

Abstract

The masses in India prefer to save in safe financial instruments. The safety of the money invested is not compromised, and at times, they do not mind accepting lesser returns on their investment. An average small investor generally advocates the phenomenon of risk adversity. But, return on investment in capital markets comes with the associated risk. Going with direct investment in capital market is an expensive proposal, and requires expert knowledge and keeping money in the above mentioned saving instruments does not seem advisable. Therefore, the easy route left with the small investor for earning better return on investment is by investing in mutual funds. However despite the high growth of mutual funds in India, there is a limited understanding of the investor preferences and individual decision making. In fact, the individual investors differ in mutual fund investment decisions. The mutual fund investors consider host of factors while investing in mutual funds. This study attempts to analyze the selection behavior of retail investors towards mutual funds.

Dr. Prakash Pinto¹

Ajaya²

Dr. M .M. Munshi³

Key Words: Retail investors, Mutual funds, returns, risk.

Introduction

The Indian capital market has been growing tremendously with the reforms in industrial policy, reforms in public and financial sector, and new economic policies of liberalization, deregulation and restructuring. The Indian economy has opened up and many developments have been taking place in the Indian capital market and money market with the help of financial institutions or intermediaries which foster savings and channel them to their most efficient use. One such financial intermediary who has played a significant role in the development and growth of capital markets is Mutual Fund. Mutual funds have opened up new vistas to millions of small investors by virtually taking investment to their doorstep. A competent fund manager should analyze investor behavior and understand their needs and expectations to gear up the performance to meet investor requirements.

With reforms in financial sector and the developments in the Indian financial markets, Mutual Funds (MFs) have emerged to be an important investment avenue for retail (small) investors. The investment habit of the small investors particularly has undergone a sea change. Increasing number of players from public as well as private sectors has entered in to the market with innovative schemes to cater to the requirements of the investors in India and abroad. For all investors, particularly the small investors, mutual funds have provided a better alternative to obtain benefits of expertise-based equity investments to all types of investors.

¹ Professor and Dean, Department of Business Administration, St Joseph Engineering College, Vamanjoor, Mangalore, author can be contacted at prakashpinto74@gmail.com

² Lecturer in Commerce, Government Pre University College, Punjalkatte, Mangalore, author can be contacted at ajayaanchan@gmail.com

³ Associate Professor, Department of PG Studies in Business Administration, Visvesvaraya Technological University, Jnana Sangama Belagavi

Literature Review

Meenu Verma (2008) conducted a study aimed to investigate the effect of demographic profile and personality type of the investor on investment choice. The study solely based on the information obtained through a survey process in India. The study used descriptive research design, particularly survey research. The study was completely based on primary data. The personal survey method was used and the sample size of 500 was chosen for the study. The results show that differences in investment choice are significant for various combinations of independent variables like occupation, gender and age, education and personality.

Soumya Saha and Munmun Dey (2011) conducted a study focusing on measuring the investors' expectation and their preference. It also attempted to gauge the factors that they take into consideration before making any investment in mutual fund as well as the awareness level among individual investors regarding mutual fund investment. The sample survey has been conducted in Kolkata city during the period November 2008-January 2009. A sample of 100 individual mutual fund investors has been surveyed through a pre-tested questionnaire. The individual investors included people who have invested in mutual funds and have some knowledge about the basic terminologies involved with mutual funds. The study attempted to identify the factors perceived to be important by the investors before investing in any mutual fund.

Ravinder Kumar and Abhijeet Chandra (2010) studied the selection behaviour with respect to mutual fund investments by individual investors. Individual investors differ in mutual fund investment decisions. This is because they can be distinguished on the basis of the sources of information they use for their investment decisions, several selection criteria employed for mutual fund investments, and particularly because of their different demographic characteristics. A sample of 200 individual investors across the Delhi-NCR region was used for the study. The study examined three factors namely, sources of information, selection criteria, and mutual fund investment behavior. The study reveals that individual investors are different

from other class of investors. They rely, to a great extent, on financial advisors and professionals for information relevant to mutual fund investment decisions. This study suggests that expansion of information sources, selection criteria, and other decisive factors regarding investment as well as redemption by individual investors are major issues to be considered by mutual fund firms in order to understand this market in a better way.

