

A Roadmap Of Customers Perception Towards Mutual Funds In Uttar Pradesh With Special Reference To Lucknow City

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Abstract: The mutual fund investment has gained momentum in the last few years. The aspects of mutual funds are huge as the schemes of investment are numerous. The article is all about finding the perception and the awareness level among the customers in terms of mutual funds. The perception level of the customers has been found by analyzing the data with the help of SPSS. The end findings which could be extracted from the analysis were that the mutual fund is a tax saving investment and to a certain extent a return oriented investment. The other finding which was found out that the investors were more prone to public companies rather than the private companies.

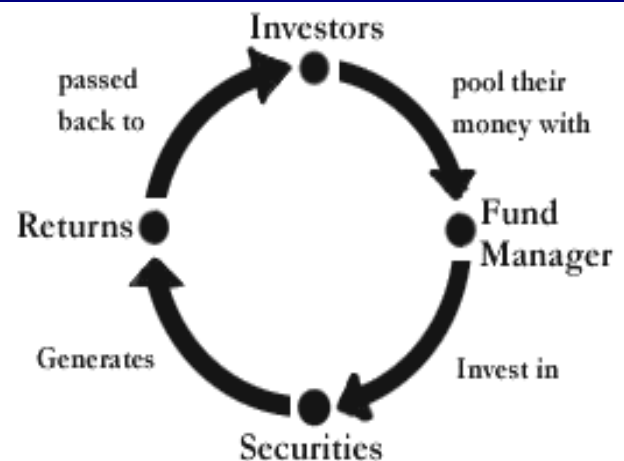
1. OBJECTIVES:

- To know customer perception towards mutual funds in terms of benefits they expect from mutual funds.
- To know how much people are aware about mutual funds.
- To know the preference of customers regarding private players over public players.

2. INTRODUCTION:

A Mutual Fund 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 a 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 flow chart below describes broadly the working of a mutual fund:



3. LITERATURE REVIEW:

Kalpesh P Prajapati and Mahesh K Patel (2012), evaluated the performance of Indian mutual funds using relative performance index, risk-return analysis, Treynor's ratio, Sharp's ratio, Sharp's measure, Jensen's measure, and Fama's measure. The data used is daily closing NAVs from 1st January 2007 to 31st December, 2011 and concluded that most of the mutual funds have given positive return during the period of study.

Deepak Agarwal (2011), Mutual fund contributes to globalization of financial markets and is one among the main sources for capital formation in emerging economies. He analyzed the pricing mechanism of Indian Mutual Fund Industry, data at both the fund-manager and fund-investor

levels. There has been incredible growth in the mutual fund industry in India, attracting large investments from domestic and foreign investors.

Sunder S. (2008), conducted a survey to get an insight into the mutual fund operations of private institutions with special reference to Kothari Pioneer. The survey revealed that awareness about Mutual Fund concept was poor during that time in small cities like Visakapatnam. Agents play a vital role in spreading the Mutual Fund culture; open-end schemes were much preferred then; age and income are the two important determinants in the selection of the fund/scheme; brand image and return are the prime considerations while investing in any Mutual Fund.

Halstead and Jones (2008) describes that Customer orientation, the disposition to meet customers' needs, is central to creating satisfactory relationships with clients. Yet to date, no research has examined the customer orientation of financial planners despite a number of recent scandals in the mutual fund industry that directly affected investors. This research provides survey results from 530 financial advisers regarding their customer orientation levels.

Smith, Michael C. (2007) analyzed that investor feel they have sufficient information or knowledge to make mutual fund investing decisions. The problem for policymakers is deciding how to provide information on mutual funds that is both useful and used by potential investors.

The purpose of this study was to test the relationship between an investor's personality and the effort by a potential investor in seeking information about a mutual fund investment and the type of information the potential investor considers important. Upon analysis results indicated statistically significant differences in the basic-level information-seeking effort of participants based on the potential investor's attitude toward dealing with the outside world with judges labeling basic-level information as more important than did perceivers. In addition, results indicated that judge's initial satisfaction with their *mutual fund* choice was significantly higher, statistically.

Martenson(2005) analysed that Consumer knowledge, involvement, and risk are central concepts in consumer behavior research. In this study the relationship between these key concepts were explored and their impact on consumers' return on investments in mutual funds was analyzed. Theory based alternative relationships were systematically tested in a proper manner. The study sheds new light on the knowledge concept by showing that the knowledge construct should be modeled in terms of three dimensions (ability, opportunity, and familiarity) in complex decision contexts (mutual funds and stocks).

Shastri N. (2005) analyzed that private players entered into the market without any competition. Although concept of mutual fund was basically started by public organization but now private players are doing well in the mutual fund

industry but still they need to work hard to gain trust of customers as customers are more aligned towards public players. Moreover he says that private sector tried different things to make its position in the market but investor's response was not good.

