Investors’ Perception towards Mutual Fund: A Case of New Delhi

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Abstract: Mutual fund is four decades old in India. It was begun by UTI during the year 1964 with not many plans for small investors. During this short span of time it has made enormous development in Indian small investors. Be that as it may, presently a day’s its volume of investors and sources of investment also growing tremendous level. The broadening of plans gives assortment of choices to suit the individual goals as per their age, money related position, hazard resilience and return desires. In the previous not many years, we had seen an emotional development of the Indian Mutual Fund industry with numerous private players carrying worldwide ability to the business. This paper endeavors to think about investors' perception towards mutual fund in New Delhi. It is discovered that investors put a large portion of their money in real estate, gold/e-gold, FDs and shares and investment in mutual funds is lower than these options. This shows investors are not sure enough for this investment avenue.

Keywords: Mutual funds, investors, New Delhi, perception

I. INTRODUCTION

A mutual fund is a trust or a pool of investors by investors who share a common financial objective. This pool is invested into a few monetary instruments, for example, shares, debt instruments, bonds and so forth by the organization dealing with that trust. This organization is called an Asset Management Company. Returns so created are later circulated among the individuals from the pool in the proportion of their ventures. The AMC puts its cash in a way that while the profits are boosted, the risk are kept at minimum level. In India, it is required for each Asset Management Firm to be enlisted with the Securities and Exchange Board of India (SEBI), a body that regulates all securities instruments.

There are a huge number of mutual funds in India, under various classes, offered by many AMCs and Fund Houses. For fairness and transparency, global agencies exist that dissect and rate the performance over time and ensure that investors are very much educated before contributing. It is required for AMCs to announce a standard against which the performance of any given fund can be measured -this is known as a benchmark. There are additionally regulatory bodies like AMFI and SEBI that guarantee no investors ever get defrauded. Mutual funds enable people to make their money work for them - implying that they don't have to effectively perform tasks for monetary gain. Any amount invested in mutual funds will either grow or shrink contingent upon market performance and the skill of the fund manager.

Types of Mutual Funds:

- Equity Funds: An equity fund is a class of mutual fund that puts the corpus in listed equities in the securities exchanges. An equity fund is characterized under the Income Tax Act as any fund that has a minimum exposure of 65% to equities. Therefore equity funds, index funds, sector funds, balanced funds (with 65% equity) and even arbitrage funds will be named equity funds for this reason.

- Debt Funds: Debt funds, as the name proposes, invest in fixed income debt instruments. Debt instruments pay regular interest and furthermore reclaim the principal on the completion of the tenure of the instrument. For instance a 9% bond redeemable following 5 years with an assumed worth of Rs.1000 will pay Rs.90 as intrigue every year and toward the finish of the fifth year it will pay Rs.1090, which will incorporate the redemption of the principal. Debt funds are normally characterized dependent on their term or their credit chance. In terms of duration, a debt fund can be a liquid fund, short term debt fund, income fund or a long term gilt fund. As far as credit risk, debt fund can be delegated G-Sec funds or credit opportunities funds.

- Hybrid Funds: Hybrid funds or balanced funds come in various mixes of equity and debt. Equity and debt funds represent two extremes of the investment spectrum. The real needs of investors lie somewhere in the middle. The answer in most cases is to buy equity and debt funds in the required proportion. In any case, that is actually quite difficult. It calls for retail investors to comprehend and assess equity funds and debt funds in detail in order to make informed decision. A mid-way arrangement could be the Hybrid funds.

- Equity Linked Saving Scheme: Equity-linked savings scheme (ELSS) is a type of equity mutual funds, investments in which are tax deduction up to Rs 1.5 lakh per fiscal year under section 80C. An ELSS invests equal-to or more than 80% of its AUM in equities and equity related instruments. Investors can opt for either SIP’s or lump sum investment in ELSS.
1.2. History of Mutual Fund

The mutual fund industry in India began in 1963 with the development of Unit Trust of India, at the initiative of the Government of India and Reserve Bank of India. The historical backdrop of mutual fund in India can be comprehensively partitioned into four distinct phase.

