

# SMALL INVESTOR'S PERCEPTIONS ON MUTUAL FUNDS IN ASSAM: AN EMPIRICAL ANALYSIS

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## ABSTRACT

*The 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. The plethora of schemes provides variety of options to suit the individual objectives whatever their age, financial position, risk tolerance and return expectations. In the past few years, we had seen a dramatic growth of the Indian Mutual Fund industry with many private players bringing global expertise to the industry. Investment in mutual funds is effected by the perception of the investors. The objectives of the study are to identify the small investor's perceptions on mutual funds and to analyse the factors affecting small investors' perception towards mutual fund. The study aims at finding out the attitude of the small investors towards investment in mutual funds in Assam. By adopting convenience sampling, 250 respondents living in five different commercial towns of Assam were selected for this study. Simple statistical tools are used for analysing the data whatsoever collected in this study. Small investors are now turning more to mutual funds because of safety, liquidity, capital gains and transparency. The present investigation outlined that mostly the small investors have positive approach towards investing in mutual funds.*

**Keywords:** Demographic Factors, Motivational factors, Perception of investors, Small investor's behaviour

## INTRODUCTION

A Mutual Fund (henceforth MF) 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. Units are issued and can be redeemed as needed. MF 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, MF 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.

MF industries have already entered into a world of exciting innovative products. These products are now tailor made to suit specific needs of investors. Intensified competition and involvement of private players in the race of MFs have forced professional managers to bring innovation in mutual funds. Thus, mutual funds industry has moved from offering a handful of schemes like equity, debt or balanced funds to liquid, money market, sector specific funds, index funds and gilt edged funds. Besides, recently MFs have also introduced some special specific funds like children plans, education plans, insurance linked plans, and exchange traded funds. The result is that over the time Indian investors have started shifting towards MFs instead of traditional financial avenues. With the entry of private sector funds in 1993, a new era started in the Indian MFs industry giving the Indian investors a wider choice of fund families. In the course of time the number of MF houses went on increasing, with many foreign MFs setting up funds in India and also the industry has witnessed several mergers and acquisitions.

### **NEED OF THE STUDY**

Indian Mutual Fund (IMF) industry provides reasonable options for an ordinary man to invest in the share market. Financial markets are constantly becoming more efficient by providing more promising solutions to the investors. As of now big challenge for the MF industry is to mount on investor awareness and to spread further to the semi-urban and rural areas. These initiatives would help towards making the IMF industry more vibrant and competitive. Therefore a need is there to study investor's perception regarding the MFs. In this context, the need of study has been aroused in order to see the preference, awareness and the investors' perception regarding the MFs in public and private sectors. The study at first tests whether there is any relation between demographic profile of the investor and MFs and the factors that influences the selection of MF schemes. For the purpose of analysis perceptions of selected small investors from public and private sector MFs are taken into consideration.

### **OBJECTIVES OF THE STUDY**

The objectives of the study are to identify the small investor's perceptions on MFs; to analyse the influence of demographic factors on MFs; to analyses factors influencing with the MFs; to analyse the objectives behind investing in MFs, to study the problems of MF investment and finally, to analyse the factors affecting investors' perception and the choice of public and private sector MFs.

### **REVIEW OF LITERATURE**

A Mutual Fund motivates small and big investors to entrust their savings to it so that these are professionally employed ensuring their savings to it so that these are professionally employed ensuring good return. A large number of investors have small savings with them. When small savings are pooled and entrusted to mutual funds then these can be used to buy the chips where regular returns and capital appreciation are ensured (Saraswathi, 2006). Tripathy, 1994 examined the importance and growth of MFs and evaluate the operations of MFs and suggest some measures to make it a successful scheme in India. The consumer behavior from the marketing world and financial economics has brought together to the surface an exciting area for study and research. MFs which has become an important portal for the small investors, is also influenced by their financial behaviour. Hence, it examines the

related aspects of the fund selection behaviour of individual investors (Ranganathan, 2006). The IMF industry has drawn lessons from the FMCG sector. The fund houses just like the corporate managers of FMCG companies, have introduced new products that are minor variants to the existing ones. Fund houses attribute the introduction of such plans to “investor fatigue”. Venketesh (2004) concludes that the fund houses incur additional expenses to market the new product which further reduces the Net Asset Value which hinders the growth of MF schemes.

