



PERCEPTION OF INDIAN INVESTOR TOWARDS INVESTMENT IN MUTUAL FUNDS WITH SPECIAL REFERENCE TO MONTHLY INCOME PLAN (MIP) FUNDS

(A STUDY MADE WITH REFERENCE TO BANGALORE CITY)

Sanya Kapse¹, Sam Fedrick², Shaik Muneer Ahmed³

¹21DBCOM153, VI Sem B.Com, CMR University OMBR Campus Bangalore 43

²21DBCOM145, VI Sem B.Com, CMR University OMBR Campus Bangalore 43

³21DBCOM155, VI Sem B.Com, CMR University OMBR Campus Bangalore 43

ABSTRACT

Mutual Funds provide a platform for a common investor to participate in the Indian capital market with professional fund management irrespective of the amount invested. The Indian mutual fund industry is growing rapidly and this is reflected in the increase in Assets under management of various fund houses. Mutual fund investment is less risky than directly investing in stocks and is therefore a safer option for risk averse investors. Monthly Income Plan funds offer monthly returns and invest majorly in debt oriented instruments with little exposure to equity. However it has been observed that most of the investors are not aware of the benefits of investment in mutual funds. This is reflected from the study conducted in this research paper. This paper makes an attempt to identify various factors affecting perception of investors regarding investment in Mutual funds. The findings will help mutual fund companies to identify the areas required for improvement in order to create greater awareness among investors regarding investment in mutual funds.

INTRODUCTION

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money, thus collected, is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost.

Monthly Income Plans or MIPs invest maximum of their total corpus in debt instruments while they take minimum exposure in equities. It gets benefit of both equity and debt market. These schemes rank slightly high on the risk-return matrix when compared with other debt schemes.

There is considerable amount of research being done regarding investment in mutual funds. However very little research has been done to study the perception of investors regarding investment in mutual funds especially MIP funds.

LITERATURE REVIEW

Ippolito (1992) states that an investor is ready to invest in those fund or schemes which have resulted in good rewards and most investors are attracted by those funds or schemes that are performing better over the worst. Goetzman (1997) opined that investor's psychology affects mutual fund selection for investment and to withdraw from the fund.

De Bondt and Thaler (1985) submitted that mean reversion in prices of stock is backed by investor's retrogression which is based upon investor's psychology to overvalue firm's recent performance in forming future expected results which is also known as endowment effect. Gupta (1994) surveyed household investor to find investors' preferences to invest in mutual funds and other available financial assets. The findings of the study were more relevant, at that time, to the policy makers and mutual funds to design the financial products for the future. Kulshreshta (1994) in his study suggested some guidelines to the investors that can help them to select needed mutual fund schemes. Shanmugham (2000) conducted a survey of individual investors with the objective to find out what information source



investor depends on. The results explained that they are economical, sociological and psychological factors which control investment decisions. Madhusudhan V

Jambodekar (1996) conducted his study to size-up the direction of mutual funds in investors and to identify factors that influence mutual fund investment decision. The study tells that open-ended scheme is most favored among other things and that income schemes and open-ended schemes are preferred over closed-ended and growth schemes. News papers are used as information source, safety of principal amount and investor services are priority points for investing in mutual funds.

Sujit Sikidar and Amrit Pal Singh (1996) conducted a survey to peep in to the behavioral aspects of the investors of the North-Eastern region in direction of equity and mutual fund investment. The survey showed that because of tax benefits mutual funds are preferred by the salaried and self-employed individuals. UTI and SBI schemes were most preferred in that region of the country over any other fund and the other funds had been proved archaic during the time of survey.

Syama Sunder (1998) conducted a survey with an objective to get an in-depth view into the operations of private sector mutual fund with special reference to Kothari Pioneer. The survey tells that knowledge about mutual fund concept was unsatisfactory during that time in small cities like Visakapatanam. It also suggested that agents can help to catalyse mutual fund culture, open-ended options are much popular than any other schemes, asset management company's brand is chief consideration to invest in mutual fund.

