

A STUDY ON STUDENTS AWARENESS AND PERCEPTION TOWARDS INVESTMENT IN MUTUAL FUNDS

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ABSTRACT

The Indian financial market is becoming competitive day by day. It is important that the various financial instruments needs to be in equilibrium to the demand perspectives of the investors. The prime drive of any investment is to get maximum return with a minimum risk and mutual funds provides the opportunity for the

investors. The mutual fund sector is one of the quickest growing sectors in Indian Economy and has great potential for sustained future growth. Mutual funds make saving and investment easy, accessible, and affordable. Mutual funds are most appropriate investment for an investor as it offers a chance to invest in a diversified, professionally managed basket of securities at a reasonably low cost. Financial markets have become more intensive with wide-ranging financial merchandise attempting innovations in planning mutual funds portfolio however these changes would like unification in correspondence with investor's expectations and objectives.

It is essential to study mutual funds from a different angle, that is to emphasize on investor's perception. The major concern of the present study is to determine the awareness and perception about mutual funds among the students. This study aims to understand younger generations 'investing behaviors in mutual funds in order to help wealth advisors and other financial institutions understand how better to work with younger generations.

1. INTRODUCTION

A mutual fund is a type of financial investment vehicle which is formed when as asset management company (AMC) or a fund house pools investments from several individuals and institutional investors with common investment. A finance professional that is the fund manager manages the pooled investment by purchasing securities such as stocks and bonds that are in line with investment objective. Mutual funds are investment companies that collect funds from the individual investors and invest those funds in a potentially wide range of securities or other assets. Mutual funds is one of the famous financial instrument of Indian markets.

Over the years with advancement in technology, more and more people have become aware about mutual funds and have started investing in it according to their preferences. With the reforms in financial sector and the developments in the Indian financial markets, Mutual Funds (MFs) have emerged to be an important investment

avenue for retail (small) investors. Mutual funds issue units to the investors in accordance with the quantum of the money invested. These investors are known as unit holders. The income earned by way of dividends, bonus, etc. through these investments and capital appreciations realized are shared by its unit holders in proportions to the number of units owned by them. Mutual funds have gained huge popularity in the last few years and are emerging as the favourite investment vehicle because it has many advantages that have attracted the common of India. It is one of the fastest growing sectors in the Indian economy and has great potential for sustained future growth. These mutual funds are handled by Asset Management Companies (AMC). Asset management companies in India are broadly categorised into three types; bank-sponsored mutual funds, mutual fund institutions, and the private sector mutual funds. The wide array of funds often make it a little difficult for investors to choose the best scheme for them.

Aspects that Attract Investors Towards Mutual Funds

1. Professional Management

Management of a portfolio involves continuous monitoring of various securities and the innumerable economic and non-economic variables that affects the portfolio's performance. This requires a lot of time and effort on the part of the investor, along with in-depth knowledge of the functioning of the financial markets. Mutual funds are generally managed by knowledgeable, experienced professionals whose time is solely devoted to tracking and updating the portfolio. Thus, investment in a mutual fund not only saves time and efforts of the investor but is also likely to yield better results.

2. Diversification Benefit

Diversified investment improves the risk-return profile of the portfolio. Small investors may not have the amount of capital that would allow optimal diversification. Since the corpus of a mutual fund is substantially big as compared to individual investments, optimal diversification becomes possible. As the individual investors; capital gets pooled into a mutual fund, all of them are able to derive the benefits of diversification.

3. Low Transaction Costs

The transactions of a mutual fund are generally very large. These large volumes attract lower brokerage commissions (as a percentage of the value of the transaction) and other costs, as compared to the smaller volumes of the transactions entered into by individual investors. The brokers quote a lower rate of commission due to two reasons. The first is competition for the institutional investors' business. The second reason is that the overhead costs for executing a trade do not differ much for large and small orders. Hence, for large order, these costs spread over a large volume, enabling the broker to quote a lower commission rate.

