

A comparative study on investors' perception towards mutual fund and equity

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Abstract:

In today's competitive environment, different kinds of investment avenues are available to the investor, but they should be intelligent enough to select the scheme in which they are going to invest. Investing in various types of assets is an interesting activity that attracts people from all walks of the life irrespective of their occupation, economic status, education and family background. An investor tries to balance the benefits and shortcomings of different investment modes before investing in them. Savings form an important part of the economy of any nation. The main focus of this research paper is to identify the investors' perceptions towards Mutual Funds and equity market with a sample of 100 investors in Hyderabad and Secendrabad.

Key words: Investment, mutual funds, equity, risk, return, & investment pattern.

undertaken. Investments in corporate securities, like equity shares, preference shares, etc., involve undertaking risk of capital loss and uncertain return of dividends. Investments in bonds or debentures guarantee an income of interest at the end of each year.

Equity is investing money in the shares of the companies directly. This can do it by opening a trading and Demat Account with a share broker. So, if investors are good at selecting stocks to invest in equity shares, they can get great returns. Only problem is that they need to keep track of it and make changes whenever necessary.

Mutual Funds are a collection of stocks or bonds that a professional Fund Manager buys on behalf of investors. Fund Manager decides which stock or bond to be bought and how much. A mutual fund then distributes the entire amount of investment in the form units among the investors. In other words, the investors can buy these units instead of buying stocks directly.

REVIEW OF LITERATURE

Dr.Shantanu Mehta, Charmi Shah (2012), the study is to know the preference of investors and their needs towards mutual funds investment, based upon convenience sampling. Investors mostly prefer equity schemes while making investment into mutual funds. Amongst equity schemes also equity tax savings (ELSS), Equity diversified scheme and Equity sectoral schemes are mostly preferred by the investors.

Dr. Binod Kumar Singh (2012), the study is to analyze the impact of various demographic factors on investors' ' attitude towards mutual fund based on primary research. The study shows that out of 250

INTRODUCTION

In finance, Investment is the employment of funds on assets with an aim to earn an income and/or capital appreciation. Investment has two attributes namely risk and return, while time is an invisible factor. The sacrifice of money today is certain and return in future is uncertain. The uncertainty of earning the expected future returns is risk factor in investment. Therefore, an investment is commitment of funds today with an expectation of some returns over a period of time. The risk is undertaken with a view to reap some return from the investment in future.

Today, an investor is having many avenues of investment, of which some are with zero risk, a few are with some risk while others are with high risk, reaping returns in commensurate with risk

respondents 71 respondents have a positive attitude, 117 respondents have a neutral attitude and 62 respondents have a negative attitude towards the mutual funds. The study shows that most of respondents are still confused about the mutual funds and have not formed any attitude towards the mutual fund for investment purpose. It has been observed that most of the respondents having lack of awareness about the various function of mutual funds.

Dr. Gagan Kukreja(2012),The researcher will identify and evaluate the factors influencing investors' perception towards investment in Indian capital market based on descriptive in nature. Occupation has significant influence on investment pattern in cash market, services of the stock broker in cash market, risk and uncertainty in future & option, size of investment in future & option, services of the stock broker in future & option. Age has significant influential role on cash market, future & option, life insurance. These variables are having significant influence on investor behavior. Investor has huge scope for current earnings and capital appreciation in emerging market like India.

Prof Gauri Prabhu Dr N.M. Vechalekar (2013), to study the investment pattern, awareness level and type of scheme of mutual fund preferred by investor with a sample of 150 through pre-tested questionnaire. The study conducted shows that most of the investors are aware of various schemes of mutual funds 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 is the main factors of mutual fund that allure the investors.

Rekha Rathore, Shelly, Jaya, (2014), analyze the impact of various demographical factors (Age, Gender, Education, Occupation, income and savings) on Attitude of Retail Investor towards mutual fund is in descriptive in nature, The success of mutual fund is depending upon the knowledge of stock market. This study found that investors have positive attitude towards their investment made in mutual fund. Majority of investors prefer to invest in

mutual fund to get maximum return with minimum risk, safety and many other factors.

