

A study on Investor's perception towards mutual fund investment

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Abstract: The study deals with preference and perception of investors towards mutual fund. Its main objective is to study the factors responsible for the preference for mutual funds as an investment option. The study also examines the investment objectives undertaken by investors while investing in Financial Instruments and finds out the highly used/preferred source of information for various investments options to invest in their most preferred Financial Instrument. This data is collected from 160 respondents residing at Delhi through a structured questionnaire. Descriptive statistics namely rank order, frequency tables, cross tabs, bar charts and factor analysis are used for the purpose of data analysis. It is found that "Benefits & Transparency" is the major factor that is responsible for the investor's preference for mutual funds. It is also observed from the study that most of the investors studied under present study are moderate risk taker and are interested in Balanced Fund, through which they can earn higher returns at low risk. People in India still think with the perspective of savings rather than taking risk and investing in high ended equity markets. Even investors who invest in mutual funds are unclear about how they function and how to manage them. So, proper information must be provided to the investors in order to increase the loyalty among the investors towards Mutual Funds.

Keywords: Mutual Funds, Investor's preference, Factor analysis, Rank order

INTRODUCTION

Indian economy has always been very dynamic. This economic development is an outcome of the open mindedness of the Indian governments towards new schemes and formulations to protect both institutional and individual investors' interest. The policies formulated by the Indian Government and Finance Ministry related to Foreign Indirect Investments (FIIs), Foreign Direct Investments (FDIs) and other domestic financial investments have taken Indian economy into a new regime. The one of the most important factors of this growth is the initiatives taken by Indian government to scatter the financial literacy amongst Indian citizens towards financial investments with the help of Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and other financial regulatory bodies.

Indian financial system [1] is regulated by independent regulators in the sectors of banking (RBI), insurance (IRDA), capital markets (SEBI) and so on. Ministry of Finance, Government of India looks after financial sector in India. Reserve bank of India (RBI) established in 1935 is the Central bank and formulates monetary policy and prescribes exchange control norms.

Indian Banking Sector follows a 3 tier system i.e. Public Banks, Private Banks and Foreign Banks. The banks are further categorised based upon their functions like Regional Rural Banks, Cooperative

Banks, Investment Banks and Commercial Banks etc. The public sector banks comprise the 'State Bank of India' and its seven associate banks and nineteen other banks owned by the government.

Financial institutions in India have a two-tier structure. First tier is All India financial institutions comprise term-lending institutions, specialized institutions and investment institutions, including in insurance. Second tier is State level institutions comprise of State Financial Institutions and State Industrial Development Corporations providing project finance, equipment leasing, corporate loans, short-term loans and bill discounting facilities to corporate. Non-banking Financial Institutions provide loans and hire-purchase finance, mostly for retail assets and are regulated by RBI.

The capital market of India is regulated by Securities and Exchange Board of India (SEBI) established under the Securities and Exchange board of India Act, 1992. A total of 23 recognized stock exchanges operate under government approved rules, bylaws and regulations in India. These exchanges constitute an organized market for securities issued by the central and state governments, public sector companies and public limited companies. The Bombay Stock Exchange, Mumbai and National Stock Exchange are the premier stock exchanges.

For most people, money is a delicate matter and when it comes to investing they are wary as there are many investment options out there, each out promising the other. An important question faced by many investors is whether to invest in banks, national savings, post office, non-banking finance companies, fixed deposits, shares etc. or to invest distinctively in mutual funds.

As financial markets have become more sophisticated and complex, investors need a financial intermediary like Banking institutions, Insurance companies, Non-banking institutions, Mutual Funds and Housing Finance companies etc. which provides the required knowledge and professional expertise on successful investing. Mutual funds represent perhaps the most appropriate investment opportunity for investors. No wonder the concept of mutual fund was initially developed in the U.S market, but the entry of the concept in the Indian financial market was in the year 1964 with the formulation of UTI, an initiative of RBI and Govt. of India.

A Mutual Fund[2] is a nothing but 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 realised are shared by its unit holders in proportion to the number of units owned by them. Mutual Fund, as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost is therefore considered as the most suitable investment for the common man.