4. Flexibility

Mutual funds possess features such as regular investment plan (i.e one can invest in instalments), regular withdrawal plans and dividend reinvestment plans. Because of these features, one can systematically invest or withdraw funds according to one's needs and convenience. Some mutual funds have permitted the investors to switch over their units from one scheme to another. It always depends on the scripts which is backed by the investment. The investment climate may be some times good for one fund and bad for the other. So an intelligent investor can switch over his units in one fund to another depending up on the performance of the funds. One cannot find such flexibility in any other investments.

5. Tax Benefit

In India, dividend received by the investor is tax free. This enhances the yield on mutual funds marginally as compared to income from other investment options. Also, in case of long terms capital gains, the investor needs not to pay tax for all equity purchases after March 1, 2003. Other than many tax benefit schemes, according to the new section 80C introduced in the we can invest a maximum of Rs.100000 in investment options like Equity-linked Savings Schemes, Infrastructure Bonds, Unit linked Insurance Plans etc. and the entire sum can be deducted from one's taxable income.

Limitations Of Mutual Funds

1. Fluctuating returns:

Mutual funds do not offer fixed guaranteed returns in that you should always be prepared for any eventuality including depreciation in the value of your mutual fund. In other words, mutual funds entail a wide range of price fluctuations. Professional management of a fund by a team of experts does not insulate you from bad performance of your fund.

2. Subject to Market Risks

Mutual fund investments are subject to market risk involved or systematic risk. This is because there is no way to predict what will happen in the future or whether a given asset will increase or decrease in value. Because the market cannot be accurately predicted or completely controlled, no investment is risk-free.

This caution (warning) can be checked with the offer document where it is clearly mentioned as follows:

"Mutual-Funds investments are subject to market risk. Please read the offer document carefully before investing"

3. Lock-in periods

Many mutual funds have long-term lock-in periods, ranging from five to eight years. Exiting such funds before maturity can be an expensive affair. A specific portion of the fund is always kept in cash to pay out an investor who wants to exit the fund. This portion cannot earn interest for investors.

4. Diversification:

Diversification is often cited as one of the main advantages of a mutual fund. However, there is always the risk of over diversification, which may increase the operating cost of a fund, demands greater due diligence and dilutes the relative advantages of diversification.

5. No Control:

All types of mutual funds are managed by fund managers. In many cases, the fund manager may be supported by a team of analysts. Consequently, as an investor, you do not have any control over your investment. All major decisions concerning your fund are taken by your fund manager. However, you can examine some important parameters such as disclosure norms, corpus and overall investment strategy followed by an Asset Management Company (AMC).

2. RESEARCH METHODOLOGY

Research is the scientific investigation of a specific field with definite objectives. It helps in reaching out from known to unknown facts. Research is used to establish or confirm facts, reaffirm the result of previous work, solve new or existing problems, support theorems or develop new theorems. According to Martyn Shuttleworth, in the broadest sense

of the word, the definition of research includes any gathering of data, information and facts for the advancement of knowledge. The research work is primarily associated with the collection of data, sequencing and quantifying it, to spot the problem and solution. Validity and credibility of information is based upon method adopted in research work. The reliability, credibility and academic value of research work is determined by the scale utilized in research methodology

2.1 Introduction

The present chapter talks about the various types of data used to collect the information and its advantages and disadvantages. The present chapter covers, the need of the study, the scope of the study and objectives of study, the research design, data collection method, limitation of the study etc .

2.2 Research Design

It is the basic frame work which provides guidelines for the rest of the research process. It is a map or blueprint according to which the research is to be conducted. It provides an empirical and logical basis for drawing conclusions and gaining knowledge. The research design specifies the methods for data collection and data analysis. For research to be carried out properly the research has to specifically pinpoint.

- a) How would the data be collected.
- b) Which instrument would be used for collecting the data
- c) What sampling plan would be used

2.3 Data Collection Method

Data can be obtained from primary or secondary sources. Primary data refers to information obtained first hand by the researcher on the variables of interest for the specific purpose of the study. Secondary data refers to information gathered from sources already existing. For the purpose of the research undertaken both primary and secondary data have been used.

