

## AN EMPIRICAL STUDY ON RELATIONSHIP BETWEEN DEMOGRAPHIC DYNAMICS OF INVESTORS AND THEIR PERCEPTION TOWARDS MUTUAL FUNDS IN INDIA

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### **ABSTRACT**

*First decade of 21<sup>st</sup> century along till now mutual fund industry have witnessed a boost in mutual fund investments, even after major changes in Indian economy like global credit crises, demonetization and implementation of new taxation policy, i.e. GST, this investment instrument always get more and more boost in terms of investments and Now Mutual Fund as an investment instrument is a sole way to get more returns within the limited time period. Realizing mutual fund as a good investment instrument the outcome is that growth of the customer invests in mutual funds have increased and reached up to 2.29 crores, though this financial instrument supposed to achieve more that is what is to be expected. The objective behind this study is to create awareness among customers, to understand their perception when it comes to investing in mutual funds and Relationship between demographic dynamics of Investors and their Perception towards Mutual Funds. This study will help to understand an investor's preference and choice towards investment options and their understanding towards mutual funds.*

**KEYWORDS:** *Mutual Fund, Financial Instrument, Demonetization and Implementation*

### **INTRODUCTION**

A Mutual Fund is the pull of fund managed by professional who is called a fund manager with a pre-defined agenda, which pulls money from investors with common investment objectives and invest in stated objective schemes with different asset class which is managed by AMC's (Asset Management Company). As an example, if we invest in debt funds then, those pull of money being invested in government securities and government bonds, debentures etc. As an investor, if you want to get returns and earn profits you invest your money at the different financial instrument you can do so by either buying them directly or using instruments like mutual funds. Mutual funds in INDIA are regulated by the Securities and Exchange Board of India (SEBI). To start a mutual fund investment, you need to open a Demat along with a trading account with a broker or brokerage firm.

Currently there more than 48+ asset management companies (AMC) in India together handling assets of nearly 23.57 lacs crore. Indian Mutual Fund industry has opened up many exciting investment opportunities for investors. Mutual funds are now perhaps one of the most sought-after investment options for most investors.

Each mutual fund has a specifically stated objective. The fund's objective is laid out in the fund's prospectus, which is the legal document that contains information about the fund, its history, its officers and its performance. Some popular objectives of a mutual fund are managed by an asset management company (AMC) the company that puts together a mutual fund is called an AMC. An AMC may have several mutual fund schemes with similar or varied investment objectives. The AMC hires a professional money manager, who buys and sells securities in line with the fund's stated objective.

All AMCs regulated by SEBI, funds governed by the board of directors. The Securities and Exchange Board of INDIA (SEBI) mutual fund regulations require that the fund's objectives are clearly spelt out in the prospectus. In addition, every mutual fund has a board of directors that is supposed to represent the shareholders' interests, rather than the AMC's.

## LITERATURE REVIEW

(Kumar, 2018) Denoted in His Study That Mutual funds are the most popular investment types for the investor due to its simple investments to understand and they are easy to use in many ways, it's "investing for dummies." Furthermore the simplicity of investing in mutual funds is not just an attractive feature for beginning investors; the accessibility, versatility and easy-to-understand structure of mutual funds make for powerful investing vehicles for all kinds of investors, including the pros, and can be appropriate for a variety of savings and investing objectives, including college and retirement.

(Saini, 2013) Founded that a mutual fund is a pure intermediary which performs a basic function of buying and selling securities on behalf of its unitholders, which the latter also can perform but not as easily, conventionally, economically and profitably. They have summarized the conclusions of all the studies so that the reader will get the idea on what studies have been conducted on mutual funds. I have categorized the studies into different subtopics. Due to the tremendous growth of mutual fund industry, it has gained the interest of investors as well as researchers.

