



Cover Page



INVESTORS PERCEPTION TOWARDS MUTUAL FUNDS – A STUDY OF RISK RETURN AND SATISFACTION

Dr.K. Ramapriya

Associate Professor of Commerce

Indira Priyadarshini Govt Degree College for Women,
Nampally, Hyderabad

Abstract

Mutual fund collects money from the investors, issues certificates to them known as units and invests the collected money in securities so as to achieve mutual benefits in terms of capital appreciation in such securities. The investors may seek advice from experts and consultants including agents and distributors of mutual fund schemes while making investment decisions. The study on individual investors perceptions of mutual funds shows that key influencing factors include awareness levels, risk and return expectations, diversification, convenience and the influence of advertisements. Awareness about mutual funds is growing, but many investors still have misconceptions, particularly regarding the inherent risks and potential returns. Spreading awareness and providing sufficient knowledge about mutual fund schemes and their benefits is crucial to attract more investors.

Key Words: Mutual funds, Investor Per capita, Risk and Return, Risk factors, Advertising Process

STATEMENT OF THE PROBLEM

The world of investing is complex and multifaceted, with numerous options available to investors. One of the most popular investment avenues is mutual funds, which offer a diversified portfolio, professional management, and liquidity. Mutual funds have become a crucial part of the financial landscape, with millions of investors relying on them to achieve their financial goals. However, the success of mutual funds depends on investor perception, which is influenced by various factors, including risk tolerance, return expectations, and satisfaction levels. Mutual funds are a type of investment vehicle that pools money from numerous investors to invest in a variety of assets, such as stocks, bonds, and other securities. They offer a range of benefits, including diversification, professional management, and economies of scale. Mutual funds are managed by experienced professionals who invest the funds in a variety of assets, aiming to generate returns that are in line with the fund's investment objectives.

The mutual fund industry has grown significantly over the years, with assets under management (AUM) running into trillions of dollars. The industry has become increasingly competitive, with numerous fund houses offering a range of products to investors. Despite the growth of the industry, investor perception towards mutual funds remains a crucial factor that determines the success of these investment vehicles. Investor perception towards mutual funds is influenced by a range of factors, including risk tolerance, return expectations, and satisfaction levels. Investors have different risk tolerance levels, and their investment decisions are influenced by their willingness to take on risk. Return expectations also play a crucial role in determining investor perception, with investors seeking returns that are in line with their investment objectives. Satisfaction levels with mutual fund performance also influence investor perception, with investors who are satisfied with the performance of their investments more likely to continue investing in mutual funds.

The Indian mutual fund industry has also witnessed significant growth in recent years, with AUM growing from ₹4.7 trillion in 2010 to over ₹30 trillion in 2022. The growth of the industry can be attributed to the increasing financial literacy among investors, the rise of digital platforms, and the growing awareness about the benefits of mutual funds. However, despite the growth of the industry, there are concerns about investor perception towards mutual funds, with some investors expressing dissatisfaction with the performance of their investments.



Cover Page



The risk-return tradeoff is a critical aspect of investing in mutual funds. Investors seek returns that are commensurate with the level of risk they take. However, the actual returns from mutual funds may differ from the expected returns, leading to dissatisfaction among investors. The satisfaction levels of investors with mutual fund performance are influenced by a range of factors, including the fund's investment objectives, the fund manager's investment decisions, and the overall market conditions.

In the Indian context, the mutual fund industry is regulated by the Securities and Exchange Board of India (SEBI), which has implemented various regulations to protect investor interests. SEBI has mandated transparency in fund operations, disclosure of fund performance, and adherence to investment objectives. Despite these regulations, investor perception towards mutual funds remains a concern, with some investors expressing dissatisfaction with the performance of their investments.

The study of investor perception towards mutual funds is crucial in understanding the factors that influence investor behavior. By understanding investor perception, mutual fund managers and regulatory bodies can develop strategies to enhance investor satisfaction and promote the growth of the mutual fund industry.

Mutual funds offer a range of benefits to investors, including diversification, professional management, and liquidity. However, the success of mutual funds depends on investor perception, which is influenced by various factors, including risk tolerance, return expectations, and satisfaction levels. The study of investor perception towards mutual funds will provide insights into the factors that influence investor behavior and help mutual fund managers and regulatory bodies to develop strategies to enhance investor satisfaction.