REVIEW OF LITERATURE

Padmaja explained about investors' awareness towards Mutual Funds, investor's perceptions, their preferences and the extent of satisfaction towards mutual funds [3]. The major objective of the study was to know about the extent of awareness about mutual funds and also to know about the preferences of investors towards mutual funds with special reference to ICICI Prudential. It was observed from the study that investors in business class and professionals like to invest in equity fund and balanced fund, and also observed investors of service class, business and professional like to invest in ICICI Tax saving plan.

Rathnamani analyzed to what extent the Mutual Fund is effective as an investment mode to the investors. Primary data was collected from 100 respondents through a questionnaire covering different groups of peoples in Trichy city area of Kerala state [4]. Statistical tools as Chi-square test, Pearson Correlation, cross tabulation were employed to analyze the data effectively. The study explained that many investors

preferred to invest in mutual fund in order to have high return at low level of risk with safety and liquidity.

Kumar explored customer's preference towards investment between shares and mutual fund. Descriptive Research Design was used. Sample size of 100 respondents from Agra was undertaken in this research [5]. The statistical tools used for the purpose of analysis were z-test, χ^2 test, percentage analysis and ranking method. This study revealed that real estate and gold are most preferred investment alternatives among various investment alternatives.

Mishra & Kumar examined the Impact of perceived purchase risk (PPR) of mutual fund (MF) investors on their investment behavior. Data was collected from the 350 respondents randomly who were investors of mutual funds from the J&K region [6]. Factor analysis was performed to check the reliability of data and the factors. Perceived purchase risk, width & depth of information search & processing were the main factors of the study. Researchers found that there was a significant difference exists between the information search and information processing behavior of high and low PPR investors.

Mishra & Kumar studied on Investors' Attitude towards mutual funds as an investment option. Data was collected from the 250 investors' in Ranchi region by random sampling method. Chi-square test, Rank, Weighted score and Scaling method was used to analyze the data [7]. Researcher stated potentiality and liquidity were the major factors which influences investors' perception towards mutual funds.

Sharma, Kaur, & Jain studied the Customers' perception and satisfaction towards the mutual funds industries. The study utilized the survey approach for collecting data from 100 respondents [8]. The researchers used SERVQUAL Model to identify the gaps between the expectation and satisfaction level of the customers. This paper identified the factors "Safety" and "Liquidity" which influence the satisfaction level of customers with respect to mutual fund companies.

Das studied the attitude of the Investors towards investment in mutual funds in Nagaon district of Assam [9]. The primary data was collected from the investors of mutual funds with help of the questionnaire. The secondary data were collected from the books, records and journals. By adopting convenience sampling, 250 respondents were selected for this study. In order to study the attitude of the investors with the investment in mutual funds, various statistical tools such as chi-square test, ANOVA were employed. The present investigation outlined that mostly the investors have positive approach towards investing in mutual funds.

Awan & Arshad studied the factors that investors value while making investments in mutual funds. The study also explored the type of behavior which investor's exhibit after an investment in mutual funds suffered a loss or gained profits [10]. The study was conducted in Pakistan and the data was collected from 82 respondents through questionnaires filled via emails. Chi Square test, ANOVA, factor analysis and multinomial logistic regression was applied for data analysis. The study suggested that the past performance of the fund, reputation of the company, withdrawal facility played a vital role in making investments.

Thyagarajan evaluated the performance of the sample schemes of Franklin Templeton, HDFC and ICICI Prudential mutual funds to measure the risk/volatility in order to arrive at the appropriate risk-adjusted rate of return using W.F. Sharpe's method [11]. The performance of the funds were measured by observing the rates of return they were able to earn during the duration of the test period (five years) using the Sharpe's Ratio method of performance evaluation.

Saini, Anjum, & Saini analyzed the Mutual Fund investments in relation to investor's behavior. Primary Data for the study was collected from a sample of 200 investors by using stratified sampling method through a Questionnaire [12]. The second set of data used for the study is the secondary data. For analyzing the primary data, Chi Square test is applied and in case of secondary data exponential growth rates are calculated. The main findings of the study relating to the perception of the investors regarding different aspects of mutual funds such as their main objective behind investing in mutual funds, their knowledge about SIP, sources of information, perception about financial advisors and brokers, method of performance.