Vipin Kumar, Preeti Bansal,Vipin Kumar, Preeti Bansal(2014),find Preference of investor about different investment avenues and Knowledge of risk in investment and risk analysis through structured questionnaires. Mutual funds are among the most preferred investment instruments. For middle income individuals, investing in mutual funds yields higher interest and comes with good principal amount at the end of the maturity period of the mutual fund investment. Another important fact is that mutual funds are safe, with close to zero risk, offering an optimized return on earnings and protecting the interest of investors. It is important to gain good understanding of mutual fund investments, companies in the field, and mutual fund experts, as customers are easily misguided by the advertisements and offers promoted by various financial institutions.

Gunjan Tripathi (2014), this study is conducted to understand investors' awareness towards derivative products and their perception towards derivatives with special reference to options based on both primary and secondary data. The study shows Indian investors mainly invest their money in real estates and insurance as they are the options offering great returns with minimum risk associated with it. It is found that more than 75% of investors are aware about derivatives, out of which 74% have invested in derivatives. Most of the users often invest 10% - 20% of their total investment in derivatives followed by users who invest 20% - 35% of their total investment in derivatives. Out of derivative users 76% investors have invested in options which offer benefits like risk diversification and promises their investors great profits with minimum investment. In this study, derivative market is dominated by male investor with 72% whereas female investors are only 28%.

C.Kavitha (2015), the study is to find out investors attitudes and perceptions towards stock market investments. The study was cross-sectional and descriptive. The findings clearly indicate that there is a significant relationship between the investors' attitudes and stock market investments. The more positive attitude enhancement strategies are

introduced, the more it is easy for local investors to invest in the stock market. Further, there is a significant relationship between the local investor's perception of stock market regulations and their Intention to participate at NSE. To have more local investors participating on the NSE, efforts should be directed towards stronger Regulation and creation of more awareness.

T. Velmurugan, and N. Vijai Anand (2015), to identify the factors influencing mutual fund investment decision The most important factors are fund size, rating by rating agency, redemption facility of funds, prompt settlement, and fund sustainability playing crucial role in investor taking investment decision in mutual fund. Similarly the second important factors are types of fund, scheme portfolio, past performance, current market conditions, dividend history in addition to most important factors supporting investor to take investment decision in mutual fund investment.

Priyanka Sharma, Payal Agrawal (2015), analysis the impact of demographic factors in influencing buyer's decision with structured questionnaire. It is concluded that the MFs business in Udaipur is still in as embryonic stage. So, concerted Efforts are needed for its success. The success depend upon high returns, professional competence of Fund managers, a MF brings together a group of people and invests their money in stocks, bonds and other securities, it have so many advantages such as professional Management, economics of scale. The MF should be easy to buy and sell through broker or directly in the market. It also has some draw backs such as low awareness, too many formalities, difficult to select.

Rekha Sharma (2015), discovers the investment objectives of selected mutual fund investors, types of mutual fund schemes preference by elected mutual fund investors. A convenient research method has been used for collecting data from sampled respondents belonging to Faridabad city and Delhi city. The results presented that the main objective behind to invest in mutual fund is good return, safety and tax benefit. The research also suggested that the growth schemes and balanced schemes are most preferred in comparison to other

schemes. Male and female respondents do not significantly different across investment experience. Graduate respondent are less experienced as compare to other academic qualified respondents. If investment experience is analyzed on the base of occupation than it is found that servicemen and professionals are less experienced in compare to other occupational groups.

K. Parimalakanthi and Dr.M. Ashok Kumar (2015), to study the investment preference and behaviour of individual investors in Coimbatore city through structured questionnaire. This research paper shows that education of investors is immensely important for the present day investors in Coimbatore. Investors, before making investments, need to collect investment related information from the internet and consult with friends, peers and investment experts before making investments. The majority of the investors prefer to invest in savings account followed by Gold and Silver, Fixed deposit account and the like. The outcome of the research shows that most of the investors prefer bank deposits followed by investment in gold & silver investment in the study area.

Priti Mane(2016), to know investor view and the awareness towards mutual fund in Aurangabad people through questionnaire .The awareness level of mutual fund among the investors are very low because of only having the partial knowledge about the mutual fund which prevent them to invest in mutual fund to avoid risk bearing factor and fear of losing money. The most preference of the investors are the fixed deposit because they feel it is the safest and returns are fixed and not having fear of losing the money. Apart from these found that there are investors facing various problems in selecting mutual fund as an investment option because of share market uncertainties and risk associated with it so investors avoid the investing in mutual fund.

