

## PERCEPTION OF INVESTORS TOWARDS MUTUAL FUNDS IN COIMBATORE CITY

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### Abstract

Economic liberalisation, privatisation and progress plans initiated in India in late end of 20<sup>th</sup> century have significantly changed the investment preferences of individual Indians and the families. Families' financial goals are changing over the years with rise in nuclear family systems and the financial commitment expected in future pushes Indians to choose more systematic at same time well management keep due intervals between one commitment and other fulfillment. It can be rightly said that investment behaviour of the past generation is followed by the current generation individuals or families, especially people born in the liberalised economy environment. The modern day investor are well aware of their income sources and they systematically plan for their self enhancement in term of financial goals, seek financial comforts in meeting their various financial commitments (like children education, planning their career, settlement of children, post-retirement life, options for travel or leisure etc.,).

**Keywords:** Economic liberalization, Investor,Environment.

### Introduction

Creating right resources of money needed to meet this financial commitment is the need of the hour. From 1990s Indians prefer to invest their money in productive financial assets rather than investing in physical assets. Mutual Funds (MF) is the most preferred investment options, especially small retail investors. Investment in financial assets are more complicated and it needs more mastery i.e., literacy about investment nuances. MFs offers smarter and systematic investment option to many small retailers, as the funds are pooled based on the common interest of individuals and effective management by a well-trained fund managers. Risk are very much limited and the returns can be reaped on completion of specific investment time period or a stipulated time intervals, investors enjoy the benefits of anytime entry or exist options and almost all operations are transparent in nature. Realising these features of MFs number of new age investors prefer parking their money in short-duration or medium period or for long-term.

### Significance of the Study

Economic progress and continues development in all industrial and service sectors have paved way for the financial and economic well-being of Indians. Financial progress of the common man is reflected in their investment behaviours. In recent years Indian as individuals prefer parking their investment in mutual funds (MFs) compared to any other financial market instruments. Since, MFs offers number of investment option (to invest in Equity Shares, Corporate Bonds, Government Securities or in Money Market Instruments).

Over a period of 10 years the market has growth 5.5 time, registering annual growth of 22 per cent and with the total accounts management as 131.3 million in different portfolios (hybrid, equity and solution oriented schemes), of which 104.7 million are retail investors. As on 2021, the asset value of MFs industry in India is Rs.7 lakh crores in actual value it was recorded as Rs.32.30 trillion as on February 2021. As on April, 2022 the total Assets Under Managed (AUM) stood at Rs.38.04 trillion, it was Rs. 6.80 trillion in 2012 and Rs. 19.26 trillion in 2017. AUMs (Assets under Management) collect 30 per cent of the Mutual funds from the individual

earning less than Rs.5 Lakhs per annum. Individual investors hold high share of investment in industrial assets, especially equity schemes. The size of the MFs market and contribution of the individual investors to the growth of this market, motivated the researcher to pursue this study.

### **Statement of the Problem**

Opportunities for the growth of MF market in India is very bright, as country with more than 1.3 billion population, has only two per cent of MF investors. Saving and investment culture of Indian families are slowly shifting and small investors prefer investing their money in MFs, as it is safe, less risky and systematically managed by AMCs (Assets Management Companies). Progress of the MFs market supports both investors and for the economic progress. Small investors in both big metros and cities are showing interest in MFs, as they find MFs as best solution to overcome issues created due to geo-political wars, global recession followed by rise in inflations and also fall-down in economic growth. Unexpected job cut or loss, reduction in family saving, reduction in bank deposit rates and depleting family income forces the small investors to think about alternative investment options other than the traditional gold or land investment that could reap them a systematic returns at regular intervals. Technology advancement and higher literacy levels also influenced that small investors to choose MFs. Matters discussed above portraits the changing phase of investment practices among the Indian families /or individuals though pushed by various situation related factors.

### **Scope of the Study**

Mutual fund operations are carried in India since 1980, but this form of investment options gained more attentions and importance after the announcement of demonisation of Indian Rupee in 2016. Small investors have recognised the feasibility they could realised investment in mutual fund rather than keeping money ideal in a bank accounts. Based on the changing investors preferences conduct of this study is deemed as important. Theoretical discussions made in this study and the empirical findings made will support the financial experts, fund brokers and common man in understanding the trends in mutual fund operation and the prime criterions considered by the investors while choosing a specific funds.