First Phase - 1964-1987

The primary stage was marked by the setting up of the UTI. In spite of the fact that it was a joint effort between the RBI and the Indian Government, the last was soon delinked from the everyday activities of the Unit Trust of India. In this stage, the organization was sole operator in the Indian mutual fund industry. In 1971, the UTI propelled the Unit Linked Insurance Plan or the ULIP. From that year until 1986, UTI presented a few plans and assumed an exceptionally large job in presenting the idea of mutual funds in India.

Unit Trust of India (UTI) was built up in 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and worked under the Regulatory and managerial control of the Reserve Bank of India. In 1978 UTI was de-connected from the RBI and the Industrial Development Bank of India (IDBI) assumed control over the administrative and regulatory control instead of RBI. The first scheme launched by UTI was Unit Scheme 1964. At the end of 1988 UTI had Rs. 6,700 crores of assets under management.

Second Phase - 1987-1993 (Entry of Public Sector Funds)

1987 denoted the passage of non-UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund was the first non-UTI Mutual Fund set up in June 1987 pursued by Canara bank Mutual Fund (Dec 87), Punjab National Bank Mutual Fund (Aug 89), Indian Bank Mutual Fund (Nov 89), Bank of India (Jun 90), Bank of Baroda Mutual Fund (Oct 92). LIC built up its mutual fund in June 1989 while GIC had set up its mutual fund in December 1990.

This opening up of the mutual fund industry conveyed the ideal outcomes. In 1993, the combined corpus of all the AMC's went up to an astounding Rs. 44,000 crores. Spectators of this industry state that in the subsequent stage, not just the base of the business expanded, yet additionally it urged financial specialists to spend a higher level of their savings in mutual funds. It was obvious that the mutual fund industry in India was balanced for higher growth.

Third Phase - 1993-2003 (Entry of Private Sector Funds)

With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry, giving the Indian investors a wider choice of fund families. Also, 1993 was the year in which the first Mutual Fund Regulations came into being, under which all mutual funds, except UTI were to be registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993.

The 1993 SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEBI (Mutual Fund) Regulations 1996. The number of mutual fund houses went on increasing, with many foreign mutual funds setting up funds in India and also the industry has witnessed several mergers and acquisitions. As at the end of January 2003, there were 33 mutual funds with total assets of Rs. 1.21,805 crores. The Unit Trust of India with Rs. 44,541 crores of assets under management was way ahead of other mutual funds.

Some of the top AMCs in the private sector were:
• ICICI Prudential AMC- This Company is a joint venture between ICICI Bank of India and Prudential Plc of UK. It manages a corpus of INR 2, 93,000 crores and has an inventory of more than 1400 schemes.
• HDFC Mutual Fund- Launched in the 1990s, the HDFC Mutual Fund manages more than 900 different kinds of funds.
• Kotak Mahindra Mutual Fund- This AMC has an asset base of more than Rs. 1,19,000 crores. It is a joint venture of Kotak Financial Services and the Mahindra Group.

SEBI Interventions, Growth and AMFI:

As the mutual fund industry grew further in the 1990s, the AMCs and the government felt that it was time for regulation and some control. Investors had to be protected as well as a level playing ground had also to be laid down. A few years ago, the Indian industry had suffered a lot because of bank scams and there was a real threat that investors might lose their monies yet again.

Consequently, the government introduced the SEBI Regulation Act in 1996 which laid down a set of fair and transparent rules for all the stakeholders. In 1999, the Indian government declared that all mutual fund dividends would be exempt from income tax. The idea behind this decision was to spur further growth in the mutual fund industry.

Meanwhile, the mutual fund industry also realized the importance of self-regulation. As a result, it set up an industry body- the Association of Mutual Funds of India (AMFI). One of the goals of this body is investor education.

