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A STUDY ON INVESTOR PERCEPTION TOWARDS SELECTING MUTUAL FUND SCHEMES WITH SPECIAL REFERENCE TO SALEM.

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Abstract:

Mutual funds have become a popular tool for financial security and economic growth in India. However, a significant knowledge gap persists, with many unaware of mutual funds altogether. This study investigates investor perception of mutual funds in Salem, India. The assignment provided an excellent learning opportunity while also allowing me to apply my analytical skills. This report will help to know about the investor perception about the mutual fund schemes. This Project can be divided into two parts. The first section provides an overview of the Mutual Fund and its various aspects, including the Company Profile, the Objective of the Study, and the Research Methodology. Through the project, one may gain a fundamental understanding of the Mutual Fund. The Second part of the project consists of data and its analysis collected through survey done on 150 people. Result indicates moderate and normally distributed with the perceived level of investor being on satisfaction level. An acceptable reliability coefficient implies that implication obtained from these data is greatly reliable in nature. The demographic factors have significant influence on selecting mutual fund scheme.

Key Words: Mutual Fund, Investor perspectives, factors, financial aspirations, Schemes, mutual fund, AMC, Return, etc...

1.INTRODUCTION

Mutual funds are a way for small investors to pool their money and invest in capital market securities for capital appreciation. There are over 2500 mutual fund schemes available in India, classified based on investment objectives, underlying assets, structure, and specialized funds.

Mutual funds have various investment objectives, such as growth schemes, income schemes, balanced schemes, equity schemes, debt schemes, hybrid schemes, and structured funds. They can be classified into open-ended, close-ended, interval, sectoral, index, and gold funds (ELSS).

The advantages of investing in mutual funds include higher returns, diversification, professional management, affordability, tax benefits, convenience, liquidity options, and suitability for different financial objectives. They generally offer higher returns than pure fixed income options, allow diversification, and provide professional management. However, they also have higher expense ratios due to the need for continued effort from fund managers to generate returns.

Mutual funds may not guarantee profits, as investments are subject to market risk and their value will fluctuate depending on various factors. Some fund companies charge additional fees for selling shares before a certain deadline, known as exit fees. Diversification reduces risk, but over diversification can lead to dilution, as some security within a scheme would double in value but not increase the overall value of the fund.

2. Review of literature

S. Tripathi's (2023) study examines the performance and risk characteristics of Indian mutual fund schemes across different market capitalization groups. It uses risk measures and annual returns to analyze growth potential and risk profiles. The findings help investors, financial advisors, and fund managers make informed decisions based on their objectives and risk tolerance. **Joshi, N.R., & Sebastian, R. (2022).** study investigates factors affecting investor attitudes towards mutual funds during the pandemic. It focuses on 522 Indian mutual fund investors and uses a structured questionnaire. The research found that during the pandemic, investors may lose confidence in selecting mutual fund schemes due to health expenses, job loss, salary deductions, and mental stress. **Wang, Han, and Tong (2021)** study propose an improved method for selecting skilled mutual funds using a multiple testing framework. The method aims to minimize false discovery and false nondiscovery by considering information from all funds within the study. The authors introduce a novel "approximate empirical Bayes" method to model the information distribution. Empirical studies show this approach

outperforms the S&P 500 index. **Kakkar, R., & Agarwal, A. (2021)**. The study examines investors' investments patterns and views of Equity Linked Saving Schemes Mutual Funds. Findings suggest security, liquidity, and capital appreciation are key factors. The study suggests focusing on high-quality, personalized investment options for increased effectiveness. **Rao, G.P., P.V.V. Satyanarayana, & Rao, D.S. (2021)**. The study found a significant association between investors' educational qualifications and risk tolerance levels, and occupation with risk tolerance levels. However, there was no significant association between investors' occupation and knowledge of mutual funds and monthly savings. Investors should consider the prevailing rate of risk-free returns when selecting schemes and investment avenues. **Sachin Kumar Rohatgi, P.C. Kavidayal, Bhakti Bhushan Mishra, Krishna Kumar Singh, Anjali Dixit (2020)** study investigates the methods used in India to choose mutual fund schemes by considering the frontiers of risk and return. It computes monthly returns and talks about which schemes have the highest net asset and ranking. The goal of the study is to assist investors in locating and choosing the top mutual fund schemes to maximize returns on a diversified portfolio. **Shriram K., V. (2020)** study analyzes Investment involves saving and investing in various options like banks, gold, and financial instruments. Investors' related services significantly influence mutual fund schemes, particularly in growth, income, and money market schemes. **Dr.S.Suresh, (2019)** study found that investors often act irrationally when making investment decisions, impacting the development of the securities market. Mutual funds are popular investment vehicles due to their professional management, risk diversification, and low transaction costs. The study collected data from 400 investors in Thiruvarur District. **Christiansen, C.E., Groenborg, N., & Nielsen, O.L. (2019)**. study examines mutual fund selection methods' performance across different time horizons, revealing significant variations in performance across short and long samples, highlighting practical relevance. **Ratnaraju, P., & Madhav, V.V. (2019)**. study explores investor attitudes towards mutual fund investments in Andhra Pradesh, revealing past performance, liquidity, and brand equity as key factors in investment selection. **Nirmala, G.S., & Ajitha, J. (2019)**. study aims to analyze mutual fund awareness, investor perception, factors influencing investment, and potential threats to improve financial institutions' offerings in Thoothukudi district, Tamil Nadu, and help improve investment opportunities.