Anjan Chakarabarti and Harsh Rungta (2000) emphasised the importance of brand in ascertaining competence of asset management companies. Shankar (1996) suggested that for penetrating mutual fund culture deep in to society asset management companies have to work and steer the consumer product distribution model. Raja Rajan (1997) underlined segmentation of investors and mutual fund products to increase popularity of mutual funds.

OBJECTIVES OF STUDY

1. To study the investment pattern of Indian Investor.
2. To find out the awareness level of investors regarding mutual funds.
3. To find the type of scheme of mutual fund preferred by investor.
4. To find out the importance of factors like liquidity, higher return, company reputation and other factors that influence investment decision of mutual fund holder.
5. To find out awareness level of investors regarding Monthly Income Plan fund.
6. To ascertain the most preferred factor for investing in MIP fund.

RESEARCH METHODOLOGY

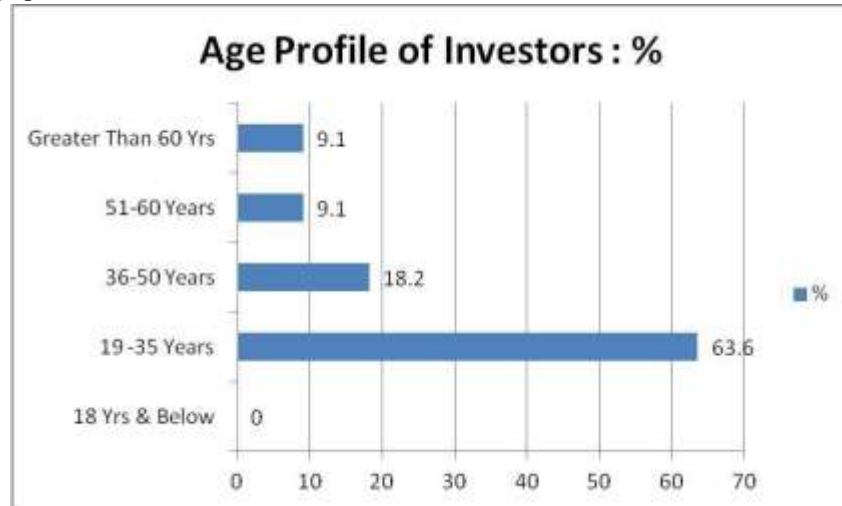
Investor's main objective is to earn higher returns keeping in mind the risk and liquidity factor. With this objective in mind, an investor is looking out for various investment avenues. Mutual funds offer comparatively better returns and have less risk as compared to direct investment in stock market. In this research paper, an attempt has been made to evaluate the perception of investors regarding mutual fund investment with special emphasis on Monthly Income Plan funds.

A survey was conducted in Bangalore city during the period January 2022 to March 2022. A sample of 150 individual mutual fund investors were surveyed through a pre-tested questionnaire. The investors were selected on the basis of those who have made prior investment in mutual funds and have some knowledge about the basic terminologies involved with mutual funds. An attempt has been made to find out the perception of investors regarding mutual fund investment and to identify the factors considered to be important by the investors before investing in any mutual fund. The awareness level of investors regarding Monthly Income Plan funds and their benefits is also studied.

DATA ANALYSIS

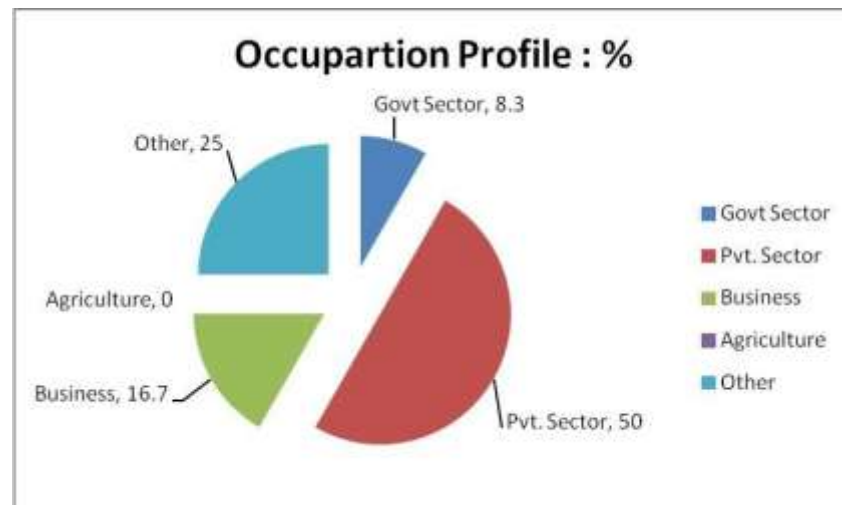
The data collected through the questionnaire is analysed considering each factor and the analysis is presented below.

