

# A Study on Investors Perception towards Mutual Funds in the State of Odisha

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## ABSTRACT

The development of financial market has led to birth of various instruments of investment. These instruments have led to the creation of numerous opportunities for investors to invest in a variety of fields and to earn profitable returns with minimum risk. Mutual funds are investment vehicle that gathers and collect funds from investors, who share a common goal and then invests their savings in a wide variety of securities in such a way that the investors get a return and capital appreciation in low risk under the guidance of a team of experts. The main purpose of investment in mutual fund is receiving a return which would be at least close to the benchmark of mutual fund. Consequently, the investors will always want to invest in those mutual fund schemes. The aim of the study is to examine the perception of people regarding mutual funds. The primary data was collected through interviews, personal visits, formal and informal talks and questionnaires. Questionnaires were collected using mail and by hand. For the primary survey a sample of 200 respondents were taken into consideration and the analysis was carried out using SPSS statistical package. Structured Questionnaire was used in empirical analysis and discussion. During the period of study 350 questionnaires were distributed and 235 responses were obtained. Out of 235 responses some were rejected as they were partially filled. The respondents were selected by using convenience sampling which included both investors and non-investors. The findings suggest that more than half of the respondents have an incorrect notion about it. They feel mutual funds are very risky investment.

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## 1. Introduction

Investment is very important so as to park the surplus fund of an individual for the purpose of earning additional income or capital appreciation or both. Hence, while making any kind of investment the investor has to consider many factors while making any kind of investment decision. These are as follows: risk associated with the investment, tax benefits, liquidity, and marketability etc. "Mutual fund is one of the attractive financial instruments which is taking a leading role to develop the country's economy. Mutual funds are investment vehicle that gathers and collect funds from investors, who share a common goal and then invests their savings in a wide variety of securities in such a way that the investors get a return and capital appreciation in low risk under the guidance of a team of experts" (Kaveri and Bindu, 2017).

"The capital appreciation realized is then distributed to investors among the unit holders in the ratio of the holdings" (Agarwal, Tandon and Raychudhuri, 2016).

"Hence, mutual fund has opened a new expectation for millions of investors by practically making it approachable to door steps" (Mehta and Shah, 2012). Thus, a mutual fund can be regarded as the most suitable investment for a common man. This is because it provides an opportunity to invest in a diversified and professionally managed basket of securities at a relatively low cost.

## 2. Review of literature

A number of studies have been carried out in the past on the perception of people and investors on mutual funds in the

developed as well as in the developing countries. Hence, a brief review of those valuable research works has been summarized in the following paragraphs.

The collection of data both primary as well as secondary data has been used. Primary data has been collected using Structured Questionnaire. Secondary data was collected from other research articles, published books, journals and other websites. The sample size consisted of 125 respondents from Rohtak. The data was collected and analyzed using SPSS Statistical Package where statistical tools such as Chi-Square, Frequency Tally, Mean and Median were used. From the study it was found that Mutual Funds are the most preferred investment instrument among the people. It has also been analyzed that in case of Middle-income individuals Mutual fund investment earns higher interest and gives good principal amount after the end of maturity period. The article suggest that the mutual fund investors will be getting benefit of capital appreciation when they invest in keeping their money for a long period of time (Kumar and Bansal, 2014).

The impact was studied of different demographic variables on the attitude of investor's towards Mutual funds. It has also thrown light on the benefits provided to the investors by the Mutual fund. This study was primarily carried out using the primary source in which questionnaire method was used to collect data from the respondents. After taking a sample of 200 in Solapur city the study concludes that a majority of investors have not formed any type of attitude towards mutual funds until now. About 50% of investors were not interested to invest money in mutual fund and 33% of investors don't have a

perfect knowledge of mutual fund. This clearly proves that a number of investors were still not much aware about investing in mutual fund (Kothari and Mindargi, 2013).

The impact of attitude and perception of investors on their investment decisions was studied. The population for this study consisted of investor's who had chosen mutual fund as their investment option. The sample size consisted of 50 investors. The study considers both primary & secondary data. Questionnaire method was used for studying the investor's perception towards investment decision in mutual fund. Articles, journals, thesis, books, newspaper etc were referred for secondary sources. Statistical measures such as reliability, frequency, descriptive statistics, correlation & regression was used in the study. Judgmental Sampling has been used to collect data from the respondents as the study focused on the investors who have invested in mutual fund. The study has proved that there was a significant impact of attitude & perception of investors on their investment decision in mutual fund (Kaveri and Bindu, 2017).

