

# STUDY ON INVESTOR'S PERCEPTION TOWARDS MUTUAL FUND INVESTMENTS IN GUJARAT

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## ABSTRACT

*The Indian economy is growing with economic reforms in the field of trade, commerce and industry which eventually increases the investment size in the capital market. The need and scope for mutual fund operations has increased tremendously as it is meant for converting savings of small investors into investment. The major reason behind the growth of the Mutual Fund industry is the reduction in the interest rates by the government on different financial instruments meant for small investors. This study mainly focuses on understanding the perception of investors of Gujarat towards Mutual Fund Investments. In this study, focus is given on analysing the preferred asset class and perception of investors falling under different income classes. Moreover, the study is concerned with the objectives of investors and type of mutual fund investment they prefer to meet their objectives in future. It was found that majority of the investors consider Mutual Fund as a systematic option for making investments in Stock market. They consider Mutual funds as an option for long term investment where the majority invest via SIP/STP mode. Hence, the findings from this research are that most of the investors consider mutual funds as a new age investment option and hence, the industry will grow at a rapid pace in the near future.*

**Key words:** Mutual funds, Investment option, Investment objectives, Investors' perceptions

## INTRODUCTION

### I) Introduction of the topic: -

As we are living in the digital era transformation of information has become very easy as it hardly takes any time. This has also been in the case of investment profession. Today one can get information regarding investment from all the direction and which makes it more difficult to choose where to invest as there are different types of products available in the market. Many times, customers make decision by others influence and which results in capital loss. So, in this study we are studying mutual funds with their features so that we can understand how people are investing their money in mutual fund and what is their opinions about mutual funds.

### II) About Mutual Funds: -

Mutual fund is a fund that collects and pools money from investors and invest that money in equity, government securities and money market instruments.

The money collected in mutual fund is managed and invested by professional fund manager. The amount is invested in different type of assets as per the objective of that particular mutual fund scheme. The income or gain that is made on the scheme is distributed between the investor as per their investments after deducting expenses and duties charged by government. For this whole process mutual fund charges a small fee. The fees and expenses charged in order to manage a scheme by the mutual funds are regulated and they are also subjected to limits specified by SEBI.

### Mutual Fund Scheme Classification

Mutual funds come in many varieties, designed to meet different investor goals. Mutual funds can be broadly classified on the basis of asset class,

- 1) Equity
- 2) Debt
- 3) Hybrid

**1) Equity:** - An equity mutual fund is a scheme that mainly invest funds predominately in shares/stocks of the companies. Equity funds are either actively or passively managed.

**2) Debt:** - A debt fund is a fund that predominately investing in a government or corporate bonds, corporate debt securities like debentures and money market instruments. Debt fund is also called fixed income fund.

**3) Hybrid:** - Hybrid fund is a combo of equity and debt fund. Hybrid funds are less risky than equity as they have debt to hedge risk of equity.

## LITERATURE REVIEW

India will become the strongest economy where major stimulus is related to the broad spectrum of the Capital Market and hence, a shift is being witnessed for the mutual fund industry in the area of financial market. (Meetu & Gorowara, 2020) The mutual fund industry in India has grown significantly since the liberalization of the Indian economy in 1991. (Ganapathi, 2015) mentioned that it is growing at a rapid pace and also emerging as a vital segment of financial markets, specifically channelizing and mobilizing savings in equity and debt instruments (Dhall, Khandelwal, Malik, & Chawla, 2021).

Mutual fund is a trust that pools savings of small and medium investors who wish to participate in the capital market without assuming a very high degree of risk. (Raja & Jagadeeswaran B, 2020) Mutual Fund as an investment option which gives a platform to adverse risk. So, it's a good option for investors who do not prefer to take high risk on earned money. (Dhall, Khandelwal, Malik, & Chawla, 2021) In recent times, Mutual Fund is emerging as a tool that ensures financial well-being of an individual. With the increase in availability of information and awareness, more people have started investing in Mutual Funds and are enjoying the benefits of the same. (MANE, 2021) The primary goal of most of the investors behind investment in mutual funds is to earn good returns with comparatively low risk. (Bajracharya & Mathema, 2017) Mutual funds are less risky than financing in other risky instruments and hence, it is a safer option for risk aggressive investors. (Tripathi, 2020) Various factors like mutual fund scheme, mutual fund company and investor services should be considered (Raja & Jagadeeswaran B, 2020).