The mutual fund industry is becoming increasingly competitive, with numerous fund houses offering a range of products to investors. In this competitive landscape, understanding investor perception towards mutual funds is crucial for fund houses to develop products that meet investor needs and expectations. By understanding investor perception, fund houses can develop targeted marketing strategies and improve investor satisfaction.

Mutual fund is a retail product designed to target small investors, salaried people and others who are intimidated by the mysteries of stock market but, nevertheless like to reap the benefits of stock market investing. Mutual fund collects money from the investors issues certificates to them known as units and invest the collected money in securities so as to achieve mutual benefits in terms of capital appreciation in such securities. Mutual funds offer good investment opportunities to the investors. Like all investments, they also carry certain risks. The investors should compare the risk and expected yields after adjustment of tax on various instruments while taking investment decisions. The investors may seek advice from experts and consultants including agents and distributors of mutual fund schemes while making investment decisions. Mutual fund schemes provide a variety of options to suit the individual objectives according to their age, financial position, risk tolerance and return expectations. Investment in mutual funds is affected by the perception of investors.

NEED OF THE STUDY

1. The main purpose of the study is to analyse the investors perception towards mutual funds.
2. To understand the factors motivating the investors to invest in mutual funds.
3. To identify the problems faced by the mutual fund investor.

SCOPE OF STUDY

1. To get a better understanding of how investors feel about mutual funds.



Cover Page



2. To study the motivating factors for mutual fund investment
3. To study the investors experience in mutual fund industry

OBJECTIVES OF THE STUDY

1. To study the investor perception towards mutual fund
2. To understand the factors influencing the investor while making decision
3. To examine the level of satisfaction of the investor

RESEARCH METHODOLOGY

The research focuses on studying investor awareness of the mutual funds. Both primary and secondary data are used in the study. For collecting primary data questionnaire was administered to 200 investors in Hyderabad city. Convenience method of sampling was adopted for collecting data. Secondary data was collected from variety of sources like Magazines, News Papers, RBI Reports, SEBI Annual Reports etc.,

LIMITATIONS OF THE STUDY

1. The present study is carried out based on the information given by the investor
2. The research is limited to Hyderabad district and due to time constraint only 200 respondents were considered.
3. The information given by the investor can be biased.

Data Background Analysis

The study aims to examine investor perception towards mutual funds, focusing on risk, return, and satisfaction. To achieve this objective, it is essential to analyze the data background of mutual fund investments. This analysis will provide insights into the trends, patterns, and characteristics of mutual fund data. The mutual fund industry has witnessed significant growth in recent years. In India, the mutual fund industry has also witnessed significant growth. The growth of the industry can be attributed to the increasing financial literacy among investors, the rise of digital platforms, and the growing awareness about the benefits of mutual funds.

Risk-Return Analysis

The risk-return tradeoff is a critical aspect of investing in mutual funds. Investors seek returns that are commensurate with the level of risk they take. A risk-return analysis of mutual funds reveals that different types of funds have varying levels of risk and return. For example, equity mutual funds are considered high-risk investments, while debt mutual funds are considered low-risk investments. The returns from equity mutual funds are generally higher than those from debt mutual funds, but the risk associated with equity mutual funds is also higher.

Mutual Fund Performance

Mutual fund performance is a critical factor that influences investor perception. Investors evaluate the performance of mutual funds based on various metrics, including returns, risk, and fund manager's performance.

A review of the literature reveals that mutual fund performance is influenced by various factors, including market conditions, fund manager's skills, and investment strategy. The performance of mutual funds can be evaluated using various metrics, including returns, Sharpe ratio, and Treynor ratio.



Cover Page



Investor Behavior

Investor behavior is a critical aspect of mutual fund investments. Investors' decisions to invest in mutual funds are influenced by various factors, including risk tolerance, return expectations, and investment objectives. A review of the literature reveals that investors' risk tolerance is influenced by various factors, including age, income, and investment experience. Investors with higher risk tolerance tend to invest in equity mutual funds, while investors with lower risk tolerance tend to invest in debt mutual funds.

Data Analysis

The data analysis will involve examining the relationship between risk, return, and satisfaction in the context of mutual fund investments. The analysis will be based on primary data collected from investors who have invested in mutual funds. The data analysis will involve various statistical techniques, including regression analysis and correlation analysis. The analysis will provide insights into the factors that influence investor perception towards mutual funds and the relationship between risk, return, and satisfaction.