The perception of rural and semirural investor on mutual fund was studied and the satisfaction level of investors in Rayalaseema region of Andhra Pradesh was analyzed. The study was carried out with the help of primary and secondary data. The primary survey was carried out by taking 400 respondents as samples from 4 different districts of Rayalaseema and convenience sampling method was used for selecting the samples. The data collected had been analysed using statistical tool where Chi-Square test & Factor Analysis has been used. The study revealed that most of semi-urban and rural investors have higher level of awareness and positive approach while investing in mutual funds. It also found that perception of investors is dependent on the demographic profile of investors. It also a positive impact on the investor's choice of investment (Rao, K. M.).

They focused and studied on the awareness of investor's and their preference in mutual fund schemes, and the factors that influence the investors while selecting it. They have also tried to understand and analyze the level of satisfaction and the problems faced by mutual fund investors. The researcher has used both primary and secondary data. Questionnaire method was used which included open-ended and close-ended questions. The Secondary data has been collected from books, magazines & journals. Convenience random was used for collection of the sample. The data has been analyzed using Chi-Square & ANOVA method. From the article it has been found out that about 52% of the investor even today likes to deposit in banks and post-office. Hence, the investors of mutual fund are too low. Hence, there is a need to conduct awareness program for investing in mutual fund (Senthilkumar and Maruthamuthu, 2010).

### 3. Objectives

1. To study the investors perception regarding the investment in mutual fund among different age groups.

2. To study the most important factor that allures the investors while investing in mutual fund.
3. To analyze the percentage of investment in mutual fund in regards to investors monthly income.

### 4. Hypotheses

5. H<sub>1</sub>: Decision taken to invest in mutual fund and age of the investor are independent.
6. H<sub>2</sub>: Occupation of the individual investor and the features that allures him the most is independent.
7. H<sub>3</sub>: Monthly income of investors and the percentage of investment in mutual fund are independent.

### 8. Methodology

The research paper was based on primary survey and secondary data, however primary data collection was given more importance as compared to secondary data in this study. Structured Questionnaire was used in the empirical analysis and discussion. 350 questionnaires were distributed and 235 responses were obtained. Out of the 235 responses some were rejected as they were partially filled. Hence, the primary data sample size was restricted to 200. From the above sample, it was found that only 80 respondents had invested in Mutual Fund other 120 respondents hadn't invested. The sample was collected from the general mass which means data was collected from both Mutual fund investors as well as non-investors. The primary data was collected from Interviews and Personal visits to persons. The questionnaire was collected through mail and by hand whereas the secondary data was collected from the secondary sources such as newspaper, Journals, Brochures, research articles and different websites.

A survey was conducted in Rourkela city during a period from 9<sup>th</sup> May to 8<sup>th</sup> July 2017. The respondents were selected by Convenience Sampling which included both investors and non-investors in mutual fund. The data was analyzed by using various statistical tools and techniques.

### 9. Data analysis and interpretation

#### Data analysis

In this paper, 350 questionnaires were distributed to respondents. In total, 235 questionnaires were received by the stipulated date and 35 questionnaires were discarded because the respondents had not completed the questionnaire completely. Thus, size of the sample was restricted to 200 with a response rate of 85 percent.

The return questionnaire shows that 40.5% of respondents were graduate, 35% were non-graduate, 22% were post graduate and rests were others. It was found that 40% of respondents were investing in mutual fund and rest was investing in other avenues. Therefore, the survey result was based on reliable respondents who had invested in mutual fund and aware of mutual fund, as from the whole sample 60% respondents were aware about mutual fund and 40% were not aware (see Table 1).