With the advent of LPG, the economy has been opened up and many developments have been taking place in the Indian money market and capital market. In order to help the small investors, MF industry has come to occupy an important place. A report published by AMFI (2009) brought about the fact that MF investing by households has more than doubled from 3.7 per cent in 2006 to 7.8 per cent in 2008 which shows a shift of investors from traditional investments to MFs to earn better returns. Sikidar and 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 MFs investment portfolio. The survey revealed that the salaried and self employed formed the major investors in MF primarily due to tax concessions. Jambodekar (1996) conducted a study to assess the awareness of MFs among investors, to identify the information sources influencing the buying decision and the factors influencing the choice of a particular fund. The study reveals among other things that Income Schemes and Open Ended Schemes are more preferred than Growth Schemes and Close Ended Schemes during the then prevalent market conditions. Investors look for safety of Principal, Liquidity and Capital appreciation in the order of importance; Newspapers and Magazines are the first source of information through which investors get to know about MFs/Schemes and investor service is a major differentiating factor in the selection of MF Schemes. Rajeswari and Ramamoorthy (2001) have conducted a study to understand the factors influencing the fund selection behaviour of 350 MF investors in order to provide some meaningful inferences for Asset Management Companies (AMC) to innovatively design the products. The analysis was done on the basis of product qualities, fund sponsor qualities and investor services using questions framed on a five point Likert scale. Singh and Vanita (2002) have examined the investors' preferences and perception towards MF investments by conducted a survey of 150 respondents in the city of Delhi. The findings of the study were that the investors' preferred to invest in public sector MFs with an investment objective of getting tax exemptions and stayed invested for a period of 3-5 years and the investors evaluated past performance. The study further concludes by stating that majority of the investors were dissatisfied with the performance of their MFs and belonged to the category who held growth schemes. King (2002) has highlighted the emergence of products like exchange traded funds, hedge funds, managed accounts etc. which offer competition to MFs. Sankaran (2004) proposes the future direction for investors will be to invest in pension funds, as government is envisaging a policy to cover all kinds of investors. He further opined that MF industry will continue to grow in spite of competition and will be propelled in the right direction because of the investor friendly financial markets. Singh (2004) has established that middle class salaried investors and professionals perfected to have disclosure of net asset value on a day today basis and wanted to invest in MFs in order to get higher tax rebates. Further, it is evidenced that small investors perceived MFs to be better investment alternative and public sector investments to be less risky. Ramamurthy and Reddy (2005)