The study by **K. Lakshmana Rao (2011)** presents mutual fund investors awareness and adoption of different mutual fund schemes with educational levels. A sample of 350 respondents has been selected for this study for three districts in the Andhra Pradesh. Chi-square test was used to examine the association between the formal and technical education factors with the awareness and adoption of the mutual fund schemes. The study recommended that the three leading categories of agencies involved i.e., (i) the Regulatory authorities like SEBI, IRDA; (ii) AMFI and (iii) MF Asset Management Companies have to conduct educational and orientation programmes in collaboration with yet other three kinds of leading organizations i.e., (i) Universities, (ii) Institutes and (iii) Stock Exchanges, on various aspects of MF Schemes, so that the investors will enhance their knowledge for making more prudent investment decisions.

Rajeswari and Ramamoorthy (2001) have conducted the study titled, "An Empirical Study on Factors Influencing the Mutual Fund/Scheme Selection by Retail Investors" to understand the factors influencing the fund selection behavior of 350 mutual fund 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. The evaluation was done by factor analysis and principal component analysis to arrive at the findings of the study which were as follows: the most important product quality was the performance of the fund followed by brand name of the scheme; sponsor related factor that given more

importance by the investor was the expertise of the sponsor in managing money and finally the investor service that was considered important was the disclosures on investment objectives, methods and periodicity of valuation in advertisements.

Singh and Vanita (2002) have examined the investors' preferences and perception towards mutual fund investments by conducting a survey of 150 respondents in the city of Delhi. The study has investigated in the following research issues: 1) the basic objectives form Vestments and average time horizon; 2) investment experiences; 3) risk, return, safety and diversification; 4) preferences of financial assets and investment schemes of mutual funds. The findings of the study were that the investors' preferred to invest in public sector mutual funds 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 mutual fund and belonged to the category who held growth schemes.

Singh Chander (2004) examined 400 investors in major cities of Punjab, Delhi and Mumbai by administering a Questionnaire having various parameters of perceptions of investors towards mutual fund. Factor analysis was used to find the significant factors affecting perception of investors. The research was done in two parts. The first is to find preferences and perception of mutual fund and second was to find reasons for investors withdrawing investments from mutual funds. The study established that middle class salaried investors and professionals preferred to have disclosure of net asset value on a day today basis and wanted to invest in mutual funds in order to get higher tax rebates. Further it is evidenced that small investors perceived mutual funds to be better investment alternative and public sector investments to be less risky: The study further revealed that the investor did not have confidence on the management of funds and regulators of the market and cited these as reasons for withdrawing from the mutual fund investment.

Syama Sunder (1998) 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 Visakhapatnam. 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.

The above review of literature unveiled various perspectives on the selection behavior of retail investors. It is imperative that a retail investor has to consider array of factors while investing in mutual fund. These are clearly indicated in the studies reviewed above.

Study Objectives

The study endeavors to accomplish the following objectives

1. To study the investor perception about and the preference for mutual fund schemes.
2. To explore the selection criteria adopted by the retail investors when making mutual fund investment.
3. To analyze the risk-return perception of mutual fund retail investors.

Research Design and Methodology

This paper follows descriptive research method and a sample of 384 respondents has been used for the purpose of analysis. Sample size is determined based on the standard methods used in statistics for infinite population. The study has been conducted with reference to the retail investors in Udupi District of Karnataka State. The study relies heavily on primary data. The primary data has been collected using structured questionnaire. This questionnaire is prepared on the basis of the objectives of the study. Secondary data has been sourced from journals, magazines, and relevant websites.

Hypothesis

H1: There is no relationship between the annual amount of investment and the level of annual income of the respondents

H2: There is no significant difference between the occupational status and the objectives of investment.

H3: There is no significant difference between the occupational status and the preference of mutual fund

investors based on type of ownership

H4: There is no significant difference between the occupational status and the mode of investment

Data Analysis and Interpretation:

Table 1: Demographic Profile of Respondents

		Number	Percentage
Gender	Male	268	69.79
	Female	116	30.21
	Total	384	100
Educational Qualification	SSLC or Below	36	9.37
	PUC	116	30.21
	Graduate	168	43.75
	Postgraduate and Above	64	16.67
	Other	0	0
	Total	384	100
Age	18 or Below	0	0
	18-25	58	15.10
	26-40	96	25.00
	41-55	138	35.94
	56-60	64	16.67
	60 or Above	28	7.29
	Total	384	100
Marital Status	Married	298	77.60
	Unmarried	86	22.40
	Total	384	100
Occupational Status	Salaried	172	44.79
	Self Employed	92	23.96
	Professional	64	16.67
	House Wife	8	2.08
	Student	4	1.04
	Retired	44	11.46
	Total	384	100
Income Group (Annual)	Below Rs.2,50,000	36	9.38
	Rs. 2,50,000- Rs.5,00,000	218	56.77
	Rs.5,00,000- Rs.10,00,000	90	23.44
	Above Rs10,00,000	40	10.41
	Total	384	100