As financial markets are becoming more and more complex, investors need to have enough financial literacy for which financial intermediaries are required. They provide them knowledge along with professional expertise to make investment decisions. (Shah & Bhatt, 2020) Asset Management Company (AMC) plays a vital role in fund management and hence, it should reveal information like scheme characteristics, risks in offer documents, account statement, investing process, multichannel investing avenues and NAV on every trading day. (Raja & Jagadeeswaran B, 2020) Corpus is managed by an AMC that collects money from a number of investors and invests into securities and bonds depending upon the financial objective of the Scheme which is agreed upon by both - the investor as well as the Mutual Fund company. Mutual fund Company earns return in the form of capital appreciation and dividends. Returns generated by AMC are passed back to the investors by appreciating their capital appreciation and NAV increment. (Meetu & Gorowara, 2020).

The research was conducted to understand the customer perception in respect to mutual funds like the schemes which they prefer, the plans they opt for and the reasons behind such selections. (MANE, 2021) The purpose of the study was to examine investor's awareness and perception towards mutual funds as a means of investment. The study is based on primary data collected through a well-structured questionnaire. (Dhall, Khandelwal, Malik, & Chawla, 2021) By using a structured questionnaire, description statistical tools like chi-square tests have been used for analysing data. (Bajracharya & Mathema, 2017) The logistic regression model was used to analyse relationship between the variables as well as Cronbach's alpha was used to test is the data reliable or not. (Saleem, Mahmood, Usman, Bashir, & Shabbir, 2021) The demographic factors do have an influence on investors' attitude and his/her behaviour. The impact can be found with the help of regression analysis that reveals demographics factors like age, income, gender, occupation and marital status affects investors perception on the whole (Meetu & Gorowara, 2020). The findings of the study are that people are very much aware about mutual funds but still they still hesitate in making investment in mutual funds. 75% of the investors prefer Systematic Investment Plan (SIP) for investing in equity, debt and hybrid. (Tripathi, 2020) The major investors prefer investment in mutual funds for the sake of tax benefit, security, liquidity, return and reliability. (Dhall, Khandelwal, Malik, & Chawla, 2021) The investors should consider prevailing risk-free returns and compare it with fund returns for selecting appropriate schemes and making profitable choice of investment avenues (Ganapathi, 2015).

The results showed that risk perception, return perception and mutual fund awareness are insignificant and so, negatively affect the behaviour of mutual fund investors. Investment criteria showed that it has a significant negative impact on the behaviour of mutual fund investors. However, financial literacy has a positive and insignificant effect on the behaviour of mutual fund investors. (Saleem, Mahmood, Usman, Bashir, & Shabbir, 2021) (Meetu & Gorowara, 2020) The results showed that there exists a positive correlation between educational qualification and the risk tolerance as well as occupation and the risk tolerance. However, there is no such significant association between occupation and mutual fund knowledge level as well as monthly savings and mutual fund knowledge level of knowledge (Ganapathi, 2015). (Bajracharya & Mathema, 2017)

The study found that the mutual fund companies should disclose information like return performance of scheme, risk, number of assets in the funds and brand name's reputation. Success of any mutual fund scheme depends upon how the mobilized funds are managed and invested. (Raja & Jagadeeswaran B, 2020) Proper selection with a process

of monitoring and controlling is required. (Bajracharya & Mathema, 2017) They prefer mutual funds as a better investment option due to several reasons like risk minimization, selection of mutual funds by analysing the past history, switching facility, ability to earn better return with minimum investment and convenience for handling (Gupta & Sharma, 2016).