conducted a study to analyze recent trends in the MF industry and draw a conclusion that the main benefits for small investors' due to efficient management, diversification of investment, easy administration, nice return potential, liquidity, transparency, flexibility, affordability, wide range of choices and a proper regulation governed by SEBI. Manjesh (2005) studied the pros & cons of Money Market Mutual Funds ( MMMFs). Sondhi and Jain (2005) have examined the performance of equity MFs classified on the basis of public sector and private sector. Desigan et al. (2006) conducted a study on women investor's perception towards investment and found that women investor's basically are indecisive in investing in MFs due to various reasons like lack of knowledge about the investment protection and their various investment procedures, market fluctuations, various risks associated with investment, assessment of investment and redressal of grievances regarding their various investment related problems. Badla and Garg (2007) observed that most of the schemes outperformed the market and the risk undertaken in the schemes is more than the market risk. Noronha (2007) has evaluated the performance of 11 equity schemes of three asset management companies with the help of Sharpe and Treynor measure for a period April 2002- March 2005. The study found that equity, tax plan and index funds offer diversification and are able to earn better returns as compared to sector specific funds. The study is a commendable work on performance of MFs highlighting the better earning capacity of equity, tax plans and index funds. Sudalaimuthu and Kumar (2008) observed that MF is the one of investment avenues for small investors and he studied the about investor's perception towards MF investments effectively taking into account the investor's preference towards the MF sector. The study has made an attempt to understand the financial behaviour of MF investors in connection with the scheme preference and selection. Agarwal et al. (2009) have examined the performance of these funds relative to hedge funds and traditional MFs and found that despite using similar trading strategies, hedged MFs underperform hedge funds. Gil-Bazo et al. (2009) have examined the market for equity MFs and found that Funds with worse before-fee performance charge higher fees and that better fund governance may bring fees more in line with performance. Singh and Jha (2009) conducted a study on awareness & acceptability of MFs and found that consumers basically prefer MFs due to return potential, liquidity and safety and they were not totally aware about the systematic investment plan. The invertors' will also consider various factors before investing in MFs. Chen et al. (2011) have tested MFs that engage in tax planning and how do they respond to changes in the capital gains tax rates was investigated. It was found that there was consistency with tax planning by managers of both open-end and closed-end MFs and MF managers may not tax plan like individuals because fund managers have incentives to consider the tax liability of both current and potential investors. Agapova (2011) has examined the cross-sectional differences among money market mutual funds ( MMMFs) in the context of sponsoring fund families and found that flows to family non-MMMFs are negatively related to family MMMF flows, and family non-MMMF cash flow volatility is positively related to family MMMF cash flow volatility. The study has further suggested that fund family investors also use family MMMFs as cash centers by utilizing free asset transfers within the family. Badrinath & Gubellini (2011) have evaluated the return performance of long-short, market-neutral and bear MFs using multi-factor models and a conditional CAPM and revealed that Market-neutral funds provide a down market hedge, but bear funds do not generate the returns that investors hope for. Cao et al. (2011) have investigated two types of funds that make more extensive use of derivatives, global funds and specialized domestic equity fund

and found that risk and return characteristics of these two groups of funds are significantly different from funds employing derivatives sparingly or not at all and that Fund managers time their use of derivatives in response to past returns.

Thus, here it is observed that many researchers have studied different dimensions of investors' socio-economic profiles of investment to mutual fund schemes. They are found out some important factors influences their risk perception, investment decisions and savings patron of investors' investment. Above the literature, there are taken factors are age, gender, marital status, income and educational qualifications etc to study the investors perceptions in MF investment decisions.

### **RESEARCH METHODOLOGY**

The research design for the study is descriptive in nature. The researcher collected primary data from the small investors living in Assam and invested in MF schemes during the period between June and July, 2011 through a structured questionnaire. The sample size covered 250 small investors of Assam who were spread through five different business centers in Nagaon, Kamrup, Tezpur, Cachar and Dibrugrah districts of Assam. The important business centers, where large numbers of MFs investors are available, are identified for this study using Purposive Sampling Method. In order to collect referred information from the small investors, the sampling design was carefully decided and properly chosen for the study. From each identified Investment Centre, ten approved brokers of were chosen and five MF investors were contacted with the help of brokers. Thus, this study was based on the responses by 250 selected respondents. To analyse the primary data simple statistical tools like percentage method, cross tabulation and Chi-Square analysis were used. Further, to study the opinion of the MF investors regarding the problems of Mutual Fund investment with five point scale viz. Strongly Agree -4, Agree -3, Neutral -2, Disagree-1, Strongly Disagree -0. Similarly to study the factors affecting investors' perception towards mutual funds four point scale is fitted and again to study the factors influencing with the MFs, three point scales is fitted.

### **ANALYSIS AND INTERPRETATION**

Table 1 shows the gender composition of the sample investors of the MF. Out of the 250 respondents, 76.80 % of the respondents were male and 23.20 % of the respondents were female. It is observed that the predominant age group of the respondents was 35-45 years. A good majority of the respondents were in the age group 45-55 years. 20 % and 9.60 % of the investors were in the age groups up to 35 years and 55 and above years respectively. A predominant literacy group (72%) of the respondents was distributed in graduation qualification. A good majority of the remaining respondents were distributed in the degree qualifications. 8 % and 8.80 % of the investors have 12<sup>th</sup> Std./Diploma and up to 12<sup>th</sup> Std. qualifications respectively. Out of the 250 respondents, 81.60 % of the respondents were employed. 9.60 % and 8.80 % of the respondents were business and profession respectively. It is observed from the above table that 47.20 % of the sample investors made investment in MFs about Rs.25, 000 to 40,000. 12.80 % of the respondents made investment about up to Rs.15, 000. 26.40 % of the respondents made investment about Rs.15,000 to 25,000. 13.60 % of the respondents made investment about Rs.40, 000 and above. The income distribution of the sample investors of MFs in Assam reveals that 30.40%, 33.60%,

24.80% and 11.20% of the respondents were in the income range up to Rs.10000, Rs.10000-20000, Rs.20000-30000 and Rs.30000 and above respectively.

