

Vol 5 Issue 3 Dec 2015

ISSN No : 2249-894X

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*Monthly Multidisciplinary  
Research Journal*

*Review Of  
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RNI MAHMUL/2011/38595

ISSN No.2249-894X

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## INVESTORS PERCEPTIONS TOWARDS MUTUAL FUND: A STUDY WITH SPECIAL REFERENCE TO GULBARGA DISTRICT IN KARNATAKA STATE

B. Vijaya<sup>1</sup> and Prakash. T. Talwar<sup>2</sup>

<sup>1</sup>Professor, Department of Commerce, Gulbarga University Gulbarga ,Karnataka.

<sup>2</sup>Research Scholar, Department of Commerce Gulbarga University Gulbarga ,Karnataka.



B. Vijaya

### ABSTRACT

Mutual Fund Industry is a fast growing sector of the Indian Financial Markets. It has become major vehicle for mobilization of savings, especially from the small and middle income group savers for investment in the capital market. Mutual Funds are essentially a financial intermediaries. Mutual Funds have become a critical

link among various financial segments in the economy. They play a crucial role in the mobilisation of resources, especially from small savers. On account of the huge resources at their disposal, they have also emerged as the dominant players in the capital market. It is estimated that the mutual funds in India together have assets of crores together. With such enormous funds at their disposal they have become critical players in the market.

The present study is an attempt to know the investors perceptions towards mutual funds, to analyze the various socio economic variables such as gender, age, educational qualifications, income level and occupation of the investors. For measuring various phenomena and analyzing the collected data effectively and efficiently for drawing sound conclusions, Chi-



square ( $\chi^2$ ) test has been used.

**KEYWORDS:** Mutual Fund, Perceptions, Socio Economic variables, Chi-square ( $\chi^2$ ) test,

### INTRODUCTION:

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money, thus collected, is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital

appreciation realized and shared by its unit's holders in proportion to the number of units owned by them. Thus a 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.

Mutual Fund is a collective savings scheme. Mutual Funds play an important role in mobilising the savings of small investors and channelising the same for productive ventures in the Indian economy. A Mutual Fund in India raises resources through sale of units to the public. It can be set up in the form of a trust under the Indian Trust Act. A Mutual Fund serves as a link between the investors and the securities market by mobilising savings from the investors and investing them in the securities market to generate returns. Thus, a Mutual Fund is akin to portfolio management services. Although, both are conceptually same, they are different from each other. Portfolio management services are offered to high net worth individuals; taking into account their risk profile, their investments are managed separately. In case of Mutual Funds, savings of small investors are pooled under a scheme and the returns are distributed in the same proportion in which the investments are made by the investors / unit holders.

#### REVIEW OF LITERATURE:

Gupta Amitabh (2000) identified that the IMFI had come a long way since its inception in 1964. The transformation in the previous decade was the outcome of policy initiatives taken by the Government of India to break the monolithic structure of the industry in 1987 by permitting public sector banks and insurance sectors to enter the market.

Anand and Murugaiah (2004) have studied various strategic issues related to the marketing of financial services. They found that recently this type of industry requires new strategies to survive and for operation. For surviving they have to adopt new marketing strategies and tactics that enable them to capture maximum opportunities with the lowest risks in order to enable them to survive and meet the competition from various market players globally.

Ramamurthy and Reddy (2005) conducted a study to analyse recent trends in the mutual fund industry and concluded that the benefits for small investors due to efficient management, diversification of investment, easy administration, nice return potential, liquidity, transparency, flexibility, affordability, wide range of choices and a proper regulation governed by SEBI.

Faisal Ahmed and Ahuja (2006) evaluated the cause and effect relationship between mutual fund investment decision and fund family, fund size, type of fund, type of portfolio and schemes, risk involved of the fund manager, past performance of the fund, liquidity factors and current market conditions.

Sahoo and Hathy (2007) found that financial networks must be used to learn and generalize data as it is substantiated by the authors that the multilayer perception is a model superior to other statistical models of forecasting.

Vanniarajan and Gurunathan (2007) analysed some factors in their work on "Investment in Mutual funds: A Customer Centric Analysis", emphasized that MF companies are focusing on customized products due to hectic competition. The study focuses on important factors leading to investment in mutual funds which are monetary, core product, fund strength, promotional measures, customer expectations and service quality.

Lakshmi (2009) studied the investor servicing factor. It shows that the investors in mutual funds place quality of service very high among the attributes, something even above returns. It is thus in the fund managers, marketing interest to ensure that investors service commitments are well executed.

The entry of foreign fund managers brings to the capital market a new level of service.