Mutual funds provide good returns to investors with adequate knowledge and resources. (Bajracharya & Mathema, 2017) It becomes very difficult for the small investors to invest in the securities market directly because of lacking investment capacity, investment avenues knowledge and risk hesitance. Hence, a mutual fund is a perfect source for small investors to invest their money (Shah & Bhatt, 2020) in small amounts with less risk. (Shah & Bhatt, 2020) The financial professionals do have good knowledge about mutual funds but lack time. So, to gain better returns than fixed income securities they incline towards mutual funds (Gupta & Sharma, 2016).

## SCOPE OF STUDY

This is empirical study of perception of investors residing in various cities of Gujarat state towards investment in mutual funds. The study is conducted to identify the investment objectives of the investors converting their saving into investment through Mutual Funds. The points considered for the study includes preference of mutual fund investment in public and private sector and various aspects of investment factors available.

## OBJECTIVES OF STUDY

### Primary Objective:

To know the perception of investors towards Mutual Funds as an Investment option in Gujarat.

### Secondary Objectives:

1. To identify the investment objectives of Mutual Fund investors.
2. To study the knowledge base of Mutual Fund investors about investment and various options available.
3. To understand the preference of investors falling under different income class towards Mutual Fund investment.

## SIGNIFICANCE OF STUDY

Number of studies have been done on mutual funds investment previously in India. This particular study covers perception and attitude of Mutual Funds investors residing in Gujarat. This study will be helpful to the administrators and policy makers of mutual fund companies to introduce and create various type of policies that enhances satisfaction level of investors and eventually result in the growth of mutual fund industry. This study will also be helpful to the researchers who will carry out their research in the area of perception of investors with multi-dimensional aspects in the future. This study will be useful to the potential investors in taking correct investment decision for investment in Mutual funds.

## RESEARCH METHODOLOGY

**Research Design:** Descriptive research is chosen for this particular study in order to obtain complete and accurate information.

**Sources of data:** The study is based on primary data that is collected using structured questionnaire.

**Sampling Area:** Gujarat

**Sample Size:** Sample size of this particular study is of 300 respondents.

**Sampling Technique:** Structured questionnaire was sent to investors by circulation of google form of different cities of Gujarat.

## DATA ANALYSIS AND INTERPRETATION

Characteristics of the sample- The population was comprised of citizens of Ahmedabad as defined in research methodology.

**Table 1: Table showing Frequency Distribution of Demographic Attributes.**

Demographic Variable	Category	Frequency	Percentage
Gender	Female	101	33

	Male	201	67
Age	18-27	116	38
	28-37	59	20
	38-47	51	17
	48-57	51	17
	58 & above	25	8
Profession	Business	66	22
	Home maker	21	7
	Professional	20	7
	Retired	19	6
	Service/Job	80	26
	Student	96	32

- In the demographic analysis, it is found that male respondents (67%) are twice the female respondents (33%). Majority of the respondents i.e., 38% are from the age group of 18-27 years.
- This category is followed by 20% respondents who are from the age group of 28-37 years. The respondents belonging to the age group of 38-47 years and 48-57 years jointly form 34% (with 17% each).
- Only 8% of the respondents are above the age of 58 years and above. It is also found that the majority of the respondents accounting to 32% are students, followed by the individuals belonging to service/job and business are 26% and 22% respectively.

### Descriptive Analysis

**Table 2: Table showing analysis of the Investment in Stock market and Mutual funds.**

		Do you invest in Mutual Funds?		
		No	Yes	Total
Do you invest in Stock market?	No	61	21	82
	Yes	95	125	220
Total		156	146	302

- Almost 73% of the respondents consider the stock market as the option for converting their savings into investment. In comparison to the stock market, only 46% consider mutual funds as the suitable option for investment which is quite less.
- 20% of the respondents do not invest in either option. However, 41% of the respondents invest in both the options, maintaining the balance. A certain part of the respondents (almost 7%) invest in only mutual funds considering the stock market as a highly risky option.

