



## A Study on Investors' Perception Towards Mutual Funds and its Scopes in India

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### ABSTRACT

This study on Investors perception towards and recent development and progress of Mutual Fund investments. The mutual fund investors' behaviors also the researcher concentrates only the urban investors. The rural investor's views are completely excluded from the study. The mutual fund investments in relation to investor's behavior. Investors' opinion and perception has been studied relating to various issues like type of mutual fund scheme, investors' opinion relating to factors that attract them to invest in mutual funds. Different investment avenues are available to investors. Mutual funds also offer good investment opportunities to the investors. Like all other investments, they also carry certain risks. The investors should compare the risks and expected yields after adjustment of tax on various instruments while taking investment decisions.

**Keywords:** *Mutual fund, investors' perception, scope in mutual fund*

### 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. Different investment

avenues are available to investors. Mutual funds also offer good investment opportunities to the investors. Like all other investments, they also carry certain risks. The investors should compare the risks and expected yields after adjustment of tax on various instruments while taking investment decisions. The investors may seek advice from experts and consultants including agents and distributors of mutual funds schemes while making investment decisions.

### Investment in mutual fund

Mutual Fund firms collect cash from willing investors and invest it in share market. The stock market, mutual fund investment are also entitled for various market risks but with a fair share of profits.

The mutual fund schemes based on all or some of the following condition:

- Long term and Short Term Performance
- Consistency in Returns
- Performance during bullish and bearish phases
- Fund Managers performance with the fund's operations

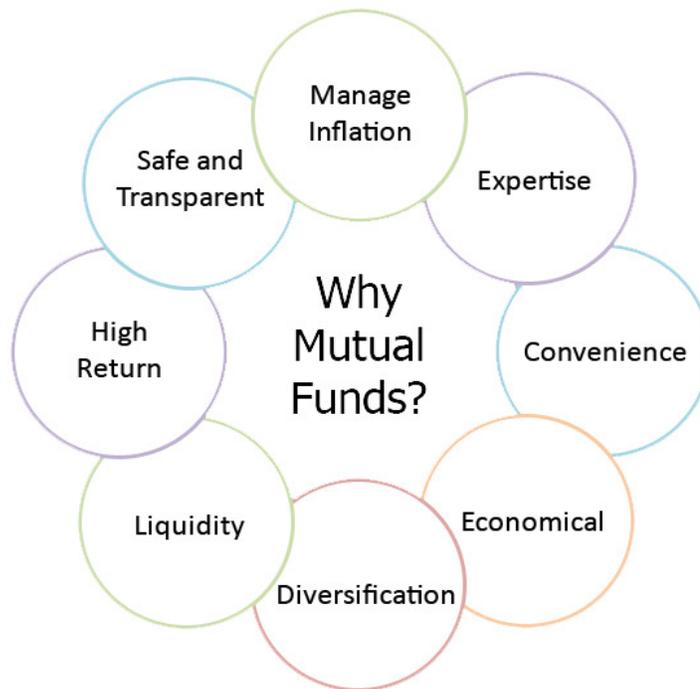
The above points are clarity, securitization deals are best to the pre-tax claims period. The Budget has provided to exempt securitization Trusts from taxes.

The cost advantage that mutual funds offered to investors has been slightly reduced to "revive" the fortunes of the industry. The Securities and Exchange Board of India (SEBI) recently changed rules to

encourage the mutual fund industry to increase its reach beyond the large cities. The result is a slightly higher cost for investors.

The Mutual Fund is one of the financial instruments in capital market, here the study based on the empirical investigation on the performance of monthly income scheme in Indian Mutual Fund Industry, main purpose of the study is to identify which of the month income scheme provided highest return and minimize the risk. Research need because of the capital market is unexpected volatility and some time reaction was positive and negative.

### Investment Decisions



When considering investment opportunities, the first challenge that almost every investor faces is a plethora of options. From stocks, bonds, shares, money market securities, to the right combination of two or more of these, however, every option presents so why should investors consider mutual funds over others to achieve their investment goals?

Mutual funds allow investors to pool in their money for a diversified selection of securities, managed by a professional fund manager. It offers an array of innovative products like fund of funds, exchange-traded funds, Fixed Maturity Plans, Sectored Funds and many more. Whether the objective is financial gains or convenience, mutual funds offer many benefits to its investor.