(Swain & Dash, 2017) Showed in their research that, the world of finance has witnessed an exponential growth in the post information technology revolution of the 1990s. Literature review on various dimensions with respect to the measurement of performance, risk-return tradeoff of mutual funds, and investors' awareness, education, and interest regarding mutual funds were examined to clear the gateway for the upcoming researchers in the field of the mutual fund industry

(Bodla & Bishnoi, 2008) Mentioned that, the mutual fund industry is mostly caused by over-reaction of regulatory authorities. Non-equity assets under management were about 4,00,000 crores in April,2008 declined to 2,50,000 crores in October-2008. This may due to environmental issues caused by events outside India. The mutual fund industry is mostly caused by over-reaction of regulatory authorities. Non-equity assets under management were about 4,00,000 crores in April,2008 declined to 2,50,000 crores in October-2008. This may due to environmental issues caused by events outside INDIA.

(Singh, 2000) Noticed that fund companies pass investment risk to shareholders, thereby insulating its portfolio from bankruptcy dangers. Other advantages include affordable diversification, a wide selection of investment and plentiful investment.

(Gupta, 2000) Founded that, Customer retention and value maximization value are the two key aspects which will drive the banking business in the new millennium. It was further observed that in the new millennium there will be more existence of virtual banks having low operating costs which will enable them to provide products and services at a much a lower cost and thus provide tough competitors

(Sudhakar & Singh, 1996) Attempted to highlight the investment decision vis. – a vis. (1) income earning (2) capital appreciation and (3) tax benefits. The largest population of the survey was mainly urban investing in corporate scrips and mutual funds. The self-employed professionally qualified practicing persons have a higher investible surplus and they could take the risk of investing in the stock market. It was found that investors are very much conscious of diversification of their portfolios and they preferred a combination of mutual funds and equity shares. Another noteworthy finding is that the majority of the investors have become, interested in capital Market instruments only after 1985.

### OBJECTIVES OF STUDY

- To figure out the awareness level of the investors regarding mutual funds
- To know the perception of investors towards mutual funds while investing.
- To understand the preference of the investors towards types of mutual funds.
- To find out the factors affecting investment decision while making an investment in mutual funds

### SCOPE OF STUDY

- This study will help to know the awareness of investors towards mutual funds.
- This study is important to understand the change in choice and preference.
- This study is important to find out the reason for satisfaction level among investors

**Research Design** - Descriptive Research

**Sampling Size** - Sample Size For This Survey Was 100 Respondents.

**Sampling Technique** - Convenience Sampling.

### ANALYSIS

H0 (1): There is no significant relation between annual income & purpose of investment.

H1 (1): There is a significant relation between annual income & purpose of investment.

**Table 1**

<b>Kruskal Wallis Test between Annual Income &amp; Purpose of Investment</b>	
	<b>Purpose of Investment</b>
Chi-square	3.508
Df	4
Asymp. Sig.	.477

The result derived from Table-1 shows that Null Hypothesis is Accepted & Alternate Hypothesis is Rejected as the significant value is .477 which is greater than 0.05. Thus a conclusion can be drawn that there is no significant relation

between annual income & purpose of investment.

H0<sub>(2)</sub>: There is no significant association between educational background and what kind of investment instrument.

H1<sub>(2)</sub>: There is a significant association between educational background and what kind of investment instrument.

**Table 2**

<b>Chi-Square Tests between Educational Background and What Kind of Investment Instrument</b>			
	<b>Value</b>	<b>Df</b>	<b>Asymp. Sig. (2-Sided)</b>
Pearson chi-square	13.953 <sup>a</sup>	15	.529
Likelihood ratio	15.101	15	.444
Linear-by-linear association	.183	1	.669
N of valid cases	100		

The result derived from Table 2 shows that Null Hypothesis is Accepted & Alternate Hypothesis is rejected as the significant value is .669 which is greater than 0.05. Thus a conclusion can be drawn that, there is no Significant Association between educational background and what kind of investment instrument.

H0<sub>(3)</sub>: There is no significant association between the type of investor and type of mutual fund they prefer while investing.

H1<sub>(3)</sub>: There is a significant association between the type of investor and type of mutual fund they prefer while investing.