Fourth Phase - since February 2003-April 2014
In February 2003, after the annulment of the Unit Trust of India Act 1963 UTI was bifurcated into two separate elements. One is the Specified Undertaking of the Unit Trust of India with resources under administration of Rs. 29,835 crores as toward the finish of January 2003, speaking to comprehensively, the advantages of US 64 plan, guaranteed return and certain diferent plans. The Specified Undertaking of Unit Trust of India, working under a manager and under the principles encircled by Government of India and doesn't go under the domain of the Mutual Fund Regulations.

The second is the UTI Mutual Fund, supported by SBI, PNB, BOB and LIC. It is enlisted with SEBI and capacities under the Mutual Fund Regulations. With the bifurcation of the recent UTI which had in March 2000 more than Rs. 76,000 crores of assets under administration and with the setting up of an UTI Mutual Fund, adjusting to the SEBI Mutual Fund Regulations, and with ongoing mergers occurring among various private segment reserves, the mutual fund industry has entered its present period of solidification and development.

After the worldwide monetary downturn of 2009, the financial markets over the globe were at a record-breaking low and Indian market was no special case to it. Lion's share of investors who had placed in their money during the pinnacle time of the market had endured extraordinary misfortunes. This seriously shook the confidence of investors in the MF products. The Indian Mutual Fund industry attempted to recoup from these hardships and redesign itself throughout the following two years. The circumstance toughened up additional with SEBI annulling the passage load and the enduring repercussions of the worldwide financial emergency. This situation is apparent from the drowsy ascent in the general AUM of the Indian MF industry.

Fifth Phase- Since May 2015

Perceiving the absence of infiltration of mutual fund in India, particularly in the level II and level III urban areas, SEBI propelled various dynamic measures in September 2012. The thought behind these measures was to bring more straightforwardness and security for the enthusiasm of the partners. This was SEBI’s plan to ‘re-stimulate’ the Indian MF Industry and lift the general infiltration of mutual fund in India.

The measures proved to be fruitful in the proper method by countering the negative pattern that was set in view of the worldwide money related emergency. The circumstance improved significantly after the new government assumed responsibility at the inside.

Since May ‘14, the Indian MF industry has encountered a steady inflow and ascend in the general AUM just as the complete number of financial specialist accounts (portfolio).

Right now, all the Asset Management Companies in India deal with a joined worth of around Rs. 23 lac crore of benefits. In spite of the fact that this number looks alluring, despite everything we need to go far so as to coordinate the west.

It is estimated that Indians save approximately Rs. 20-30 lakh crore annually. The Indian mutual fund industry can grow immensely if Indians started parking a higher percentage of their savings in MFs. Observers say that Indians have begun shifting a part of their savings from physical assets like gold and land to financial instruments like bonds and silver. However, the AMFI and the government need to encourage Indians even more for investments in mutual funds.

This paper seeks to achieve following objectives:

1) To study the investors perception and preference towards Mutual funds.
2) To study the relation between investor income, risk appetite to their amount invested in Mutual Funds
3) To identify the factors which prevent the investors from investing in mutual funds
4) To find out the motivating factors which encourage the investors to invest in mutual fund industry.

Growth of Mutual Fund Industry

Mutual funds added a whopping ₹ 3 trillion to their asset base in 2018 and the uptrend may continue helped by consistent rise in the SIP flows and a strong participation of retail investors despite volatile markets. The asset under management (AUM) of the mutual fund industry rose by 13% to ₹ 24 trillion in 2018 by November-end itself, up from ₹ 21.26 trillion at the end of December 2017, data available with the Association of Mutual Funds in India (AMFI) showed.

The investor count is also estimated to have grown by over 1.3 crore during the year. However, the industry experts believed that the final mutual fund AUM figure at December-end might be slightly lower than that of November as there could be a dip in liquid funds due to a quarter-end phenomenon.

