# INVESTORS KNOWLEDGE AND EXPECTATION ONMUTUAL FUND INVESTMENTWITH SPECIAL REFERENCE TO INVESTORS IN CHENNAI CITY – AN ANALYTICAL STUDY

**S. Prasanna Kumar*  Dr. T. Joseph****
**Research Scholar, Bharathiar University, Coimbatore.*
***Associate Professor, PG & Research Department of Commerce, Loyola College.*

***Abstract***
*Modern day investors want more from what they invest. Investors have lot of investment avenues where they can invest in and can earn more. Investment gives attractive return at time of progression vice versa at the time of depression. One such type of investment that is expected to give sufficient returns and considered less risky is Mutual Funds. This research is carried out to identify what is expected out of Mutual Fund investment, type of control measure taken by investor to avoid or reduce risk and to find out whether investors have knowledge about the mutual fund investment made by them. A careful review of the past literatures was reviewed to understand the kind of research done relatively to this topic. There have been various researchers who said that there are ways to measure risk, return on a portfolio. This research was carried out to identify what is expected from mutual fund investment, knowledge level and holding period of investmentmade by investors in Chennai. A Questionnaire was framed with utmost care and the data's collected were scrutinized using SPSS package. The respondents expect to earn a higher rate of return and felt that their investment or saving is made to secure them financially. Some investors have thorough knowledge and are aware that investment in mutual funds are less risky and provides good control over the money invested.*

***Key words:- Investment Avenues, Expectation, Holding Period, Financial Security.***

## Introduction

Investment is an activity, which is engaged by people who make savings before spending them, i.e. investments are made from saving, or in other words, people invest their savings. But all individuals who save cannot be called as investors. Investment is an activity which is different from saving. If one person has advanced some money to another,he may consider his loan as an investment. He expects to get back the money, along withinterest at a future date. Another person may consider purchasing one kilogram of gold for the purpose of price appreciation as an investment. Some people considerpurchasing an insurance policyfor a promising financial future. In all these cases, investment involves employment of funds with theaim of achieving additional income or growth of funds invested. The essential quality of aninvestment is that, it involves waiting for a specific time period to get rewarded out of the investment made. Investment involves the regular commitmentof resources which are being saved on the hope that some benefits will accrue in future.Expectation in the nature of return is an essential element of making an investment.Since the return is expected to be realized in future, there is a possibility that the returnactually realized is lower than the return expected to be realized. This possibility of variation in the actual return is known as investment risk. Thus, every investmentinvolves return and risk.

There are various types of Investment options available to an Investor. The varies type of investment avenues can be categorized as to (i) Non Marketable Fixed Income Avenues (which includes investing in Bank Term Deposit, Corporate Fixed Deposit, Provident Fund including Public Provident Fund, NSC); (ii) Marketable Avenues (includes investments than can be made in Equity Shares, Preference Shares, Fully Convertible Debentures, Non-Convertible Debentures, Bonds, RBI's Tax Free Bonds, Gilt Edged Securities, Private Equity and Venture Capital); and (iii) Other Avenues such as Units of Mutual Funds, Life Insurance, Non-security forms of investment, real estate and Money Market Instruments). It cannot be understood that a lay individual investor can have knowledge about all the various investment avenues. Each and every type of investment carries its own advantages and disadvantages. As this research focuses more about investors' knowledge and expectation after having invested in Mutual Funds, the following are the expectations which an investors' expects from his Mutual Fund investment:-

- **Beat Inflation -** Mutual Funds help investors generate better inflation-adjusted returns, without spending a lot of time and energy on it. While most people consider letting their savings 'grow' in a bank, they don't consider that inflation may be nibbling away its value.Suppose if an individual have Rs.500 as savings in his bank today. This can be used to buy about 25 bottles of water. If his bank offers 10% interest p.a., so by next year the individual may have Rs.550 in his bank. However, inflation that year rose by 10%. Therefore, one bottle of water costs Rs.22. By the end of the year, with Rs.550, he will not be able to afford 20 bottles of water anymore.Mutual Funds provide an ideal investment option to place his savings for a long-term inflation adjusted growth, so that the purchasing power of his hard earned money does not plummet over the years.