### **Objectives of the Study**

Based on the statement of problems defined, following objectives are framed for the effective conduct of this study.

To study the demographic and socio-economic profile of the mutual fund investors living in Coimbatore city.

To assess the investors awareness towards mutual funds and its association towards their financial planning.

### **Sampling Framework**

As per the need of the study two different sampling techniques were adopted in this study. One is for the choosing mutual fund brokers and other is for collection of data from actual investors. The study applied judgmental sampling techniques and convenience sampling techniques. Judgment sampling technique was applied in selection of mutual fund brokers. There are number of demat account holders who are directly involved in mutual fund investment practices in Coimbatore. As correct number of such investors are unable to source from mutual fund agencies, the researcher restricted the first level of samples selection i.e., mutual fund brokers selection. Those brokers who were certified as Mutual Funds Distributors Certification

Examination were chosen as samples. As on date there are 134 mutual brokers certified with MFD certification in Coimbatore city.

### Limitations of the Study

Like many The research work this study also faced few issues in selection of right number of mutual fund brokers and in choosing respondents. Non-availability of needed or authenticated information about fund brokers hindered the researcher in selection of right brokers and thus, their number was minimised to just seven companies. Similar, the many of fund brokers did not provided information on their investors base, thus the samples size was restricted to just 315 respondents.

### Review of Literature

Subha and Bharathi (2007)examined the performance MFs in India. The study claimed that the performances and of MFs in general and returns are satisfactory paralleled to other investment in financial market. But the MFs schemes are not adequately diversified. Khare (2007)suggest the investors to invest in equity or bonds at lower operation cost through MF and enjoy the benefit of investment diversification at lower risk. The researcher identified retail investors are actively parking their earning in MF instruments and investing in MF is rise among the rural investors influenced by its features of low investment, efficient fund management, low risk and support in financial goal achievement.

Bodla and Sunita (2008)inferred that at present 609 and more MF schemes with variety of features (difference in terms of returns, growth, risk and in operation). At present both open-end and close-end schemes are very active in fund mobilisation, yet open-end schemes are more preferred for investment by retailers /small investors. Portfolio-wise analysis indicates health growth in terms of AUM and the contribution of UTI's share in total AUM has reduced to 11.8 percent in 2006 from 82.5 per cent share in 1998.

### Demographic Profile and Socio-Economic Status of Investors

Investors' consideration to the prevailing rate of risk free returns and to compare the fund returns with it are associated with their demographic and socio-economic status. This section of the study elaborately discusses about the demographic and socio-Economic status of the mutual fund investors.

**TABLE: 1.1(A)**  
**DEMOGRAPHIC PROFILE AND**  
**SOCIO-ECONOMIC STATUS OF THE INVESTORS**

Sl. No	Demographic Profile and Socio-Economic Status	No. of Respondents	Percentage
<b>Gender</b>			
1.	Male	186	62.00
2.	Female	114	38.00
	Total	300	100
<b>Age</b>			
1.	21-30 Years	50	16.68

2.	31-40 Years	106	35.33
3.	41-50 Years	94	31.33
4.	51-55 Years	43	14.33
5.	Above 56 Years	7	2.33
	Total	300	100

Source: Primary Data

**TABLE: 1.1(B)**  
**DEMOGRAPHIC PROFILE AND**  
**SOCIO-ECONOMIC STATUS OF THE INVESTORS**

Sl. No	Demographic Profile and Socio-Economic Status	No. of Respondents	Percentage
<b>Educational Qualification</b>			
1.	School Completed	22	7.33
2.	Under Graduate	129	43.00
3.	Post Graduate	86	28.67
4.	Professional Degree	63	21.00
	Total	300	100
<b>Occupational Status</b>			
1.	Professionals (Dr, Er, Lawer, Auditor, Teacher)	70	23.34
2.	Public Sector Employee	30	10.00
3.	Private Sector Employee	129	43.00
4.	Entrepreneur	64	21.33
5.	Retired Person	7	2.33
	Total	300	100
<b>Monthly Income</b>			
1.	Rs 10,000 – Rs 20,000	44	14.67
2.	Rs 20,001 – Rs 30,000	129	43.00
3.	Rs 30,001 – Rs 40,000	63	21.00
4.	Above Rs 40,001	64	21.33
	Total	300	100
<b>Marital Status</b>			
1.	Married	208	69.33
2.	Unmarried	57	19.00
3.	Single	35	11.67
	Total	300	100
<b>Type of Family</b>			
1.	Joint Family	100	33.33
2.	Nuclear Family	200	66.67
	Total	300	100
<b>Source of Income</b>			
1.	Dual Income	223	74.33
2.	Single Income	77	25.67
	Total	300	100