The pace of growth, however, declined for the asset size in 2018 as compared to the last year. The industry had seen a surge of 32% in the AUM or an addition of over ₹ 5.4 trillion in 2017.

The IL&FS default and the consequent blow to the NBFC sector because of the liquidity crunch exposed mutual funds to lakhs of crore worth of ill-liquid debt funds. This coupled with volatile markets could be some of the reasons for a slower growth in assets base this year.

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2018 was a turbulent year for the Indian stock markets. Foreign investors dumped Indian equities worth Rs 33,014 crore and debt instruments worth Rs 47,795 crore. In fact, they have continued to be net sellers in Indian stocks even in 2019. So far in January 2019, they have sold equities worth Rs 2,675 crore. Had it not been for the solid participation from domestic investors, the Indian markets would have witnessed a much steeper fall.

The chart of the day puts things in perspective.

Ten years ago, the total assets under management (AUM of the Indian mutual fund industry were Rs 4.13 trillion (1 trillion equals 1 lakh crore) as on 31 December 2008. Over the subsequent five years, the industry grew at a compound annual growth rate (CAGR) of 15% to take the total AUM to Rs 8.2 trillion as on 31 December 2013. Thereafter, the Indian mutual fund industry took off like never before, compounding at 23% CAGR, and taking the total AUM as on 31 December 2018 to Rs 22.86 trillion. In just 10 years, the AUM of the Indian MF Industry has multiplied 5.5 times, compounding at 19% CAGR. The total number of mutual fund folios as on 31 December 2018 stood at 8.03 crore (80.3 million).

II. LITERATURE REVIEW

Mane (2016) inspected the customer perception concerning mutual funds that are the plans they like, the plans they are picking, the explanations for such choices and furthermore this exploration managed diverse investment choices, which individuals incline toward alongside and apart from mutual funds like postal saving schemes, recurring deposits, bonds and shares. The discoveries from this project are that of the individuals are reluctant in going for new age investment like mutual funds and prefer to avert risks by investing in less risky investment options like recurring deposits.

Kalaiselvi, (2016) directed an examination on investor’s observation towards mutual fund investment (with uncommon reference to Pollachi Town). For this reason they gathered information from 250 respondents and this investigation indicated that investors decisions effected by various schemes and their satisfactory level. Mishra (2015) exhibited an investigation on view of investors towards mutual fund: a scientific examination in Odisha. For the reason, HR gathered information from 136 respondents. This investigation uncovered that arrival and eventual fate of mutual fund has impact on the buying behavior of small and large investors.

Sharma and Agrawal (2015) directed an investigation on investor’s recognition towards mutual fund as a investors choice. With the end goal of study, they gathered the information from 50 educated investors. This study revealed that various factors has impact on the buying decision of investor for mutual fund investment and it also showed that income, awareness etc. has also considered by investors while making buying decision.

Prabhu and Vechalekar (2014) directed an examination on view of Indian investors toward interest in mutual funds with special reference to MIP (Monthly income plan) funds. With the end goal of study they gathered information from individual mutual fund investors. The examination uncovered that awareness, age, income level of investors, return etc. has sway on the choice of shared assets. Investors are additionally aware about MIPs funds and here they contribute just based on predictable return.

Rathnamani (2013) clarified that numerous investors are wanted to put resources into mutual fund so as to have exceptional yield at low degree of risk, safety and liquidity. The universe of investment has been changing everyday, so investor's inclinations toward investment pattern additionally changed. In the demographic profile, most of the investors are willing to invest only 10 percent in their annual personal income; around 39 percent of investors belong to age range of 31 to 40 years. In this study investors are willing to take moderate and low level risk; most of the investors belong to moderate investment style.