4. RESEARCH METHDODOLOGY:

4.1 RESEARCH DESIGN

4.1.1 Descriptive research: It is a descriptive research because we are going to collect primary data for further research.

4.1.2 Exploratory research: it is the exploratory research too because we have to rely on secondary data for getting insights to this research. Exploratory research takes into consideration the survey of related literature and secondary data analysis.

4.2 DATA COLLECTION TECHNIQUES:

4.2.1 Primary data: we have collected primary data through the questionnaires filled from the respondents.

4.2.2 Secondary data: we have collected data through the means of magazines, journals and internet sources.

4.3 SAMPLE SIZE:

Sample size is 147 respondents.

4.4 SAMPLE PLACE:

The data is collected from Lucknow city of Uttar Pradesh India, as it is the capital of state.

4.5 DATA ANALYSIS TOOLS:

The statistical tools that we have used is descriptive tools with the help of SPSS

4.6 TYPE OF SAMPLING:

We have taken the help of non probabilistic sampling, as we have intentionally chosen only those people who are investing in the mutual funds.

5. INTERPRETATION:

- ✓ Most of the investors of mutual funds belong to the income level of 3,00,000 and more which indicates that the investors with higher income are induced towards mutual fund investments.

- ✓ With the amount invested in mutual funds it can be vividly seen that the investors with high income are investing comparatively less amount in mutual funds.
- ✓ The main perception that lies in the minds of the customers as their main motive behind mutual fund investment is as a tax saving investment. The other significant motive behind their investment in mutual fund is that of yielding higher returns out of the investment.
- ✓ Most of the investors are seen preferably to gain their knowledge about the mutual fund investments from the agents who have knowledge about the various policies and terms of the mutual fund investments.
- ✓ The majority of the investors mostly are in favour of investing their investments in mutual funds through the means of banks or the other financial institutions providing the investment option.
- ✓ When we look upon at the preference of investors for investment, majority of them are largely aligned towards investing in Public companies rather than that of the public companies.
- ✓ While looking at the various companies that are providing the facility of investments in mutual funds, SBI Mutual fund is found to have the majority favour of the investors for their investments.
- ✓ Return is found to be the most important factor among majority of the investors for investing in mutual funds. The other important factor that also corresponds to their investment is that of the risk factor.
- ✓ The equity schemes in the mutual fund investment are mostly preferred by majority of the investors while making their investments.
- ✓ Growth in NAV is found to be the mostly preferred by the investors when it comes to getting the returns out of the investments made by them.
- ✓ As it is vividly seen that majority of the investors are investing in the equity schemes of mutual funds, so it is quite obvious that the investors are ready to afford a moderate degree of risk involved in the investment.
- ✓ Periodical investment is mostly availed by most of the investors and hence the option of SIP is mostly preferred which gives them the liberty of periodical investments.

- ✓ Majority of the investors are found to have invested in the open ended schemes as a preferable means for the investors.
- ✓ The time limit that is mainly adopted by the investors is majorly between the range of 2-3 years which is a good range of time taking into consideration the mutual fund schemes.
- ✓ In case of close ended schemes they prefer to stay for 3 years.

6. FINDINGS:

The public companies are mostly preferred by the investors when it comes to investing in mutual funds. The reason might be because of the fact that the investors are not ready to take too much of risk when it comes to investment and hence they have more faith in public companies rather than that of the private companies. This has been seen that the private companies have not been able to gain the faith of the customers which has laid them to lesser investments.

Majority of the investors are not fully aware of the terms & policies of the mutual funds. The basic reason behind this is the fact that they are not provided with the full information and they are more reliant on their agents. The other aspect of this is the fact that the agents of mutual funds do not get too much of commission by selling a mutual fund. Hence they avoid speaking about mutual funds and instead focus on other investment areas which yield them good commission. The majority of the investors preferably find mutual fund investment as a tax saving investment. This is basically a perception of the investors that the mutual fund investment reduces their income tax amount substantially and hence they prefer investing in the same. This indeed acts as the motivational factor for their investment.

7. LIMITATIONS:

- ✓ The investors were not willing to fill the questionnaire as they did not have adequate time to fill it. They did not respond properly as they felt that it was of no use for them and hence filling them was not an important criteria. Moreover majority of our respondents were investors or teachers and they did not have time to fill the questionnaire.
- ✓ The length of the questionnaire was long according to many of the investors who were filling the questionnaire. So, the investors hesitated to fill in the questionnaire because of this reason.
- ✓ The investors were hesitant in providing personal information as they thought that we might disturb them by calling them up at a regular basis. This

was something which did not help us in filling of questionnaire.