Table 1 Personal and investment profile of respondents

Attribute	Number	Percentage (%)	Mean	SD
Age				
Less than/equal 30				
31-45	48	24.0		
46-55	73	36.5	2.31	0.998
Above 55	49	24.5		
<b>Total</b>	<b>30</b>	<b>15.0</b>		
<b>Total</b>	<b>200</b>	<b>100</b>		
Education qualification				
Non-graduate				
Graduate	70	35.0		
Post-graduate	81	40.5	1.92	0.817
Others	44	22.0		
<b>Total</b>	<b>5</b>	<b>2.5</b>		
<b>Total</b>	<b>200</b>	<b>100</b>		
Occupation				
Salaried				
Business	63	31.5		
Self employed	58	29.0	2.39	1.259
Retired	28	14.0		
Other	41	20.5		
<b>Total</b>	<b>10</b>	<b>5.0</b>		
<b>Total</b>	<b>200</b>	<b>100</b>		
Monthly income				
Up to 10000				
10000-50000	23	11.5		
50000-75000	58	29.0	2.91	1.166
75000-90000	51	25.5		
Above 90000	50	25.0		
<b>Total</b>	<b>18</b>	<b>9.0</b>		
<b>Total</b>	<b>200</b>	<b>100</b>		
Factors preferred the most for investment				
Liquidity				
High return	64	32.0		
Low risk	59	29.5	2.20	1.031
Company reputation	51	25.5		
<b>Total</b>	<b>26</b>	<b>13.0</b>		
<b>Total</b>	<b>200</b>	<b>100</b>		
Features allure the investor				
Diversification				
Better return & safety	11	5.5		
Regular income	29	14.5	2.75	1.153
Tax benefit	12	6.0		
Reduction risk & transaction cost	25	12.5		
<b>Total</b>	<b>3</b>	<b>1.5</b>		
<b>Total</b>	<b>80</b>	<b>40</b>		
Percentage of investment in mutual fund				
0%-25%				
25%-50%	57	28.5		
50%-75%	17	8.5	1.36	0.621
<b>Total</b>	<b>6</b>	<b>3.0</b>		
<b>Total</b>	<b>80</b>	<b>40</b>		
Awareness on mutual fund				
Yes				
No	120	60.0	1.40	0.491
<b>Total</b>	<b>80</b>	<b>40.0</b>		
<b>Total</b>	<b>200</b>	<b>100</b>		
Invest in mutual fund				
Yes				
No	80	40.0	1.60	0.491
<b>Total</b>	<b>120</b>	<b>60.0</b>		
<b>Total</b>	<b>200</b>	<b>100</b>		

Source: Primary survey

The table 1 shows that the highest mean value was of monthly income 2.91 and its SD was 1.166 but highest SD was of source of income and its mean was 2.39. The highest percentage (28.5%) of their income invested in mutual fund comes under the category 0%-25%, and lowest percentage

(3%) of their income invested in mutual fund comes under 50%-75%.

#### 10. Result and Interpretation

$H_1$ : DECISION TAKEN TO INVEST IN MUTUAL FUND AND AGE OF THE INVESTOR IS INDEPENDENT.

An independent sample t-test was carried out to compare mutual fund investors and non-mutual fund investors in respect to different age group. The result shows that the assumption of Levene's test for equality of variances of this independent sample t-test was met  $F = 0.391$  and significance = 0.533. Therefore, variances were homogeneous (see Table 2).

The result of testing, the mean difference shows that there is a no significant difference in mutual fund investors and non-

mutual fund investor with respect to different age group ( $t = -0.029$ , significance = 0.840). The comparison of mean score for mutual fund investor was Mean = 2.29, SD = 1.034 and non-mutual fund investor was Mean = 2.32, SD = 0.979. Suggests, that the mutual fund investor had got highest SD score were involved in different age group (see Table 2). So, that decision taken to invest in mutual fund and age of the investors is independent.

**Table 2 Independent sample t-test of mutual fund investors and non-mutual fund investors**

M.F investors	N	Mean	SD	Levene's Test for Equality of Variances		Mean diff.	T	Sig. (2-tailed)
				F	significance			
Yes	80	2.29	1.034	0.391	0.533	-0.029	-0.202	0.840
No	120	2.32	0.979					

Level of significant is 5% (0.05)

SD: Standard Deviation

N: Number

Source: SPSS output on primary data.

The  $p$ -value is 0.840 which is greater than the set level of significance value ( $p$ -value > .05). Hence, the null hypothesis is accepted. This means that decision taken to invest in mutual fund and age of the investors is independent (see Table 2).

**H<sub>2</sub>: OCCUPATION OF THE INDIVIDUAL INVESTOR AND THE FEATURES THAT ALLURES HIM THE MOST IS INDEPENDENT.**

There are different features that allure most to the investors to invest in mutual fund. Some of these features were

Diversification, Better return & safety, Regular income, Tax benefit and Reduction risk & transaction cost. The features were attracted to the investors to invest more in mutual fund and among different features the test carried out which one was better to the investors. The highest mean was Diversification 2.73 and its SD 1.009, followed by Reduction risk & transaction cost was mean and SD is 2.08 and 1.134 respectively. The lowest mean and SD were tax benefit 1.52 and 0.823. The mean and SD described the most important feature which attract investors in different groups (see Table 3)

**Table 3 Descriptive Statistics of features allure to mutual fund**

Features that allure the most	Mean	SD	N
Diversification	2.73	1.009	11
Better return & safety	2.00	1.134	29
Regular income	2.08	0.996	12
Tax benefit	1.52	0.823	25
Reduction risk & transaction cost	2.33	1.155	3
Total	1.97	1.055	80