(a) Age profile of investors



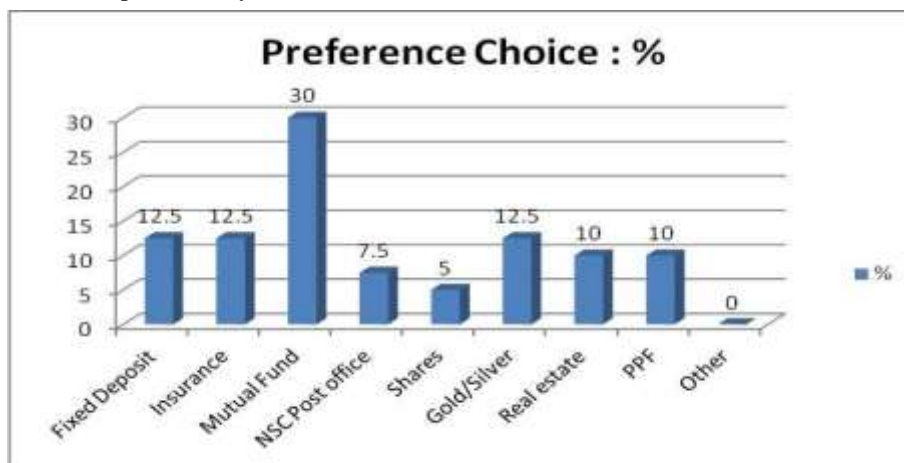
From the above graph, we see that most of the investors belong to the age group of 19 to 35 years followed by those belonging to the age group of 36 to 50 years.

(b) Occupation Profile of Investor



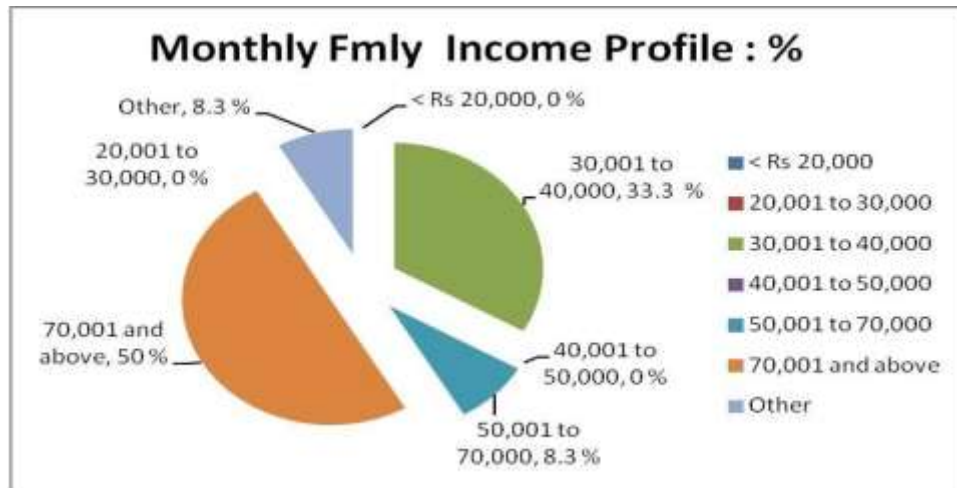
Most of the investors belong to the private sector followed by businessmen and others