2.4 Data Analysis and Interpretation

It is the process of assigning meaning to the collected information and determining the conclusion, significance and implications of the findings. The purpose of data analysis and interpretation is to transform the data collected into credible evidences about the development of the intervention and its performance. Data analysis and interpretation in this project has been done through pie charts and bar diagrams.

i) Pie chart: It is a circular chart divided into sectors, illustrating numerical proportion. In a pie chart, the arc length of each sector is proportional to the quantity it represents. Pie charts are based on percentage figures and not absolute figures. In case where absolute figures are given, the same are first converted into percentage values.

ii) Bar Diagrams: It is a chart with rectangular bars with lengths proportional to the values that they represent. A bar graph is a chart that uses either horizontal or vertical bars to show comparison among categories. One axis of the chart shows the specific categories being compared, and the other axis represents a discrete value.

2.5 Need Of The Study

The Indian financial system has undergone a number of changes over the last three decades. Since the opening of the economy in 1991 a new kind of investment pattern started emerging in the country. New schemes were launched for attracting investments in different sectors of the economy. These initiatives of the government changed the perception of the investors regarding investment decisions. They started looking for new avenues of investment. People are becoming aware of the latest investment plans and returns on these plans. Foreign direct investment changed the whole scenario and attractive schemes were launched by the government in order to attract a larger number of investors. During this period one of the most important schemes emerged in the form of mutual funds. Almost all financial institutions and banks started exploring the possibility of pushing investments towards mutual funds, with some of them preferring to float a few mutual funds themselves. The present work is an attempt to study the perception and awareness of graduate and post graduate students towards investment in mutual funds and the various factors that affect their investment decision with respect to mutual fund. The study has been necessitated as more and more people are investing in mutual fund schemes launched by a number of financial institutions and its important to know that how aware the youth is about this investment avenue.

2.6 Scope Of The Study

There has been a continuous change in the economic and business environment leading to the emergence of new opportunities to the new and established mutual fund players. Investment in mutual fund instruments have shown phenomenal growth during the recent past. Numerous categories of investors are participating in this growth. The geographical coverage of the respondents is confined to the students residing Mumbai who are currently graduating or have already graduated and the students who are pursuing their post graduation.

- Number of people who received the survey – 120
- Number of respondents – 110
- Location of Respondents – Mumbai
- Age of respondents – 18-25 years and above
- Method of collecting data – Survey by Google form containing 16 questions Telephonic interview of some of the respondents.
- The sample was chosen by keeping the age and education qualification of the respondents in mind.

2.7 Objectives Of The Study

The objectives to carry out this research include

- 1.To understand the concept of Mutual
2. To study the financial awareness of mutual fund investment amongst graduate and post graduate students
- 3.To analyse the perception and knowledge of students about different mutual fund options and factors affecting their investment behaviour
- 4.To determine the different options available and preferred by students for investment purposes with respect to mutual funds

2.8 Limitations Of The Study

1. The study is confined to students living in Mumbai only.
2. The sample size for the primary research is limited that is 120 students.
3. The age group of the sample is 18-25 years and above.
4. The study is based on the views expressed by individuals based on their experience/perceptions.
5. Primary data collected through the sample survey is not free from bias and inaccuracies.
6. Thus, data processed for analysis is also subject to errors particularly as the respondents may have lacked perceptual clarity about the key issue involved and also due to natural inhibitions to impart correct information.

2.9 Hypothesis of the study

H0 - People are aware about the term Mutual Funds

H1- People are not aware about the term Mutual Funds.

H0 - People have invested in Mutual Funds

H1- People haven't invested in Mutual Funds.

H0 - People have mutual funds as their preferred form of investment.

H1- People do not have mutual funds as their preferred form of investment.

HO - People invest in mutual funds with growth in mind.

H1- People do not invest in Mutual Funds with growth in mind

H0 People who use advisers and consultants before investing in Mutual fund

H1 people invest in Mutual funds based on their own analysis

3. REVIEW OF LITERATURE

Review of literature plays an important role in any research. The review of literature gives a broad outlook of the various research studies made in the past and the details of such studies throw light on the future studies to be made. It also strengthens the theoretical base of the research study. Literature on mutual fund performance evaluation is enormous. The review of literature helps to identify the research gap in the study on investors' perception and which has given rise to the present study. Some of the research studies that have influenced the preparation of this study substantially are discussed in this section.