Gupta & Chander examined the study on the retail and non-retail investor's selection criteria of the mutual funds. Main objective of the study was to explore various constructs of sources of information and to make a comparative analysis between retail and non-retail investors regarding the importance of these constructs in the context of their mutual fund selection [13]. Factor analysis was used to analyze the data. Empirical evidence also suggested that marketing efforts and advertisements can bring positive effect on the mutual fund inflows. Another finding of the study was that the 'data and information' and 'advice and recommendation' make no significant difference between retail and non-retail mutual fund investors.

Walia explored the Trade-off that every investor has to make between the higher rewards that potentially come with the opportunity and the higher risk that has to be borne as a consequence of the danger.

100 individual investors were selected from different regions of Punjab [14]. Results obtained at aggregate level through ANOVA clearly reveal that average investors from all different categories don't differ in their opinion towards risk disclosure.

Parihar, Sharma & Parihar studied and analyzed the Impact of various demographic variables like age, gender, etc. on investors' attitude towards mutual funds and also studied and ranked the factors which helped in considering mutual funds as an investment option [15]. The study was conducted in Agra region with 200 respondents as the sample size. Chi square test along with other tests was used for analysis of data. The results proved that the demographic variables like age, gender, income had strong association with the investor's attitude towards mutual funds. However, education of the investors had no impact on the attitude towards mutual funds.

Sharma conducted a survey on Mutual Fund purchases by high Net worth Individuals in India. Objective of this study was to find out which factors influence the investment behavior of the Indian High Net worth Individual (HNWI) and also to find the relationship between the factors influencing the investment behavior of the HNWI's. Survey was conducted by convenience sampling and data was collected from 98 respondents from the client based from different cities of India [16]. Factor analysis and ranking method were used for analyzing the data. It has been observed that the investors are interested on the both family and individual HNWI if the performance of particular fund was good.

Singh & Chander studied the Perception of Investors towards mutual funds. The study also focused on finding the reasons for disinvestments by investors or reason for not investing at all [17]. The data used in the study was primary collected from the cities of Punjab, Delhi and Mumbai through questionnaires. Researchers found out that investor wanted NAV of mutual funds to be disclosed on daily basis and wanted better tax shields on the investments made in mutual funds. The study found that the reason for disinvestments was that the regulatory bodies like SEBI were not able to control the market properly.

Capon, Fitzsimons, & Prince investigated an individual Analysis of Investment decisions for mutual funds. Data was collected randomly with the help of telephonic survey in continental United States [18]. Two way ANOVA, regression model, K-means disjoint clustering techniques were used for analyzing the data. Researchers found that the mutual fund purchases depend on the risk and return. Investment performance was also the main factor of the purchasing mutual funds.

Panda & Tripathy studied Investor's Preferences and Priorities towards different types of mutual fund products and for identifying key features of a mutual fund. A survey of 350 respondents through a questionnaire covering different groups of investors was conducted [19]. Factor Analysis was used for identification of the key features preferred by the respondents in a mutual fund product. The study said that the buying intent of a mutual fund product by a small investor can be due to multiple reasons depending upon customers risk return tradeoff and also, due to the reduction in the bank interest rates and high degree of volatility in Indian stock market, investors are looking for an alternative for their small time investments which will provide them a higher return and also safety to their investments.

Need and Scope of Study

To assess an awareness of mutual funds among investors and to explore the factors responsible for preferring the mutual funds as an investment option over other investment option or vice versa, this research study is conducted. The main objective of this study is concerned with getting the opinion of investors regarding mutual funds and what they feel about mutual fund investment.

This study is conducted during the month of June 2013 to August 2013 from people residing in Delhi to identify the perception/preferences of investor for mutual fund investment. The future scope of the study can be widening up by increasing the sample size, taking into consideration respondents of different states. Further this study can be used as base for examining the perception of investors towards other financial instruments.

Objectives

- To examine the investment objectives undertaken by investors while investing in Financial Instruments.
- To find out the highly used/preferred Source of Information for various Investments options.
- To examine the Impact of various demographic variables on investors investment Behaviour.
- To study the factors responsible for the preference of mutual funds as an Investment option.
- To examine the most preferred Mutual Fund Scheme.