The table no.1 presents the demographic profile of the retail investors. Among the 384 respondents covered, 69.79% of the respondents were male and remaining 30.21% were female. The data shows that 43.75% of the respondents are graduates and 16.67% are post graduates. It follows that all the respondents have basic education and majority are well qualified. The above chart depicts the age profile of the respondents. Regarding the age profile, 15.10% of the respondents fall under the age group of 18-25, followed by 25% in the age group of 26-40. The respondents who account for 35.94% are in the age group of 41-55, while, 16.67% in the age group of 56-60. The remaining 7.29 % of the respondent fall under the age group of 60 and above. The table and chart shows that most (40%) of the respondents are in the age group of 18 to 40. Majority (77.60%) of the respondents are married and are having

family commitments. The results of the survey reveal that the respondents covered are from varied occupational backgrounds. The chart depicts that majority of the respondents (44.79%) are salaried class employees. The study also included reasonable size (23.96%) of self-employed respondents. The other categories of respondents included are professionals (16.67 %), housewives (2.08%) and retired (1.67%). A small number account for students. Moreover, the data indicates that 9.38% of the respondents fall in the monthly income group of less than Rs. 250000 followed by 56.77% in the monthly income group of Rs. 250000 to Rs. 500000. The respondents in the income group of Rs. 500000 to 10,00,000 and account for 23.44%. The remaining belong to the income group above 10,00,000.

Table 2: Annual Investment of Respondents

Investment	Frequency	Percentage
Less than Rs. 20,000	88	22.92
Rs.20,001-Rs. 40,000	140	36.46
Rs.40,001-Rs. 60,000	89	23.18
Rs.60,001-Rs. 1,00,000	35	9.11
Above Rs. 1,00,000	32	8.33
Total	384	100

The above table reveals that 22.92 % of the respondents invest less than Rs. 20,000 annually, 36.46% invest between Rs.20,001-40,000, 23.18% invest between

Rs.40,001-Rs. 60,000, 9.11% invest between Rs.60,001-Rs. 1,00,000 and small percentage of investors invest above Rs. 1,00,000

Table 3: Annual Investment of Respondents

Annual Investment	Annual Income				Total
	Below Rs.2,50,000	Rs. 2,50,000- Rs.5,00,000	Rs.5,00,000- Rs.10,00,000	Above Rs.10,00,000	
Less than 20,000	24 (66.67)	45 (20.64)	12 (13.33)	7 (17.5)	88 (22.92)
20,001-40,000	12 (33.33)	110 (50.46)	10 (11.11)	8 (20)	140 (36.46)
Rs.40,001-Rs. 60,000	0 (0)	50 (22.94)	30 (33.34)	9 (22.5)	89 (23.18)
Rs.60,001-1,00,000	0 (0)	8 (3.67)	22 (24.44)	5 (12.5)	35 (9.11)
Above Rs. 1,00,000	0 (0)	5 (2.29)	16 (17.78)	11 (27.5)	32 (8.33)
Total	36	218	90	40	384
	(100)	(100)	(100)	(100)	(100)

Note: Figures in the parenthesis indicate percentages.

The above table presents the cross tabulation of annual investment and the level of annual income of the respondents. The results were subjected to chi square test. The calculated p value of 0.115 indicates that the

null hypothesis is rejected. Therefore it is concluded that there is a significant relationship between the annual amount of investment and the level of annual income of the respondents

Table 4: objectives of investment

Objectives	Occupation						Total	Rank
	Salaried	Self Employed	Professional	House wife	Student	Retired		
To Provide for Retirement	56	6	6	0	0	36	104	3
For tax deduction	60	2	22	0	0	0	84	4
To meet contingencies	4	8	0	0	0	12	24	6
For children's education	96	40	0	11	0	0	147	2
For purchase of assets	20	15	4	6	0	0	45	5
To earn high return	132	70	49	8	4	20	283	1

The individuals undertake investments with manifold objectives. Earning high return has been ranked first followed by providing funds for the education of the children and for retirement. Providing funds for exigencies has been ranked

last. In order to provide better insight the results were cross tabulated with the type of occupation. The calculated p value of 0.239 for chi square test indicates that there is a significant difference between the occupational status and the objectives of investment.