**Table 1.** Personal Information of Respondents

Personal Information	Number of Respondents	%age
Gender		
Male	192	76.8
Female	58	23.2
Total	250	100
Age		
>35 Yrs	50	20
35yrs- 45 Yrs	112	44.8
45Yrs- 55Yrs	64	25.6
<55Yrs	24	9.6
Total	250	100
Educational Qualifications		
>12 std	22	8.8
12 std/Diploma	20	8
Degree	180	72
Masters	28	11.2
Total	250	100
Occupation		
Business	24	9.6
Profession	22	8.8
Employed	204	81.6
Total	250	100
Amount of Investment		
>Rupees15000	32	12.8
Rupees 15000- 25000	66	26.4
Rupees 25000- 40000	118	47.2
< Rupees 40000	34	13.6
Total	250	100
Income		
>Rupees 10000	76	30.4
Rupees 10000-20000	84	33.6
Rupees 20000-30000	62	24.8
<Rupees 300000	28	11.2
Total	250	100

Source: Primary Data



**Table 2.** Relationship between Gender and Satisfaction

Sl. No.	Gender	Level of Satisfaction			Total	Calculated value	Table value at 5%	Significance
		Satisfied	Partially Satisfied	Dissatisfied				
1	Male	84 (33.6)	62 (24.8)	46 (18.4)	192 (76.8)	11.72	5.99	Significant
2	Female	26 (10.4)	72 (18)	12 (4.8)	58 (23.2)			
	Total	110 (44)	82 (32.8)	58 (23.2)	250 (100)			

**Source:** Primary Data

The calculated value of  $\chi^2$  test (11.72) is greater than the table value (5.99) at 5 % level of significance. It is inferred that there is a significant relationship between the satisfaction level of male and female respondents with the investment in MFs. Therefore, the null hypothesis is rejected.

**Table 3.** Relationship between Age and Satisfaction

Sl. No.	Source of Variation	Degree of freedom	Sum of Squares	Mean Squares	Calculated Value	Table Value at 5%	Significance
1.	Between Groups	2	169.34	84.66	2.18	4.26	Not Significant
2.	Within Groups	9	696.5	77.38			
	Total	11	865.84				

**Source:** Primary Data

The calculated F value (2.18) is less than the table value (4.26) at 5 % level of significance. The test proves that there is no significant relationship between the satisfaction levels of sample investors belonging to different age groups with the investment in MFs in Nagaon. Therefore, the null hypothesis is accepted.

**Table 4.** Relationship between Education and Satisfaction

Sl. No.	Source of Variation	Degrees of freedom	Sum of Squares	Mean Squares	Calculated Value	Table Value at 5%	Significance
1.	Between Groups	2	169.34	84.66	2.46	4.26	Not Significant
2.	Within Groups	9	3264.5	362.72			
	Total	11	3433.84				

**Source:** Primary Data

The calculated F value (2.46) is less than the table value (4.26) at 5 % level of significance. The test proves that there is no significant relationship between the satisfaction levels of investors belonging to different educational status with the investment in MFs. Therefore, the null hypothesis is accepted.

**Table 5.** Relationship between Occupation and Satisfaction

Sl. No.	Source of Variation	Degree of freedom	Sum of Squares	Mean Squares	Calculated Value	Table Value at 5%	Significance
1.	Between Groups	2	225.76	112.88	0.30	5.14	Not Significant
2.	Within Groups	6	4460.02	743.34			
	Total	8	4685.78				

**Source:** Primary Data

The calculated F value (0.30) is less than the table value (5.14) at 5 % level of significance. The test proves that there is no significant relationship between the satisfaction levels of investors belonging to different occupations with the investment in MFs. Therefore, the null hypothesis is accepted.