- ✓ During the filling of questionnaire, in many of the cases it was found that the investors did not have complete knowledge about the various aspects of investments in mutual funds.

8. RECOMMENDATIONS:

- ✓ With the findings it is seen that the investors with high income are investing lesser amount of money and hence the AMCs should motivate these investors by providing good and innovative lucrative schemes and motivate them to invest more.
- ✓ As the investors are majorly seen to gather knowledge about the schemes from the agents, so there should be a major implementation in creation of more information centres which would provide the investors with full information at the investors will.
- ✓ The public companies have a better goodwill in comparison to that of the private companies. So, it becomes imperially important for the private companies to build a strong goodwill in the minds of the investors by making them feel that they care for them and are prone to provide them with the best possible returns on their investments.
- ✓ The investors are not fully aware about the various aspects of mutual funds such as the most important criteria of diversification. Hence certain steps needs to be taken wherein the investors are provided with the awareness of this factor which is not relevant in any other investment schemes. The diversification also reduces the risk and so the investors should be brought into the daylight of this particular advantage.
- ✓ The agents of the mutual funds do not find a great deal of profits after a sale of mutual funds as a result of which they tend to skip this investment option while explaining the investors. Hence to reduce this problem the agents should be awarded with good profits so that they get motivated and try to sell mutual funds along with other investment options.
- ✓ When we look at the other investment options they try to provide the information to the investors in common via promotional activities. So, the mutual fund providing companies should make efforts in creating mass awareness by means of various promotional activities such as advertisements, sales promotion etc.

9. CONCLUSION:

As per the analysis that we have done it is briefly found that majority of the investors investing in mutual funds believe that it is a tax saving aspect. The mutual fund investors are of the opinion that the investment saves them from the tax aspect. The other section of the investors believe that it can also be taken as a return oriented option as it has the options of investing in various funds and hence the option of return becomes prominent.

The other perspective which is seen to be a very important part has been the lack of awareness among the investors. The investors are seen to primarily invest in the mutual fund without knowing the entire working of the investment. The customers normally tend to invest in those areas where they have faith and hence building of faith is very important for the investors. The investors are preferably seen to prefer the public companies rather than that of the private companies as the investors are more prone to companies which are run by the Govt. So the risk involved in the investment in public companies is much lesser than that of the investment in the private companies.

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10. ANNEXURE

Questionnaire on customers’ perception towards Mutual Funds

Q1. What is your annual income?

- Less than 100,000
- 100,000-200,000
- 200,000-300,000
- 300,000 and more

Q2. What portion of your salary do you invest in mutual funds?

- Less than 10,000
- 10,000-30,000
- 30,000-50,000
- 50,000 and more

Q3. What is your main motive behind investment in mutual funds?

- Tax saving
- Returns
- Other, specify_____

Q4. From where do you get information regarding the mutual fund schemes?

- Friends
- Relatives
- Advertisements
- Agent
- Magazines/Newspaper
- Others (specify)

Q5. While making your investment in mutual fund you prefer?

- Financial advisor

- Bank/financial institutions
- Distribution Channels
- Media Channels

Q6. In which AMC do you prefer investing upon?

	Highly preferred	Preferr ed	Neutr al	Less preferred	Least preferred
Private companies					
Public companies					

Q7. Name the company/s in which you invest?

- SBI Mutual Fund
- UTI Mutual Fund
- Kotak Mutual Fund
- HDFC Mutual Fund
- Franklin Templeton Mutual Fund
- Other specify_____

Q8. Your preference for choosing any mutual fund?

	Highly preferred	Preferr ed	Neutr al	Less preferred	Least preferred
Past performance					
Transaction cost					
Diversification					
Risk factor					
Liquidity					
Return					

Q9. In which type of scheme do you invest?

Rank 1-4

1- Most preferred 4- least preferred

	1	2	3	4
Equity diversified				
Debt				
Hybrid				
MEFs				

Q10. How would you like to receive the return every year?

- Dividend payout
- Dividend re-investment
- Growth in NAV
- Others(specify)

Q11. What is the level of risk you are ready to afford?

- Very high
- High
- Moderate
- Low
- No risk

Q12. When you invest in mutual fund which mode of investment do you prefer?

- One time investment
- SIP

Q13. What type of mutual fund scheme do you prefer?

- Open ended
- Close ended

Q14. In case of open ended scheme on an average, how long do you stay invested?

- Less than 1 year
- 2 years- 3 years
- 4 years- 5 years
- More than 5 years

Q15. In case of close ended scheme on an average low, long do you stay invested?

- 3 years
- 5 years
- 10 years

Q16. Are you satisfied with your return?

- Yes
- No

If not, specify _____

Personal details:

Name:

Gender:

Occupation:

City:

Mobile no:

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