

PREFERENCE AND SATISFACTION OF INVESTORS TOWARDS INVESTMENT IN PUBLIC AND PRIVATE SECTOR MUTUAL FUND

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Abstract

An efficient financial sector mobilizes savings and allocates it to those investments which yield the highest rate of return. Savings are the difference between income and consumption of an individual. An increase in the volume of real domestic savings means that resources that would have been used for consumption are released for investment. India has high level of saving rate because of high level of saving motives of individuals. Every individual seems to understand the basic principle of investment. Investment means the purchase made by an individual of a financial or real asset that produces a return proportion to the risk assumed over some future investment period and for achieving this investor decides on how and where to deploy his/her saving. Saving motive is thus, a desire to reserve certain mixture of income for future. The main objective of investor is to invest in different speculation avenues that deliver expected returns and help to chance the risk in future. The investor has some motive for making an investment. The salaried employee category of investor however gives more importance to create more stand-in savings to meet the risk in future. The present study aims to determine and identify investor's preference relating to making an investment in public and private sector mutual funds. It further analyses the investor's satisfaction level of an investment in public and private sector mutual funds. Hence, the study establishes the responsiveness of the investors towards investing in mutual funds.

Key words: *Public and Private sector Mutual fund, Preference, Satisfaction, Investors and Investment*

Introduction

Mutual funds are the institutions which give an opportunity to the small investors to invest their savings in the capital markets. The small investors normally do not have the experience, time or the resources to reach up to the capital markets all by themselves. So, they depend on the investment to be made through the intermediaries in the capital market and seek for their professional knowledge. Thus, the role of Mutual Fund Institutions evolved which is a corporate body that attracts and helps the small investors to invest in money market, debt market and capital market instruments namely the shares and debentures. It is a link between the public and the capital market. Further, under a mutual fund an agreement is entered into between three parties namely, the Sponsors, Trustee and the Asset Liability Management Company (ALM). Mutual Fund hence is a new avenue or a new financial asset which is

available to investors to invest their money in. The investors have varied financial needs and their objective of making an investment in mutual fund is in accordance with the various mutual fund schemes that are made available both by the public and private sector.

Definition of Mutual Fund

SEBI (Mutual Funds) Regulations 1996 define a mutual fund as “a fund established in the form of a trust by a sponsor to raise moneys by the trustees through the sale of units to the public under one or more schemes for investing in securities in accordance with these regulations”. Mutual funds are corporations that accept money from savers and then use this money to buy stocks, long-term bonds, and short-term debt instruments issued by business or Government units. These corporations pool funds and thus reduce risk by diversification.

Features of Mutual Fund

Mutual Fund helps to mobilize small savings

It provides investment opportunities to the small investors.

It is managed professionally by the corporate bodies.

1. It acts as an intermediary for making diversified investments in the capital market.
2. It has better liquidity and reduces the risk factor.
3. It provides protection for the investment made and also enables the switching facility with low transaction costs. Investment Protection
4. It also enables the investors to avail the tax benefits.

Classification of Mutual Funds

1. On the basis of operation and Execution.
 - (i) Open-ended Funds,
 - (ii) Close-ended Funds
2. On the basis of investment objectives of investors
 - (a) Share funds
 - (b) Aggressive Growth Funds
 - (c) Growth funds
 - (d) Current Income Funds
 - (e) Growth and Income Funds
 - (f) Dual-purpose funds
 - (g) Balanced fund
 - (h) Money Market fund
 - (i) Specialized funds
 - (j) Off shore Mutual funds

Review of Literature

D. Senthil and Dr. M. Syed Zefar (2005) conducted a study on “Mutual Fund- Investors’ Perceptions and realities”. The study revealed the investor’s perception and inevitability in

the contemporary scenario and analysed the contentment of customer towards the performance of mutual fund and willingness to offer view relating to the current situation of the market. It identified the major factors which enable the investors to continue in mutual fund. It was found that investors preferred mutual fund rather than the direct investment in shares due to high risk factor.