**Table 6: Relationship between Amount of Investment and Satisfaction**

Sl. No.	Source of Variation	Degrees of freedom	Sum of Squares	Mean Squares	Calculated Value	Table Value at 5%	Significance
1.	Between Groups	2	169.34	84.66	1.78	4.26	Not Significant
2.	Within Groups	9	852.5	94.72			
	Total	11	1021.84				

**Source:** Primary Data



The calculated F value (1.78) is less than the table value (4.26) at 5 % level of significance. The test is not significant. This means there is no significant relationship between the respondents belonging to different scale of investment with the MFs in Assam. Therefore, the null hypothesis is accepted.

**Table 7.** Relationship between Income and Satisfaction

Sl. No.	Source of Variation	Degree of freedom	Sum of Squares	Mean Squares	Calculated Value	Table Value at 5%	Significance
1	Between Groups	2	169.34	84.66	2.88	4.26	Not Significant
2	Within Groups	9	404.5	44.94			
	Total	11	573.84				

**Source:** Primary Data

The calculated F value (2.88) is less than the table value (4.26) at 5 % level of significance. The test proves that there is no significant relationship between the satisfaction levels of the sample investors belonging to different scale of investment with the investment in MFs. Therefore, the null hypothesis is accepted.

### **Factors influencing with the Mutual Funds**

It is observed from Table 8 that out of the 250 respondents, 44%, 32.80% and 23.20% of the respondents were satisfied, partially satisfied and dissatisfied with the investment in MFs in Assam. The satisfaction level of the sample investors with the earning from the investment of MFs in Assam reveals that out of the 250 respondents, 52.80%, 25.60% and 21.60% of the respondents were satisfied, partially satisfied and dissatisfied respectively. Again, out of the 250 respondents 57.60%, 59.60% and 12.80% of the respondents were satisfied, partially satisfied and dissatisfied respectively with the capital gain. Further, out of the 250 respondents, 42.40%, 32.80% and 24.80% of the respondents were satisfied, partially satisfied and dissatisfied with the liquidity. Similarly, out of the 250 respondents, 40.80%, 24% and 35.20% of the respondents were satisfied, partially satisfied and dissatisfied respectively with the maturity. Again, out of the 250 respondents, 46.40%, 37.60% and 16% of the respondents were satisfied, partially satisfied and dissatisfied respectively with the diversification of risk. The satisfaction level of the sample investors with the range of schemes in the investment of MFs shows that out of the 250 respondents, 39.20%, 27.20% and 33.60% of the respondents were satisfied, partially satisfied and dissatisfied respectively with the range of schemes.

Further, from Table 8 it is observed that out of the 250 respondents, 40%, 32.80% and 27.20% of the respondents were satisfied, partially satisfied and dissatisfied respectively with the tax benefits. Again, out of the 250 respondents, 30.40%, 32.80% and 36.80% of the respondents were satisfied, partially satisfied and dissatisfied respectively with the brokerage or sales commission. Further, out of the 250 respondents, 44.80%, 29.60% and 25.60% of the respondents were satisfied, partially satisfied and dissatisfied

respectively with the investors' safety and protection in the investment of MFs. Moreover, out of the 250 respondents, 41.60%, 25.60% and 32.80% of the respondents were satisfied, partially satisfied and dissatisfied respectively with the market information. Finally, out of the 250 respondents, 60.80%, 27.20% and 12% of the respondents were satisfied, partially satisfied and dissatisfied respectively with the reliability of investment in MFs.