(c) Investment Avenue preferred by the investor



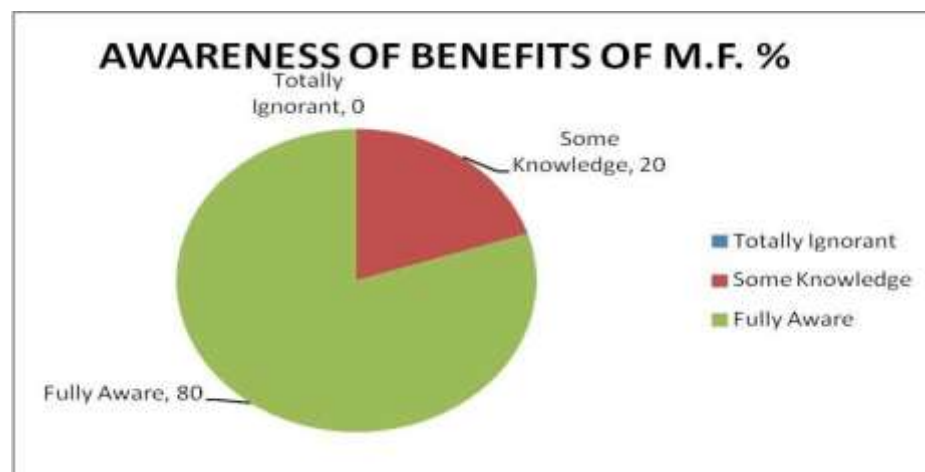
Majority of the investors prefer investing in mutual funds (30%) followed by fixed deposit, gold/silver and insurance. Only 5 % prefer direct investment in stock market.

(d) Monthly Income profile of Investor



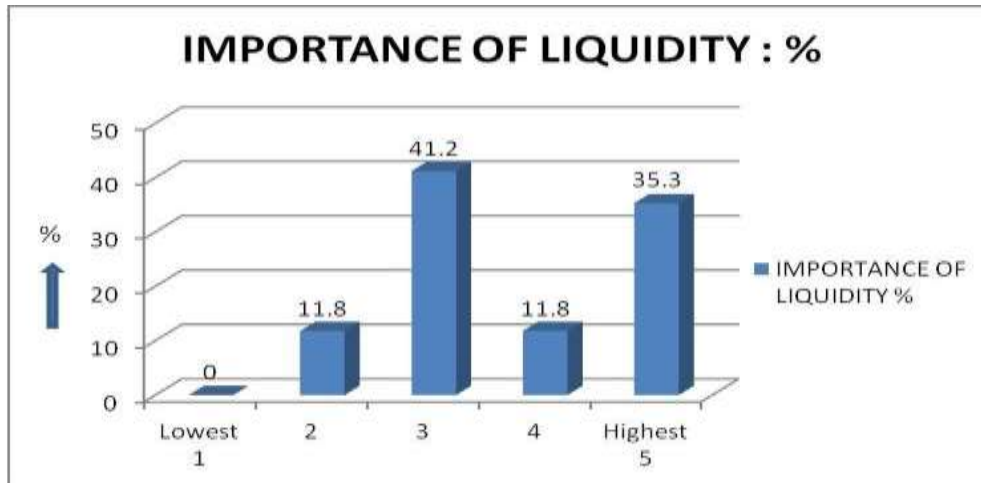
The monthly income profile of the investor reflects that 50% of the investor belongs to the income level of Rs 70,000/- and above followed by 33.3% of the investors belong to the income group of Rs 30,001 to Rs 40,000.