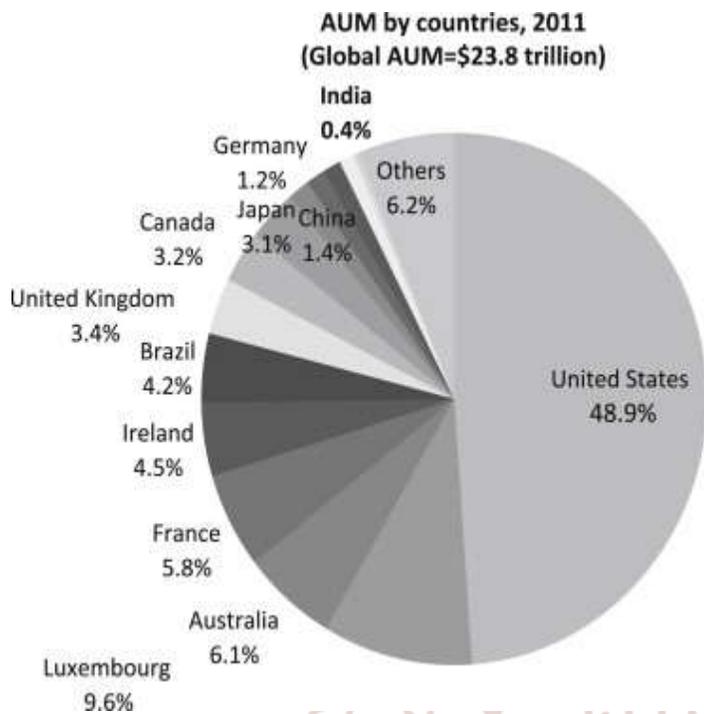
### Types of Mutual Fund



The mutual fund industry of India is continuously evolving. Along the way, several industry bodies are also investing towards investor education. Yet, according to a report by Boston Analytics, less than 10% of our households consider mutual funds as an investment avenue. It is still considered as a high-risk option. In fact, a basic inquiry about the types of mutual funds reveals that these are perhaps one of the most flexible, comprehensive and hassle free modes of investments that can accommodate various types of investor needs.

Various types of mutual funds categories are designed to allow investors to choose a scheme based on the risk they are willing to take, the investable amount, their goals, the investment term, etc.

## Indian mutual industry opportunity and challenges



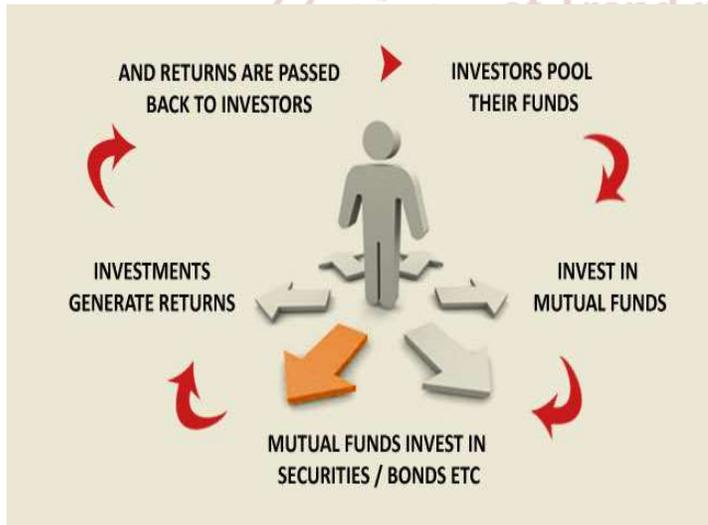
investor can invest his money in one or more schemes of Mutual Fund according to his choice and becomes the unit holder of the scheme. The invested money in a particular scheme of a Mutual Fund is then invested by fund manager in different types of suitable stock and securities, bonds and money market instruments. Each Mutual Fund is managed by qualified professional man, who uses this money to create a portfolio which includes stock and shares, bonds, gilt, money-market instruments or combination of all. Thus Mutual Fund will diversify your portfolio over a variety of investment vehicles. Mutual Fund offers an investor to invest even a small amount of money.