**Table 8.** Factors Influencing with Private and Public Mutual Funds

Sl. No.	Level of Satisfaction (%age )	Satisfied	Partially satisfied	Dissatisfied	Total
1.	Overall satisfaction	110 (41%)	88(32.8%)	58(23.2%)	250(100%)
2.	With the Return	132(52.8%)	64(25.6%)	54(21.6%)	250(100%)
3.	With the capital gain	144(57.6%)	74(39.6%)	32(12.8%)	250(100%)
4.	With the Liquidity	106(42.4%)	82(32.8%)	62(24.8%)	250(100%)
5.	With the Maturity	102(40.8%)	60(24%)	88(35.2%)	250(100%)
6.	With the Diversification of Risk	116(46.4%)	94(37.6%)	40(16%)	250(100%)
7.	With the Range of Schemes	98(39.2%)	68(27.2%)	84(33.6%)	250(100%)
8.	With the Tax Benefits	100(40%)	82(32.8%)	68(27.2%)	250(100%)
9.	With the brokerage sales commission	76(30.4%)	82(32.8%)	92(36.8%)	250(100%)
10.	With the safety Protection	112 (44.8%)	74(29.6%)	64(25.6%)	250(100%)
11.	With the reliability	152(60.8%)	68(27.2%)	30(12%)	250(100%)

**Source:** Primary Data

### **Objectives behind investing in Public and Private Sector Mutual Funds**

Every investor has one or more objectives behind their investments in MFs. Without any investment objective, the investment is considered as useless. According to Table 9 the main objective of the respondents behind investing in MFs is the tax benefits offered by it followed by high return and safety of the schemes. Therefore getting tax benefits from the scheme is the main motive of the investors behind their investment in MFs.

**Table 9.** Objectives behind Investing in Private and Public Mutual Funds

Factors	Ranks and Scores								Total F(S)	Ranks
	1	2	3	4	5	6	7	8		
Expertise	9 (72)	15 (105)	20 (120)	25 (125)	23 (92)	37 (111)	53 (106)	68 (68)	250 (799)	8
Safety	47 (376)	44 (308)	25 (150)	24 (120)	42 (168)	30 (90)	25 (50)	13 (13)	250 (1275)	3
Liquidity	36 (288)	41 (212)	31 (186)	30 (150)	37 (148)	39 (117)	22 (44)	14 (14)	250 (1159)	5
Diversification	17 (136)	30 (287)	27 (162)	21 (105)	31 (124)	42 (126)	38 (76)	44 (44)	250 (1060)	7
Tax Benefit	58 (464)	45 (315)	53 (318)	35 (175)	28 (112)	23 (69)	4 (8)	4 (4)	250 (1465)	1
Regular Income	14 (112)	35 (245)	48 (288)	51 (255)	39 (156)	38 (114)	15 (30)	10 (10)	250 (1210)	4
Regular Savings	13 (104)	28 (196)	35 (210)	52 (260)	33 (132)	40 (120)	24 (48)	25 (25)	250 (1095)	6
High Returns	48 (384)	26 (182)	38 (228)	39 (195)	44 (176)	25 (75)	14 (28)	16 (16)	250 (1284)	2

**Source:** Primary Data. Note: S- Scores Figures in parentheses are scores

### Selection of Private and Private Mutual Fund

Selection of scheme is also called as decision taken by investor. Table 10 defined that out of 250 investors mostly 34.8% investors selecting the MF by way of ‘recommendation of friends and relatives’, 21.6% of investors selecting the MF of their ‘fast growth’, 12.8% of investors selecting the MF of their ‘high return’ and only 4.8% of investors are selecting MF for their ‘attractive advertisement’. Hence, it conclude that the mostly investor selecting MF for their recommendation of ‘friends and relatives’.

**Table 10.** Selecting Particular Scheme of Mutual Fund

Reasons	No. of Investors	Percentage
Fast growth	54	21.6
High return	32	12.8
Recommendation of Brokers	65	26
Attractive advertisement	12	4.8
Friends and relatives	87	34.8

**Source:** Primary Data

### Problems in Mutual Fund Investment

Investors have some various problems; it is an obstacle which makes it difficult to achieve desired goal, objectives or purpose. It refers to a situation condition or issue that is yet

resolved. It could be seen from Table 11 that ‘less liquidity’ was the top most problem for invest in the MF. ‘Less security’ is ranked the second problem identified by the investors. ‘Lack of awareness’ is considered as the third important problem. ‘Low earnings’ is considered as the fourth important problem as revealed by the respondents. The ‘difficult to select of investment facility’ was ranked the next problem. The ‘lock in period’ got the sixth position according to problem ranking result. The ‘slowly gradual growth’ of investment was the seventh important problem as pointed out by the investors. In the views of the sample investors have ‘too many formalities’ is last rank in MF investment problem.