(e) Awareness of Benefits of investment in mutual funds

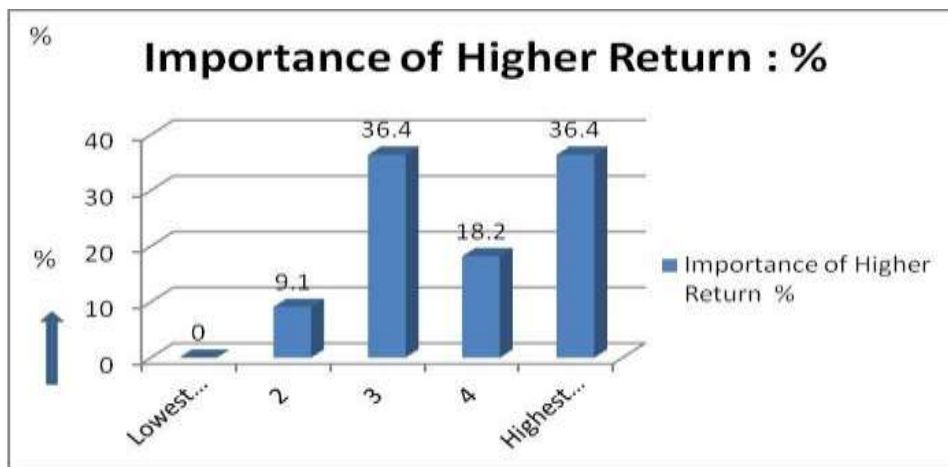


80% of the population is aware of the benefits of investment in mutual funds. 20% have some knowledge of investment in mutual funds.

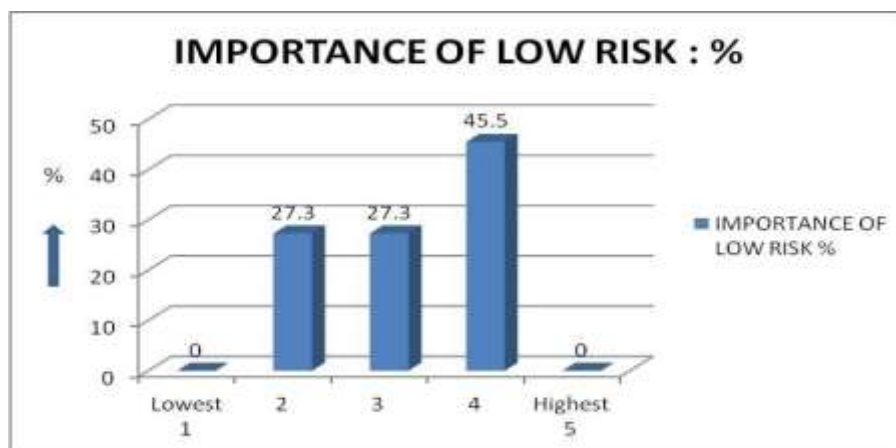
(f) Factors considered while investing in Mutual funds Liquidity