Rajasekar (2013) completed to think about the investor’s perception with regard to their profile, income, savings pattern, investment patterns and their personality traits. So as to comprehend the degree of
investor's preference, a review was directed thinking about different parameters engaged with investors decision making. A questionnaire survey method was selected as the investor population is vast a sample size of 150 was taken for the project. The information was dissected utilizing the measurable apparatuses like percentage analysis, chi square, weighted average. From the discoveries, it was induced generally speaking that the investors are profoundly worried about safety and growth and liquidity of investments. The greater part of the respondents are profoundly happy with the advantages and the service rendered by the reliance mutual funds.

Agrawal and Jain (2013) displayed a paper on investor’s preference towards mutual fund in comparison to other investment avenues. For the reason, they gathered information from 300 investors inside the Mathura city. This investigation indicated the various kinds of investments are accessible in the market. It is examined that inclination of investors towards various avenues of investment are subject to return, tax planning, growth etc. and so forth in end it presume that real estate is mostly preferred by investors of Mathura.

Kaur et al. (2013) presented a paper on investor’s perception towards selection of mutual funds rather than stock market. For the purpose of study, they collected the data from 200 investors and this study showed that investor prefers mutual fund rather than stock market. Because mutual fund investment can be changed according to their requirement where as investment in stock market is complex and risky.

An investigation done by Singh (2012) found that demographic factors like gender, income and level of education have their huge effect over the attitude towards mutual funds. In actuality, age and occupation have not been found impacting the investor’s attitude. The study supposed that return potential and liquidity have been seen to be most worthwhile advantages of mutual funds and the equivalent are trailed by flexibility, transparency and affordability.

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.

Das (2011) presented a report on small investor’s perception on mutual funds in Assam: An empirical analysis. For the purpose, he collected the data from 250 respondents belonged to five different commercial towns. This study analyze that different demographic variables like investor’s age, gender, marital status, occupation, income etc. has impact on the selection of investment. In the end this study describes that majority number of small investors has positive approach towards mutual investment

Parashar (2009) presented a paper on factors affecting perception towards mutual funds. For this purpose she collected the data from 300 respondents from different states and showed in the study that perception towards mutual fund is differ from one state to another.

Walia and Kiran (2009) in their study investigated the problems encountered by investors 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.

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 and lagged performance in Social equity returns funds to the same relation in a matched sample of conventional funds. The result revealed that the extra-financial equity funds attribute serves to dampen the rate at which Social equity Returns investors to trade in mutual funds. The study remarked that mutual fund companies can expect Social equity Return funds provided investors to be lower cost funds than investors in ordinary funds.

Lenard et., al. (2003) observationally investigated investor’s attitude toward mutual funds. The outcomes demonstrated that the choice to fund inside a fund family is influenced by investor’s demeanor towards risk, current asset allocation, investment losses, investment mix, capital base of the fund age, initial fund performance, investment mix 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.

It is observed that existing literature on investors perception about mutual funds are conducted prior 2016. Enumerating this gap, this paper examines investors perception towards mutual funds.

**III. RESEARCH METHODOLOGY**

Research methodology is the specific procedures or techniques used to identify, select, process, and analyze information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study’s overall validity and reliability. It consist of following

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Research Design: For obtaining complete and accurate information, descriptive research is chosen. Descriptive research includes surveys and fact finding enquiries of different kind.

Source of Data collection: Both primary and secondary source of data collection is used for study.

Research Instrument: The research instrument used in the study is Questionnaire and Personal interview method. The questionnaire consists of both open end and close end questions.

Sample Size: The sample size of the study is limited to 100 people.

Sampling Procedure: The sampling procedure used in this study is convenience sampling.

IV. DATA ANALYSIS

From figure 1, we get to see that 65% people invest in Mutual Funds and the remaining 35% do not invest in Mutual Funds.

Figure 1

From the below bar graph we can clearly see is that most people invest in Fixed Deposit (77.7%) and the next highest preferred investment option is Public Provident Fund (P.P.F) and then Gold.

