
Factors Influencing Investor's Perception Towards Mutual Funds In Tamil Nadu: A Study

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Abstract: In India, retail investors generally depend on the information that provides neither inflation hedges nor positive absolute returns. Millions of investors have acquired new insights thanks to mutual funds, which have taken investment to their doorstep. A mutual fund is an investment vehicle that pools money from several different investors and invests it in stocks, shares, short-term money market instruments, other securities or properties, or a combination of these. The primary motivation for investing in mutual funds is to earn a decent return with low risk. As a result, mutual fund success is largely the result of skilled fund managers' combined efforts and diligent investors. It is critical to understand mutual fund investors' needs and their preferences for mutual fund schemes, and their performance assessment in the current environment. This research aims to examine how investors in Tamil Nadu perceive mutual funds as an investment choice. A survey of over a hundred professional Tamilnadu investors is currently underway. A structured questionnaire was used to collect data, and descriptive statistical methods such as demographic analysis with simple percentages, rotation component matrix, and ANOVA test were used to analyze it. According to the results, age and marital status have no impact on investors' perceptions of mutual funds. Furthermore, factors such as benefits, Convenience, and reputation influence investors' purchasing behaviour. The research would benefit academics, market researchers, institutional investors, traders, distributors, and other potential investors.

Keywords: Mutual Fund, Investment Options, Investors' perception, Investment Factors

INTRODUCTION

In this era of globalization and competition, stocks' productivity is currently calculated by the industry's performance. Investors also like to invest only in the stock of companies from which maximum gains can be made. The growth of mutual funds has been prolonged since it began in emerging economies such as India, and progress towards the new mutual funds has taken a long time. The idea has been developed over the years, and investors have acquired an ever-increasing number of investment options through mutual funds. In the 18th century, mutual funds began initially as an investment avenue in the Netherlands, then in Switzerland, Scotland, and then in the United States in the 19th century. The idea of mutual funds came into being in India in 1960. The pioneer of Indian mutual funds is UTI.

Mutual Fund is considered a good investment option because it lets investors save and diversify their investments to a moderately priced stock portfolio. The core idea behind mutual funds is the need for a diversified investment solution and risk. Besides, small amounts of money can also be invested in the portfolio. It is continually evolving into a superior future that brings new opportunities to small investors. Any person with surplus money may invest in different mutual funds after their regular expenses have been met.

Investors had no investment opportunities in the early years of the growth of mutual funds. But modern stock market growth has provided investors with several options to invest their funds as needed. Various investors have different MFI objectives, and other types of MFIs have been developed. Investing in mutual funds is one of those networks. Over time, several new mutual funds have emerged. This, too, has changed the strategies and methods of selling these funds over time. However, the growth of the mutual fund has not stopped. Mutual funds have expanded exponentially in recent years. This research paper seeks to examine various factors influencing the perception of Tamilnadu investors.

NEED FOR THE STUDY

This research work was proposed to analyze and recognize key investor behavioural influences in selecting mutual funds. In previous research, there were several ways to study and interpret recent changes in investor behaviour and perception concerning demographics, investment targets, initial investment, etc., in terms of

investor perception. Existing literature disclosures show that investors raise consciousness and seek more and more information for sound decision making. To update the information, a study of this aspect is needed

REVIEW OF LITERATURE

There are several behavioural finance research studies available, and There is still a lack of understanding of investor preferences, desires, attitudes and behaviour. The fund sponsor's status, the fund's quality, the factors influencing the mutual fund and the selection of specific schemes, and so on, are all covered extensively in the literature on the mutual fund. Despite the lack of research, few indications of the relative importance of the different perception-influencing variables. Here is a rundown of some of the essential facts.

(Duggimpudi, Abdou, & Zaki, 2010) They found that investors have more excellent prospects in second and third-tier cities in India. There are now several types of Indian mutual funds available and the traditional ones that try to provide investors with tax savings and higher returns. (Saini, Anjum, & Saini, 2011) studied the mutual fund's investment concerning the actions of the investor in their research analysis. Various aspects have been discussed about mutual fund investors, such as the investment advisors' goals, lack of market information given by financial planners, and the many ways investors can make mistakes. This research (Sharma, 2012) tried to ascertain why mutual funds were ignored as an investment option to attract an investor with different characteristics. Three factors named as fiduciary factors have been investigated: loyalty, encouragement and monetary attributes. Expect results to help mutual fund companies tailor their offerings to Indian investors. (Roy & Ghosh, 2012) the study found that they are not part of current fund management services and products and part of a new strategy. The management of the fund consists of the Registrars and the various underwriters. The company's capital has been focused on recession-proof sectors such as FMC, pharmaceuticals, and technology. The amount of dollars is close to one trillion (Vyas, 2012) As a result of mutual fund investment in the market, capital markets are becoming more and more complex, and investors can choose from a variety of financial products to create a creative portfolio that meets their investment objectives. Therefore, it is essential to understand investors' reasoning, ideas, preferences, and aspirations about mutual funds.