Limitations

- The sample size considered in this study is 160 which is very small so the result of the study may not be generalized.

- The scope of study is narrow as respondents belonging to Delhi are only considered for the purpose of study.
- Judgemental purposive sampling design is adopted for choosing sample units that might have involved some biasness in the results of study.

RESEARCH DESIGN

Type of Research

For this present study, '**Descriptive Research Design**' is adopted. This study has identified the factor affecting the preference of mutual fund investors who are residents of Delhi and explored the preference of investors in investing different Mutual Fund schemes. As this research has tried to describe the characteristics of the investors preferably mutual fund investors with the help of quantitative data analysis, thus the present study follows Descriptive Research Design.

Sampling Design

Target Population

Males and Females between 20 to 45 age group residing in Delhi who are investing in any financial instrument like stock market, debt instruments, mutual funds, insurance, commodities, fixed deposit, bank savings and post office savings etc. is the Target Population for the present study.

Sampling Techniques

The sampling technique used by the researchers for this research study is "Judgment purposive sampling". This study focuses on to identify the preference of investors for mutual funds. A large part of the population does not invest in mutual fund due to lack of awareness or any other reason. Hence, researchers have chosen Judgmental sampling design so that the purpose of the study can be fulfilled.

Sample size

175 respondents from Delhi who are investors were surveyed; however there were response error (incomplete responses) in 15 Questionnaire. Thus, the Net Sample Size for the study turned to be 160.

Data Collection tool and source of data

The Primary data for the given study is collected by means of a structured questionnaire. A set of questions measured on Likert scale along with few multiple choice option questions has been formed the part of structured Questionnaire. In this study, the secondary data is taken from Magazines, journals, research papers, company's database, periodicals and government reports.

Planning of data analysis

Descriptive Statistics: For profiling the respondents. Frequency Statistics, bar charts, Rank Order and cross tabs etc.

Factor Analysis: For finding the factors which influence the preference of investors towards mutual funds.

Descriptive Statistics of Respondents**Table 1: Frequency Distribution of Respondents on the basis of gender**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	140	87.5	87.5	87.5
	Female	20	12.5	12.5	100
	Total	160	100	100	

(Source: Researchers Survey)

For the purpose of study, 140 male respondents representing 87.5% of Sample is surveyed.

At the same time 12.5% of sample is belonging to the 20 Female respondents.

Table2: Frequency Distribution of Respondents on the basis of Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-25	50	31.2	31.2	31.2
	26-30	68	42.5	42.5	73.8
	31-35	33	20.6	20.6	94.4
	36-40	5	3.1	3.1	97.5
	41-45	4	2.5	2.5	100
	Total	160	100	100	

(Source: Researchers Survey)

In the present study, 68 respondents are between the age group of 26-30 constituting 42.50% of total sample. 50 respondents are between the age group

of 21-25 and they contributed 31.25% of sample, however only 2.5% of total respondents are above age of 41-45 years.

Table3: Frequency Distribution of Respondents on the basis of Qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Up to 10 th	1	0.6	0.6	0.6
	12 th	1	0.6	0.6	1.2
	Bachelors	95	59.4	59.4	60.6
	Masters	57	35.6	35.6	96.2
	Doctorate	6	3.8	3.8	100
	Total	160	100	100	

(Source: Researchers Survey)

In this present study, 95 respondents are holding the bachelor's degree, 57 respondents are holding the master's degree, and 6 respondents are

doctorates and 1 respondent is up to 10th and 12th respectively.

Table 4: Frequency Distribution of Respondents on the Basis of Income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	10001-20000	5	3.1	3.1	3.1
	20,001-30,000	74	46.2	46.2	49.4
	30001-40000	55	34.4	34.4	83.8
	40,001-50,000	21	13.1	13.1	96.9
	<50,000	5	3.1	3.1	100
	Total	160	100	100	

(Source: Researchers Survey)

Out of 160 respondents surveyed under study, 74 (46.2%) respondents have monthly income Rs. 20,001-30,000, 55 (34.45%) respondents have monthly income Rs 30001-40000, 21 (13.1%) respondents

belong to monthly income group of Rs 40,001-50,000, where only 5 (3.1%) respondents have monthly income Rs 10001-20000 , 5 (3.1%) respondents have monthly income Rs<50,000 respectively.