**Table 3: Table showing analysis of Relationship between Investment in Mutual Funds and consider it as a Systematic option for investment in Stock market.**

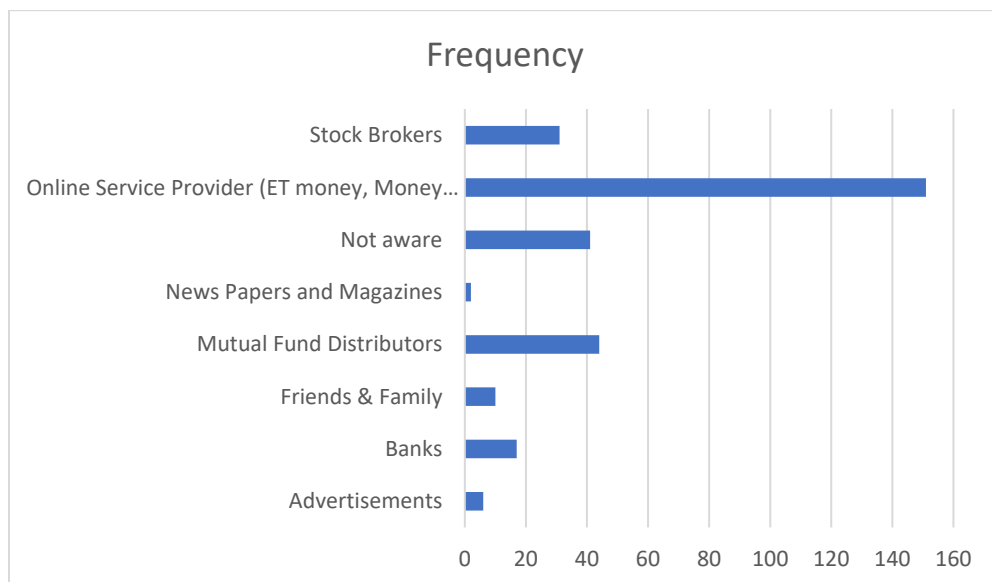
		Do you consider Mutual Funds as a systematic approach to invest in stock market?		
		No	Yes	Total
Do you invest in Mutual Funds?	No	35	121	156
	Yes	6	140	146
Total		41	261	302

- Almost half (49%) of the respondents invest their savings in mutual funds. More than 86% of the respondents consider Mutual funds as a systematic way for making investment in the stock market.

- A part of respondents (40%) does not invest in Mutual funds but would plan to do so in future as they consider it as a proper option for investment. However, there still exist 11% who do not prefer to invest in Mutual funds nor consider it as a systematic option to invest in the stock market.

**Table 4: Table showing analysis of Preferred source for being aware regarding Mutual Fund Investments:**

Sources	Frequency	Percent
Advertisements	6	2.0
Banks	17	5.6
Friends & Family	10	3.3
Mutual Fund Distributors	44	14.6
News Papers and Magazines	2	0.7
Not aware	41	13.6
Online Service Provider (ET money, Money Control, Ticker Tape)	151	50.0
Stock Brokers	31	10.3
Total	302	100.0