Research Gap

The study on mutual funds has two research gaps. Firstly, the survey does not explore the reasons behind investor dissatisfaction with certain aspects, such as brokerage fees and expense

ratios. To address this, focus groups or in-depth interviews could be conducted with investors who expressed dissatisfaction with these aspects. This could help AMC to develop more competitive offerings. Secondly, the study does not compare investor perceptions with competitors' offerings, which limits understanding of AMCs standing in the market. To address this gap, include competitor options in the survey for aspects like expense ratios, fund performance, and mobile app ease of use. This would allow for a direct comparison of investor sentiment towards AMCs and its competitors. Lastly, conduct competitive analysis to understand how other mutual fund companies are marketing to young investors, their messaging strategies, investment products, strengths and weaknesses. By understanding the competitive landscape, AMC can identify areas for differentiation and tailor its approach to resonate better with young investors.

3. Research Methodology

The study is descriptive in nature. A Questionnaire used to collect the data on investor perception towards selecting mutual funds. The primary data collected from the people who had invested in mutual funds by communicating with the structured questionnaire. The primary data collected were analysed by using statistical tools like descriptive statistics, factor wise analysis, reliability test, ANOVA.

3.1 Research Objectives

The study focused on the following objectives:

- To analyse the factors impacting individual investors preference in selecting scheme.
- To analysing individual investor's financial aspirations, influence their mutual fund scheme selection.
- To investigate the relationship between investor risk tolerance and selection of scheme.
- To analyse the impact of demographic pattern on investments decisions by the investors.

4. Results

4.1 Percentage Analysis

The researcher gave questionnaire to 150 respondents with complete set of data and the same were considered for this research.

Table 1: Classification of Demographic Variables

Age	Percentage
18-25	43%
26-30	11%
31-35	13%
36-40	16%
Above 40	16%
Gender	Percentage
Female	41%
Male	59%
Education level	Percentage
HSC	20%
Post-graduate	41%
SSLC	5%
Under-graduate	34%
Occupation	Percentage
Business	14%
Government sector	5%
Home maker	3%
Private sector	31%
Professional	10%
Public sector	3%
Retirement	4%
Self-employment	8%
Student	21%
Income level(annually)	Percentage
Above rs.7,00,000	13%
Rs. 1,00,000- rs.3,00,000	32%

Rs.3,00,001-rs.5,00,000	31%
Rs.5,00,001-rs.7,00,000	23%
Investment level	Percentage
10%	24%
20%	27%
30%	33%
40%	17%
Desired ROI	Percentage
10-15%	35%
15-20%	43%
25-30%	21%

The above table contains the demographic profile and other information such as investment level and desired ROI. It is seen that most of the people who have invested in mutual funds is Male. People who have done postgraduate invested in mutual fund. Most of the people investing 30% of their annual income and most people desired 15-20% ROI. From this survey majority of people who are in the age of 18-25 have invest in mutual funds.

4.2. Descriptive Statistics

Based on the literature review there were five factors which influence the perspective of mutual funds among the people were determined. The five factors were risk tolerance level, financial aspiration, importance of mutual funds factors, rating of fund types, satisfaction level.

Table 2: Descriptive Statistics

Factors	Statement	Mean	S.D.
Risk tolerance level	Risk level	3.227	1.1
Financial aspiration	Retirement	4.54	0.791
	Child education	4.447	0.747
	Wealth creation	4.373	0.863
	Tax saving	4.04	0.919
	Marriage(offspring)	3.88	1.385
	Building home	4.347	0.819
	Buying vehicle	3.8	0.962
Importance of factors	Buying gadget	3.267	1.314
	Past performance	4.38	0.872

	Fund manager experience	4.08	0.719
	Risk profile	4.247	0.904
	Expense ratio	3.853	0.951
	Lockin period	3.7887	1.078
	Tax saving	3.97	0.901
	Diversificatiom	4.293	0.938
	Liquidity	4.33	0.932
Rating of fund types	Equity fund	3.753	1.465
	Debt fund	3.58	1.172
	Index fund	3.873	1.178
	Hybrid fund	3.607	1.061
	Balance fund	3.187	1.006
	Tax saving fund	3.187	1.184
	Gilt fund	2.54	1.224
Satisfaction level	Return	4.387	0.85
	Fund management	4.053	0.858
	Brokerage fee	3.587	1.063
	Tax saved	3.84	0.92
	Expense ratio	3.587	1.183
	Service quality	3.813	1.077
	Investment experience	4.153	0.903

The mean of all variables was equal and almost nearer to 3.71 which shows that the responses were moderate and normally distributed with the perceived level of investor being on satisfaction level. The standard deviation of the variable 1.01 was high compared to other variable which shows that perception slightly deviated from its normal value.