Dr. T. Unnamalai(2016), to know the reasons for preferring to invest in mutual fund and the way in which the awareness created among the investors about investment avenue of mutual fund . To know

the barriers faced by the investors while invest in mutual fund To offer some suggestions to the mutual fund industries and the investors Both Primary data and secondary data have been collected for the study. Secondary data collected from books, journals, websites etc. A structured questionnaire of 250 investors used convenient random sampling techniques. The study is trying to find out the various investments other than mutual funds. Nearly 75% of the investors are having investment s other than mutual funds. The study also find out the opinion of the Investors and perception has been studied relating to various issues like type of mutual fund scheme, main objective behind investing in mutual fund scheme, level of satisfaction, role of financial advisors and brokers, investors' opinion relating to factors that attract them to invest in mutual funds, sources of information, deficiencies in the services provided by the mutual fund managers, challenges before the Indian mutual fund industry etc. The study reveals that there is a positive growth in their investments and majority of them expects safety, diversification of their risks, high returns etc. Majority of them expects better advice from the agents.

Prof. Nishu Gupta and Asst. Prof. Arpita Sharma (2016), To find out the satisfaction level of mutual fund's investors with respect to their mutual fund companies, risk minimization as per investor perception adopted in descriptive research design and "Random and convenient sampling" which describes the satisfaction level of mutual fund investor with regard to the benefits that mutual fund companies are offering. For this research technique that is used is "Random and convenient sampling". Now a day's professional are finding mutual fund as good investment avenue besides the fixed income securities. As mutual fund companies are making their policies more users friendly and are also providing mobile app facility, it is a growing sector for investment purpose. If it is channelized properly then better growth can be achieved.

Dr.M.Mohanasundari, S.C.Vetrivel and R.E.Lavanya(2016),The present study of bibliographic review focuses on the growth of Mutual Fund Industry in India The secondary sources include

the official websites of Securities Exchange Board of India (SEBI), Association of Mutual Funds in India (AMFI). It concluded that equity mutual fund schemes have the potential to provide greater returns in long term and major parameters namely, Liquidity, Rate of Return, tax benefits, high return, price, capital appreciation and Market share plays a vital role in investors buying decision.

STATEMENT of the PROBLEM

The importance of a study regarding the perception of investors towards an investment avenue does not need an emphasis. How does an investor perceive an investment avenue? What factors influence the perception levels of the investors? How does an investor perceive and mitigate risk in an investment avenue? How does an investor perceive the mutual fund as an investment avenue? How does an investor perceive equity shares as an investment avenue? How does an investor perceive the mutual fund in relation with equity shares? How different demographic factors like gender, age, income level, occupation, experience, aggression, investment pattern of investors influence the perception of the mutual funds and equity shares? These questions call for an empirical study. With this back ground the present study is perceived as **"A Comparative study on Investor Perception towards Mutual Fund and Equity"**.

OBJECTIVES of the STUDY

The specific objectives of the present study are:

1. To study and compare the investors perception towards Mutual Funds and Equity.
2. To study and compare the investment pattern, which influences the decisions of investor in Mutual Funds and Equities.
3. To study and compare the factors influencing the investors in selecting Mutual Fund and Equity.
4. To evaluate investors satisfaction towards Mutual Funds and Equity.
5. To compare the problems of investors while investing in Mutual Funds and Equity.

HYPOTHESIS:

- Ho1: There is no significant difference in the investment patterns of the investors between Mutual Fund and Equity.
- H11: There is a significant difference in the investment pattern of the investors between Mutual Fund and Equity.
- Ho2: There is no significant difference in the factors influencing the investors' selection of Mutual Fund and Equity.
- H12: There is a significant difference in the factors influencing the investors' selection of Mutual Fund and Equity.
- Ho3: There is no significant difference in the risk, return preferences of the investors
- H13: There is a significant difference in the risk, return preferences of the investors

SCOPE of the STUDY

The scope of the present study covers the buying behavior of the investors of Mutual Funds and Equity in Hyderabad and Secunderbad only.

METHODOLOGY

A Descriptive Research has been conducted by reviewing the literature on the subject, followed by survey method to elicit information from investors and investment consultants dealing with Mutual Funds and Equity. A structured questionnaire has prepared using different variables. The primary and secondary data has collected by using Simple Random Sampling technique.