<b>Family Members</b>			
1.	One	57	19.00
2.	Two	123	41.00
3.	Three	50	16.67
4.	Four	42	14.00
5.	More than Five	28	9.33
	Total	300	100

Source: Primary Data

Table revealed that 62 per cent of the investors are men and 38 per cent of the sample subjects are female. Data provided evidences that 35.33 per cent of the investors are aged between 31-40 years and 31.33 per cent of the sample subject's fall under the age group of 41-50 years. Similarly, 16.68 per cent of the investors aged between 21-30 years, 14.33 per cent aged 51-55 years and 2.33 per cent are aged 56 years or above. From above classified data it has been inferred that 43 per cent of the investors are graduates and 28.67 per cent of the sample populations have completed their post-graduation studies. Portion of 21 per cent of the investors are professional degree holders and 7.33 per cent of the sample subjects have completed their school level education. It has been observed that, 43 per cent of the investors are private sector employees, 23.34 per cent of the respondents are professionals. Similarly, 21.33 per cent of the samplers are entrepreneurs and 10 per cent of the investors are Government employed. Followed by, 2.33 per cent of the sample subjects participated in the survey are retired persons. The study provides evidence on monthly income of the investors that were grouped as: Rs. 20001-Rs.30000 (43 per cent), Rs. 40001 or above (21.33 per cent), Rs. 30001- Rs. 40000 (21 per cent) and Rs. 10000-Rs. 20000 (14.67 per cent). The study indicated that 69.33 per cent of the investors are married and 19 per cent of the samples are unmarried. Moreover, 11.67 per cent of the investors are found to be single. In relevance to the above presented data discussion, it has been observed that 66.67 per cent of respondents' live in nuclear family setup. Whereas, remaining 33.33 per cent of investors live in joint family setup. It has been inferred that 74.33 per cent of the investors have said that they have dual income source and 25.67 per cent of the sample subjects family have single income source. Number of dependents in their family of the samples were classified as follows: Two (41 per cent), one (19 per cent), three (16.67 per cent), four (14 per cent) and more than five (9.33 per cent). The study indicated that 62 per cent of the investors are male. The study concluded that 35.33 per cent of the investors are aged between 31-40 years. The investors are middle aged and in earning category, so they may seek more investment options to save money for their future needs. The study confirmed that 43 per cent of

the investors are graduates, well and enough educated to understand the investment related benefits and assess its risk factors. The study revealed that 43 per cent of the mutual fund investors are private sector employees. The study confirmed that 43 per cent of the investors monthly income ranged between Rs. 20001-Rs.30000. The study reported that 69.33 per cent of the investors are married. The study confirmed that 66.67 per cent of respondents live in nuclear family setup. The study indicated that 74.33 per cent of the investors have said that they have dual income source (access). The study acknowledged that 41 per cent of the sample investors have two dependents in their family.

#### **INVESTORS OPINION ON SOURCE OF INFORMATION THROUGH LEARNED ABOUT MUTUAL FUND(S)**

<b>Sl. No</b>	<b>Source of Information</b>	<b>No. of Respondents</b>	<b>Percentage</b>
1.	Friends & Relatives	121	40.33
2.	AMC	71	23.67
3.	Banker	59	19.67
4.	Media Commercials	42	14.00
5.	Others	7	2.33
	Total	300	100

Source: Primary Data

The study provides clear evidences that 40.33 per cent of the samples had gathered information on specific mutual funds schemes from friends, relatives i.e., through word-of-mouth publicities and 23.67 per cent of the investors have obtained knowledge on mutual funds through AMC (Asset management company). From the above data analysis, it has been found that, 19.67 per cent of the sample respondents have sourced information on mutual funds through bankers. Further 14 per cent investors gathered information through media commercials and 2.33 per cent of the sample subjects got awareness about mutual funds (2.33per cent) through other sources i.e. radio commercials, TV advertisements. The study provided evidences that 40.33 per cent of the samples had gathered information on specific mutual funds schemes from friends, relatives i.e., through word-of-mouth publicities.