Table 5: Current avenues of investment of Respondents

Objectives	Occupation						Total	Rank
	Salaried	Self Employed	Professional	House wife	Student	Retired		
Bank Deposits	56	36	30	2	-	39	163	2
Life Insurance	65	36	26	-	-	34	161	4
Pension and Provident Fund	89	-	6	-	-	19	114	6
Mutual Funds	137	45	56	4	2	26	270	1
Postal Savings	45	27	5	-	-	13	90	8
Chit Funds	14	40	8	-	-	-	62	10
Real Estate	13	31	34	-	-	17	95	7
Gold	57	29	29	6	-	3	124	5
Equities	56	47	43	2	2	12	162	3
Bonds	21	16	19	-	-	12	68	9

Today, there are numerous avenues of investment available for parking the savings of working individuals. The above question was asked to examine preferred avenues of investments of the respondents and to gain insight about the preference for mutual

funds by these respondents. The data reveals that the most preferred avenue of investment by the respondents is mutual funds. This is followed by bank deposits and investments in equities.

Table 6: Perception of investors towards financial instruments

Factors	Highly favourable	Favourable	Somewhat favourable	Not very favourable	Not at all favourable	Total
a) Shares	50	158	90	62	24	384
b) Debentures	36	116	124	86	22	384
c) Mutual Fund	42	174	84	72	12	384
d) Bonds	30	84	110	140	20	384

Investors develop different perception about different types of financial instruments. A spate of factors influence the perceptual formation of investors and it varies with the change in the gravity of the factors under consideration. The respondents were presented with four unconventional avenues of investments and asked

to share their present perception about these instruments. The table shows that the respondents have relatively more favorable perception about the mutual fund compared to other three instruments. Thus, it implies that mutual funds are the relatively more preferred financial instrument among retail investors.

Table 7: Preference of Mutual Funds to other investment avenues

Occupation	Yes	No	Not Sure	Total
Salaried	125	40	7	172
Self employed	35	29	28	92
Professional	29	26	9	64
Housewife	5	2	1	8
Student	2	1	1	4
Retired	22	17	5	44
Total	218 (56.77)	115 (29.94)	51 (13.29)	384 (100)

Note: Figures in the parenthesis indicate percentages.

The table above directly measures the preference of investors under consideration for mutual funds. The data reveals that majority of the respondents (56.77%) prefer investment in mutual funds to other savings avenue. However, 29.94% of respondents say they do not prefer investment in mutual funds to other savings avenue, while 13.29% are undecided about this.

The above table shows that sizeable number of (67.97%) respondents prefer investment in open-ended schemes, the majority being the salaried employees. The remaining 32.03% of the respondents prefer investment in closed-ended schemes.

Table 8: Preference for Open ended and Close ended Mutual Fund

Occupation	Open ended	Closed ended	Total
Salaried	132	40	172
Self employed	55	37	92
Professional	38	26	64
Housewife	6	2	8
Student	3	1	4
Retired	27	17	44
Total	261 (67.97)	123 (32.03)	384 (100)

Note: Figures in the parenthesis indicate percentages.

Table 9: Preference for Mutual fund schemes

Scheme	No of Respondents	Percentage	Rank
Growth Schemes	93	24.22	II
Income Schemes	140	36.46	I
Balanced Schemes	54	14.06	III

Money Market Schemes	35	09.11	V
Tax-Saving Schemes	39	10.16	IV
Index Schemes	23	05.99	VI
Total	384	100.00	

The mutual fund organizations have designed variety of mutual fund schemes taking into consideration the needs of the investors. The different schemes serve different purposes of investment. A question was asked to gain insight about the most preferred mutual fund scheme by the investors. The study reveals that it is the

income scheme which is the first choice for the investors. The growth scheme stands second followed by balanced schemes. The study also reveals that it is the index scheme which is least preferred by the investors.

