transparency. Apart from all this one feature that makes Mutual Fund more reliable is control of government machinery over it in the form of various government regulations. This research paper is focused on the investor's perception towards mutual fund as an investment option.

Key words: Customer, Investment, Mutual Funds and Perception**.**

INTRODUCTION

In a country like India people are always worried about their future need. Everyone wants to multiply his money with zero risk. So many options are available in current market for them. Mutual Fund is one of them which provide them not only quality return as well as safety and security. The basic advantages of mutual fund are its professional management, simplicity, diversification of investment, liquidity and economies of scale. Some drawbacks associated with mutual fund are tax liability, high costs, inadequate return. The main problems with mutual funds are their costs and fees such as purchase cost, redemption cost, management cost etc. Before making investment in any funds, one should consider some associated factor like objective, risk, Fund Manager's and scheme track record, Cost factor etc. Mutual Funds can be classified on the basis of their structure, nature, investment objectives. In context of regulations, Securities Exchange Board of India prescribed code of conduct and registration structure for the intermediaries of mutual fund. Besides these regulations, Association of Mutual Funds in India which is the nodal instittuions, issues regulations and guidelines for improving the professional standards in mutual fund industry. Following the regulations, the fund manager invests the money collected from the investors in different investment avenues like stocks, bonds, precious objects. It provides a very convenient platform to the investors but still in India, the industry is nor gaining very huge patronage of investors. In this context, the present paper makes an attempt to explore customer's perception towards investment in mutual funds.

LITERATURE REVIEW

Mutual fund has always been a lucrative arena for the researchers. Some of the related work include the study by Sapar & Narayan (2003). The study took s sample of 269 open ended schemes out of a total of 433and analyzed that in a sample of 58 most of the mutual fund options gave returns which were higher the expected rate of returns with the help of performance index, Sharpe's ratio, Treynor's ratio and analysis of risk as well as return relation. In 2007, Gupta and Aggarwal analyzed the quarterly returns of equity diversified mutual funds with the help of capital asset pricing model and Fama –French model. The researchers contrast finding by using these two models and recommended deep research is in this field. Anand and Murugaiah (2008) used Fama-methodology to examine the performance of financial investment and to link it with fund manager's performance. Their study revealed after examining performance of 113 mutual fund schemes which were having exposure to around twenty-five fund houses and having an equity stock of more than ninety percent. After empirical analysis of all the data they concluded that mutual funds are not able to compensate the investor against the risk that they have taken by making investment in mutual funds. Further they found a close relation between the market risk and expected returns.

Sathya Swaroop Debashish (2009) studied the performance of equity based mutual funds, for this they took a sample of twenty-three schemes and analyzed their performance over a period of 13 years starting from April 1996 by using beta risk, mean return, sharp ratio, Treynor ratio as well as Jensen alpha. they did the analysis by comparing prevailing market return and actual return on investment. They found UTI mutual fund and Frankline mutual fund as the best market players in both public as well as private sectors, whereas Birla Sun Life and LIC mutual fund performed below average. In a study under taken by Selvam et.al (2011), the researcher observed significant t-values were shown by 11 samples out of a scheme of 34 samples and the left-over schemes could not show any significant relation between risk and return.

Kim et., al. (2017) analyzed the returns of Korean mutual funds for the period of 2003 to 2015. Results reveals that Korean mutual funds do not exploit the accrual anomaly. The study found that low-accruals strategy is not the result of an intentional selection of stocks. Malviya and Khanna (2020) analyzed the performance of different schemes of mutual fund. The study compared the returns of mutual funds with the SBI domestic term deposit rates. The results revealed that mutual fund schemes are not able to generate better returns in comparison to the return of SBI domestic term deposits. Maheshwari (2020) also reviewed the performance of selected mutual funds in India. The study aimed at assessing execution of mutual funds with reference to public and private sector. The performance was analyzed through Treynor's measure and Sharpe ratio.

RESEARCH METHODOLOGY

The primary objective of the present paper is to analyze the customer perception towards mutual fund as an investment option. For this purpose, primary data has been collected through questionnaire. The data was collected from 120 respondents. Random purposive sampling method has been adopted. customers. Secondary information is collected through AMFI, SEBI, different website of mutual funds, brochures of different mutual funds. The collected data was analyzed through percentage and the comparative results have been shown in the form of table and diagram.