Rajesh Trivedi, Prafulla Kumar Swain and Manoranjan Dash(2017) in their study examined the effect of gender difference and age factors on investment decision. They found that males are more interested in mutual fund investments than the females and the elderly people are less aware about the mutual fund information .

Sudarmathi,j, dr. Ch. Bala nageshwara roa (2017) conducted a study on investor behaviour towards mutual funds. From the research it was found out that most of the investors were males and businessmen. The research involves a primary research of 60 respondents and suggested that more people were aware of mutual funds through advertisement campaigns and social media. Besides primary data secondary data was collected through websites and books. This analysis denoted that there was a frequent investment in mutual funds compared to alternative investment sectors.The

study suggested that most of the people were male. So, the mutual fund companies should concentrate to create more awareness about mutual fund on females.

The company should concentrate more on businessmen, entrepreneurs and private firms and companies. The majority of the investors belong to the age group of 20 to 30.

CHI- square tests, ANOVA one way and two way were the statistical methods used.

Questions asked were relating to the age, gender, profession, expected returns, risk appetites, income levels etc.

Priyanka Sharma and Payal Agrawal (2015) in their study made an attempt to understand the effect of demographic factors in mutual fund investment decisions.

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.

Vipin Kumar and Preeti Bansal, Haryana, India (2014) International Journal of Engineering and Management Research Kumar and Bansal conducted a study on the Investors 'behaviour in Mutual funds in Rohtak, Haryana. Their research paper focused on number of factors that highlights investors 'perception about mutual funds. They collected data through structured questionnaire which was designed to collect all required information from mutual fund investors. They had a sample size of 125 respondents who were from Rohtak.

Secondary data was collected through related research works, journals, etc.

Questions asked were relating to the age, preferred form of investments, risk appetites, a number of yes or no questions that tested the knowledge of the investor about mutual funds, time holding of investments, etc. Based on these questions suggestions and conclusions were made. The data and information collected was classified, tabulated and processed and its findings were presented in a systematic manner. Statistical tools as Chi-square test, mean and median were used. It was found that mutual funds were not so known to investors, still traditional investor rely upon bank and post office deposits. Most of the investor used to invest in mutual fund for not more than 3 years and they used to quit from the fund which were not giving desired results.

They also found that most of the investors did not analyse risk in their investment and they were depended upon their agent or broker for this work. But since this work was published in 2014 which was earlier than the "Mutual Funds, Sahi hai" ad campaign which was launched in 2017, many investor must not have been aware about mutual funds and/or its benefits.

Prathabetal (2013) in a study examined the understanding level and fulfillment of citizens concerning to factor rate of return, liquidity, protection and security, tax deliberation, and challenge faced by Indian mutual fund business. This study exposed that in students have high level of attentiveness towards mutual funds in India and they think about mutual fund as safe selection for their investment which not only give them high returns but improve their capital at a minimum level of threat.

Kumar Manoj (2013) critically examined the investors 'behaviour and preferences towards various investment alternatives and investors 'preference between shares and mutual funds. Another objective of the study was to identify the major attributes of the investment avenue to lure the investors to investment. The study was performed on investors in the Agra city.

The author concluded that real estate and gold were the most favourable investment options of the investors. The study further tested the hypothesis that investors have same level of preference for the share and mutual fund for investment, the chi-square test revealed that investors have not same preference for both of the investment avenues. Investors more preferred to mutual funds compared to shares. Chi-square test further indicated that investors have different preference for risk, return and liquidity for different investment options.

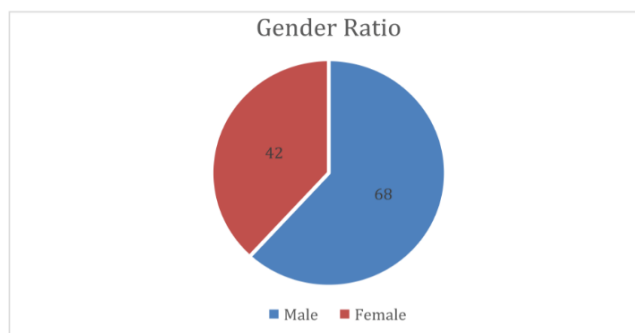
4. PRIMARY RESEARCH

It is a matter of common understanding

that the investor while taking investment decisions in financial assets in general and risky assets in particular are highly influenced by social, economic and political reasons.