Saini S. et. al. (2011) analysed the investors' attitude and perception relating to various issues which incorporate the type of mutual fund scheme, main objective following investing in mutual fund scheme, functions of financial advisors and brokers, investors' attitude relating to factors with a purpose to attract them to mutual funds, inadequacy in the services provided by the mutual fund managers etc. The analysis revealed that the important factors for investment in mutual fund are income tax benefits followed by high return and security of the schemes. Further, to maintain consistency in mutual funds the investors must be provided with timely information relating to altered trends in the mutual fund business.

Agrawal & Jain (2013) analysed the speculation opportunity preferred by the investors of Chennai and the investor's first choice towards savings in mutual funds. The study reveals that the most important standard of the investors for the savings is the return on savings followed by protection in savings.

Kesavaraj G (2013) and Rajasekar D (2013) conducted a study on investors perception towards various types of mutual funds in Chennai. It was found that the respondents, considered the return on savings and security as important factors which encourage them to make an investment in mutual fund.

Kumar Rajesh & Goel Nitin (2014) identified the factors affecting perception investors towards mutual funds in India. The investigation reveals that, the benefits offered by the mutual funds, the investors' perceived liquidity regarding return on savings, modification and protection provided through brochure/Newsletters as a source of information along with the role of brokers and sub-brokers are the major factor affecting the perception of investors towards mutual fund in India.

Need of the Study

In the contemporary world of finance, a multifaceted global investment is very hazardous. The investor should choose the precise path for savings. Selecting the right avenue is not an easy task. The investor must have awareness about different schemes and investment opportunities available in the market. However, the investors must have regular income, growth, liquidity and diversified risks. The present study brings out the perception and satisfaction level of investors who have made an investment in public and private sector mutual fund.

Research Methodology

Objectives of the Study

- To determine the investors preference relating to making an investment in public and private sector mutual fund.
- To identify the open-ended and close-ended type of mutual fund preferred by investors to make an investment in public and private sector mutual fund.

- To analyse the satisfaction level of investors relating to open-ended and close-ended type of public and private sector mutual fund.
- To give suggestions to encourage the investors to make an investment in public and private sector mutual fund.

Data Collection

The study is based on primary and secondary data. Information has been collected from both public and private sector mutual fund investors. Secondary data has been collected from various reports journals, websites and bulletins.

Further, the data collected has been analysed to determine the investor's preference regarding public and private sector mutual fund and also, in order to analyse the data collected with regard to customer satisfaction in the public and private sector mutual fund the following hypothesis were framed:

HYPOTHESIS – I

Null Hypothesis: There is no significant difference between public and private sector mutual fund with regard to satisfaction level of investors.

Hypothesis - II

Null Hypothesis: There is no significant difference between open-ended and close-ended type of public and private sector mutual fund with regard to satisfaction level of investors.

Statistical tools

SPSS package has been used for analysing the data. The statistical tools applied are: Percentage Analysis, Weighted Average Score (WAS) using Likert Five-Point Scale as 1 = Highly satisfied; 2 = Satisfied; 3 = Neither satisfied / nor dissatisfied; 2 = dissatisfied; 1 = highly dissatisfied, ANOVA and T-test. The graphical representation of the data has been shown as chart in the present study.

Analysis and Interpretation of Data

The data collected has been analysed and interpreted as follows:

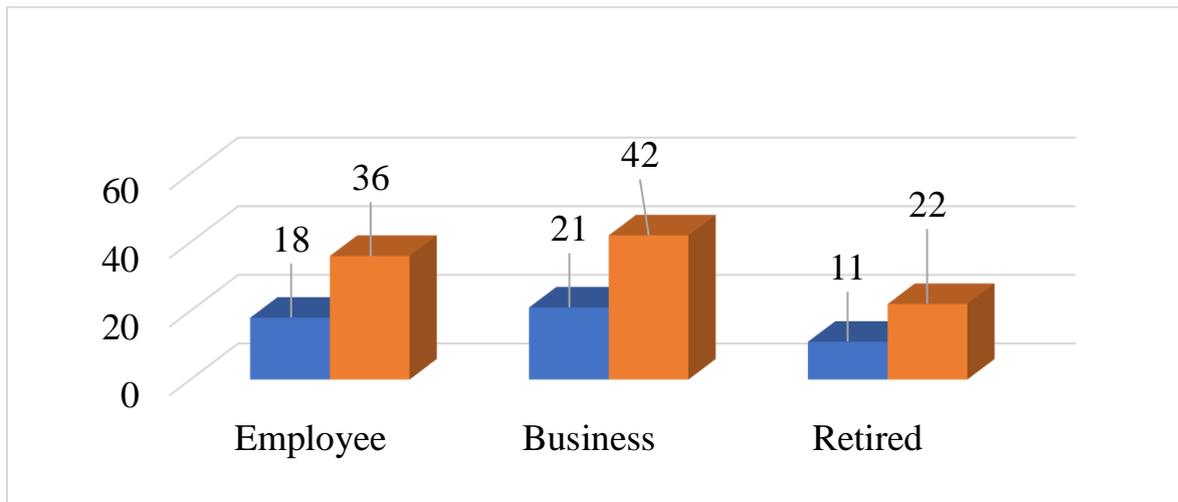
Table - 1
Analysis of distribution of occupation of the respondents

Occupation	Frequency	Percentage
Employee	18	36
Business	21	42
Retired	11	22
Total	50	100

Source: Primary Data

Chart – 1

Analysis of distribution of occupation of the respondents



Source: Primary Data

Table 1 reveals that 36% of the respondents belong to the category of salaried employees, 42% of the respondents belong to the category of business and 22% of the respondents are retired. Hence, the majority of the respondents considered for the present study are businessmen.

Table -2

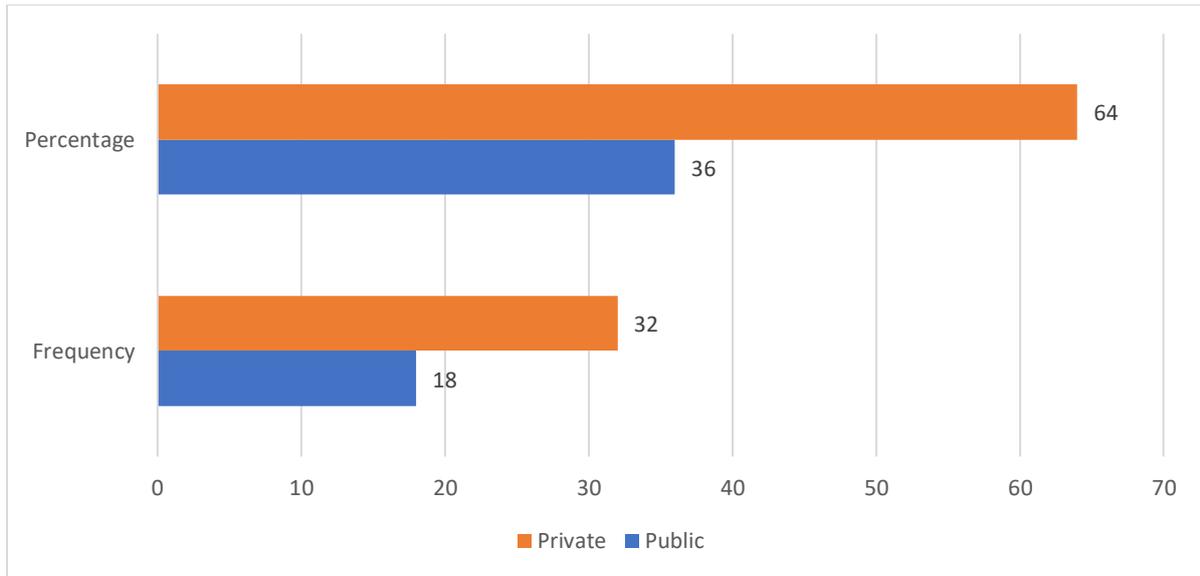
Analysis of the investor's preference relating to making an investment in public and private sector mutual fund.