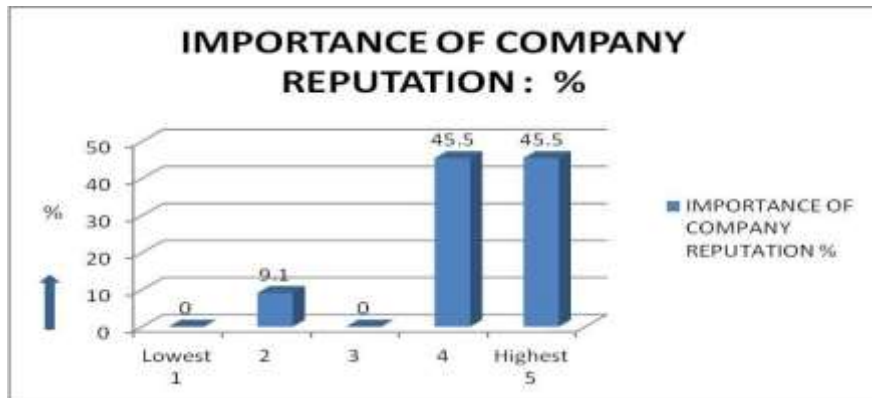
Higher Return



Low Risk

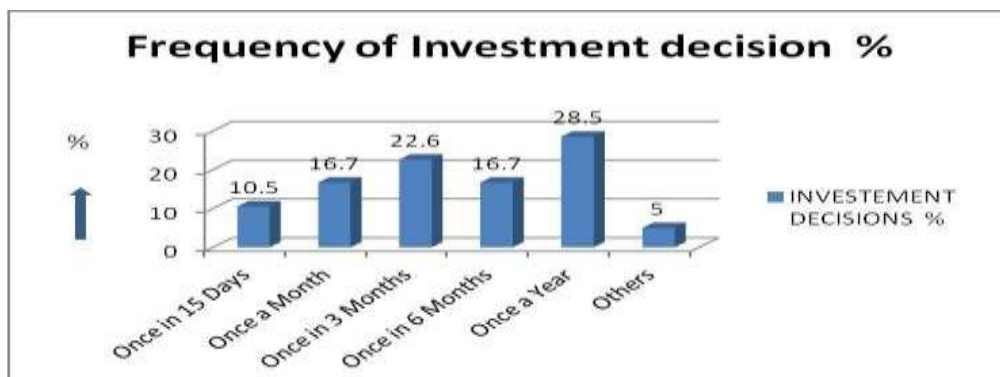


Company Reputation



Investors are giving more importance to higher return, less risk and reputation of the company before investing in any mutual fund.

(g) Frequency of investment decision

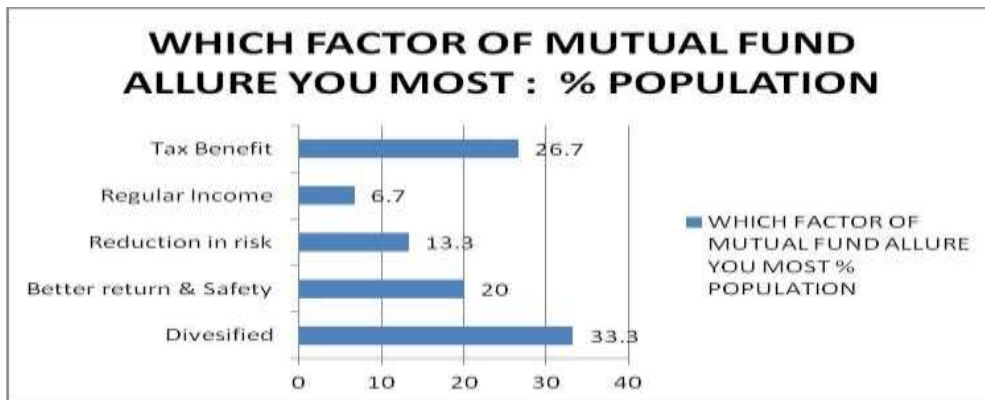


Around 28% of the population make investment decision once in a year

(h) Type of Mutual Fund scheme invested

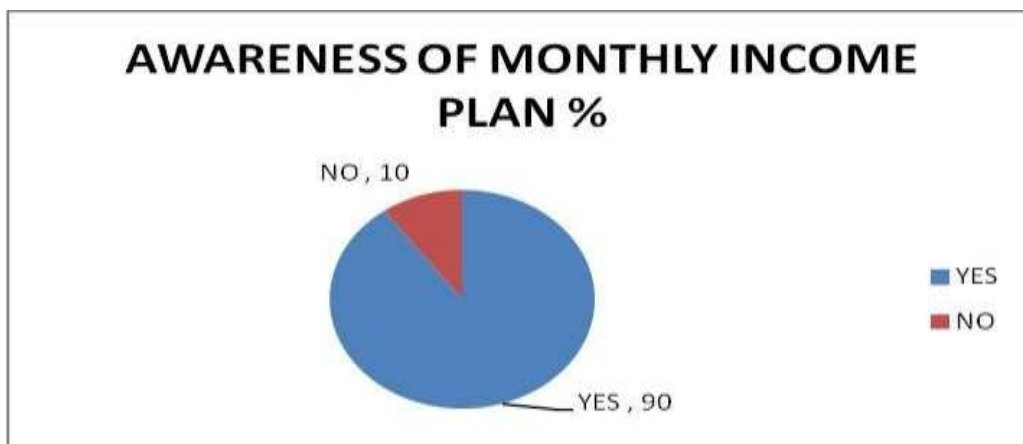


(i) Which factor of mutual fund allure you most ?



