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Perceptions of Investors towards Mutual Funds: An Analytical Study in Odisha

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Abstract:- This study aims to investigate perception of investor towards mutual funds with an objective to explore the important aspects of Mutual Funds affecting the perception of investors and also To examine the difference of perception of large and small investors on the basis of explored factors . Data for the study were collected form 136 sample respondents residing in Bhubaneswar City of Odisha using a structured questionnaire and analysed by exploratory factor analysis and t-test. As a result of factor analysis three factor namely investment, return and future were explored and through t-test it was proved that there is a difference of perception among the small and large investors with respect to 'return' and 'future' aspects of mutual fund.

Key words: Mutual Fund, Investors, Perception, return, future, investment
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I. INTRODUCTION

Mutual funds pool money from different investors and invest in different investment sources like stocks, shares, bonds etc. A professional fund manager manages these and returns are paid in form of dividends. Some schemes assured fixed returns that are less in risk and some offer dividends based on the market fluctuations and prices. Now a days 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. A Mutual Fund is an investment tool that allows small investors access to a well-diversified portfolio of equities, bonds and other securities. Each shareholder participates in the gain or loss of the fund.

Due to the growth of mutual fund industry, the investors prefer mutual funds as an investment. Mutual fund companies offer variety of schemes for all type of investors. Now an investor can start his investments from rupees 50. Investment in mutual funds has grown very fast and has spread to even the remotest part of the country where a stock exchange does not function. The main reason for investing in mutual funds are diversification, flexibility, professional management ,low cost etc., The investment behaviour of the people is mainly based on the availability of fund, availability of investment avenues, investment objective, duration of investment, risk, nature of investment, selection of fund, attitude towards investment and also the problems encountered in investing on mutual funds. Indian investors have not been absolutely logical and rational in their investment behaviour and their investment decisions are always affected by the definite behavioural factors.

The individual investors numbering millions constitute the backbone of mutual fund industry. Their active involvement in the industry helps the corporate sector to mobilize sufficient funds required for development.

Investor's behaviour plays a vital role in the financial markets. It influences the price, volume of transaction and various other financial operations. Investor expectation is also important.

Expectations of investors are influenced by their perception and there the need of this study arises. In India, the mutual fund industry has been in existence since 1964, no major study has been done regarding the investor behavioural aspect and the effectiveness of grievances and redressal mechanism with special reference to mutual funds in Odisha. So it is felt necessary to study all the above aspects.

II. LITERATURE REVIEW

Gupta (1994) made a household investor survey with the objective to provide data on the investor preferences on Mutual Funds and other financial assets. The findings of the study were more appropriate, at that time, to the policy makers and mutual funds to design the financial products for the future.

Sujit Sikidar and Amrit Pal Singh (1996) carried out a survey with an objective to understand the behavioral aspects of the investors of the North Eastern region towards equity and mutual fund s investment portfolio. The survey revealed that the salaried an d self employed formed the major investors in mutual fund primarily due to tax concessions. UTI and SBI schemes were popular in th at part of the country then and other funds had not proved to be a big hit during the time when survey was done.

Block, Stanley B. and French, Dan W. (2000) conducted a study on Portfolios of equity mutual funds .They proposed two-index model using both the value-weighted and an equally weight ed index. Estimated models using a sample of 506 mutual funds show that the two-index model provides a better fit than the single-index model and identifies a larger set of funds with abnormal performance.

Gavin Quill (2001) examined the evidence that investor behavior is frequently detrimental to the achievement of investors' long-term goals. The picture that emerges from this analysis is one of investors who have lost a good portion of their potential returns because of the excessive frequency and poor timing of their trading activities.

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Dwyer et. al. (2002) used data from nearly 2000 mutual fund investors and found that women take less risk than men in the ir mutual fund investments. Byrne (2005) shows that risk and investment experie nce tend to indicate a positive correlation. Past experience of successful investment increases investor tolerance of risk.

Kozup, John C., Elizabeth Howlett and Michael Pagan o (2008) explored whether a single page supplemental information disclosure impacts investors fund evaluations and investment intention s. Results indicated that while investors continue to place too much emphasis on prior performance, the provision of supplemental information, particularly in a graphical format, interacts with performance and investment knowledge to influence perceptions and evaluations of mutual funds.