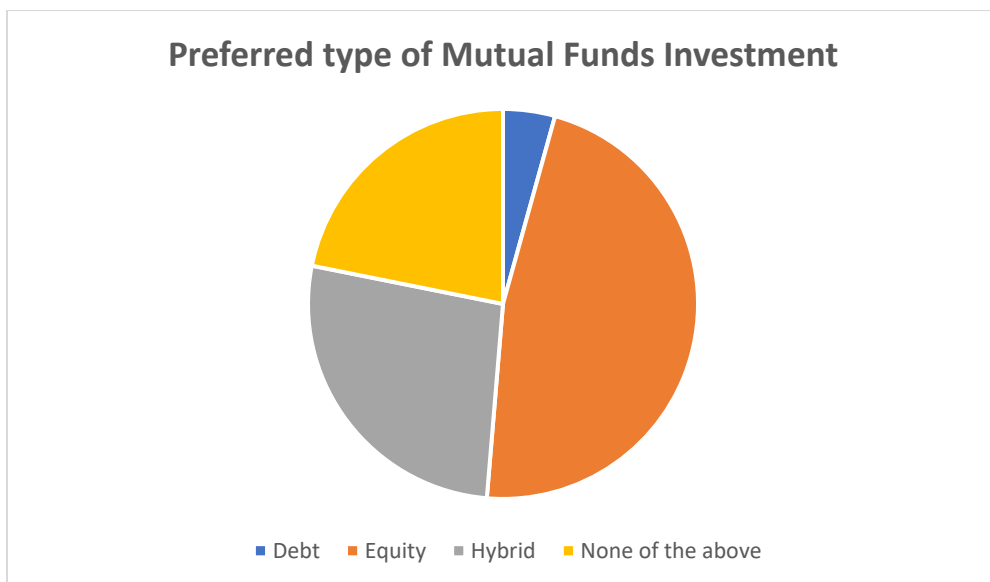


**Figure 1: Chart showing analysis of Preferred source for being aware regarding Mutual Fund Investments**

- Half of the respondents (50%) consider online service providers like ET money, Money control and Ticker tape as the best source for getting information regarding Mutual Fund investment.
- The other priorities include Mutual fund distributors (around 15%) and Stock brokers (more than 10%) over which the respondents have trust in order to make themselves aware regarding investment in Mutual Fund.

**Table 5: Table showing analysis of Preferred type of Mutual Funds Investment:**

Types	Frequency	Percent
Debt	13	4.3
Equity	142	47.0
Hybrid	81	26.8
None of the above	66	21.9
Total	302	100.0



**Figure 1: Chart showing analysis of Preferred type of Mutual Funds Investment**

- Out of the total respondents, 47% invest in equity type of Mutual Funds. This category is followed by the hybrid type which accounts for almost 27%.
- Very less (nearly 4%) respondents invest in debt type. However, 22% of the respondents do not invest in either type of Mutual Funds.

### Inferential Analysis

#### Chi-Square Test -1

#### Annual Income and Percentage of respondent's saving for investment in Mutual Fund

**Null Hypothesis (H0):** The percentage of respondent's saving for investment in Mutual Fund is not dependent on the annual income of the respondent.

**Alternate Hypothesis (H1):** The percentage of respondent's saving for investment in Mutual Fund is dependent on the annual income of the respondent.

**Table 6: Table showing analysis of Annual Income and Percentage of respondent's saving for investment in Mutual Fund**

			What percentage of your savings do you invest in Mutual Funds?				Total
			0-25%	25.01-50%	50.01-75%	75.01 & above	
Annual Income (INR)	10,00,001 and above		6	1	0	0	7
	2,50,001 to 5,00,000		68	37	11	0	116
	5,00,001 to 7,50,000		26	14	0	1	41
	7,50,001 to 10,00,000		20	12	0	0	32
	Up to 2,50,000		90	15	1	0	106
Total			210	79	12	1	302

#### Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	400.098 <sup>a</sup>	20	0.036
Likelihood Ratio	340.605	20	<b>0.037</b>

<b>N of Valid Cases</b>	356		
Assumption: 1) 16 cells (53.3%) have expected count less than 5. The minimum expected count is .02.			

**Answer:** Here, the value of Chi-square P -value/ Likelihood ratio (0.037) is less than value of alpha (0.05). Thus, H<sub>0</sub> is rejected.

**Hence, we can say that the percentage of respondent's saving for investment in Mutual Fund is depended on the annual income of the respondent.**

### Chi-Square Test - 2

#### Occupation and Preferred Time Horizon for investment for Investment in Mutual Fund

**Null Hypothesis (H<sub>0</sub>):** The preference of Time Horizon for investment for Investment in Mutual Fund is not dependent on the occupation of the respondent.

**Alternate Hypothesis (H<sub>1</sub>):** The preference of Time Horizon for investment for Investment in Mutual Fund is dependent on the occupation of the respondent.