**Table 11.** Various Problems of Mutual Fund Investment

Opinion	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total Score	Mean	Rank
Less Liquidity	90 (450)	122 (488)	24 (72)	8 (16)	6 (6)	1032	4.13	I
Lock in Period	50 (250)	64 (256)	92 (276)	34 (68)	10 (10)	860	3.44	VI
Difficult to select	62 (310)	64 (256)	72 (216)	42 (84)	10 (10)	876	3.50	V
Less Secured	84 (420)	126 (504)	26 (78)	8 (16)	6 (6)	1024	4.10	II
Lack of Awareness	44 (220)	120 (480)	58 (174)	20 (40)	8 (8)	922	3.69	III
Too Many Formality	26 (130)	24 (96)	40 (120)	72 (144)	78 (78)	568	2.27	VIII
Low earnings	36 (180)	130 (520)	40 (120)	32 (64)	12 (12)	896	3.58	IV
Slow Growth	30 (150)	48 (192)	68 (204)	62 (124)	42 (42)	712	2.85	VII

Source: Primary Data

**Factors Affecting Investors’ Perception towards Mutual Funds**

The perceptions of various investment strategy dimensions and the factors motivating fund investment decisions are very important to bring out a proper conclusion and in this context, it becomes crucial to understand the psychological and economic factors that influence the level of satisfaction of the investors. To understand the factors influencing investors’ perception towards MFs, the factors identified and considered to compare between perceptions of public and private sector MFs investors are Liquidity, Flexibility, Management fee, Tax benefits, Service Quality, Returns, Transparency and Security. Chi-square test is applied to test and analyse their significance and importance attached in selection of MFs in public and private sectors. Below analysis gives a perusal view of the hypothesis framed, the results of the test and inferences drawn from it.

- Ho: Perception of public and private sector MF investors are independent of liquidity factor.

It is observed from the descriptive statistics that the chi square value is  $X^2 = 25.460$  while the tabulated value is  $X^2_{4.005} = 9.488$ . Thus, Ho hypothesis is rejected and it

can be said that the perceptions of public and private sector MF investors are not independent of liquidity factor.

- Ho: Perception of public and private sector MF investors are independent of flexibility factor.

It is observed from the descriptive statistics that the chi square value is  $X^2 = 9.534$  while the tabulated value is  $X^2_{4,005} = 9.488$ . Thus, Ho hypothesis is rejected and it can be said that the perceptions of public and private sector MF investors are not independent of flexibility factor.

- Ho: Perception of public and private sector MF investors are independent of management fee factor.

It is observed from the descriptive statistics that the chi square value is  $X^2 = 7.326$  while the tabulated value is  $X^2_{4,005} = 7.815$ . Thus, Ho hypothesis is accepted and it can be said that the perceptions of public and private sector mutual fund investors are independent of management fee factor.

- Ho: Perception of public and private sector MF investors are independent of tax saving factor.

It is observed from the descriptive statistics that the chi square value is  $X^2 = 16.275$  while the tabulated value is  $X^2_{4,005} = 9.488$ . Thus, Ho hypothesis is rejected and it can be said that the perceptions of public and private sector MF investors are not independent of tax saving factor.

- Ho: Perception of public and private sector MF investors are independent of service quality factor.

It is observed from the descriptive statistics that the chi square value is  $X^2 = 28.391$  while the tabulated value is  $X^2_{4,005} = 9.488$ . Thus, Ho hypothesis is rejected and it can be said that the perceptions of public and private sector MF investors are not independent of service quality factor.

- Ho: Perception of Public and private sector MF investors are independent of return on income factor.

It is observed from the descriptive statistics that the chi square value is  $X^2 = 6.574$  while the tabulated value is  $X^2_{4,005} = 9.488$ . Thus, Ho hypothesis is accepted and it can be said that the perceptions of public and private sector MF investors are independent of return on income factor.