4.3 Reliability Test

Table 3: Reliability Coefficient

Cronbach's Alpha	No. of Item
0.071	32

The Data taken for the study was found that has an acceptable reliability coefficient about 0.071 which implies that implication obtained from these data is partially reliable in nature.

4.4 One Way ANOVA

To know the association between the demographic profile in perceiving the research constructs (investor perception toward selecting mutual funds), One way ANOVA was performed.

Ho: There is no significant association between the demographic profile of the respondents and their perception towards selecting mutual funds scheme.

H1: There is a significant association between the demographic profile of the respondents and their perception towards selecting mutual funds scheme.

Table 4: Association between the demographic profile and perception towards selecting mutual funds

Factors	Demographic factor	F-value	Significance	Result
Risk tolerance level	Age	2.939	0.023	Ho is not accepted
	Gender	0.031	0.86	Ho is accepted
	Education level	1.197	0.313	Ho is accepted
	Occupation	1.839	0.075	Ho is not accepted
	Income level	0.788	0.503	Ho is accepted
Financial aspiration	Age	4.055	0.004	Ho is not accepted
	Gender	2.912	0.09	Ho is not accepted
	Education level	3.813	0.011	Ho is not accepted
	Occupation	3.267	0.002	Ho is not accepted
	Income level	6.007	<0.001	Ho is not accepted
Importance factors	Age	3.523	0.009	Ho is not accepted
	Gender	0.351	0.554	Ho is accepted
	Education level	1.583	0.502	Ho is accepted
	Occupation	1.474	0.528	Ho is accepted
	Income level	3.049	0.229	Ho is accepted

Fund preference	Age	0.817	0.516	Ho is accepted
	Gender	0.152	0.697	Ho is accepted
	Education level	13.427	<0.001	Ho is not accepted
	Occupation	7.508	<0.001	Ho is not accepted
	Income level	6.831	<0.001	Ho is not accepted
Satisfaction level	Age	1.773	0.137	Ho is accepted
	Gender	3.433	0.066	Ho is not accepted
	Education level	0.408	0.747	Ho is accepted
	Occupation	2.096	0.04	Ho is not accepted
	Income level	2.459	0.065	Ho is not accepted

Though different demographic profiles were investigated for association, just a handful were shown to be substantially connected with investor perceptions. In connection to that, it was found that investors those who invest in mutual funds is associated with the risk tolerance level, financial aspiration, importance factors, fund preferences, satisfaction level of the investors. Thus, the demographic factors have significant influence on selecting mutual fund scheme.

5. Findings

The study on investors perception towards selecting mutual fund scheme disclosed the following schemes:

- The responses were moderate and normally distributed with the perceived level of investor being on satisfaction level.
- An acceptable reliability coefficient implies that implication obtained from these data is partially reliable in nature.
- The demographic factors have significant influence on selecting mutual fund scheme.4

6. Suggestions

In the present study, the focus was on how the investors perception towards selecting mutual funds schemes, analyse the factors impacting individual investors preference in selecting scheme, analysing individual investor's financial aspirations, influence their mutual fund scheme selection, investigate the relationship between investor risk tolerance and

selection of scheme and analyse the impact of demographic pattern on investments decisions by the investors. It was understood from the analysis that the study was also reliable in nature. Also, statement was acceptable level, and the data was also normal in nature. Thus, the advanced statistical techniques were used.

This proposal outlines a strategic approach for AMC to attract and empower investors. Develop marketing materials and investment products specifically tailored to youngsters from age of 18-25. Focus on educating young investors about various financial goals like retirement planning, child education, and wealth creation. Make the awareness on different varieties of mutual fund with their risk profiles and investment horizons. Highlights the importance of diversification and liquidity in the investment brochures. Promote index funds and balanced funds for the beginner investors seeking diversification. Suggest of the equity funds for the people having higher risk tolerance. Conduct workshops to help young investors make informed decisions. Emphasize past performance and fund manager experience in the marketing material. Make the existed app user friendly to enhance the investment experience for young and tech savvy investors. Personalize investment recommendations based on investor demographics and financial goals. Conduct follow-up surveys to track investor satisfaction and measure the effectiveness of implemented changes.

7. Conclusion

Although investors are more aware of mutual funds, their lack of understanding of various schemes keeps them from investing in mutual funds because they are afraid of taking on too much risk and losing money. This is mainly because the investors expect safety and security for their money which they invest.

This study has tried to understand the perception of investors towards selecting mutual funds. An essential element in the success of a marketing strategy is to create the investor awareness in the positive manner. Knowing the investor perception in mutual funds is helpful to design the various products to them. From the above study it can be inferred that investors are more curious in making investment in mutual funds, since they need to get returns.

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