Table 5: Risk Taking Ability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Risk Averse	21	13.1	13.1	13.1
	Moderate Risk Taker	88	55	55	68.1
	Risk Taker	51	31.9	31.9	100
	Total	160	100	100	

(Source: Researchers Survey)

From the above frequency table, it is observed that the most of the respondents belongs to the class of moderate risk takers who are about 55% of the total

respondents and 31.88% of the total population are risk takers and the remaining 13.12% of them are risk averse.

Table 6: Priority of Mutual Fund Based on Risk Taking Ability

Rank 1							
	Equity Diversified	Balanced Debt Fund	Sectorial Funds	Money Market Funds	Indexed Funds	Tax Relief Funds	Debt Funds
Risk Averse	6	6	1	0	0	1	4
Moderate Risk Taker	6	67	1	2	3	0	4
Risk Takers	2	38	4	2	2	1	2
Total	14	111	6	4	5	2	10

(Source: Researchers Survey)

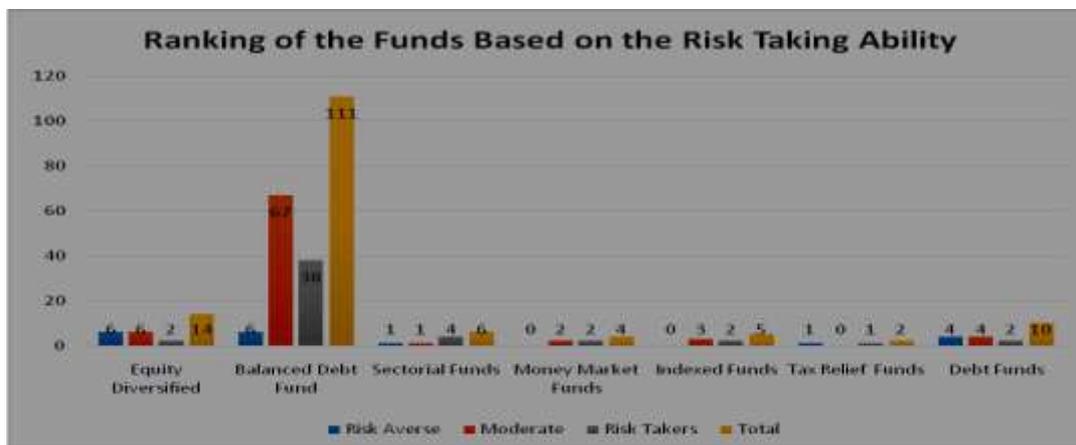


Figure 1: Ranking of the Funds based on the risk taking ability.

(Source: SPSS Output)

The risk taking ability is more in the case of balanced debt fund to which a total of 111 respondents have ranked the balanced debt fund with rank “1”, out of which 6 of them are belonging to the risk averse category and the 67 of them are moderate risk takers and 38 of them belongs to the risk takers category.

Categorizing the ranks on the risk taking ability Balanced Debt funds are in the majorly preferred

by the Moderate risk takers and followed by the Risk takers also prefer the Balanced Debt Funds and then followed by the risk averse.

From the above table and the graph researchers concluded that Balanced Debt fund is the most preferred fund among all the funds that available within the market, and then followed by the Equity Diversified funds, and then followed by Debt Funds.

Table 7: Purpose of Investment (Ranking 1 For Highly Preferred)

Rank \ Variable	1	2	3	4	5	6	7	Total Rank Score	Rank Order
Savings	97	41	9	9	4	0	0	262	1
Capital appreciation	2	5	29	80	38	3	3	648	4
Regular Income	16	44	74	21	3	1	1	438	3
Tax Benefits	13	10	20	35	78	2	2	649	5
Security for F.C	32	56	31	16	23	2	0	428	2
Speculation	0	0	0	0	10	109	41	991	6
To Beat Inflation	0	0	1	1	2	43	113	1066	7

(Source: Researchers Survey)

To analyse the above data and figures, researchers have calculated Rank Order to find out foremost investment objective undertaken by investors while investing in different investment schemes. It can

be inferred from given table that, the foremost reason for making investments in various investment options is Savings followed by Security for future contingency, Regular Income, Capital Appreciation.