The demographic factors also play an important role in the process of investment decisions. In addition to this the income, life cycle of age, personality characteristics and life styles also influence the process of investment decisions. In the present study we have taken into account the variables like gender, age, and education profile which influence the investment decision of the investors. These are important to know because it helps in the understanding that which class of people have a deeper understanding about the subject.

Gender Ratio



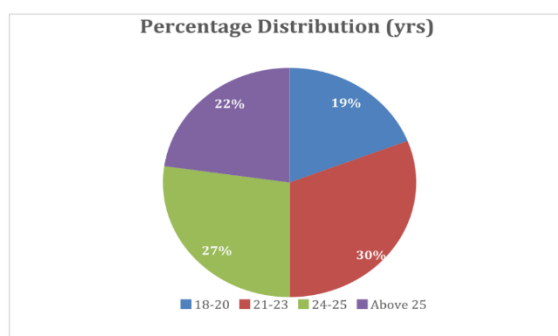
The above graph shows the gender distribution amongst the sample of 110 respondents.

- 68 respondents were male - 61.81 %
- 42 respondents were female - 38.81 %

No respondent belonged to the third gender nor preferred not to say.

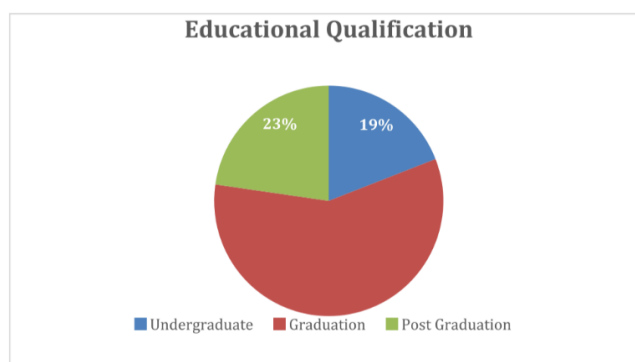
2. Age Distribution Of The Respondents

Age Group (yrs)	Frequency
18-20	21
21-23	34
24-25	30
Above 25	25
Total	110



The information given in the above graph presents the age wise distribution of the respondents living Mumbai. It is clear from the above table that 19.09% of the respondents are belonging to the age group of 18-20 years of age, 30.90 % percent of respondents belong to age group of 21-23 years, 27.27 % of the respondents are having the age between 24-25 and 22.72% are above 25 years of age .

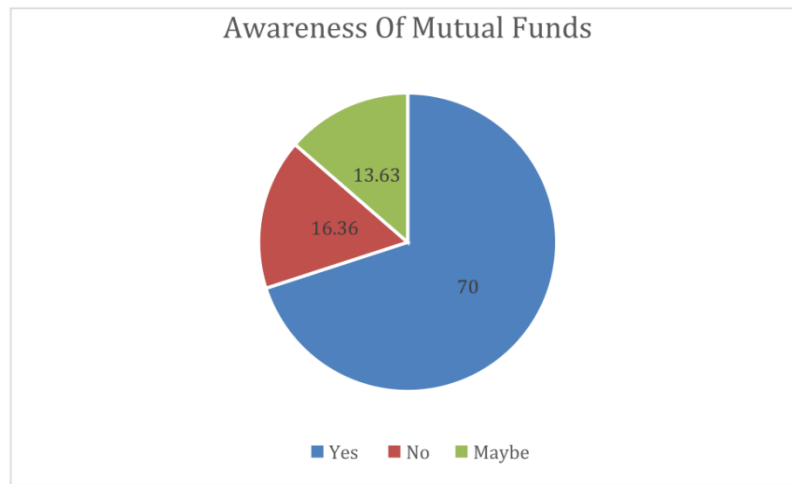
3. Educational Qualification



From the above graph it can be seen that 19.09% of the respondents are still graduating that is are undergraduate , 58.18% of the respondents have completed their graduation, and 22.72% of the respondents are pursuing post graduation or are already post graduates. Educational qualification definitely has an impact on investment in mutual fund and in general.