Sudhakar and Sasikumar (2010) conducted a research to understand the market of mutual funds in India and examined the factors that not only influenced its growth but also affected the different stakeholders in the market. It was observed that mutual funds have been forced to encounter large number factors that certainly turned out to be barriers in their growth process.

Santhi and Gurunathan (2011) found that most of the investors are averse of mutual funds due to the volatility. It was agreed that more number of motivation cum awareness programs should be organized by the different asset management companies along with the regulation authorities which will not only make the investors aware of the new schemes coming up but also will help in the investment process through strategic decision making.

Sarish and Ajay Jain (2012) have concluded that for the purpose of investment or saving, the investors are having options to invest money in mutual funds and other financial instruments equity shares, debentures, bonds, warrant, bank deposits etc. A common investor, who invests their savings into the different assets, is not very much aware about the mutual funds.

Sharma (2013) has worked to assess the return earned by the sample mutual fund schemes and weighted against the standard market returns and found that large numbers of Mutual Funds have surpassed the market benchmark indexes in Sharpe and Treynor Ratios and correlation between them is significantly higher. They also found that a fund & its market return have a high correlation.

#### **OBJECTIVES OF THE STUDY:**

The following are the specific objectives of the present study.

1. To know the investors perceptions towards mutual fund.
2. To analyze the socio-economic variables of investors towards mutual fund.
3. To offer suggestions based on the present findings.

#### **RESEARCH METHODOLOGY:**

The present study is conducted with the help of primary data.

**Primary Data:** Primary data are those data, which were collected through the questionnaire. This data is collected with the help of a well structured questionnaire.

**Sampling Plan:** For the study purpose 100 respondents have been chosen on the basis of convenient sample method.

**Study Area:** Gulbarga District.

#### **TOOLS AND TECHNIQUES USED FOR ANALYSIS:**

The data drawn from various sources are analyzed with the help of statistical tools and techniques such as percentages and Chi-square tests.

$$\text{Chi-square } (\chi^2) = \frac{(\text{Observed frequency} - \text{Expected Frequency})^2}{\text{Expected Frequency}}$$

#### **Hypotheses:**

The following are the hypotheses have been set for the present study.

H<sub>0</sub>: Investors perception is independent towards mutual fund on the basis of socio economic variables.

H<sub>1</sub>: Investors perception is dependent towards mutual fund on the basis of socio economic variables.

**Data Analysis and Interpretation:**

**Table 1: Gender vs Perceptions Towards Mutual Fund**

Gender	Low	Medium	High	Total	Chi-Value	df	Result
Male	10	40	29	79	1.719	2	Accept
Female	5	10	6	21			
<b>Total</b>	<b>15</b>	<b>50</b>	<b>35</b>	<b>100</b>			

Source: Field Investigation

It is evident from the above table that out of 100 respondents 79 are male and rest of 21 are female. At 5 percent level of significance with degree of freedom 2, the tabulated value is 5.991 with respect of X<sup>2</sup> value is 1.719. Since X<sup>2</sup> value is less than the tabulated value the null hypothesis is accepted and it is concluded that there is no significant association between the gender of the respondents and their perceptions towards mutual fund.

**Table 2: Age vs Perceptions Towards Mutual Fund**

Age (In Years)	Low	Medium	High	Total	Chi-value	df	Result
Below30	3	7	5	15	0.558	6	Accept
30-40	5	15	11	31			
40-50	5	20	14	39			
Above50	2	8	5	15			
<b>Total</b>	<b>15</b>	<b>50</b>	<b>35</b>	<b>100</b>			

Source: Field Investigation

The above table reveals that age vs perceptions towards mutual fund. Out of 100 respondents 39 percent of the respondents are under the age group of 40-50 years, 31 percent belongs to 30-40 age group and 15 percent of them belongs to the age group of below 30 and a similar percentage belongs to above 50 years. At 5 percent level of significance with degree of freedom is 6, the tabulated value is 12.592 with respect to X<sup>2</sup> value is 0.558. Since X<sup>2</sup> value is less than the tabulated value the null hypothesis is accepted and it is concluded that there is no significant association between the age of the respondents and their perceptions towards mutual fund.

**Table 3: Education vs Perceptions Towards Mutual Fund**

Education	Low	Medium	High	Total	Chi-value	Df	Result
Up to 10 <sup>th</sup>	1	4	5	10	2.872	6	Accept
PUC	3	6	5	14			
Graduate	6	28	17	51			
Post Graduate	5	12	8	25			
<b>Total</b>	<b>15</b>	<b>50</b>	<b>35</b>	<b>100</b>			

Source: Field Investigation

It is observed from the above table that education vs perceptions towards mutual fund. Out of 100 respondents 51 percent of the respondent's are having educational qualification of graduate, 25 percent are post graduate, 14 percent were P.U.C. and remaining 10 percent are having education up to 10th. At 5 percent level of significance with degree of freedom 6, the tabulated value is 12.592 with respect to  $X^2$  value is 2.872. Since  $X^2$  calculated less than the tabulated value the null hypothesis is accepted and it is concluded that there is no significant association between the education of the respondents and their perception towards mutual fund.