(Rathnamani, 2013) They have been studied to understand the attitudes, knowledge and desires of mutual fund investors. Most of the respondents preferred systematic investment strategies and received their knowledge from banks and financial consultants. Investors favoured mutual funds primarily for competent fund management and better returns and judged funds, especially by Net Asset Values and past results. The view of the investor has also been focused on by numerous researchers. (Rajasekar, 2013) Study to understand better investor perceptions regarding their profile, savings, investment priorities, and behaviour. A variety of variables have been investigated to understand the bias of the investor. A large sample of 150 was used for population surveys. The data were analyzed using chi-square regression, weighted average percentage. It was inferred from these findings that investors are equally concerned about security and growth/returns. Mutual funds are the investment of choice for most of the respondents. As (Kaur, Batra, & Anjum, 2013) asked investors for their views on selecting mutual funds, 200 investors were interviewed. The study results showed that investors considered mutual funds to be flexible investments and complex asset management. The study claims that long data, fund fees, age, and duration may be factors investors should consider. (Kumar, 2014) Investment decision means that the investor has determined where, how and when to invest in mutual funds and other instruments to produce income or raise capital. Thus, investment decisions are characterized by decisions made by individual investors. Studies have shown that these kinds of choices are made based on how we behave. This will allow investors to make an informed decision and avert error.

(Shukla & Kukreja, 2014) Different studies show that UTI is primarily dependent on the likes and dislikes of investors. Investor methods have been explored by evaluating investor expectations and temperaments. The trading activity is easy and very risky. Investors are all trying to see what their fellow investors are doing so that one can stay abreast of the herd. (Bharti, Agrawal, & Sharma, 2015) Investors looked at the preferential reasons for investment in mutual funds. The survey was conducted in the city of Udaipur City. The main findings revealed that the main factors affecting purchasing behaviour are capital appreciation, brand image, fast service and transparency. (Muthukrishnan, 2016) Suggestions and opinions of investors have been investigated to formulate new investment strategies for the fund, which would help a more significant number of clients. The fund industry is struggling with a shortcoming in different areas.

Financial advisors' role is also being changed to meet the demands of the Indian mutual fund industry. (Reddy & Sudhakar, 2016) Evaluated investor views on the mutual fund outcome, the study will investigate whether people in Hyderabad and Secunderabad's twin cities believe that investing in mutual funds is feasible. Simple random sampling will be used to obtain the necessary data. (Goel & Khatik, 2017) Mutual funds are an investment option for investors. Investors seem to be well aware of mutual funds, but despite this, few are making a trip to the stock market, the fund. The study argues that firms and consultants should promote financial literacy and awareness of mutual funds among investors to help companies and governments. Various demographic studies have been conducted to draw the same conclusions. (Pandey, 2017) The mutual funds

have a higher return on capital, and the portfolio manager's reinvested gains would enable its fund managers to keep up to date. Investment in mutual funds is recommended for long-term investors.

The performance of any mutual fund depends on the risk-to-return ratio. Most of the studies indicate the Indian investors' scenario for a mutual fund. However, no research has been found to examine investors' investment preference for the mutual fund in Tamilnadu.

OBJECTIVES OF STUDY

- ✓ To Analyzing investor perceptions of investment in mutual funds.
- ✓ To Identify factors influencing investors perception towards mutual funds.

RESEARCH METHODOLOGY

This present research is entirely descriptive. The purpose of this study is to examine the perception of investors towards a mutual fund in Tamilnadu. To obtain the necessary information, information was obtained from primary and secondary sources. The Primary data were collected from 124 respondents via a standardized questionnaire covering various classes of investors geographically, demographically, etc., in Tamilnadu. These data are collected using the online survey system. Since the sample was chosen based on prefixed characteristics, as only investors of mutual funds were selected for data collection and considered the analysis's objectives, an objective sampling technique was applied for sample selection. Secondary data consists of various recognized journals, periodical papers, monthly magazines, studies, research work by SEBI (Security and Exchange Board of India), AMFI (Association of the Mutual Fund of India) and RBI (Reserve Bank of India) was used. Data were categorized, tabulated and processed in an ordered manner and then analyzed using the Varimax rotation. The rotation component matrix and ANOVA test were used as a statistical instrument using the IBM SPSS version 22.