Table 10: Reasons for Investing in Mutual Fund

Reasons	I	II	III	IV	V	VI	VII	VIII
	a) Safety	6	240	90	38	32	16	15
b) Liquidity	2	12	8	30	180	12	8	28
c) Flexibility	4	10	6	20	24	90	85	156
d) Good Return	340	13	10	18	14	46	60	10
e) Tax Benefit	10	50	232	32	12	8	10	60
f) Capital Appreciation	6	23	14	190	80	28	16	8
g) Professional Management	5	4	12	24	22	170	30	40
h) Diversification Benefit	11	32	12	16	20	14	160	75
Total	384	384	384	384	384	384	384	384

The investment in mutual fund provides various benefits to the investors. The investors differentiate mutual fund from other avenues of investments on the basis of benefits they reap. The respondents were asked

to rank the benefits from 1 to 8. It is clear from the table above that earning good return has been ranked first followed by the safety of the investment. Flexibility has been given eighth rank by the respondents.

Table 11: Preference of Mutual fund Investors based on type of ownership

Occupation	Private	Public	Total
Salaried	112	60	172
Self employed	67	25	92
Professional	40	24	64
Housewife	6	2	8
Student	3	1	4
Retired	28	16	44
Total	256 (66.67)	128 (33.33)	384 (100)

Note: Figures in the parenthesis indicate percentages.

The above table and chart reveals that 66.67% of the respondents prefer to invest in private sector mutual fund while, the remaining 33.3% of respondents expressed preference for investment in public sector mutual fund. The results were cross tabulated to find out the association between the occupation and the type of ownership of the mutual fund. The Chi square test (p

value=0.204) rejects the null hypothesis that there is no significant difference between the occupational status and the preference of mutual fund investors based on type of ownership. Hence it is concluded that there is a significant difference between the occupational status and the preference of mutual fund investors based on type of ownership.

Table 12: Preferred feature in a mutual fund scheme.

Factors	No. of Respondents	Percentage
Diversification	112	29.17
Better return and Safety	144	37.50
Low risk and minimal transaction cost	44	11.45
Regular income	60	15.63
Tax benefit	24	06.25
Total	384	100

There are certain features in mutual funds that are advertised or promoted well by the mutual fund organizations to attract the investors. Some of these features were presented to the respondents to understand the prime factors of attraction from their perspectives. The study

shows that the important attraction for most of the respondents (37.50 %) is 'better return and safety' assured by the company. The other two important attractions for the respondents were 'diversification' (29.17%) and 'regular income' (15.63%).

Table 13: Preferred mode of investment of respondents

Occupation	One time investment	Systematic Investment (SIP)	Total
Salaried	55	117	172
Self employed	30	62	92
Professional	31	33	64
Housewife	2	6	8
Student	1	3	4
Retired	29	15	44
Total	148 (38.55)	236 (61.45)	384

Note: Figures in the parenthesis indicate percentages.

The above table reveals that majority of the respondents prefer systematic investment plan. The results were cross tabulated to find the association of occupation and the mode of investment. The chi square

test (p value= 199) rejects the hypothesis that There is no significant difference between the occupational status and the mode of investment

Table 14: Mode of purchase

Mode	Respondents	Percentage
Through an agent broker	212	55.21
Direct investing through an AMC	126	32.81
Online Purchase	46	11.98
Total	384	100

The study reveal that the preferred mode of purchase of mutual fund units is through an agent broker with a percentage of 55.21%.

The awareness about the mutual fund can be created through numerous sources. A few of these sources were presented to the respondents to understand how they

Table 14: Sources of Mutual fund awareness

Occupation	Advertisement	Banks	Financial Dailies	TV	Brokers/Agents	Total
Salaried	49	46	14	1	62	172
Self employed	18	4	10	20	40	92
Professional	11	2	16	13	22	64
Housewife	1	1	2	1	3	8
Student	1	0	1	1	1	4
Retired	10	5	8	9	12	44
Total	90 (23.43)	58 (15.10)	51 (13.28)	45 (11.72)	140 (36.46)	384 (100)

came to know about mutual fund schemes. The study reveals that the widely tapped source by the respondents is brokers/agents (36.46%) and

advertisements (23.43%). The other important sources are banks (15.10 %), newspapers (13.28%) and television (11.72%).