4. Aware About Mutual Funds

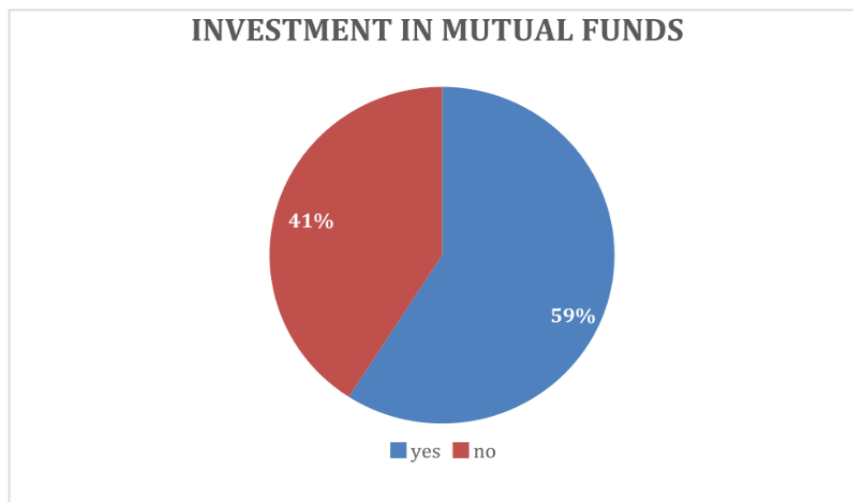
Particulars	Frequency
Yes	77
No	18
Maybe	15
Total	110



The above graph shows that majority of the respondents that is 70% are atleast aware about mutual funds as an investment. 16.36% of the respondents don't know anything about mutual funds and 13.63% of the people may or may not know about mutual funds

6. Invested in Mutual Fund

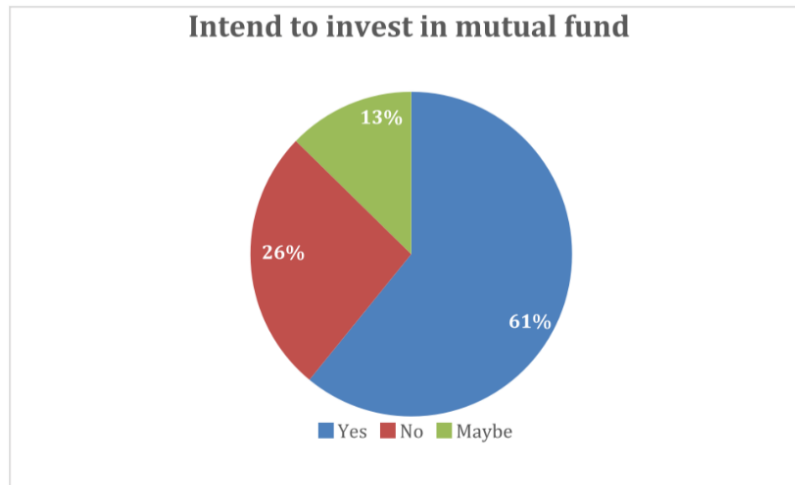
Particulars	Frequency
Yes	65
No	45



The above graph shows that 59.09 % of the people that is 65 respondents have invested in mutual funds and 40.90 % of the respondents that is 45 people have not yet invested in mutual funds. Of course the people of the upper age group are more aware of mutual funds and so have invested in it.