Mutual Fund Types

There are various types of mutual funds available to investors, including equity mutual funds, debt mutual funds, hybrid mutual funds, and money market mutual funds. Each type of mutual fund has its own unique characteristics and risks. Equity mutual funds invest in stocks and are considered high-risk investments. Debt mutual funds invest in bonds and are considered low-risk investments. Hybrid mutual funds invest in a mix of stocks and bonds and are considered moderate-risk investments.

Mutual Fund Fees

Mutual fund fees are a critical aspect of mutual fund investments. Investors pay various fees, including management fees, administrative fees, and distribution fees. The fees charged by mutual funds can influence investor perception and satisfaction. A review of the literature reveals that investors are sensitive to fees and tend to prefer mutual funds with lower fees.

Investor Satisfaction

Investor satisfaction is a critical aspect of mutual fund investments. Investors' satisfaction with mutual fund performance is influenced by various factors, including returns, risk, and fund manager's performance. A review of the literature reveals that investor satisfaction is influenced by various factors, including investor expectations, investment objectives, and fund performance. Investors who are satisfied with the performance of their mutual fund investments tend to continue investing in the fund.

Data Visualization

Data visualization is an essential aspect of data analysis. The use of charts, graphs, and tables can help to illustrate the findings of the data analysis. The data visualization will involve creating various charts and graphs to illustrate the relationship between risk, return, and satisfaction in the context of mutual fund investments. The visualization will provide insights into the trends and patterns in the data and help to identify the factors that influence investor perception towards mutual funds.



Cover Page



Table-1

Age group of Respondents

Age Group	No. Respondents	Percentage
Less than 20 years	4	2
20-40 years	56	28
40-60 years	102	51
60 and above years	38	19
Total	200	100

Interpretation of data

From the above table it is interpreted that 51% of the respondents fall in the age category of 40-60 years, 28% in 20-40 years, 19% in 60 and above years and 2% in less than 20 years.

Inference

Majority(51%) of the respondents are in 40-60 years age group.

Table-2

Gender of the Respondents

Gender	No. of respondents	Percentage
Male	148	74
Female	52	26
Total	200	100

Interpretation of Data

From the above table it is interpreted that 74% respondents are Male and 26% respondents are Female.

Inference

Majority (74%) of the respondents are Male.

Table-3

Occupation of the Respondents

Occupation	No. of Respondents	Percentage
Govt. Employee	40	20
Private Employee	72	36
Business	64	32
Other(retired, agriculture etc)	24	12
Total	200	100

Interpretation of Data

From the above table it is interpreted that 36% respondents are private employees, 32% in business, 20% in government employment and 12% in other (retired, agriculture etc)



Cover Page



Inference

Majority (36%) of the respondents are in private employment.

Table-4
Monthly income of Respondents

Monthly Income	No. of respondents	Percentage
Less than Rs 50000	62	31
Rs 50000 to Rs 1,00,000	96	48
More than Rs 1,00,000	42	21
Total	200	100

Interpretation

From the above table it is interpreted that 48%of the respondents fall in the monthly income category of Rs 50,000-Rs 1,00,000, 31% in less Rs 50,000 and 21% in more than Rs1,00,000.

Inference

Majority (48%) of the respondents fall in the income category of Rs 50,000- Rs Rs 1,00,000.

Table-5
Annual Savings of the Respondents

Annual Savings	No. of Respondents	Percentage
Less than Rs 50,000	84	42
Rs 50000- Rs 1,00,000	86	43
More than Rs 1,00,000	30	15
Total	200	100

Interpretation of data

From the above table it is interpreted that 43%of the respondents are having an annual savings between Rs 50,000-Rs 1,00,000, 42% in less than Rs 50,000 15% in more than Rs 1,00,000.

Inference

Majority (43%) of the respondents have annual saving between Rs 50,000- Rs 1,00,000, (42%) have annual saving of less than Rs 50,000.

Table-6
Type of Mutual Fund

Type of Mutual Fund	No. of Respondents	Percentage
Balanced Plan	50	25
Equity Plan	60	30
Income Plan	90	45
Total	200	100



Cover Page



Interpretation of Data

From the above table it is interpreted that 45% of the respondents prefer Income plan, 30% Equity plan and 25% Balanced plan.