Rao,D.N.and Rao, S. B. (2009) analyzed the performance of the 47 Balanced and 72 Income Funds in terms of Return, Risk, Return per Risk and Sharpe ratio over the past three years (20 06, 2007 and 2008) during which period the Indian Stock Market had witnessed much volatility.

III. OBJECTIVE OF THE STUDY

This study has been framed with the following objectives:

1. To explore the important aspects of Mutual Funds affecting the perception of mutual fund investors.
2. To examine the difference of perception of large and small mutual fund investors on the basis of the explored aspects of mutual funds.

IV. METHODOLOGY

This study is mainly based on the primary data. Secondary data is only used for the development of the research framework. A structured questionnaire is used as the main tool for data collection about the consumer's perception regarding the mutual funds. This study includes 136 sample respondents residing in Bhubaneswar City of Odisha.

A questionnaire was used to collect the data from the sample respondents. The questionnaires were administered by personal delivery. A Seven-point scale was used to elicit responses to the questionnaire indicating their level of agreement(1= strongly disagree to 7= strongly agree). The questionnaire also contained questions to solicit demographic information of the respondents. The questionnaire is pretested and revised through back translation process for minor change in wordings.

SPSS (Statistical Package for Social Sciences) version 22.0 is used to compute and analyze the data. The statistical tests used in the analysis of data included descriptive statistics, Exploratory factor Analysis and 't' test

V. SAMPLE CHARACTERISTICS

Selected demographic characteristics of the sample (n=136) including gender, age, educational qualification, income, occupation and location are presented inTable1 as below.

Variable	Categories	Frequency	Percentage (%)
Gender	Male	68	50.0
	Female	68	50.0
Age	Less than 30	84	61.8
	31-40	16	11.8
	41-50	32	23.5
	Morethan 50	4	2.9
Occupation	Salaried	84	61.8
	Business	52	38.2
Monthly Income	Less than 15000	36	26.5
	15001-25000	56	41.2
	25001-35000	16	11.8
	More than 35000	28	20.6
Type of investor	Large	40	29.4
	Small	96	70.6

Source: Field Study

It can be revealed from the data presented in Table-1 that out of total 136 numbers of sample respondents 50% are male and rest 50% are female. In terms of age group, highest 84 (61.8%) number of respondents belong to the age group of less than 30, followed by 16 (11.8%) belong to the age group of 31-40, 32 (23.5%) belong to the age group of 41-50 and only 4 (2.9%) belong to the age group of more than 50. Occupation wise classification reveals that highest 84 (61.8%) number of respondents are salaried and only 52 (58.2%) are having business as their occupations. In terms of Monthly income, out of total 136 number of sample respondents highest 56 (41.2%) are having a monthly income in between 15001-25000, followed by 28(20.6%) are having a monthly income of more than 35000, 36 (26.5%) are having a monthly income of less than 15000 and only 16(11.8%) are falling in the income group of 25001 to 35000.

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Finally, in terms of type of investor, out of total 136 numbers of respondents, 96 (70.6%) are small investors in mutual fund and only 40(29.4%) are Large investors in mutual fund.

Analysis-1 To identify the Important Aspects of Mutual Funds affecting the perception of mutual fund investors

To study the investors perception about important aspects in mutual fund, factor analysis is used.

In order to establish the strength of factor analysis, the sampling adequacy is checked using Kaiser-Meyer-Oklin (KMO) test and the results are presented in the table-3 given as below.

Table-2 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.746
Bartlett's Test of Sphericity	Approx. Chi-Square	1228.399
	df	91
	Sig.	.000

From table-2 it is found that the Value of KMO statistics is greater than 0.5, indicating that factor analysis can be employed for the given set of data. The overall significance of the correlation matrix is checked using Barlett's test of spericity and it is found that the chi-square Value is 1228.399 and the p Value as computed is 0.000 which supports the validity of the factor analysis.