ANALYSIS AND INTERPRETATION

The demographic analysis may be used to assess the measurements and dynamics of survey respondents. These forecasts are often used as a standard for evaluating the accuracy of population data collected during the study period. The population composition is also an essential aspect of research, especially in the context of factor analysis. Data spanning hundreds of years isn't always beneficial since the number of people for which the data is available lacks the necessary details. A lack of information about the initial data collection procedures will impede data quality evaluation. To avoid any data analysis problems, a detailed demographic analysis was performed. Data has been collected for a total of 124 respondents.

Table 1 : Demographic Analysis

Basis	Category	No. of Respondents	Percent
AGE	18-25	34	28
	26-40	49	39
	41-60	32	26
	Above 61	09	07
GENDER	Male	78	63
	Female	46	37
	Others	-	00
EDUCATION	Graduation	94	76
	Post-Graduation	24	19
	Doctoral	06	05
OCCUPATION	Government employees	20	16
	Private Sector employees	62	50
	Professional	03	02
	Business	23	19
	Others	16	13
INCOME	Below Rs 20,000pm	12	10
	Rs 20,001 – Rs 40,000pm	73	59
	Rs 40,001 pm & above	39	31
MARITAL STATUS	Married	112	90
	Unmarried	12	10
SOURCE OF INCOME	Own savings	69	55
	Borrowings	10	08
	Both	45	37

INVESTMENT EXPERIENCE	Less than three years	67	54
	3-5 years	41	33
	5 years & above	16	13
INVESTED AMOUNT	Below Rs. 1 lakh	44	35
	Rs. 1 lakh - Rs. 2 lakhs	55	44
	Rs. 2 lakhs & above	25	21
CATEGORY OF INVESTOR	Long - Term Investor	82	66
	Day Trader	44	34

Author's Calculation

The classification of different bases is shown in Table 1. Age was divided into four subcategories, with 34 respondents being between the ages of 18 and 24, 4 respondents being between the ages of 26 and 40, 32 respondents being between the ages of 41 and 60 and 9 respondents age of 61. Around 39% of the population is in their forties and fifties. There were 78 male and 46 female respondents based on gender, with no others in this category, implying that approximately 63 percent of respondents are male. They are more interested in investing with mutual funds. Undergraduate, postgraduate, and doctoral levels of education are the three levels of education. Ninety-four respondents were undergraduates, 24 respondents were postgraduates, and six respondents were doctoral candidates. Our respondents are mainly undergraduates who have a limited understanding of the market and mutual fund investments. Based on occupation, there are five categories: government workers, private sector employees, professionals, businessmen, etc. 20 respondents are government employees, 62 respondents who are private employees, three who are professionals, 23 who are doing business as a partnership, and the remaining 16 who are from other groups, which means that approximately half of the respondents are private employees who have more responsibility for potential fund savings. Just 12 respondents are classified as having a meagre income, 73 respondents are classified as having a middle income of about \$40,000, and 39 respondents are classified as having a high income. Sixty percent of those who responded are from the middle class. The source of revenue is further classified into three types: personal investments, borrowing funds, and both. Sixty-nine respondents use their own money as their source, ten use borrowed funds only, and 45 use both sources. Respondents are conservative in their investment systems, suggesting that they do not want to take too much risk with borrowed funds. There were 67 respondents with less than three years of experience in terms of investment experience, 41 with three to five years of experience, and the remaining 16 with more than five years of experience. According to data, most investors are new to the market and are interested in mutual fund investments. According to the sum invested, 55 respondents (approximately 44 percent) fall into the one to two lakhs investment per annum band. Finally, because of the essence of the transaction, the majority of them are for long-term gains. Approximately 66 percent of respondents say they only want to invest for the long term.

Table 2: Anova Test Investors perception about the mutual fund by the various dependent variable

Basis	Sum of squares		df		F	Sig
	Between Groups	Within Groups	Between Groups	Within Groups		
AGE	00.005	46.362	2	122	0.003	0.968*
GENDER	01.298	45.069	1	123	11.053	0.003
EDUCATION	10.179	36.188	1	123	7.649	0.021
OCCUPATION	03.971	42.396	1	123	9.458	0.000
INCOME	16.239	30.128	1	123	5.398	0.001
MARITAL STATUS	0.045	46.322	2	122	0.048	0.875*
SOURCE OF INCOME	07.456	38.911	1	123	14.529	0.002
INVESTMENT EXPERIENCE	14.698	31.669	2	122	7.628	0.000
INVESTED AMOUNT	03.128	43.239	1	123	4.967	0.001
CATEGORY OF INVESTOR	06.896	39.471	1	123	4.656	0.015