Inference

Majority (45%) of the respondents prefer Income plan as majority of the respondents are having an income of less than Rs 1,00,000

Table -7
Length of holding Mutual Fund Investments

Time Period	No. of Respondents	Percentage
1 to 3 years	90	45
4 to 6 years	80	40
7 to 10 years	30	15
More than 10 years	0	0
Total	200	100

Interpretation of the Data

From the above table it is interpreted that 45% of the respondents the duration of investment is 1 to 3 years, 40% 4 to 6 years, and 15% in 7 to 10 years and virtually no one is interested in more than 10 years.

Inference

Majority (45%+40%=85%) of the respondents are interested in short term and medium-term investments.

Table -8
Risk associated with Mutual Funds

Risk with Investments	No. of Respondents	Percentage
Low	60	30
Moderate	90	45
High	50	25
Total	200	100

Interpretation of Data

From the above table it is interpreted that 45% of the respondents prefer moderate risk, 30% prefer low risk and 25% prefer high risk.

Inference

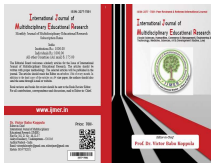
Majority of the respondents (45%) prefer moderate risk as majority of the sample have income of less than Rs 1,00,000.

Table-9
Which of the following principles do you consider while selecting a Mutual fund

Information	No. of Respondents	Percentage
Enquiring about the fund manager	70	35
Finding about its past performance	60	30
Identifying your own objectives	40	20
Other	30	15
Total	200	100

Interpretation of Data

From the above table in selecting the Mutual fund 35% of them enquire about the fund manager 30% study the past performance, 20% of them identify their own objectives with the fund objectives and 15% study other factors.



Cover Page



Inference

Majority (35% +30% =65%) of them enquire about the fund manager and study the past performance of the fund while making investment

Table -10

Source of awareness of the Respondents

Source of awareness	No. of Respondents	Percentage
Television	32	16
Internet	82	41
News paper/Journals	24	12
Friends/Relatives	42	21
Sales Representatives	20	10
Total	200	100

Interpretation of Data

From the above table it is interpreted that 41% of the respondents are aware of Mutual fund investment through internet, 21% through relatives and friends, 16% through Television and 12% through newspapers/Journals.

Inference

Majority(41%)of the respondents are aware of Mutual fund investments through internet.

Table -11

Factors influencing investment in Mutual Fund

Influence Factor	Most important	Important	Neutral	Less important	Not at all important	Total
High risk	70	90	36	4	0	200
Tax saving	60	90	48	2	0	200
Liquidity of fund	48	98	50	2	2	200
Safety and security	46	100	50	4	0	200
Regular Income	40	98	57	4	1	200
Regular saving	40	90	58	10	2	200
Risk Involved	44	94	51	7	4	200
Diversification	34	94	48	24	0	200
Easy payment	40	92	36	24	8	200

Interpretation of data

From the above table it is interpreted that 35% of the respondents are prepared to take high risk, 30% in tax saving, 24% in liquidity of fund, 23% In safety and security, 20% in regular income, 22% in risk involved, 17% in diversification and 20% in easy payment.



Cover Page



Inference

Majority of the investors(35%)are prepared to take high risk in investing in Mutual funds . Most of them (30%)are investing in Mutual fund for the purpose of tax saving.

Table-12

Method of purchase of Mutual fund units

Purchase	No. of Respondents	Percentage
Direct purchase	130	65
Through Brokers	70	35
Total	200	100

Interpretation of Data

From the above table it is interpreted that 65% of the respondents purchase mutual fund units directly and 35%of the respondents through broker.

Inference

Majority (65%)respondents purchase Mutual funds units directly.

Table-13

Do Respondents prefer to invest in Mutual Fund?

Prefer to Reinvest	No. of Respondents	Percentage
Yes	148	74
No	52	26
Total	200	100

Interpretation of Data

From the above table it is interpreted that 74% of the respondents prefer to reinvest in Mutual funds and 26% of the respondents are not preferring to invest in Mutual fund.

Inference

Majority (74%) of the respondents prefer to reinvest in Mutual fund.

Table-14

Is it a good Option to invest in Mutual fund?

Good option to invest	No. of Respondents	Percentage
Strongly agree	50	25
Agree	64	32
Neutral	80	40
Disagree	6	3
Strongly Disagree	0	0
Total	200	100

Interpretation of data

From the above table it is interpreted that 40% of the respondents are neutral 32% agree ,25% strongly agree and 3% disagree.

Inference

Majority(40%) of the respondents say it is good option to invest in Mutual fund.