- Ho: Perception of public and private sector MF investors are independent of transparency factor.

It is observed from the descriptive statistics that the chi square value is  $X^2 = 11.622$  while the tabulated value is  $X^2_{4,005} = 9.488$ . Thus, Ho hypothesis is rejected and it can be said that the perceptions of public and private sector MF investors are not independent of transparency factor.

- Ho: Perception of public and private sector MF investors are independent of security factor.

It is observed from the descriptive statistics that the chi square value is  $X^2 = 4.314$  while the tabulated value is  $X^2_{4,005} = 9.488$ . Thus, Ho hypothesis is accepted and it can be said that the perceptions of public and private sector MF investors are independent of security factor.

From the analysis it is clear that the significantly influencing factors on the investment made by the investors of public and private sector MFs are liquidity, flexibility, savings on tax, service quality and transparency. As per the above analysis, at 5% significant level and at 4 degrees of freedom, the calculated values of all these factors were greater than the table values, which implies that the perception of investors are dependent on these factors and there is no significant difference in the opinion of both the public and private sectors MF investors. As far as the other factors like management fee, return on income and security are concerned, there is a significant difference in the perceptions of the investors of the public and private sector MFs and needs to be concentrated on.

Management fee is the minimum fee charged by the AMC for floating different investment schemes, and from the study the investors opine that private sector MF companies charge more fees compared to that of public sector MF companies and thus there is dissatisfaction regarding this factor among the private sector investors. Hence, fund manager of the private sectors should concentrate on this aspect and try to come up to the expectations of the investors and maintain the costs at low level similar to that of public sector MFs. Investor's investment in any particular fund scheme of MFs depends upon anticipated return that will accrue from that particular investment. The analysis shows that there is a significant difference in the perception of the investors of public and private sector MFs and feel that the returns from the public sector are not satisfactory and upto their expectations. It is a known fact that most of the public sector MF companies invest in safe instruments which have less returns but surer returns, where as the private sector MF companies invests in equities which are highly risky but get greater returns . So this can be the differentiating factor in the perceptions of the investors. Therefore requisite steps should be taken by the public sector MF companies to develop such schemes which will ultimately satisfy the investors by giving appropriate returns. Security is one area where investors like to bank on. The main reason behind saving and investing in any of the financial investments is to secure for the future. As per the analysis it is quite evident that there is a significant difference in the perception of the investors on public and private sector MFs. The investors of the public sector feel more secured compared with that of private sector MFs even though the returns are not that much expected because they feel that the public sector MF's are well regulated and are less risky compared to that of private sector MF's. This may be due to lack of awareness or very cautious nature of the investors as many of the investors are risk averters. Therefore the investors should be well educated with the do's and don'ts of investment.

## **CONCLUSION**

It is concluded that the MFs business in Assam 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. Finally, the MF should be great transparency, prudent accounting norms, less transaction cost, low management fees. It is very attractive between sub urban and rural areas, it have innovative schemes and efficient administrative system. The present study analyses the MF investments in relation to investor's behaviour. Investors' opinion and perception has been studied relating to various issues like type of MF scheme, main objective behind investing in MF 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. This study is very important in order to judge the investors' behaviour in a market like India, where the competition increases day by day due to the entry of large number of players with different financial strengths and strategies. The present investigation outlined that mostly the investors have positive approach towards investing in MF.

MFs have emerged as an important segment of financial markets and so far have delivered value to the investors. The study reveals that the investors' perception is dependent on the demographic profile and assesses that the investor's age, marital status and occupation has direct impact on the investors' choice of investment. The study further reveals that female segment is not fully tapped and even there is low target on higher income group people. Hence, fund managers should take steps to tap the female segment and higher income group segment to enhance more investment in MF investment avenue which would really help the industry to flourish. Further, the findings of the research were on the factors influencing investor's perception on public private MF's. It reveals that liquidity, flexibility, tax savings, service quality and transparency etc. are the factors which have a higher impact on perception of investors. These factors give them the required boosting in the investment process. Therefore, it becomes imperative on part of the fund managers to enhance these features for attracting more investors and also to retain the trust, the investors have in them.

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