Table 8: Frequency Distribution of Respondents on the Basis of Investment Avenues

Variables	Frequencies
Stock Market	117
Debt Instruments	58
Mutual Funds	149
Insurance	111
Commodities	68
Fixed Deposits	109
Bank Savings	152
Post Office Savings	29
NSC	37
Real Estate	36
Pension Schemes	84

(Source: Researchers Survey)

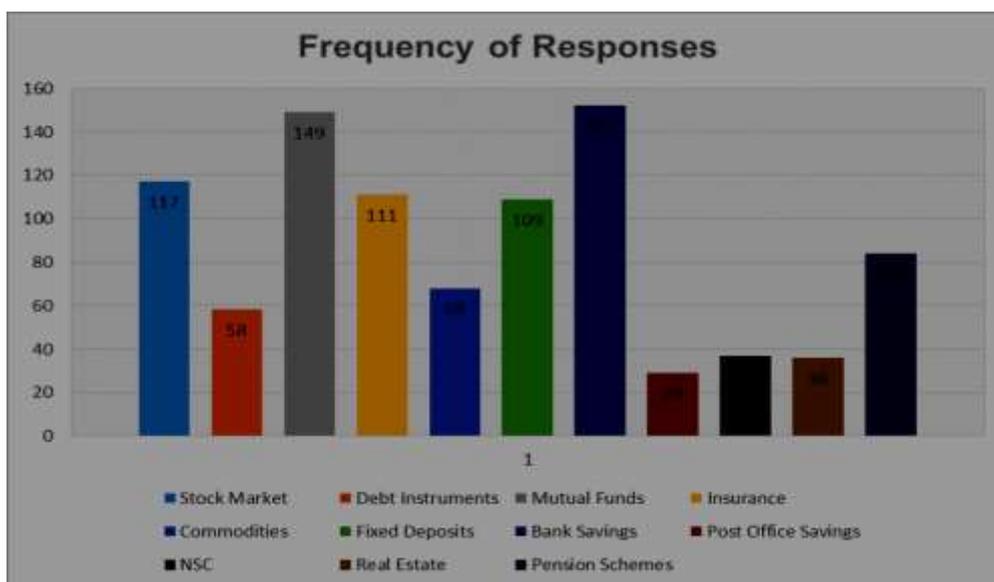


Figure 2: Frequency Distribution of Respondents on The Basis of Investment Avenues
(Source: SPSS Output)

To get more precise information this question is asked for determining the most preferred Investment Avenue in which investors are investing. Among them 152 respondents are investing in bank savings i.e. Bank Savings is the most preferred source of capital money. 142 respondents are investing in mutual funds. 117 respondents are investing in stock market, 111 are investing in the insurance investment options. 109

respondents are investing in the fixed deposit. 84 respondents opt for the pension schemes investment avenues. 68 respondents are investing in the commodities. 58 respondents choose debt instrument. 37 respondents are investing in NSC. Only 36 and 29 are respondents are investing Real estate and post office savings respectively.

Table 9: Source of Information (Ranking 1 for Highest)

Rank \ Variables	1	2	3	4	5	6	7	Total Rank score	Rank Order
Newspaper	26	13	29	74	15	2	1	529	4
TV/Radio	10	52	82	14	2	0	0	426	2
Internet	94	47	12	5	1	1	0	255	1
Banks	23	44	28	31	20	7	7	510	3
Qualified Investors	2	4	11	30	82	15	16	775	5
Friends & Family	2	1	7	21	99	30	160	944	6
Magazines	2	4	11	30	82	15	16	1043	7

(Source: Researchers Survey)

The important source of information before and during investment can be described from above table, mostly Investors looks into internet for detailed information regarding different investment options

followed by TV/Radio i.e. Audio/Vocal advertisement. Investors least prefers magazines for extracting information related to Investment option available before taking investment decisions.