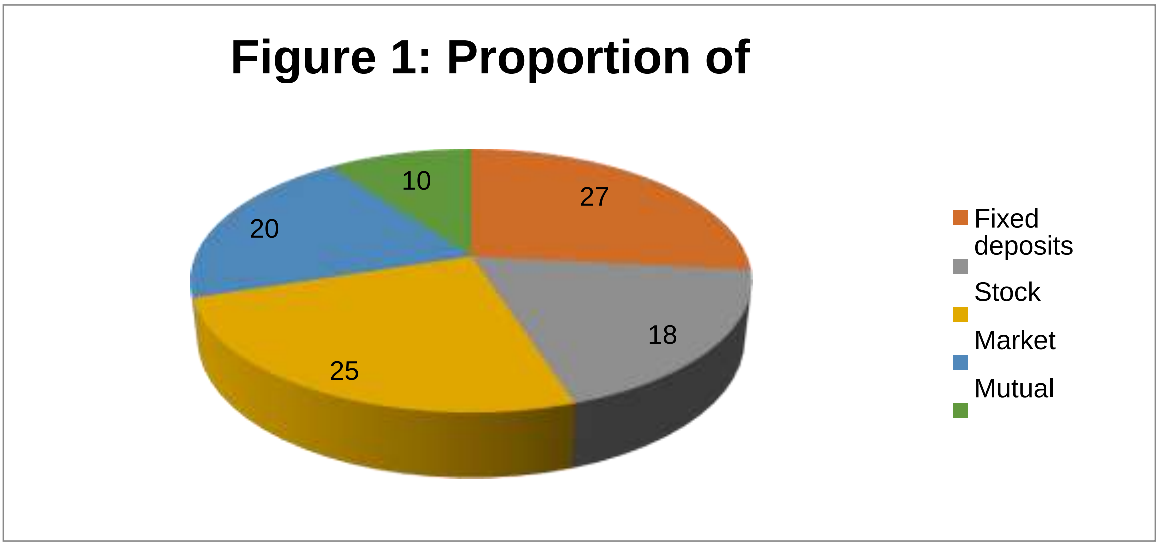
FINDINGS:

The response has been collected from a hybrid group comprising of around 45% salaried employees, 25% businessmen and remaining 20% professionals and 10% others. Salaried employed and professional were risk averse while businessmen found to be risk taker. At the outset, the proportion of investment in different avenues has been examined. The collected responses can be summarized by table 1 and figure 1.

Table 1: **Proportion of Investment**

Option	**Respondents**	**Percentage**
Bank deposits	32	26.67%
Stock Market	22	18.33%
Mutual funds	30	25%
Insurance	24	20%
Others	12	10%

Source: Author's calculation



Source: Author's calculation

Interpretation: Still people preferred ban deposits because of their risk-free nature and also immediate withdrawal facility.

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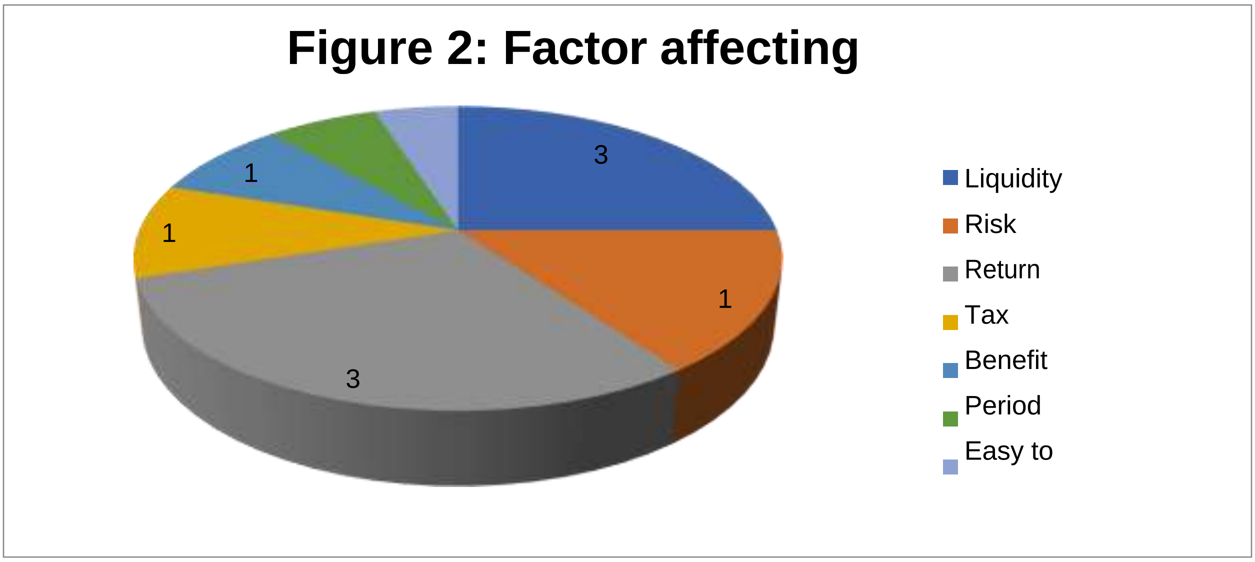
In order to explore the determinants of investment in mutual fund, different factors have been explored (table 2 and figure 2).