**Table 7: Table showing analysis of Occupation and Preferred Time Horizon for investment for Investment in Mutual Fund**

		What is your preferred Time Horizon for investment in Mutual Funds?			Total
		Long term (>12 months)	Medium term (6-12 months)	Short term (<6 months)	
Occupation	Business	43	17	6	66
	Home maker	14	4	3	21
	Professional	15	3	2	20
	Retired	9	7	3	19
	Service/Job	55	15	10	80
	Student	56	28	12	96
Total		192	74	36	302

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
<b>Pearson Chi-Square</b>	364.304 <sup>a</sup>	18	0.043
<b>Likelihood Ratio</b>	310.186	18	<b>0.041</b>
<b>N of Valid Cases</b>	356		
Assumption: 1) 9 cells (32.1%) have expected count less than 5. The minimum expected count is 1.92.			

**Answer:** Here, the value of Chi-square P -value/ Likelihood ratio (0.041) is less than value of alpha (0.05). Thus, H<sub>0</sub> is rejected.

**Hence, we can say that the preference of Time Horizon for investment for Investment in Mutual Fund is depended on the occupation of the respondent.**

### Chi-Square Test

#### Percentage of respondent's saving for investment in Mutual Fund and Consulting from Financial advisor before investing in Mutual fund.

**Null Hypothesis (H<sub>0</sub>):** The consultation from financial advisor before investing in Mutual fund by respondent is not dependent on the Percentage of respondent's saving for investment in Mutual Fund.

**Alternate Hypothesis (H<sub>1</sub>):** The consultation from financial advisor before investing in Mutual fund by respondent

is not dependent on the Percentage of respondent's saving for investment in Mutual Fund.

**Table 8: Table showing analysis of Percentage of respondent's saving for investment in Mutual Fund and Consulting from Financial advisor before investing in Mutual fund.**

		Do you consult any financial advisor before investing in Mutual Funds?		Total
		No	Yes	
What percentage of your savings do you invest in Mutual Funds?	0-25%	73	137	210
	25.01-50%	19	60	79
	50.01-75%	6	6	12
	75.01 & above	1	0	1
Total		99	203	302

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
<b>Pearson Chi-Square</b>	363.983 <sup>a</sup>	8	0.021
<b>Likelihood Ratio</b>	310.043	8	<b>0.025</b>
<b>N of Valid Cases</b>	356		

Assumption:  
1) 5 cells (33.3%) have expected count less than 5. The minimum expected count is .15.

**Answer:** Here, the value of Chi-square P -value/Likelihood ratio (0.025) is less than value of alpha (0.05). Thus, H<sub>0</sub> is rejected.

**Hence, we can say that the consultation from financial advisor before investing in Mutual fund by respondent is not depended on the Percentage of respondent's saving for investment in Mutual Fund.**

## FINDINGS

- This project is mainly concerned with the analysis of perception of investors of Gujarat towards Mutual Fund investment. Majority of the investors prefer investment via SIP/STP in mutual funds after getting proper information from their preferred sources like online service providers, mutual fund distributors and stock brokers.
- Mutual fund prospects act as the major source for gathering information. Investors prefer equity as the preferred asset class for investment in Mutual funds and hence, consider mutual funds as a systematic option for investment in the stock market.
- The time duration taken into consideration for investment is long term i.e., for more than 12 months. Safety, income, capital growth, tax minimization and liquidity are the factors taken into consideration before investment in Mutual Funds via preferred medium i.e., online.
- However, respondents prefer investment in the stock market as compared to that of Mutual funds. But as Mutual Funds industry is a growing industry, this trend will eventually change in the near future.
- It is found that there exists a positive correlation between time horizon and occupation of the investor, whereby the time preferred is dependent on the occupation of the investor. There also exists a positive relationship between percentage of savings for investment in Mutual Fund and annual income of the individual. Moreover, financial advisor consultation has no significant relation with the amount of savings turned into Mutual funds investment.

## CONCLUSION

- The present study on investors' perceptions towards mutual fund investment covers only Gujarat state. The results of the present study shows that the majority of the investors consider Mutual funds as a proper tool to invest in the stock market as the stock market in itself carries huge risk due to ups and downs in the market.



- So, in order to take limited risk and earn good returns, Mutual funds are a good option for the small investors.
- To sum up it can be said that investment in mutual funds has increased with increasing awareness among the general public. Awareness regarding proper investment options among people will act as a key factor that will contribute to economic growth and welfare of the country.

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