**Table 4: Income vs Perceptions Towards Mutual Fund**

Income (In rupees)	Low	Medium	High	Total	Chi-value	df	Result
Upto Rs.10000	2	8	5	15	0.335	6	Accept
B/W 10000 to 20000	3	10	8	21			
B/W 20000 to 30000	4	15	10	29			
More than 30000	6	17	12	35			
<b>Total</b>	<b>15</b>	<b>50</b>	<b>35</b>	<b>100</b>			

Source: Field Investigation

It is evident from the above table that income vs perceptions towards mutual fund. Out of 100 respondents 35 percent of the respondents have income more than Rs.30000, 29 percent of respondents have income between Rs.20000 to 30000, 21 percent of them have income between Rs.10000 to 20000. Finally, 15 percent of the respondents have income up to Rs.10000. At 5 percent level of significance degree of freedom 6, the tabulated value of 12.592 with respect to  $X^2$  value is 0.335. Since  $X^2$  calculated less than tabulated value the null hypothesis is accepted and it is concluded that there is no significant association between the income of the respondents and their perceptions towards mutual fund.

**Table 5: Occupation vs Perceptions Towards Mutual Fund**

Occupation	Low	Medium	High	Total	Chi-value	Df	Result
Self employed	2	5	4	11	0.949	8	Accept
Salaried	5	15	11	31			
Business	3	10	9	22			
Profession	3	12	7	22			
Retired	2	8	4	14			
<b>Total</b>	<b>15</b>	<b>50</b>	<b>35</b>	<b>100</b>			

Source: Field Investigation

The above table reveals that occupation vs perceptions towards mutual fund. Out of 100 respondents 31 percent are salaried, 22 percent each of them businessmen and professionals and 14 percent of them retired and finally 11 percent are self employed. At 5 percent level of significance with degree of freedom 8, the tabulated value is 15.507 with respect to  $X^2$  value is 0.949. Since  $X^2$  calculated value is less than the tabulated value the null hypothesis is accepted and it is concluded that there is no significant association between the occupation of the respondents and their perceptions towards

mutual fund.

#### **FINDINGS OF THE STUDY:**

**The following are the findings of the present study.**

- 1.It was found that majority of respondents are male i.e.79 percent. This shows that the female respondents are very less when compared to male respondents. The reason may be due to lack of awareness of mutual fund schemes among the male counterparts.
- 2.It has been found that most of the respondents i.e. 39 percent and 31 percent are in the age group of 40-50 and 30-40 years respectively because normally when a man reached to the age of 30 years he/she feels more necessity of investing in mutual fund.
- 3.It is found that 51 percent of the respondents are graduates and 25 percent were post graduates. It indicates that more educated people are showing interest in investing in mutual fund.
- 4.It was found that 35 percent of the respondents belongs to the income group of more than Rs.30000 and 29 percent between Rs.20000 to 30000. Income is one of the most decisive factors. It is essential to know socio economic status of any group.
- 5.It is found that salaried persons have invested more in mutual fund. It may be because of regular income and future safety and perhaps awareness.

#### **SUGGESTIONS:**

The following suggestions are offered to make mutual fund more popular among the people.

- 1.Mutual Fund Company should conduct investors education research and awareness programs. Seminars, conferences and training programs should be arranged for this purpose. Adequate publicity through newspapers, magazines, T.V., radio, pamphlets and brochures should be done.
- 2.Mutual Fund Company has to introduce new schemes with attractive return for the young people for investing in mutual fund industry.
- 3.It also suggested that Mutual Fund Company should take a special care on the low and middle income group of respondents who are the real investors in the mutual fund.
- 4.Mutual Fund Company may try to mobilise the funds from the people other than salaried persons by opening information centres in different areas of the country.
- 5.The mutual fund companies should concentrate more and more on investors satisfaction by enhancing its NAV.
- 6.The mutual fund company should concentrate on semi urban and rural areas for mobilising the funds.

#### **CONCLUSIONS:**

The present study concludes that the investors have a positive attitude towards their investment made in the mutual funds. Majority of the investors prefer mutual funds for the returns and feel that it is a safe measure of investment. As far as the socio economic variables are concerned gender, age, qualification, income and occupation have been encouraging the attitude of investors towards mutual fund.

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**Prakash. T. Talwar**

**Research Scholar, Department of Commerce Gulbarga University Gulbarga ,Karnataka.**

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