Mutual Fund	Frequency	Percentage
Public	18	36
Private	32	64
Total	50	100

Source: Primary Data

Chart -2

Analysis of the investor's preference relating to making an investment in public and private sector mutual fund.



Source: Primary Data

Table 2 reveals that 36% of the respondents prefer to invest in public sector mutual fund and 64% of the respondents prefer to invest in private sector mutual fund. Hence, majority of the respondents prefer to invest in private sector mutual fund.

Table-3

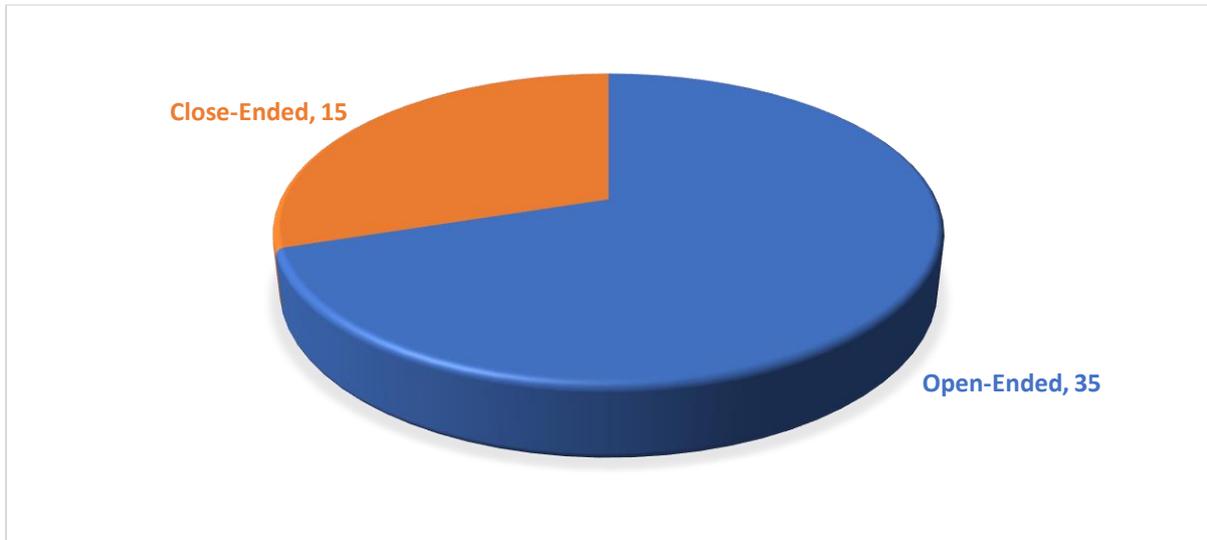
Analysis of the type of public and private sector mutual fund preferred by the respondents

Type of Mutual Fund	Frequency	Percentage
Open-Ended	35	70
Closed-Ended	15	30
Total	50	100

Source: Primary Data

Chart - 3

Analysis of the type of public and private sector mutual fund preferred by the respondents



Source: Primary Data

Table 3 reveals that 35% of the respondents prefer to invest in open-ended type of mutual fund and 15% of the respondents prefer to invest in close-ended type of mutual fund. Hence, the majority of the respondents prefer to invest in the open-ended type of mutual fund.

HYPOTHESIS – I

Null Hypothesis: There is no significant difference between public and private sector mutual fund with regard to satisfaction level of investors.

Table - 4

T- Test Analysis to determine the difference between public and private sector mutual fund with regard to satisfaction level of investors.