Cover Page



Table-15

Prefer friends and relatives to invest in Mutual fund

Prefer anyone to invest	No. of respondents	Percentage
Yes	152	76
No	48	24
Total	200	100

Interpretation of Data

From the above table it is interpreted that 76% of the respondents prefer friends and relatives to invest in Mutual funds and remaining 24% of the respondents do not prefer friends and relatives to invest in Mutual fund.

Inference

Majority (76%) of the respondents are preferring friends and relatives to invest in Mutual fund.

FINDINGS

The study found middle – income individuals are increasingly drawn to mutual funds due to their perceived advantages of steady returns, lower risk and flexibility. Gender and Education significantly influence investment choices, with educated individuals showing preference for mutual funds. The study also reveals that private employees and people doing business dominate mutual fund investments with most investors earning more than Rs 50,000 per month. Since most of the respondents are from middle class they prefer regular income plans. Investors prefer medium term investment and expect moderate returns. At the time of investment many of them enquire only about the fund manager and past performance of the fund. Investors mainly relay on information received through internet and information given by friends and relatives.

Majority of investors (90%) are aware of the high risk of investing in mutual funds. Most of them are investing in mutual funds for the purpose of tax saving. 55% of the respondents feel that unsystematic risks affect mutual fund investments. While mutual funds offer attractive opportunities, investors face challenges such as high fees, market volatility and lack of diversification. Around 40% of the investors say that in this era of declining bank interest rates it is a good option to invest in mutual funds.

SUGGESTIONS AND CONCLUSIONS

The study on individual investors perceptions of mutual funds show that key influencing factors include awareness levels, risk and return expectations, diversifications, convenience and the influence of advertisements. While mutual funds are popular for offering professional management and diversification, some investors hold misconceptions about risk and returns, and there is need for greater financial literacy to improve understanding and encourage investment, especially among younger generations.

Awareness about mutual funds is growing but many investors still have misconceptions, particularly regarding the inherent risks and potential returns. A major reason for investing in mutual funds is to achieve diversification of investments. Investors are attracted to the professional management of funds. The prospect of capital appreciation and high returns is a significant motivator for many investors. Factors like systematic investment plans (SIPs) and reduced paperwork contribute to the convenience of mutual fund investing.

Advertisements are a primary source of information for investors about mutual funds. Factors such as credibility, convenience, success factors and the reputation of the fund influence investment decisions. There is a link between gender and age with investors perceptions regarding returns and tax benefits of mutual funds.



Cover Page



Spreading awareness and providing sufficient knowledge about mutual fund schemes and their benefits is crucial to attract more investors.

Investment fund houses need to collect feedback from investors and inform them about their investment progress to build trust and transparency. Initiatives to educate younger generations about mutual funds in schools and colleges can help cultivate long term investment habits.

References

1. Gupta Amitabh (2012), "Mutual Funds in India – A study of investment Management". Anmol Publications Pvt. Ltd, New Delhi, P1
2. Sahaderan, M. Thuripairaju, (2008) "Mutual Funds – Data, Interpretation and Analysis", Prentice Hall of India Private Limited, New Delhi, PP 1-2
3. Mane, P. (2016), A study of Investors perception towards Mutual Funds in the city of Aurangabad. The SLJ Transactions on Industrial, Financial and Business Management, Vol 4, PP 30-38
4. Sharma Priyanka and Agrawal Payal (2015). Investors' Perceptions and Attitude towards Mutual Fund as an Investment Option.
5. Dr Ruchika Gahlot (2019). Investors perception towards Mutual Fund: A case of New Delhi International Journal of Research in Engineering. IT and Social Sciences, Volume 09, pg 386-395.
6. Nidhi Walia, Dr. Mrs Ravi Kiran – An analysis of investors risk perception towards mutual fund services, 2009, 9, 4, 106, 120
7. Dr. N. Renuka, Annesahana's, A comparative Study on performance of Mutual Funds and its schemes in India, International Journal of research in regional studies, law, social sciences, journalism and management practices, 2455 – 6602, volume 2, Issue 10, 2017, 21-28
8. Roshini Pranjana NV (2021) "A Study on investors perception towards Mutual Fund with special Reference to Vellore District"
9. Aggarwal, N and Gupta M (2007) "Performance of Mutual Funds in India: An empirical study", The ICFAI Journal of Applied Finance, Vol 13, No 9, PP 5-16

Relevant Websites

<https://www.sebi.gov.in>
<https://www.grow.in>
<https://www.etmoney.com>
<https://www.hdfcfunds.com>