www.eprawisdom.com e-ISSN : 2347 - 9671, p- ISSN : 2349 - 0187
EPRA International Journal of Economic and Business Review | Vol - 4, Issue- 8, August 2016
Inno Space (SJIF) Impact Factor : 5.509(Morocco) ISI Impact Factor : 1.259 (Dubai, UAE)

A STUDY ON INDIAN INVESTORS PERCEPTION IN MUTUAL FUNDS

Pagidipalli Syamala Devi[1]

[1]Research Scholar, Dr. Ambedkar Chair, Acharya Nagarjuna University, Nagarjuna Nagar, Guntur, Andhra Pradesh, India.

ABSTRACT

A Mutual Fund is not an alternative investment option to stocks and bonds, rather it pools the money of several investors and invests this in stocks, bonds, money market instruments and other types of securities. Investors can be categorized into three types namely, a conservative investor, a moderately aggressive investor, and aggressive investor. Indian equity investors, particularly those investing through Mutual Funds, are known to be notoriously fickle and impatient. Today there are 42 Mutual Fund Companies operated in India. This paper is presented regarding the perception of Indian investors in Mutual Funds and also the reasons why should investor invest only in Mutual Fund and also the risks involved in Mutual Funds. The researcher here, depends on secondary data of research methodology.

KEYWORDS: *Mutual Fund, stocks, bonds, money market, SEBI, returns, risks.*

INTRODUCTION

Mutual Fund Industry in India began in 1963, with the formation of UTI as an initiative of the government of India and RBI. Much later in 1987, SBI MF became the first non UTI MF in India. Subsequently the year 1993 heralded a new era in the Mutual Fund Industry. This was marked by the entry of private company's in the sector. After the SEBI Act was passed in 1992 the SEBI, MF regulations came in to being in 1996. Since then MF company's have continued to grow exponentially with foreign institutions seating shop in India, through joint ventures and acquisitions. As the Industry expanded a non- profit organization, the Association Of MF In India (AMFI), was established on 1995. Its objective is to promote healthy and ethical marketing practices in the Indian MF industry. SEBI has made AMFI certification mandatory for all those engaged in selling or marketing MF products.

OBJECTIVES

- To know the investor preferences in investment decisions.
- To know the perception of investors in investing MF's.
- To know the investor attitude towards MF's.
- To know the new schemes and developments in MF's.

SCOPE AND NEED OF THE STUDY

- The present study is an attempt to study the investor's attitude towards MF of India. It involves understanding the basic concept of MF, schemes of MF and investment alternatives.
- Factors influencing to invest in MF's investor's expectations regarding the MF and investor attitudes of different MF's.
- The study gives information about MF industry and as well as awareness level among people for MF's.

- ☆ The study deals with the investor's attitude and how the MF's are performing in the market situation.
- ☆ The study gives information regarding the new schemes and developments in MF's in India.

ANALYSIS

Mutual Funds are in the form of trust (usually called as Asset Management Company) that manages the pool of money collected from various investors for investment in various classes of assets to achieve certain financial goals. In return for such services Asset Management Company's charge small fees. Every MF launches different schemes each with a specific objective. Each MF scheme is managed by a fund manager.

MF's invest their funds in Equities, Bonds, Debentures, Call money etc; depending on the objectives and terms of schemes floated by MF. Now a days there are MF's which invest even in Gold. Current Market Value of investment is calculated on daily basis. Net Asset Value (NAV) is arrived after deducting liabilities (except unit capital) of the fund from the realizable value of all assets and dividing by number of units outstanding. Therefore NAV on a particular day reflects the realizable value that the investor will get for each unit if the scheme is liquidated on that date. This NAV keeps on changing with the changes in the market rates of equity and bond markets. Therefore investments in MF's is not risk-free, but a good managed fund can gives regular and high returns than we get form fixed deposits of a bank etc.

Each Mutual Fund has a specific stated objective. Some popular objectives of a mutual fund are,

Fund Objective	What the fund will invest in
Equity (growth)	Invest only in stock
Debt (income)	Invest only in fixed income securities
Money Market	In short-term money market instruments (including govt. securities)
Balanced	Partly in stocks and Partly in fixed income securities, inorder to maintain a balance in return and risk.