Author's Calculation

Table 2 depicts investors' views of mutual funds using ANOVA to analyze variation within and between groups. It was measured using different variables. Investor Perception is regarded as an independent variable, while other factors are considered to be dependent variables. According to the findings of this analysis, age and

investor perception, ANOVA results shows that $F(2,122)=0.003$ and the likelihood value $p=0.968$, which is greater than the 5% level of significance, indicating that the null hypothesis fails to be rejected and that age and investor perception have no substantial effects. Similarly, the ANOVA result for marital status and perception revealed that $F(2,122)=0.048$ and the P-value is 0.875, indicating that the null hypothesis fails to be rejected and there is no effect of marital status on investor perception. However, other than these two variables, all other P-values are less than the 5% level of significance, implying that we must reject the hypotheses and consider the alternative, suggesting that there is a significant effect on investors' perceptions of mutual fund investments. The Kaiser-Meyer-Olkin (KMO) test was used to determine the factor analysis technique's suitability based on sample results.

Table 3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.784
Bartlett's Test of Sphericity	Approx. Chi-Square	846.296
	df	116
	Sig.	0.000

Author's Calculation

Table 3 shows that the Kaiser-Meyer-Olkin (KMO) value is 0.784, indicating that the sample is sufficient to run the factor analysis technique. The data yields a chi-squared statistic value of 846.296 and a significance value of 0.000, suggesting that the values are independent and multicollinear. Higher communalities are preferable. All of the communality values are greater than 0.5. If a variable's communality is low (between 0.0-0.4), the variable will fail to load significantly on any factor. As a result, all of the variables in this analysis are substantially loaded on factors.

Rotation methods are divided into two types: orthogonal and oblique. Simply put, orthogonal rotation approaches are based on the assumption that the variables under consideration are unrelated. Varimax rotation is a mathematical technique that allows you to represent a complex subspace using just a few significant artefacts. The total variance explained is the percentage ratio of the variance accounted for by and factor to all variables' entire conflict. The rotational component matrix also referred to as the loadings, is the principal component analysis's primary output. It includes correlation coefficients for each variable as well as approximate components. The results of the Rotated variable matrix are as follows:

Table 4: Rotated Component Matrix

Basis	1	2	3
Tax Benefits	.746		
Liquidity benefits	.656		
High Return Benefit	.648		
Capital Appreciation	.629		
Dividend benefit	.612		
Price		.739	
Minimum Investment		.724	
Transparency		.630	
Quick Service		.618	
Understandable			.751
Brand Image			.696
Redemption Facility			.638

Author's Calculation

The rotated component matrix in Table 4 shows that the first factor has five variables with factor loadings greater than 0.5, while the second and third factors have 4 and 3 variables, respectively. A total of 12 variables were classified into three factors based on their inter-item associations.

Table 5: Factor Analysis Results

Factor1:Benefit	Factor2: Convenience	Factor3:Reputation
1. Tax Benefits	6. Price	10. Understandable
2. Liquidity benefits	7. Minimum Investment	11. Brand Image
3. High Return Benefit	8. Transparency	12. Redemption Facility
4. Capital Appreciation	9. Quick Service	
5. Dividend benefit		

Table 5 lists all of the known factors as well as their underlying variables. This also shows that all variables within the factor are homogeneous, while all variables are heterogeneous. The first category includes tax benefits, liquidity benefits, high return benefits, capital appreciation benefits, and dividend benefits. The second factor focusing on Convenience is the price, minimal expenditure, transparency, and fast service. Understandable, Brand Name and Redemption Facility are all part of the final group focused on Reputation.

CONCLUSION

The securities market is the best game in town for generating wealth from the comfort of one's own home, but only if the portfolio is tracked and diversified regularly. Like all other portfolio management methods, stock monitoring is necessary because placing all of one's eggs in one basket is not a good idea. Investors also have a wide range of investment options, such as equities, futures, mutual funds, and so on. In India, the mutual fund industry is growing, with more new funds being added each year. Information technology has emerged in terms of usability, variety, diversification, liquidity, and tax advantages. It is also simple to buy and sell through a broker or on the open market. The study's demographic composition shows that several demographic factors such as age, gender, education, occupation, an investment source, investment period, and so on influence investors' perceptions of mutual fund investments. According to the demographic composition, age and marital status have no impact on investors' views of mutual fund investments. The majority of respondents are middle-class private employees who use mutual funds as their primary investment vehicle to gain a high rate of return. Young investors are thought to be more interested in such jobs because they can help them build a more prosperous future. Furthermore, the study's findings concentrated on the factors that affect an investor's perception. The variables that have the most significant impact on investor perception are incentives, creditability, and Convenience, including tax, liquidity, return-based, capital appreciation, dividend benefits, price, service, brand name, ease of understanding, and redemption facility families.

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