Table 2: Factors affecting investments

Factors	Respondents	Percentage
Liquidity	30	25%
Risk	18	15%
Return	36	30%
Tax Benefit	12	10%
Period	10	8.33%
Easy to exit	8	6.67%
Organization reputation	6	5%

Source: Author's calculation



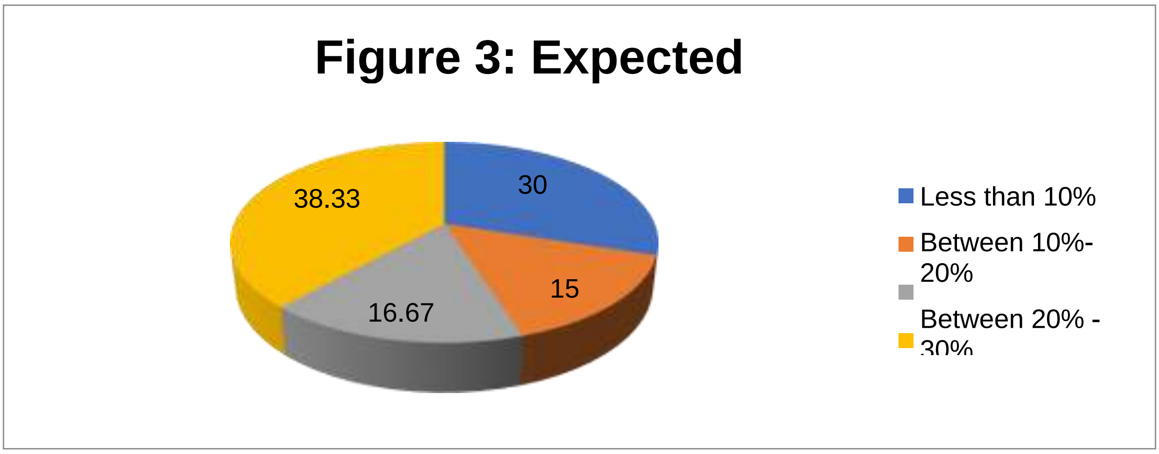
Source: Author's calculation

<u>Interpretation</u>: Return and liquidity is the factor which affect the investment.

The respondents have been asked to suggest about the expected return by them on an annual basis (Table 3 and Figure 3).

Table 3: Expected Returns

Option	**Returns**	**Respondent**	**Percentage**
1st year	Less than 10%	46	30%
2nd year	Between 10%-20%	18	15%
3rd year	Between 20% -30%	20	16.67%
More than three years	Above 30%	36	38.33%



Source: Author's calculation

<u>Interpretation</u>: Above table show that first year customer expects that they would receive less return as compare to more than 3 years. But customer wants some percentage more than risk free return.

The respondents have been asked to comment upon the safety of funds after investing in mutual funds. The response collected from them has been represented in table 4 and figure 4.