Figure 2

Figure 3

What is your income per annum

100 responses
There seems to be a mix of different groups of income earners and non-earners. The maximum number of people earn between 5-10 lacs p.a. (29%), 19% people earn above 15 lacs a year

Figure 4

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Figure 4

62.7% of the respondents have some knowledge about mutual funds while only 29.4% are fully aware and the remaining 7.8% are totally ignorant.

Figure 6

About 54.1% of the respondents have invested in ELSS followed by Tax Saving schemes and Hybrid Funds

Figure 7
About 56.9% of the respondents chose Better Return & Safety as the factor which allures them the most towards Mutual Funds followed by Tax benefit and Wealth creation.

Figure 8

![Pie chart showing the distribution of responses regarding how long respondents have been investing in Mutual Funds. (83 responses)](#)

Majority of people (34.9%) have been investing in Mutual Funds for less than a year, followed by 32.5% of the people investing somewhere between 1-5yrs.

Figure 9

![Pie chart showing the distribution of responses regarding expected annual return in equity schemes. (102 responses)](#)

As we can see from the above pie chart that 42.2% of the respondents expect an annual return somewhere between 10-13% whereas 26.5% expect a return between 7-10%.

Figure 10

![Pie chart showing the distribution of responses regarding expected annual return in debt schemes. (77 responses)](#)

As we can see from the above pie chart that 58.4% of the respondents expect an annual return somewhere between 7-10% whereas 26% expect a return between 5-7%.

Figure 11

![Pie chart showing the distribution of responses regarding annual return received in equity schemes. (82 responses)](#)

As we can see from the above pie chart that 47.6% of the respondents are receiving an annual return somewhere between 8-11% whereas 28% are receiving return between 5-8%.

Figure 12
As we can see from the above pie chart that 65.2% of the respondents are receiving an annual return somewhere between 4-7% whereas 21.7% are receiving return between 7-10%

Figure 13

We see that 44.6% of the respondents take investment decisions once a year whereas 34.9% take such decisions once every 6 months.

V. CONCLUSION

The study conducted shows that most of the investors are aware of mutual funds. The Mutual Fund investors mainly belong to the age group from 19 years to 55 years and fall in the income group of 5-15 lacs p.a and above. Better return & security of portfolio and tax benefit are the main factors of mutual fund that allure the investors. Not many people are fully aware of Mutual Funds and its benefits, they have some knowledge about the subject matter. In the past 1 year or so, we see that there has been an effort to increase investor awareness about Mutual Funds through advertisements in T.V., newspapers, hoardings at major metro stations. There are websites to guide people who invest on their own rather than contacting a financial advisor. The industry is also highly regulated by SEBI and transparent which reduces the scope for malpractices which puts the whole gamete of investors at stake. Also, another factor which is attracting people to invest in the Mutual Fund industry is its affordability. People can invest a minimum sum of Rs.500 through Systematic Investment Plan (SIP). Mutual fund companies should not judge the performance of mutual funds just by comparing their return from some benchmark but must also identify the schemes that are not performing efficiently. Then peer efficient schemes might be followed with a set of target or virtual inputs by inefficient schemes so that efficiency level might be achieved. Apart from following target input values, major cause of inefficiencies in the performance of mutual funds should be identified. As load fee and expense ratio have been found out as the major cause of inefficiency in mutual fund schemes, mutual fund companies should focus on reducing their expenses and management fee. Investors invest most of their money in real estate, gold/e-gold, FDs and shares and investment in mutual funds is lower than these options. This shows that investors are not confident enough for this investment avenue. In spite of the fact that most of the mutual fund schemes have risk adjusted return greater than the average of BSE Sensex and the average of Sharpe Ratio being higher than the average of BSE Sensex return, mutual funds possess an image of high risk, low return investment avenue. Therefore, mutual fund companies might step towards this to promote the success of mutual funds among the investors at large. People still consider investing in traditional investment options such as Fixed Deposits and Public Provident Funds s th ey are considered safer options and some of them provide immediate liquidity in times of need.

VI. REFERENCES

Towards Mutual study on awareness and acceptability of mutual fund.