Customer satisfaction of Mutual Fund	Nature of Mutual Fund	No. of Cases	Mean	Standard Deviation	t-value	P – Value
Infrastructure	Public	18	12.69	4.841	4.993	0.000**
	Private	32	15.58	3.299		
Customer Service	Public	18	29.97	7.723	7.228	0.000**
	Private	32	35.40	2.735		
Performance	Public	18	38.27	5.659	4.535	0.000**
	Private	32	41.35	3.869		

Source: Primary Data

Note: **denotes significant at 1% level

Since P value is less than 0.01, the null hypothesis is rejected at 1 percent level of significance. Hence, there is significant difference between public and private sector mutual fund with regard to satisfaction level of investors. Table -4 reveals that 18 respondents are satisfied by the investment made in public sector mutual fund and 32 respondents are satisfied by the investment made in private sector mutual fund. Hence, majority of the respondents are satisfied by the investment made in private sector mutual funds due to adequate infrastructure, customer service and performance of the mutual fund.

Hypothesis - II

Null Hypothesis: There is no significant difference between open-ended and close-ended type of public and private sector mutual fund with regard to satisfaction level of investors.

Table-5

T- Test Analysis to determine the difference between open-ended and close-ended type of public and private sector mutual fund with regard to satisfaction level of investors.

Customer satisfaction of Mutual Fund	Type of Mutual Fund	No.of Cases	Mean	Standard Deviation	t-value	P – Value
Infrastructure	Open-ended	35	15.03	3.810	2.482	0.014*
	Closed-ended	15	13.46	4.673		
Customer Service	Open-ended	35	34.39	4.717	3.522	0.001**
	Closed-ended	15	31.37	7.105		
Performance	Open-ended	35	40.64	4.717	1.688	0.093
	Closed-ended	15	39.39	4.899		

Source: Primary Data

Note: ** denotes significant at 1% level, * denotes significant at 5% level.

Since P value is less than 0.05, the null hypothesis is rejected at 5 percent level of significance. Hence, there is significant difference between open-ended and closed-ended type of public and private sector mutual fund. Table-5, reveals that 35 respondents are satisfied with the investment made in open-ended type of public and private sector mutual fund and 15 respondents are satisfied with the investment made in closed-ended type of public and private sector mutual fund. Hence, the majority of the respondents are satisfied with the investment made in open-ended type of public and private sector mutual fund due to the infrastructure and performance of the mutual fund.

Findings of the Study

- The majority of the respondents considered for the present study are businessmen.
- The majority of the respondents prefer to invest in private sector mutual fund.
- The majority of the respondents prefer to invest in the open-ended type of mutual fund.
- The majority of the respondents are satisfied by the investment made in private sector mutual funds due to adequate infrastructure, customer service and performance of the mutual fund.
- The majority of the respondents are satisfied with the open-ended type of public and private sector mutual fund due to the infrastructure and performance of the mutual fund.

Suggestions

- The public and private sector mutual fund companies must provide efficient customer care services to tap the potential investors.
- The mutual fund companies must ensure proper connectivity with the investors through effective technical support and adopt simple methods of technology for the convenience of the investors especially the small investors.
- The mutual fund companies both public and private sector must ensure adequate infrastructure facility such as better seating arrangement, parking facility, writing table etc to enhance the satisfaction level of the investors.
- The public and private sector mutual funds must primarily work towards achieving the concept of social mutual fund.

Conclusion

Mutual fund industry in today's financial scenario shows good progress due to Governmental support such as tax concessions and exemption and also by receiving preferential treatment in the hands of the government. Further, investors have started to make investment in mutual funds since it ensures good returns, quick liquidity and safety. It is thus, time for the mutual funds to act as 'mutual friends' by creating a good understanding with the investors by providing adequate interpretation of the various schemes, being well-organized and by providing quick services to its investors. If these measures are ensured then, there is no doubt about an optimistic future for mutual funds in India.

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