Concept of Mutual Fund in India:-

- ➢ Investor's pool their money
- ➢ Fund Manager invests pooled money in securities
- ➢ Income and Dividends are generated
- ➢ Income is distributed amongst the shareholders

One can earn returns in MF's, in two forms,

1. In the form of Dividend
2. Through capital appreciation (increase in value of investments)

Types of Mutual Funds:-

Mutual Funds can be classified under following heads,

a) According to type of Investment
b) According to Time of closure of the scheme
c) According to the Tax incentive scheme

According to the Time of Payout

According to Type of Investment:-

While launching a new scheme, every MF is supposed to declare in the prospectus the kind of instruments in which it will make investment of the funds collected under that scheme. Thus various kinds of MF schemes as categorized according to type of investments are as follows;

- Equity Funds/ Schemes
- Debt Funds/Schemes (also called income funds)
- Diversified funds/Schemes (also called balanced funds)
- Gilt funds/Schemes
- Money Market Funds/Schemes
- Sector specific Funds
- Index Funds

According to Time of closure of schemes:-

While launching new schemes MF also declare whether this will be an open ended scheme or there is a closing date when finally the scheme will be wind up.

Open ended funds are allowed to issue and redeem units any time during the life of the scheme, but closed ended funds cannot issue new units except in case of bonus or rights issue. Therefore unit capital of open ended funds can fluctuate on daily basis (as new investors may purchase fresh units), but that is not the case for close ended schemes. In other words we can say that new investors can join the schemes by directly applying to the MF at applicable NAV related prices in case of open ended schemes but not in case of close ended schemes. In case of close ended schemes new investors can buy the units only from the secondary markets.

According to Tax incentive Schemes:-

Sometimes MF schemes are classified according to the periodicity of the pay outs (i.e, dividends etc.). The categories are

Dividend paying schemes

Re-investment schemes

According to Time of Payout:-

According to time of payout refers to that depending on the maturity date of the security. It may be long term or short term Mutual Fund.

Therefore Indian investor depending on the type of the Mutual Fund is ready to invest money. But most of the investors are not ready to invest their money in MF's because many of them were not aware of MF's and at the same time they don't want to face risk. Illiteracy is also another reason that investors are not ready to invest.

In order to overcome the demerits of MF's the MF organizations should come forward and analyse the benefits of MF's to public through extensive publicity. They should educate the public regarding MF savings. Not only uneducated people but also educated people also not daring to invest in MF's. Therefore the pros and cons should be known to the investor while investing.

Key Benefits (why should one invest in MF)

Professional Money Management:-

Mutual Funds are managed by Professional Fund Managers for making wise investments according to market movements and trend analysis.

Diverse Portfolio:-

Diversification of portfolio is a necessary one to reduce the level of risk assumed by the portfolio holder. So MF's allow to invest savings across a variety of securities and diversify assets according to objectives and risk tolerance.

Affordability:-

Mutual Funds provide investors the freedom to earn on their personal savings. It means that from a very less amount like 500Rs to their capacity to invest.

Liquidity:-

Mutual Funds offer relatively high liquidity. In long term mutual funds we will certainly enjoy benefits of mutual funds. But in short term due to fluctuations in market and also inflation there may be changes.

Tax Savings:-

Certain mutual fund investments are tax efficient. For example, domestic equity mutual fund investor do not need to pay capital gains tax if they remain invested for a period of above one year.

Mutual Funds Development and New Schemes:-

Consolidation new schemes and transparency in dealings are the new directions of mutual funds. The developments of consolidations have been by State Bank Of India with Society General Asset Management of France, Alliance mutual fund acquired by Birla Principal Mutual Fund with acquisition of ten schemes of Punjab National Bank. UTI mutual fund acquired 45 schemes from other mutual funds. LIC Mutual Fund merged its business with Canara Bank Mutual Fund. Mutual Fund investors are exempt from long term capital gains and dividends are tax free. From the point of view of the mutual funds equity schemes are good because they donot have to pay 12.5% dividend distribution tax which they have to pay on debt schemes.

Mutual Funds are also becoming more transparent and investor friendly as per the guidelines of SEBI mutual funds must have a minimum of 20 investors in each scheme and no single investor can have more than 25% of total assets moreover there will be nor more IPO's for mutual funds.

CONCLUSION

As the paper is presented depending on the secondary data, the information gathered regarding the perception of Indian investors is that due to lack of knowledge on mutual funds, lack of literacy, fear of risk on investment, and also they expect immediate returns. Therefore MF organizations should put efforts to attract investors and should also create a confidence that MF's are better options for investments as they offer regular investors a chance to diversify their portfolios, which is something they may not be able to do .

REFERENCES

1. *Walia and Kiran(2009) – a book on investors risk and return perception toswards Mutual Funds.*
2. *Vinod Kumar Singh(2011) – "A Study On Investors Attitude Towards MF's As An Investment Option. Journal Of Asian Business Strategy.Vol 1(2):P-15*
3. *Preeti Singh-Investment Management,14nth revised edition.*

Websites:-

1. *Shodhganga.inflibnet.ac.in*
2. *WWW.slideshare.net/—/mutual fund*
3. *https://www.scribd.com/—/INVESTORS- PERCEPTION-TOWARDS- MUTUAL FUND*