6. Intend To Invest In Mutual Fund

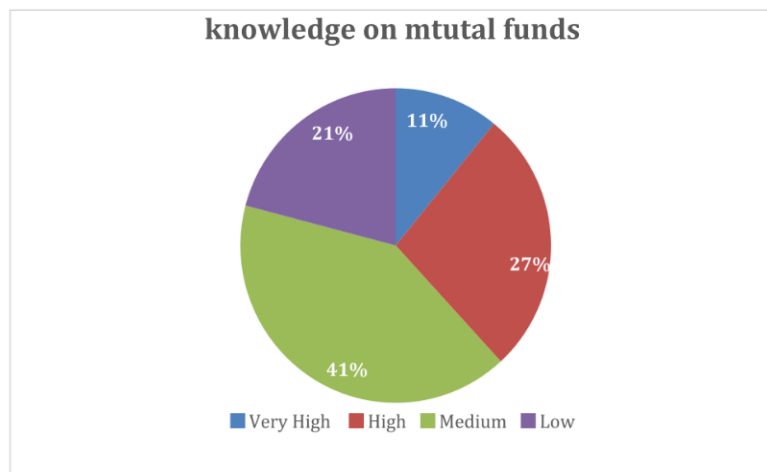
Particulars	Frequency
Yes	67
No	29
Maybe	14
Total	110



In the above graph we can see that 60.90 % of the respondents have intend to invest in mutual funds whereas 26.36% of the respondents do not intend to invest in mutual fund. As investment in mutual funds is very relative, 12.72 % of the people may or may not invest in mutual funds as they need to have proper understanding of mutual funds since mutual funds are subject to market risk. There are various personal reasons for not investing in mutual funds such as high cost, no time, no expertise etc.

7. Knowledge on Investment in Mutual Funds

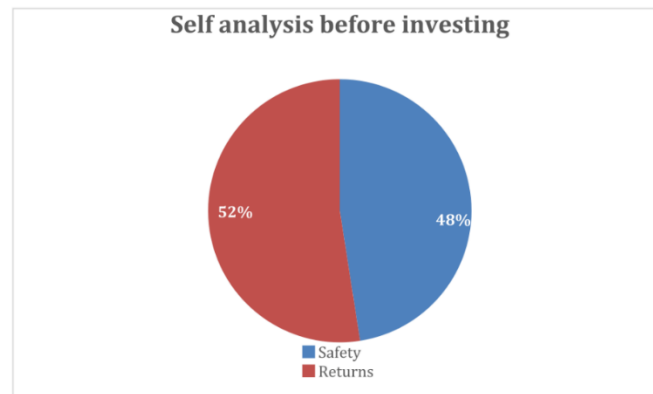
Particulars	Frequency
Very High	12
High	30
Medium	45
Low	23
Total	110



From the above graph we can see that 10.9 % of the respondents have very high knowledge of mutual funds. These mainly include the graduate and post graduate students as they have better knowledge on mutual funds. 27.27% of the respondents have high knowledge and 40.9% respondents have medium knowledge. 20.9% of the respondents have low knowledge and these mainline include the people of age group 18-20 years.

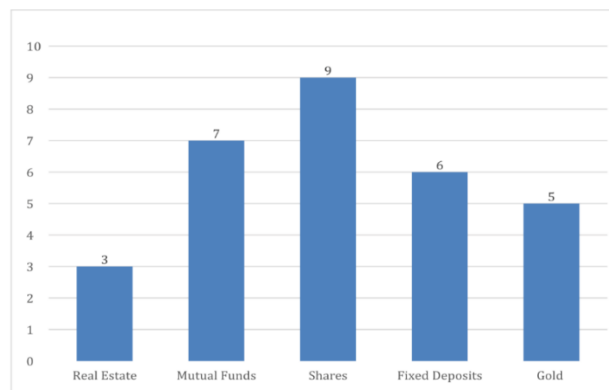
8. Self Analysis Before Investing

Particulars	Frequency
Yes	43
No	67
Total	110



The above graph shows that 39.09 % of the people themselves do proper analysis or atleast take efforts to study on particular schemes they want to invest in which is very important. We can also see that more than 50% of the respondents that is 60.90% of the people don't do self analysis of a particular scheme or company before investing in mutual funds. Again there may be several reasons for this such as no time, lack of knowledge, dependency on brokers, relatives etc.