## Different avenues of investment

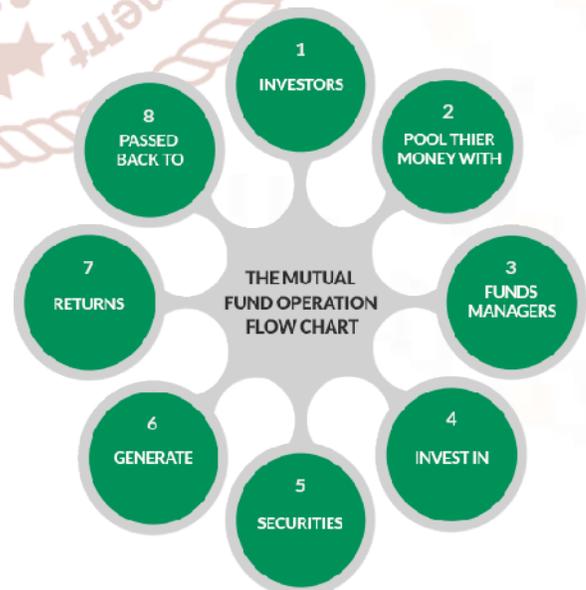
Different Avenues of investment

OPTIONS	RETURN	RISK	LIQUIDITY
Savings account	Very low	Very low	High
Fixed Deposits	Low	Low	Low
Direct Equity	Very high return	Very high	High
Insurance	Medium	Low	Low
Company fixed deposits	Low	High	Very low
Debentures	Low	Medium	Medium
Bonds	Low	Low	Low
<b>Mutual funds</b>	<b>High</b>	<b>Medium</b>	<b>High</b>
Post office schemes	Low	Low	Low
Government securities	Low	Low	Low
Real estate	High	High	Low
Currency	High	High	High
Bullion	Medium	High	Medium

## Scope for Mutual Fund



## The mutual fund operation flow chart



## How do mutual funds work?

A mutual fund is a company that pools investors' money to make multiple types of investments, known as the portfolio. Stocks, bonds, and money market funds are all examples of the types of investments that may make up a mutual fund. "A Mutual Fund is an ideal investment vehicle where a number of investors come together to pool their money with common investment goal. Each Mutual Fund with different type of schemes is managed by respective Asset Management Company (AMC). An

A Mutual Fund is a single portfolio of investments where investors put their money to be managed by an asset management company on behalf of its many investors. This allows each investor access to a professional managed pool of funds.

Fund Manager invests the fund's capital in profitable avenues and attempt to earn a return for the fund's investors. 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.

The flow chart describes broadly the working of a mutual fund

### Constrains for individual investors

Individuals and corporate investors can invest directly, without professional oversight, in the market. However, they face the following constraints:

- Lack of expertise to understand and forecast market trends
- Lack of time for an in depth analysis of the various investment avenues or instruments available in the market
- Lengthy procedures for account opening, order placement, execution, delivery, etc.
- Inability to accurately monitor the rapidly changing market
- Inability to diversify by investing in more than one company shares.

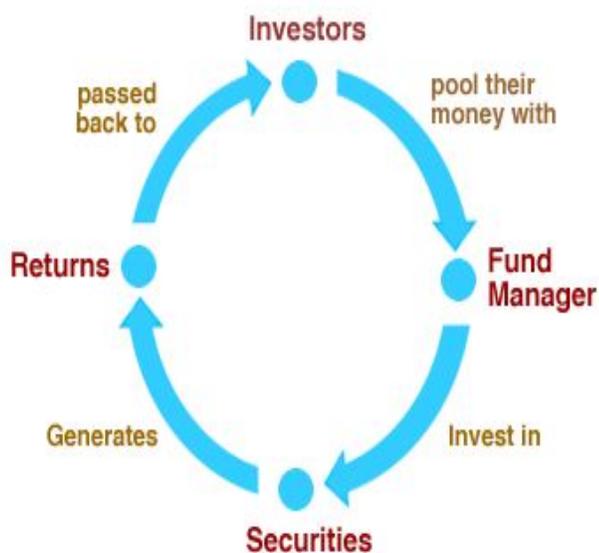
Now a day, mutual fund is gaining its popularity, with the emphasis on increase in domestic savings and improvement in deployment of investment through markets, the need and scope for mutual fund operation has increased tremendously. An ordinary investor who applies for share in a public issue of any company is not assured of any firm allotment. But mutual funds who subscribe to the capital issue made by companies get firm allotment of shares. Mutual fund latter sell these shares in the same market and to the Promoters of the company at a much higher price. Hence, mutual fund creates the investors' confidence.

### CONCLUSION

Today a lot of investment opportunities are available to the investors in the financial markets. Running a successful mutual fund requires complete understanding of the peculiarities of the small investors. This study has made as an attempt to understand the financial behaviors of mutual fund investors in connection with the scheme preference and selection. This paper will be useful to the mutual fund to understand the investor's perception towards mutual fund investments and the study would also be informative to the investors.

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