SD: Standard Deviation

N: Number

Source: SPSS output on primary data

**Table 4 Tests of Between features that allure the mutual fund and occupation**

Source	Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	11.945	4	2.986	2.947	.026
Intercept	195.375	1	195.375	192.791	.000
Features that allure the mutual fund	11.945	4	2.986	2.947	.026
Error	76.005	75	1.013		
Total	400.000	80			
Corrected Total	87.950	79			

Source: SPSS output on primary data

The result of testing two-way ANOVA Univariate analysis shows that there is significant difference between occupation of the individual investor and the features that allures him the most to invest in mutual fund. There were different occupations of people are salaried, business, self-employed, retired and others. All the income holders were interested to invest in mutual fund due to attractive features among them the salaried persons were taking highest score 31.5% and followed by business man 29%. The lowest category was self-employed

and others (see Table 1). The test states the effect of treatment the F value 2.947 and significance ( $p$ -value) .026. Since the  $p$ -value is less than .05. The occupation and feature of mutual fund are dependent on each other (see Table 4).

**H<sub>3</sub>: ANNUAL INCOME OF THE RESPONDENTS AND PERCENTAGE OF THE INVESTMENT IN MUTUAL FUND ARE INDEPENDENT.**

Out of 80 mutual fund investors, 28.75% investors i.e. the maximum investors were from the monthly income group Rs. 50000–75,000, and the minimum investors i.e. 6.25% were in

the monthly income group of below/ up to Rs. 10,000 (see table 1).

**Table 5 Descriptive statistics of percentage of the investment in mutual fund**

Percentage of investment	N	Mean	SD	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
0% - 25%	57	3.25	1.023	.135	2.97	3.52	1	5
25% - 50%	17	2.88	1.317	.319	2.21	3.56	1	5
50%- 75%	6	2.83	1.472	.601	1.29	4.38	1	5
Total	80	3.14	1.122	.125	2.89	3.39	1	5

SD: Standard Deviation

N: Number

Source: SPSS output on primary data

The result shows that 0%-25% had the highest mean of 3.25 and it's SD 1.023. The largest number of investors invested 0%-25% of their income in mutual fund it indicates lowest std. Error .135. The lowest investment in mutual fund was in the category 50%-75% of their income which indicates the lowest mean 2.83, and the value of std. Error was very high score .601 (see Table 5). The result perceives that the investor

monthly income and percentage of investment were insignificant. The p value corresponding to the hypothesis was .402 which is less than the significance value .05 (p-value < .05). Hence the null hypothesis was rejected. This means that annual income of the respondent and percentage of investment in mutual fund are independent to each other (see Table 6).

**Table 6 Test between monthly income and percentage of investment in mutual fund**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.328	2	1.164	.923	.402
Within Groups	97.159	77	1.262		
Total	99.487	79			

Source: SPSS output on primary data

**11. Findings and comments**

From the survey, out of 200 respondents 80 respondents had invested in mutual fund. Out of which most of the respondents were in the age bracket of (31-45) years. Second most investors were in the age bracket of (less than or equal to 30 years) while the least were in the age bracket of greater than 55.

Out of the surveyed respondents most people choosing mutual fund as their investment avenue belonged to salaried men, followed by business class and the least were others. These others category belongs to students and housewives.

Out of the mutual fund investor's maximum investors are in the monthly income group of 50,000-75,000, followed by the monthly income category of 75,001 to 90,000 and the least respondent investing in mutual fund fell in the category of less than 10,000.

**12. Suggestion**

The work reveals that the mutual fund market is still in its growing stage. Hence, for the companies to attract a greater number of customers should try developing the market for mutual fund. Hence, they should first of all create a general awareness and educate the customers. For this purpose, conferences seminars can be conducted. Again, free training programs can be conducted for both the agents and customers. As, the respondents were not confident in investing

their money in mutual funds there is a requirement for more awareness and promotion programs for boosting their interest towards mutual funds. Apart, from that companies should to develop some new strategies and plans. Companies must try developing customized schemes which would fit the customers in a better way.

**13. Conclusion**

From, the study we can infer that the concept of mutual fund industry is still in its growing phase. Though a vast opportunity exist in this field but a small segment of investors are investing in mutual fund. Hence, in order to excel in this field, the mutual fund companies have to create awareness and understanding in the mind of the investor. They should try to increase the promotion and advertisement strategies to change the notion people are holding in their mind. This is because the potential investors stay away from investing due to lack of awareness and ignorance about the product. This is the main constraint that conventional method like bank deposits, insurance etc take precedence.

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**Conflict of interest**

We declare that we have no conflict of interest.

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