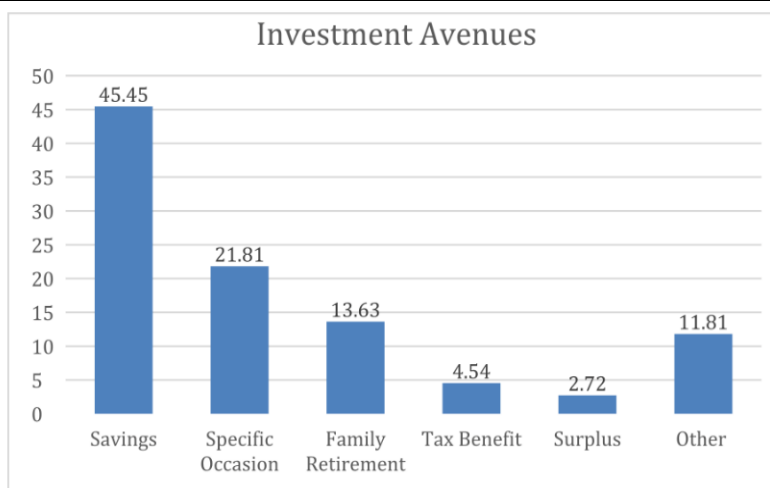
9. Preferred Form Of Investment



The above graph shows the ratings given by majority of the respondents according to their preferred form of investment (10 being the most preferred to 1 being the least preferred). The most preferred option is shares with a rating of 9 as there are many graduation courses available to supplement the knowledge of share markets. You also don't need a huge amount of capital for investing in shares. Mutual funds comes with a rating of 7 since it diversifies one's portfolio. But on the other hand you need a thorough understanding of the segments it invests in which becomes a bit complicated. Fixed deposited rated 6 implies that it's a very safe option to park your money but at the same time the returns are very less as its said higher the risk , higher the return. Gold rated the second least with a rating of 5 as you can easily avail loan against it but at the same time there is a lot of risk in storing gold. Real estate being the least rated being 3 as you need a huge capital to invest in real estate.

10. Objective of Investment In Mutual Fund

Savings	50
Particular Occasion	24
Family Retirement	15
Tax Benefit	5
Surplus	3
Others	13
Total	110



We can see from the above graph that there are various reasons for investing in mutual funds. This differs from person to person. The graph shows that 45.45% of the respondents invest in mutual funds with a perspective of savings where as 21.81% of the respondents do it for specific occasions such as buying a house or car, educational purpose, capital appreciation, starting a business, vacation, marriage etc. 13.63 % of the respondents invest with the objective of retirement planning . The can invest in various pension fund schemes. For the people with higher income, mutual funds is a very good option to get tax benefit and 4.54% of the people invest in mutual fund to get this advantage. 2.72% respondents invest to park their surplus income and 11.81 % invest for other reason such as diversification, professional management etc.

5. CONCLUSIONS

People had the traditional mindset of investing in banks, post offices and governmental securities. The role of Indian mutual fund industry as a significant financial service in the financial market has really been noteworthy. In fact the mutual fund industry has emerged as an important segment of the financial market of India specially in channelizing the saving of millions of individuals into investment in equity and debt instruments. In any mutual fund industry investors perception plays an important role. With an increasing number of mutual fund organizations there is a need for every company to educate investors and the general public on various aspects concerned with the mutual fund investments which in turn reveals their perception and attitude towards such investments. This project sought to study the student's perception and awareness towards mutual funds and their preferred form of investments. The research provided that investment behaviour could be explained with awareness, perception and socioeconomic characteristics of individual investors. Better awareness related to various aspects of mutual funds will have a positive effect on investment in mutual funds It was found that the knowledge of respondents about mutual funds was average. Many of the undergraduate students are not even aware about mutual funds. The study revealed that the preferred option of respondent was shares and stock markets when compared to mutual funds. The time horizon for investment differed from people to people and many respondents were not satisfied with their investment in mutual funds for the various reasons mentioned above. Financial literacy among youths will definitely bring a huge success to this industry. In Indian market where financial instruments are capturing almost every unit of society, mutual fund industry has a great scope if it gives more attention to some factors which will ultimately lead to satisfaction of investors which will help the mutual fund industry to boom up. Majority of the students prefer mutual funds with the low risk. There is lot of scope in Mutual funds provided the students have the knowledge of Mutual funds.

6. REFERENCES

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