SAMPLING

A sample of 100 respondents belonging to a segment of society would be taken on random basis for the present study.

TOOLS for the ANALYSIS of the DATA

Various mathematical and statistical tools, like Percentages, Chi-square,, Factor Analysis, Correlation, would be used for analyzing the data with the help of SPSS.

GEOGRAPHICAL AREA

Considering convenience and time constraint this study is a sample of 100 investors' in

Hyderabad and Secunderbad.

LIMITATIONS of the STUDY:

- There is a possible of bias in answering the questions by the sample respondents as the questions are concerned with their personal financial matters.
- Time would be main constraint. The Sample investor respondents have to spare some time to answer the questions in the schedule.
- The present study covers only the twin cities of Hyderabad and Secunderbad and therefore cannot generalize the findings to other areas.

ANALYSIS OF INVESTORS PERCEPTION

1. ANNUAL INCOME AND SAVINGS OF RESPONDETS

TABLE 1

Annual Income	Annual investment in (%)				TOL
	5-10	10-20	20-30	30 above	
Below 1 Lakh	25	5	0	0	30
1-3 Lakh	10	23	0	0	33
3-5 Lakh	0	0	15	0	15
5 Lakh above	0	0	10	12	22
TOL	35	28	25	12	100

(SOURCE: FIELD WORK)

The hypothesis was tested by using Chi-Square of Independent of Attributes, with 9 df @ 5% LOS. The calculated value is 156.85. Tabulation value is 16.92. Hence calculation value is more than tabulation will reject null hypothesis and accept alternative.

Conclusion: There is a significant difference in the annual income and savings of the investors' in Investment Avenue.

2. INVESTMENT AVENUE OF RESPONDENTS IN MUTUAL FUNDS

TABLE 2

Investment Avenue	No. of Respondents
Mutual Funds	38
Equity	31
Debt	15

Bonds	6
Real Estates	10

(SOURCE: FIELD WORK)

The above hypothesis was tested by using Chi-Square of Goodness of fit, with 4 df @ 5% LOS.

Chi-Square calculation value is 36.3, and tabulation value is 9.49.

Hence calculation value is more than the tabulation will reject null hypothesis and accept alternative hypothesis.

Conclusion: There is a significant difference in the investment pattern of the Investors.

3. INVESTMENT OBJECTIVES OF RESPONDENTS IN MUTUAL FUNDS

TABLE 3

Investment Objective/Factors	No. of Respondents
Better Returns	32
Tax Benefits	26
Affordability	28
Funds Diversification	14

(SOURCE: FIELD WORK)

4. INVESTMENT OBJECTIVES OF RESPONDENTS IN EQUITY

TABLE 4

Investment Objective/Factors	No. of Respondents
High Returns	36
Capital appreciation	26
Liquidity	14
Speculation	24

(SOURCE: FIELD WORK)

The above table 3 and 4 hypothesis was tested by using Chi-Square of Goodness of fit, with 3 df @ 5% LOS. Chi-Square calculation value of table 3 is 14, and tabulation value is 7.82, and Chi-Square calculation value of table 4 is 17.2, and tabulation value is 7.82. Hence chi square cal value is more than the tabulation will reject null hypothesis and accept alternative hypothesis.

Conclusion: There is a significant difference that investment objective will prefer in the selection of Mutual funds and Equity.

5. RISK PREFERENCE OF RESPONDENTS

TABLE 5

Investment Avenue	No. of Respondents in (%)

Mutual Funds	68
Equity	32

(SOURCE: FIELD WORK)

The above hypothesis tested by using cumulative percentage. Hence investors will prefer Mutual Funds than Equity as it has low risk and better returns than Equity.

Conclusion: There is a significant difference in the risk, return preference of the investors.

CONCLUSION:

From the above study it has been noticed that Mutual funds are the better option for the investors compare to that of Equity. During the study there is a huge potential of prospective investors which has untapped at its fullest. If mutual fund agencies and stock marketers conduct and organizes more seminars, workshops then the investors come forward to invest in various mutual fund schemes and equities. The number of broker advisors should be increased in order to create awareness about their stock brokering services to attract new customers/investors. Investors have the perception that risk in equity is higher than mutual funds. So the company should publish monthly chronicle, supply to investor providing detailed information by proving market updating. To create the awareness about the different products of mutual funds and not about the generic product.

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