Table 15: Factors influencing Mutual fund selection

Factors	Highly important	Important	Somewhat important	Not very important	Not at all important	Total
a) Funds performance record	324	42	18	Nil	Nil	384
b) Funds reputation or brand name	244	102	24	14	Nil	384
c) Scheme's expense ratio	195	135	34	14	6	384
d) Scheme's portfolio of investment	242	96	30	16	Nil	384
e) Reputation of the fund manager/Scheme	204	136	36	8	Nil	384
f) Withdrawal facilities	178	152	36	18	Nil	384
g) Products with tax benefits	74	264	26	20	Nil	384
h) Entry and Exit Load	56	250	52	26	Nil	384
I) Minimum initial investment	114	264	6	Nil	Nil	384

There are many factors which influence the selection behavior of mutual fund investors. Based on the extensive review of literature undertaken, there are some important factors which have bearing on the mutual fund selection by the investors. The study reveals that most of the respondents consider almost all

factors presented to them as 'highly important' except the 'expense ratio' of the mutual fund scheme. It is evident in the table that 'funds performance record' and 'reputation' of the scheme are the two factors which are given highest attention by most of the respondents.

Table 16: Superiority of mutual fund over equity investing

Response	Respondents	Percentage
Yes	250	65.10
No	111	28.90
Do not Know	23	06.00
Total	384	100.00

The mutual fund and equity shares are the two very competent avenues of investments for the investors. Therefore, most of the times, it becomes difficult for the investors to make a choice between the two. Needless to say, that they have significant differences between

them. The table shows that majority of the respondents (65.10%) opine that mutual fund is the best alternative to equity investing. However, 28.10 % of respondents hold contrasting view on this, while 6% of the respondents are undecided.

Table 17: Perception of respondents about mutual fund investment

Statements	Yes	No	Do Not know	Total
a) Investment in mutual fund helps you realize the benefits of stock market investing	262 (68.23)	74 (19.27)	48 (12.50)	384 (100)
b) Mutual fund investing gives a definite positive return	196 (51.04)	165 (42.97)	23 (5.99)	384 (100)
c) Return of the principal amount invested in any mutual fund is assured	196 (51.04)	126 (32.81)	62 (16.15)	384 (100)
d) Entry and exit out of mutual funds is easy	176 (45.83)	128 (33.33)	80 (20.84)	384 (100)
e) Due to professional investment, a good return can be expected of mutual fund	258 (67.19)	54 (14.06)	72 (18.75)	384 (100)
f) Up and downs of stock market will not affect the return from mutual fund	126 (32.81)	228 (59.38)	30 (7.81)	384 (100)
g) There are many mutual fund schemes to meet the varied needs of investors	286 (74.48)	52 (13.54)	46 (11.98)	384 (100)

A few general statements about mutual fund investment were presented to the respondents to elicit their response. A close observation of the responses in the table leads to the conclusion that the view point of most of the respondents are in conformity with the general perception about mutual funds. However, 20.84% of

the respondents do not have any idea about entry and exit out of mutual funds, therefore are undecided on this. Moreover, 42.97% of respondents object to the statement that mutual fund investing gives a positive return.

Table 18: Risk profile of respondents

Risk Profile	Respondents	Percentage
a) Take necessary risk	84	21.88
b) Highly risk taking	54	14.06
c) Comfortable levels of risk	154	40.10
d) Risk averse	58	15.10
e) Extremely risk averse	34	8.86
Total	384	100.00

The investors differ in their attitude towards risk taking in mutual fund investment. The study reveals that most (40.10 %) of the respondents assume 'comfortable levels' of risk. It is interesting to know that 14.06% of

respondents are high risk takers. The table further shows that 15.10 % are risk averse investors and 8.86 % are extremely risk averse.

Table 19: Mutual Fund Investor Return Expectations

Factors	Respondents	Percentage
a. Maximum return	58	15.10
b. High Short term returns	45	11.72
c. Good, Steady return	166	43.23
d. Regular income rather than capital gains	70	18.23
e. Minimum return/Capital preservation	45	11.72
Total	384	100

The investors have differing expectations about return from their mutual fund investment. This depends on their needs and risk perception. The study reveals that most of the respondents (43.23%) expect good and steady return from their investment while 18.23% of respondents anticipate regular income instead of capital gains. Only 15.10 % of the respondents expect maximum return from their investment.

Finding

Following are the major findings that evolved from the study undertaken.

The study reveals that most of the respondents undertake investment in financial instruments with a primary objective to 'earn high return' followed by providing funds for the education of the children.

The study reveals that majority (56.77%) of the respondents prefer investment in mutual funds to other avenues of savings and a sizeable number of (67.97%) respondents prefer investment in open-ended mutual fund schemes.

The study reveals that the income scheme is the first choice for of the respondents. The growth scheme stands second, followed by balanced schemes. The study also reveals that it is the index schemes is least preferred by the investors.