For further investigation, three factors having eigen value greater than one are extracted. The eigenValue of the three factors along with their cumulative percentage of variance explained is shown in table-3

Table-3 Total Variance Explained

Component	Initial Eigenvalues		
	Total	% of Variance	Cumulative %
1	5.796	41.399	41.399
2	2.284	16.311	57.710
3	1.194	8.531	66.240

The result of the factor analysis using principal component method shows that 66.240% of the total variance is explained by classifying these 14 variables into 3 components or factors. The percentage of the total variance which is used as an index to determine how well the factor solution accounts for what the variables together represent. The first factor F_1 is the most important factor which explains 41.399% of variance before rotation. The second factor F_2 is the second major factor which explains about 16.311% of the variance of the variables. The third factor F_3 explains about 8.531% of the variation.

Table -4 gives the factor loading of the variables under each of the three extracted factors. In order to interpret the results, a

cut-off point of 0.5 is decided for each variable to group them into factors by forming a rotated component matrix.

Table-4 Rotated Component Matrix^a

	Component		
	Investment	Return	Future
Mutual Funds with high NAV is good for investment	.894		
Mutual Funds are useful for small investors	.858		
Mutual Funds are healthy for Indian financial Environment	.839		
Bearish market is good for investment	.771		
New Fund offers are good than existing fund	.675		
Mutual fund investments are the substitutes for share investment	.572		
Mutual Funds give higher return than other investments		.843	
Mutual funds having diversified portfolio gives better returns		.785	
Mutual funds with large corpus perform better		.739	
Dividend payout option is good in tax saving Schemes		.628	
Mutual funds are good for tax saving	.	.597	
Growth option is good for long term			.795
Mutual Fund investment is an asset for future			.675
Public sector mutual funds are safe			-.596
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			
a. Rotation converged in 5 iterations.			

The above table indicates the rotated factor loading for the fourteen variables. It is clear from the table that all the 14 variables have been extracted into 3 factors and depending on the loading scores can be named as Investment , return and future aspect of mutual funds

After identifying the important aspects of the mutual fund according to the perception of investors , 't-test' is used to examine the difference of perception of large and small mutual fund investors corresponding these three aspects.

Analysis-2 To examine the difference of perception of large and Small mutual fund investors

Investors opinion about mutual fund is again analyzed with the help of 't' test. Both small and large investors level of opinion is examined. Opinion regarding important aspects in mutual fund is confined to investment, return, and future and tax savings. The result of 't' test is exhibited in table-5.

Table-5 Level Of Opinion On Important Aspects In Mutual Funds

Sl no	Important Aspects in Mutual Funds	Mean Score among Investors		T-Statistics
		Small	Large	
1	Investment	3.324	3.308	0.309
2	Return	3.289	3.642	-2.664
3	Future	3.176	3.923	-3.886

Majority of the small investors are favorable to the perception about investment and returns since its means scores are 3.324 and 3.289 respectively. Among large investors, these factors are future and return since its mean score of 3.923, and 3.642 respectively. Regarding the level of opinion about important aspects of mutual fund, the significance difference among the small and large investors have been identified in the case of 'return' and 'future' since their respective 't' statistics are significant at five per cent level.

FINDINGS AND CONCLUSION

In today's volatile market environment, mutual funds are looked upon as a transparent and low cost investment vehicle, which attracts a fair share of investor attention helping spur the growth of the industry. In this regard, to study the investors perception about important aspects in mutual fund, factor analysis is used. Fourteen variables are taken for the study and all the 14 variables have been extracted into 3 factors. The important factors regarding the perception of investors about mutual funds are investment, return and future respectively. Difference of opinion about mutual fund is again analyzed with the help of't' test. Majority of the small investors are favourable to the perception about tax returns and investments whereas large investors these factors are future and return. Thus mutual fund companies should give due importance to these dimensions for their survival and growth in Indian context.

DELIMITATION

The present study is an attempt to analyse the perception of mutual fund investors in Odisha and restricted upto the opinion of 136 sample respondents residing in Bhubaneswar city. Investors attitude towards any particular mutual fund is not analysed. Investors perception towards particular type of funds like sector funds, tax funds, index funds etc. is not analysed. Furthermore this study does not includes the study of perception of institutional investors.

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