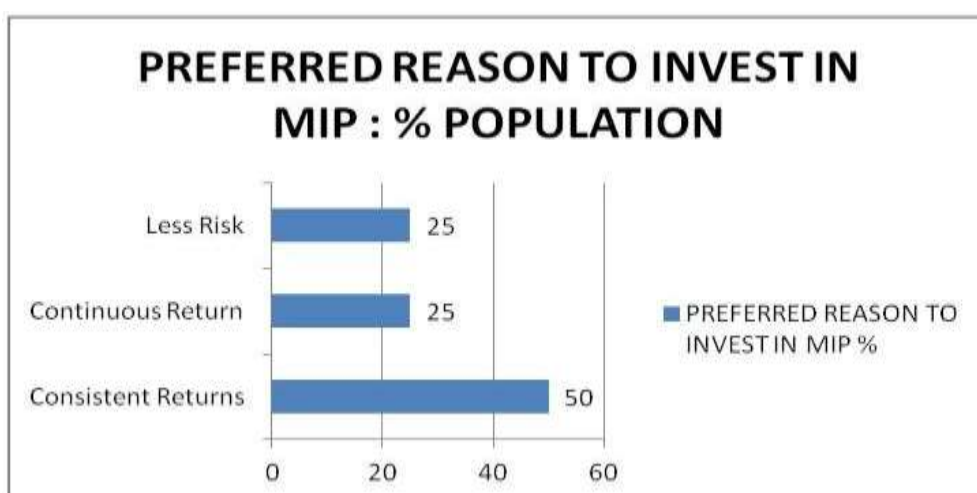
Diversification of portfolio and tax benefit are the main factors of mutual fund that allure the investors.

(k) Awareness of MIP Plan



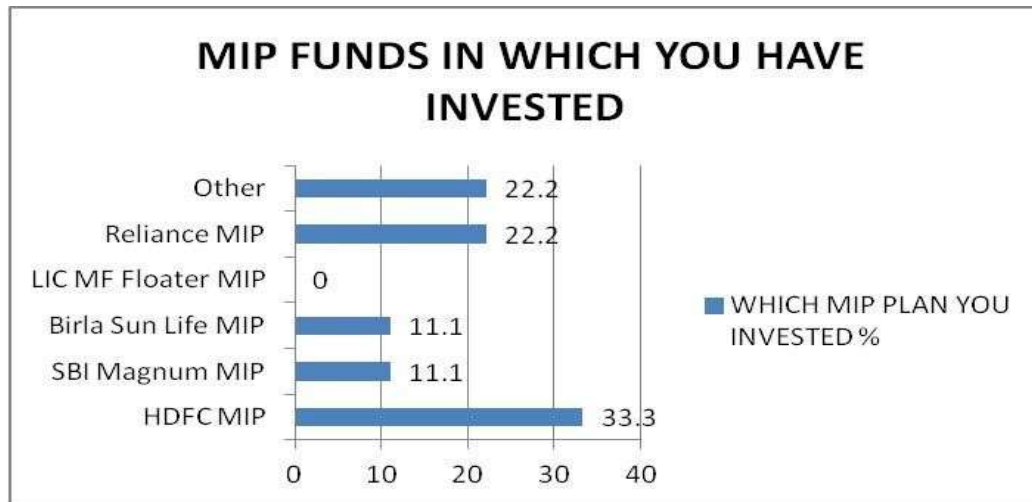
90% of the population are aware of Monthly Income Plan of Mutual Funds

(l) What is the preferred reason to invest in MIP



Consistent Returns is the main factor/ preferred reason for investing in MIP Fund.

(m) Preferred MIP Fund



HDFC MIP is the most preferred MIP fund followed by Reliance MIP.

CONCLUSION

The study conducted shows that most of the investors are aware of various schemes 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 Rs 30,000 to Rs 70,000 and above. Diversification of portfolio and tax benefit are the main factors of mutual fund that allure the investors. Most of the investors are aware of MIP Funds and the preferred reason for investing in MIP fund is consistent returns given by these funds.

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