Table 10: Preference of Mutual Fund

Rank \ Variables	1	2	3	4	5	6	7	Total Rank Score	Rank order
Equity Diversified Funds	14	17	76	24	7	9	5	496	3
Debt Funds	10	64	23	32	10	8	5	468	2
Balanced Funds	111	21	6	5	4	4	1	242	1
Sectorial Funds	6	22	17	38	46	7	16	637	4
Money Market Funds	4	4	15	39	66	10	14	701	5
Index Funds	5	14	8	11	11	74	29	803	6
Tax Relief Funds	2	7	10	3	8	43	79	909	7

(Source: Researchers Survey)

It is inferred from the above table that the most preferred Mutual Fund scheme by Mutual Fund investor is balanced funds followed by debt funds. Tax Relief

Funds and Index Funds are least preferred Mutual Fund schemes by the investors surveyed under study.

Table 11: Frequency Distribution of Respondents on the Basis Risk Performance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Conservative	3	1.9	1.9	1.9
	Moderately Conservative	18	11.2	11.2	13.1
	Neutral	88	55	55	68.1
	Moderately Aggressive	38	23.8	23.8	91.9
	Aggressive	13	8.1	8.1	100
	Total	160	100	100	

(Source: Researchers Survey)

This question is asked to find the risk taking ability of the investors. Out of 160 respondents 88 respondents rated Neutral and their constitution is 55% that is signifying that majority of the respondents surveyed are moderate risk taker. 38 respondents are rated Moderately Aggressive and their constitution is

23.8%. 18 respondents rated moderately conservative and they constituted 11.2% of sample size. 13 respondents rated Aggressive and they constituted 8.1% of total sample. 3 (1.9%) respondents rated Conservative.

Table 12: Time Horizon of Investment (Ranking 1 for Highest)

Rank \ Variables	1	2	3	4	Total Rank Score	Rank Order
Days	1	1	41	109	562	4
Weeks	40	75	25	12	313	2
Months	88	59	2	3	224	1
Years	23	17	84	28	421	3

(Source: Researchers Survey)

It can be analyzed from above table that which time horizon of investment is preferred by Mutual Fund investor for the investment. Mostly the investors want to invest for Months followed by Weeks then year. Investment for Days is least preferred time horizon.

Factor analysis is performed by using PCA method. Varimax rotation with KMO is opted to get the percentage of variance for the 14 variables in the questionnaire regarding to the study. The Eigen value of greater than 1 is identified to acquire relevant factors as per questionnaire (Feild, 2009). Rotated Component matrix table is obtained and factors are derived.

Factor analysis

Table 13: KMO Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.705457538
Bartlett's Test of Sphericity	Approx. Chi-Square	837.1406389
	Df	91
	Sig.	0.00

(Source: Researchers Survey)

In KMO and Bartlett's Test the KMO value is 0.71 which is more than the ideal value of 0.6 thus proving that data is adequate and Bartlett's Test

significance value is 0.000 which is less than 0.05 confirming the significance of analysis.

Table 14: Rotated Component Matrix

		Rotated Component Matrix			
Factors	Variables	Component			
		1	2	3	4
Factor 1: Benefits & Transparency	Financial Advisors/Brokers/Qualified Investors	0.86			
	Transparency in Fund Accounting	0.78			
	Professional Management	0.76			
	Tax benefits	0.73			
	Past Performance	0.66			
	Knowledge/Financial Literacy	0.66			
	Diversification	0.64			
Factor 2: Quality of Returns on Investments	Stable and Regular Income		0.86		
	Bank/Banker		0.77		
	Growth in Returns		0.65		
Factor 3: Information and Redemption Period	Friends and Family			0.84	
	Redemption Period			0.78	
Factor 4: Liquidity & Institutional Investor's Activity	Liquidity				0.77
	Institutional Investor's Activity				0.62

(Source: Researchers Survey)

Description of the Factors

Factor 1, refers to the Benefits & Transparency explained about the mutual funds which contributes 30.526% of the variance.

Factor 2, signifies to the Quality of Returns on Investments which contributes about 12.809% of the variance. The major variables that are explained in this factor are “Stable and Regular Income”, “Bank/Banker” and “Growth in Returns”.