**TABLE: 1.2**  
**INVESTORS LEVEL OF AWARENESS TOWARDS MUTUAL FUNDS**

Variables	Very High	High	Moderate	Low	Very Low	Sum	Mean	Rank
Role of AMCs	114 (38.00)	130 (43.33)	42 (14.00)	14 (4.67)	0 (0.00)	1244	4.15	1
Procedures Invest in MFs	65 (21.67)	122 (40.67)	92 (30.66)	21 (7.00)	0 (0.00)	1131	3.77	6
Amount of Investment Investors Can Make	64 (21.33)	122 (40.67)	114 (38.00)	0 (0.00)	0 (0.00)	1150	3.83	3
Nature of Portfolio to be Choose	36 (12.00)	113 (37.67)	116 (38.66)	21 (7.00)	14 (4.67)	1036	3.45	9
Return on Investment Expected	79 (26.33)	93 (31.00)	113 (37.67)	15 (5.00)	0 (0.00)	1136	3.79	4
Risk Attached with the Fund	93 (31.00)	108 (36.00)	78 (26.00)	14 (4.67)	7 (2.33)	1166	3.89	2
Nature of Liquidity with Experience	58 (19.33)	142 (47.33)	86 (28.68)	7 (2.33)	7 (2.33)	1137	3.79	4
Scope for Diversification of Funds	50 (16.67)	114 (38.00)	114 (38.00)	22 (7.33)	0 (0.00)	1092	3.64	8
Tax Exemptions	64 (21.33)	122 (40.67)	93 (31.00)	21 (7.00)	0 (0.00)	1129	3.76	7
Others	43 (14.33)	57 (19.00)	70 (23.33)	81 (27.00)	49 (16.34)	864	2.88	10

Source: Primary Data

It has been inferred from the above table that majority of the sample subjects are very well aware of the role of AMCs (Asset management companies). Followed by, a group of samples are highly aware of risk attached with the fund, amount of investment investors, nature of liquidity with experience and return on investment to be expected. Similarly, few sample populations are moderately aware of procedures invest in mutual funds, tax exemptions. Further, batch of sample subjects are found to be least aware of scope for diversification of funds, nature of portfolio to be choose and others i.e. invest in smaller denominations, cost-efficiency etc.. Above mentioned investors' awareness towards mutual funds are rated in the first to tenth places with weighted arithmetic mean score computed with the supports of Likert's five point scale 4.15 to and 2.88 respectively.

The study inferred that 83 per cent (4.15 on mean score of five on Likert's Scaling) of the sample investors are very well aware of the role of AMCs (Asset management companies).

### Findings of the Study

#### I. Demographic Profile and Socio-Economic Status of Investors

The study indicated that 62 per cent of the investors are male. The study concluded that 35.33 per cent of the investors are aged between 31-40 years. The investors are middle

aged and in earning category, so they may seek more investment options to save money for their future needs. The study confirmed that 43 per cent of the investors are graduates, well and enough educated to understand the investment related benefits and assess its risk factors. The study revealed that 43 per cent of the mutual fund investors are private sector employees. The study confirmed that 43 per cent of the investors monthly income ranged between Rs. 20001-Rs.30000. The study reported that 69.33 per cent of the investors are married. The study confirmed that 66.67 per cent of respondents live in nuclear family setup. The study indicated that 74.33 per cent of the investors have said that they have dual income source (access). The study acknowledged that 41 per cent of the sample investors have two dependents in their family. The study inferred that 57 per cent of the investors have said that they their parents are dependents on them.

## **II. Investors Level of Awareness towards Mutual Funds**

The study provided evidences that 40.33 per cent of the samples had gathered information on specific mutual funds schemes from friends, relatives i.e., through word-of-mouth publicities.

The study inferred that 83 per cent (4.15 on mean score of five on Likert's Scaling) of the sample investors are very well aware of the role of AMCs (Asset management companies).

## **Suggestions and Conclusion**

Majority of the mutual fund investors are satisfied with the fund reinvestment options available to them in their scheme. Through the conduct of this study, the practical and true feeling of the investors and the nature of experiences they encounter while investing in mutual fund is well understood. The study provides a vivid practices adhered by the mutual funds still they found to be less loyal in producing transparency. At the same time investors are also claimed not to be clear in specific terms and condition i.e., criterion considered by them for to make an investment. At the same time investors have to learn and gather adequate information on right value of the funds to be invested and should learn more about nature of mutual fund benefits they are eligible to claim or not. This may, reduce the confusions prevailing in rate of return and also to avoid any kind of distress or mal practices.

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