**Table 3**

<b>Cross-Tabulation of Kind of Investor and Type of Mutual Fund Investor Prefer to Invest</b>					
		<b>Type of Mutual Fund Investor Prefer While Investing</b>			<b>Total</b>
		<b>Equity Funds</b>	<b>Debt Funds</b>	<b>Hybrid Funds (Equity + Debt)</b>	
Kind of investor	Aggressive	20	4	12	36
	Moderate	16	5	28	49
	Conservative	13	0	2	15
<b>Total</b>		<b>49</b>	<b>9</b>	<b>42</b>	<b>100</b>

**Table 4**

<b>Chi-Square Test of Kind of Investor and Type of Mutual Fund Investor Prefer to Invest</b>			
	<b>Value</b>	<b>Df</b>	<b>Asymp. Sig. (2-Sided)</b>
Pearson chi-square	15.192 <sup>a</sup>	4	.004
Likelihood ratio	16.907	4	.002
Linear-by-linear association	.469	1	.493
N of valid cases	100		

The result derived from Table 4 shows that Null Hypothesis is rejected & Alternate Hypothesis is accepted as a significant value is 0.004 which is less than 0.05. Thus a conclusion can be drawn that, there is a significant association between the type of investor and type of mutual fund they prefer to invest.

H0<sub>(4)</sub>: there is no significant relationship between family size and which mode do you prefer to invest in mutual fund.

H1<sub>(4)</sub>: there is a significant relationship between family size and which mode do you prefer to invest in mutual fund.

**Table 5**

<b>Kruskal-Wallis Test Between Family Size And Mode Of Investment</b>	
Which mode do you prefer to invest in a mutual fund	
Chi-square	5.474
Df	1
Asymp. Sig.	.019

The result derived from Table 5 shows that the Null Hypothesis is Rejected & Alternate Hypothesis is accepted as a significant value is 0.019 which is less than 0.05. So there is a significant relationship between family size and which mode do you prefer to invest in mutual fund.

H0<sub>(5)</sub>: There is no significant relation between mode of investment and which type of mutual fund you invest.

H1<sub>(5)</sub>: There is a significant relation between mode of investment and which type of mutual fund you invest.

**Table 6**

<b>Cross-Tabulation of Mode Investors Prefer to Invest in Mutual Fund and Type of Mutual Fund Investors Prefer</b>					
		Mode Investor's Prefer to Invest in Mutual Fund			Total
		Equity Funds	Debt Funds	Hybrid Funds (Equity+Debt)	
Type of Mutual Fund Investors Prefer While Investing	Lump-sum	16	4	12	32
	Systematic investment plan (SIP)	33	5	24	62
	Systematic withdrawal plan (SWP)	0	0	6	6
<b>Total</b>		<b>49</b>	<b>9</b>	<b>42</b>	<b>100</b>

**Table 7**

<b>Correlation between Mode Investors Prefer to Invest in Mutual Fund and Type of Mutual Fund Investors Prefer</b>			
		Which Mode do you Prefer to Invest in MF	Which type of MF you Prefer While Investing
Which mode do you prefer to invest in mf	Pearson correlation	1	.154
	Sig. (2-tailed)		.126
	N	100	100
Which type of mf you prefer while investing	Pearson correlation	.154	1
	Sig. (2-tailed)	.126	
	N	100	100

The result derived from Table 7 shows that Null Hypothesis Accepted & Alternate Hypothesis is rejected. Thus a conclusion can be drawn that, there is a significant relation between Size mode of investment and which type of mutual fund you invest. The significant value which we derived with the help of hypothesis is 0.126 which is greater than 0.05. Apart from that, it is found that there is a weak Positive relation between mode of investment and which type of mutual fund you invest.

Table 8

Cross Tabulation of Percentage of Income Investor Invest and Investment in Mutual Funds				
		Have Investor's Invested In Mutual Funds		Total
		Yes	No	
Percentage of your income do you invest	5%-10%	2	0	2
	10%-20%	59	13	72
	20% or more	23	3	26
<b>Total</b>		<b>84</b>	<b>16</b>	<b>100</b>

H0<sub>(6)</sub>: There is no significant association between the percentage of your earnings do you invest and investment in mutual funds.