The study reveals that 66.67% of the respondents prefer to invest in private sector mutual fund while, the remaining 33.33% of respondents expressed preference for investment in public sector mutual fund.

The study shows that the important attraction for most of the mutual fund investors

is 'better return and safety' assured by the company. The

other two relatively important attractions for the respondents are 'diversification' and 'regular income'

The study reveals that 61.45 % of the respondents prefer systematic investment plan(SIP) and the remaining 38.55 % prefer to make one-time investment.

The study reveals that the most preferred mode of purchase of mutual funds by the respondents is through an agent/broker, followed by direct investment through an AMC.

The study reveals that the widely used source by the respondents to become aware of mutual funds is brokers/agents and advertisements.

It is evident from the study that 'funds performance record' and 'reputation' of the scheme are the two factors which are given highest attention by most of the respondents while making purchase decision.

The study depicts that majority of the respondents opine that mutual fund is the best alternative to equity investing. The study reveals that most of the respondents assume 'comfortable levels' of risk in mutual fund investment and expect good and steady return from their mutual fund investment.

Suggestions

Investors should identify mutual fund schemes that offer better return and safety.

Systematic investment planning is better for investors.

Investors should accord highest importance to fund's performance record' and 'reputation' while investing

Mutual fund is the best alternative to equity investing for retail investors as the fund managers have more

knowledge of stock markets

Conclusion

Mutual Fund industry in India has a large untapped market. There is a great potential for this industry as more people are falling back on professional management of their funds at low cost and minimum risk. This market potential can be tapped by closely scrutinizing investor behaviour to identify the expectation. Presently, as more and more funds are entering the industry, strategic marketing decisions of these companies are vital for their survival. Apart from other mutual fund companies, these companies also face competition from saving instruments with varied risk-return combination. Investors have become more alert and choosy. Hence, the success of a mutual fund depends on complete understanding of the psychology of the small investors.

This study was undertaken to understand the psychology of retail investors. The study has brought out some useful findings about the perception and approach of retail investors towards mutual fund. The study shows that the small investors have a positive perception about mutual fund investment but are very cautious. They conduct a thorough study of the mutual fund before investment. They examine performance of the fund and also look into the reputation of the mutual fund house. They look for good and steady return and wish to assume comfortable levels of risk. These findings of the study give a clear message to the mutual fund houses that they can attract the small investors' only through their fund performance and not through any tall or exaggerated claims. To conclude, the retail investors, today are reasonably well informed of the developments in the mutual fund industry and are very cautious when making investment decisions.

References

Gupta, P., and A. Gupta,(2004.) "Performance

Evaluation of Select Indian Mutual Fund Schemes: An Empirical Study." The ICFAI Journal of Applied Finance, December: 81-98.

K.Lakshmana Rao (2011), "Analysis of Individual Investors' Behaviour towards Mutual Fund Schemes", Journal on Banking Financial Services and Insurance Research, .1(7):65-78

MeenuVerma. (2008). "Wealth Management and Behavioral Finance: The Effect of Demographics and Personality on Investment Choice Among Indian Investors." ICFAI Journal of Behavioral Finance, 5(4):31-57.

Rajeswari, T. R., and V. E. Rama Moorthy (2001) An Empirical Study on Factors Influencing the Mutual Fund/Scheme Selection by Retail Investors. Retrieved on January 25, 2015 from <http://www.utiiicm.com/Cmc/PDFs/2001/rajeswari.pdj>

Ravinder Kumar and Abhijeet Chandra (2010), "Selection Behavior of Individual Investors: Evidence from Mutual Fund Investment", The Journal of Capital and Financial Services, 4(1):12-27

SoumyaSaha and MunmunDey (2011), "Analysis of Factors Affecting Investors' Perception of Mutual Fund Investment", The IUP Journal of Management Research, 10(2):23-44

Singh, Chander, (2004) "Performance of mutual funds in India – an empirical evidence", ICFAI journal of applied finance December, 1(4): 81-98.

Singh, Y. P., and Vanita, (2002)"Mutual Fund Investors' Perceptions and Preferences-A Survey." The Indian Journal of Commerce, 55 (3):8-20.

SyamaSundar, P. V., 1998, "Growth Prospects of Mutual Funds and Investor perception with special reference to Kothari Pioneer Mutual Fund", Project Report, Sri SrinivasVidya Parishad, Andhra University, Visakhapatnam.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.