Table 4: Safety in Mutual Funds

Response	**Respondent**	**Percentage**
Yes	37	61.67%
No	18	30%
Not sure	5	8.33%

Source: Author's calculation

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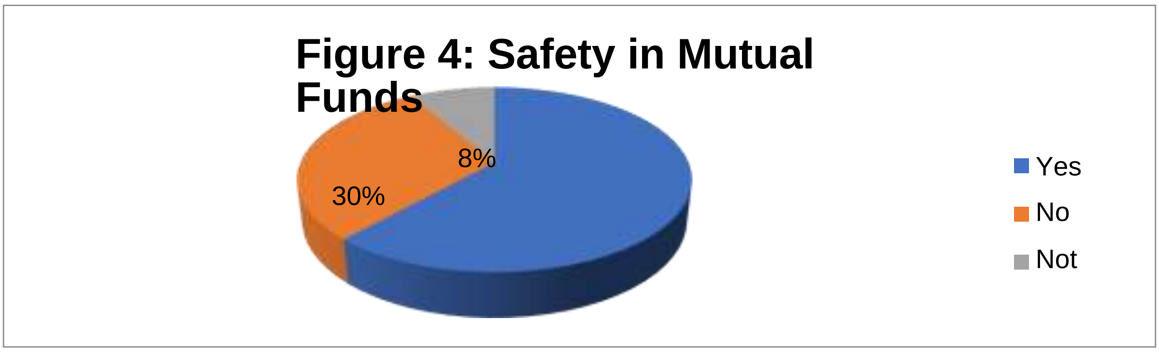


Source: Author's calculation

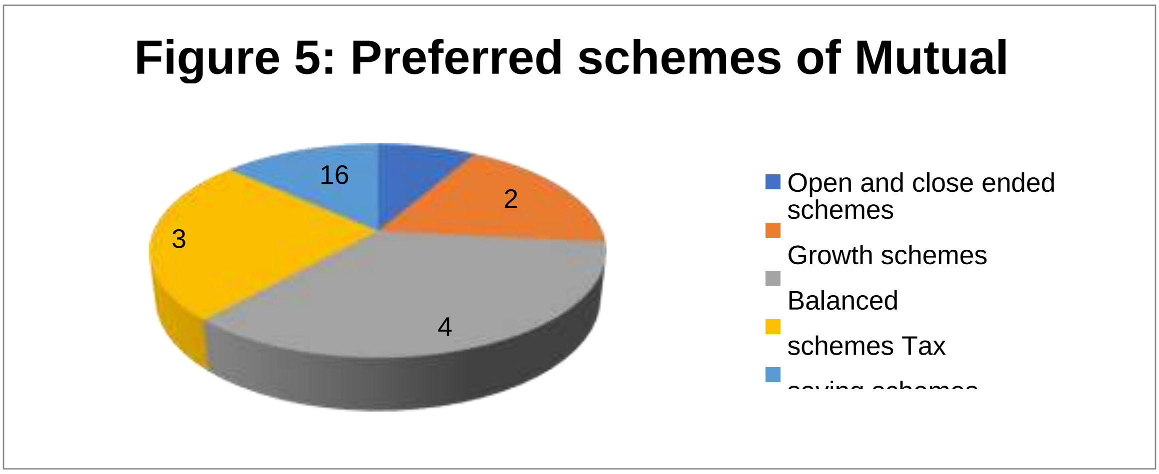
Interpretation: 62% people think mutual fund is safe and profitable.

Further an attempt has been made to identify the preferable schemes by investors (table 5 and figure 5).

Table 5: Preferred schemes of Mutual Funds

Schemes	**Respondent**	**percentage**
Open and close ended schemes	10	8.33%
Growth schemes	22	18.33%
Balanced schemes	42	35%
Tax saving schemes	30	25%
Other schemes	16	13.33%

Source: Author's calculation



Source: Author's calculation

Interpretation: Most of the people invested in balanced schemes because of its feature of providing benefits of Equity investment as well as investment in Debt funds.

CONCLUSION

Mutual fund is at growing stage in India. There are some myths regarding mutual fund which is the reason for the less interest of the public. The findings indicate that there are less people who are invested in mutual fund because of these myths like there is more risk as compare to the bank, liquidity is not high as compare to bank, etc. Different mutual fund provides different scheme for different interest of customer like children plan, retirement/pension plan, tax saving schemes, growth funds, balanced funds, etc. The present study divulged that still people preferred fixed deposits because of their risk-free nature. In context of the crucial factors, Return and liquidity have been the prominent factors that affect the investment in mutual funds. After making investment in mutual funds, during the first-year customer expects that they would receive less return as compare to more than three years. But customer wants some percentage more than risk free return. The scrutiny of demographic profile revealed that the businessmen are risk-taker in as compared to salaried person and others. Most of the people invested in balanced schemes because of its feature of investing in debt and equity.

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