H1<sub>(6)</sub>: There is a significant association between percentage of your earnings do you invest and investment in mutual funds.

Table 9

Chi-Square Test of Percentage of Income Investor Invest and Investment in Mutual Funds			
	Value	Df	Asymp. Sig. (2-Sided)
Pearson chi-square	.992 <sup>a</sup>	2	.609
Likelihood ratio	1.336	2	.513
Linear-by-linear association	.234	1	.629
N of valid cases	100		

Result derived from Table 9 shows that Null Hypothesis Accepted & Alternate Hypothesis is rejected as significant value is 0.609 which is greater than 0.05. Thus a conclusion can be drawn that, there is no significant association between percentage of your earnings do you invest and investment in mutual funds.

From the research the conclusion which is drawn that 76% of respondents have invested 10% to 20% of their yearly earnings. From the research, it is being found that 52% of respondents prefer investing their money in online mode, where most preferable investment instrument is a mutual fund which is followed by insurance & shares. Apart from that, it was found that 77 respondents prefer to invest in mutual fund through SIP.

## CONCLUSIONS

According to the current economic situation of India it can be said that mutual fund is the preferable investment instrument as far as returns are concerned due to its simpler & transparent process and diversification and so that ministry of finance and government has promoted mutual fund as an preferable investment instrument and thus as an outcome the AAUM (average assets under management) of the Indian MF industry has grown from 5.05 lac crore as on 31st March 2008 to 23.57 lac crore as on 30th June 2018, about four and a half fold increase in a span of 10 years. Apart from that, Indian mutual funds have currently about 2.29 crore SIP accounts through which investors regularly invest in Indian mutual fund schemes.

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Mutual funds and shares are becoming a preferred investment vehicles like bank fixed deposits and post office savings that are considered safe. The present empirical study is an attempt to examine the investors' perception towards various investment avenues in Vellore city, Tamil Nadu, India. Findings: The findings of the study on investors' perception towards various investment avenues emphasized that the aged and high income investors prefer to invest only in post office and bank deposits for safety investment reason. Originality/Value: An Empirical Analysis on Investors' perception towards various investment avenues in Vellore city, Tamil Nadu and India is the original work of the authors. In their study entitled "A study on Investors perception towards Mutual Fund investments", S. Sudalaimuthu and P. Senthil Kumar (2008) was concentrated on highlighting the investor awareness and preference in Mutual Fund schemes, factor that influences the investor in selecting Mutual Fund scheme, the level of satisfaction on the investment of Mutual Fund, problems faced by Mutual Fund investors and the investment objectives, preference among Fund types (balanced, growth, dividend etc.). An Empirical Study of "Indian Individual Investors' Behaviour" by Syed. The study also tried to unravel the influence of demographic factors like gender and age on risk tolerance level of the investors. Need for the Study. The study reveals that the investors' perception is dependent on their demographic profile. Investor's age, marital status and occupation has a direct impact on investors' choice of investment. The study further reveals that the female segment is not fully tapped. The research also reveals that the liquidity and transparency are some factors which have a high impact on investment decisions. For the study the sample the study participants are defined mutual fund investors of Alwar city. In Total, the present study covered 5 Mutual fund investment organization which accommodates 750 investors among them 25%, 150 respondents were selected and interviewed for present study. The methodology for selecting respondents for this study convenience sampling method. Kumar [14] observed the kinds of investors' perception and their behaviour towards the stock market. More number of people have invested their money in the stock market and burnt their fingers. Few have gone into the extremes and committed suicide. This study based on random sampling, in the sequence trying to plan the relationship between the top group and demographic factors of the salaried middle class that affects the investment criteria namely, investment awareness, investment attitude and investment returns. Conducted exclusively in rural area with a point of view to aid as well as promote the rural investors' contribution in share market.