Factor 3, explains the Information and Redemption Period which they are receiving which is contributing nearly 10.574% of the variance. The Variables included in this factor are “Friends and Family” and “Redemption Period”.

Factor 4 refers to Liquidity & Institutional Investor’s Activity which is contributing nearly 9.216% of the variance. The major variables that are explained by these factors are “Liquidity” and “Intuitive Investor’s Activity”.

Findings

- The study suggests that the investors’ objectives behind making investments are “savings” and “securities” for future contingencies which is then followed by their aim of getting a “regular income” and then “capital appreciation”.
- As 55% of the respondents surveyed in the present study are moderate risk takers and 13.12% are risk averse, that is why as per survey results, investors prefer Regular Income than Capital Appreciation from their investments which is confirming the Financial Investment principle viz. higher the risk, higher will be the return and vice versa.
- Mostly Investors look into internet for detailed information regarding mutual funds and then follow the information aired on television or radio about mutual fund investment. Magazines are least referred for information related to investment decisions.
- The majority of (46.2%) respondents surveyed under the study belong to monthly income of “20001-30000”. Only 3.1% of respondents are under the monthly income group of “10001-20000”. Hence, Post Office Savings turned to be least used investment option.
- Investors mostly prefer the balanced funds and debt funds. Then, Investors look for Equity Diversified Fund and Sectorial Fund. They are least bothered about tax relief funds and indexed funds at the time of investment.
- The major factors which are responsible for the preference of mutual funds as an investment option are due to Benefits & Transparency, Returns on Investments, Information and Redemption Period,

Liquidity & Intuitive Investor’s Activity. Majority of the people prefer this investment option just because to diversify their risk and also to obtain the benefits within the schemes. Next major concern is of returns on the investment that they have made, followed by the Information that they are receiving from different sources. The least factor which influences their decision related to Mutual Fund investment is the liquidity & activity of institutional investors.

- It is found that “Bank Savings” is the most preferred investment option undertaken by respondents as it fulfils their investment objective i.e. secure savings (found major investment objective under study) to meet future financial contingencies. Thus, the results of the study are complementing each other.
- As majority of the respondents under are moderate risk taker, thus “Bank Savings” & “Mutual Funds” are top 2 preferred investment options as it involves lesser risk comparative to other Financial Investment options as well as it provides the benefit of preferred management of investors’ money.

Suggestions

- It is observed from the study that most of the investors are moderate risk takers and are interested in Balance Fund, through which they can earn reasonable return at low risk. People in India still think with the perspective of savings rather than taking risk and investing in high ended equity markets to earn high profits. People are interested in investing into the investment option where there is low risk involved, so mutual fund companies should aware the investors about their funds which are fulfilling the respective investor’s investment objective.
- Even among the investors who invest in mutual funds are unclear about how they function and how to manage them. So proper information must be provided to the investors in order to increase the loyalty among the investors for mutual funds. Thus the chances of retaining the present investors and attracting the potential investors can be hiked by disbursing the information related to mutual funds working and risk & returns attached with mutual fund investment.
- Investors purchase behaviour does not have a high level of coherence due to the influence of different purchase factors. The buying intent of a mutual fund product by a small investor can be due to multiple reasons depending upon customers risk return trade off. Due to the reduction in the bank interest rates and high degree of volatility in Indian stock market, investors are looking for an alternative for their small time investments which

will provide them a higher return and also safety to their investments. So, mutual funds should cater their needs in order to increase their market share.

CONCLUSION

The study is related to the preference and perception of investors towards mutual fund, a total of 160 respondents of New Delhi has given their responses towards this study, this study has thrown a light on the investing pattern and the factor that are effecting the investors in order to select that particular fund. Mostly people prefer the balanced funds and debt funds. Then, Investors look for Equity Diversified Fund and Sectorial Fund. The factors responsible for the preference of mutual funds as an investment option are the Benefits & Transparency, Returns on Investments, Information and Redemption Period, Liquidity & Intuitional Investor's Activity. Mostly the respondents felt that they are getting the information regarding the investment options through Internet than any other means of communications.

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