IJBARR
E- ISSN -2347-856X
ISSN -2348-0653

- **Expert Managers -** Backed by a dedicated research team, investors are provided with the services of an experienced fund manager who handles the funds based on the performance and prospects available in the market to achieve the objectives of the mutual fund scheme.
- **Convenience -** Mutual funds are an ideal investment option when looking at convenience and timesaving opportunity. With low investment amount option, the ability to buy/sell them on any business day and a multitude of choices based on an individual's goal and investment need, investors are free to pursue their course of life while their investments earn for them.
- **Low Cost -** The biggest advantage for any investor is the low cost of investment that mutual funds offer, as compared to investing directly in capital markets. Most stock options require significant capital, which may not be possible for young investors who are just starting out. Mutual funds, on the other hand, are relatively less expensive. The benefit of scale in brokerage and fees translates to lower costs for investors.
- **Diversification -** Going by the adage, 'Do not put all your eggs in one basket', mutual funds help mitigate risks to a large extent by distributing your investment across a diverse range of assets. Mutual funds offer a great investment opportunity to investors who have a limited investment capital.
- **Liquidity -** Investors have the advantage of getting their money back promptly, in case of open-endedschemes based on the Net Asset Value (NAV) at that time. Investors can invest their money in close ended only if the fund is open for investment. The only way to exit or redeem such fund is by selling the funds on the stock exchange, though it is often at a discount to its Net Asset Value.
- **Higher Return Potential -** Based on medium or long-term time period, mutual funds have potential to generate higher return, as one can invest in diverse range of sectors/industries.
- **Safety & Transparency -** Fund managers provide regular information about the current value of the investment, along with their strategy and outlook, to give a clear picture of how your investments are doing. Moreover, since every mutual fund is regulated by SEBI, one can be assured that their investments are managed in a disciplined and regulated manner and are in safe hands. Every form of investment involves risk. However, skillful management, selection of fundamentally sound securities and diversification can help reduce the risk, while increasing the chances of higher returns over time.

**Review of Literature**

**GauravAgrawal& Mini Jain (2013)** outlined that in today’s competitive environment, different kinds of investment avenues are available to the investors. All investment modes have advantages & disadvantages. An investor tries to balance these benefits and shortcomings of different investment modes before investing in them. Among various investment modes, Mutual Fund is the most suitable investment mode for the common man, as it offers an opportunity to invest in a diversified and professionally managed portfolio at a relatively low cost. In this paper, an attempt is made to study mainly the investment avenue preferred by the investors of Mathura, and we have tried to analyze the investor’s preference towards investment in mutual funds when other investment avenues are also available in the market.**Tarak Paul (2014)** made an effort to find out the Customer Communication Dimension of Marketing Mix - A Review of Gap between Mutual Fund Investors’ Expectation and Experience. It was clear from his study that there exists a high degree of expectation from mutual fund investment from customer communication dimension of marketing mix. The degree of perceived experience from mutual fund investment from customer communication dimension of marketing mix is on the lower side when compared with the degree of investors‟ communication expectation. Investors experienced lack of sufficient education required for investment and finds it difficult in understanding all the contents of the application form. The significant gap between the degree of expectation and degree of experience is indicative of the fact that there is a lot of scope for improvement in the area of customer communication. Identification of investors‟ communication needs and delivering them accordingly will surely be a right direction to minimize the gap. Investors‟ awareness and education should be seriously taken care of as a priority is sue. Marketers, agents and brokers have to make mutual fund investment clearly understandable and hassle free. This study leaves scope for further research in the areas of measuring level of customers‟ expectation and level of customers‟ experience gap in the other dimensions of marketing mix.**PoojaChaturvedi Sharma &AnoopPandey (2014)** An interesting fact is that a big part of investors who arestill confused about the mutual funds and have not formed anyattitude towards this particular form of investment as they lackawareness about various functions of mutual funds. Gender,income, age, and level of education have significantly influenced the investor’s attitude towards mutual funds. On theother hand, factor like occupation has not been found toinfluence the attitude of investors’ towards mutual funds. Lack ofconceptual Awareness, expertise they stay away from thisinvestment avenue. For achieving heights in the financial sector,the mutual fund companies should formulate the strategies insuch a way that helps in fulfilling the investors’ expectations.They added that the main task before the mutual fund industry isto convert potential investors into reality investors as people inmetro cities have considerably high levels of awareness but thechallenge lies in small cities.**BajpaiSaurab& Ali Anis (2016)** undertook to study the risk opportunities and returns for investors in Mutual funds portrayed that People who lie under the age group of 36-40 have more experience and are more interested in investing in Mutual Funds. There was a lot of lack of awareness or ignorance, that's why out of 100 people, 75 people have invested in Mutual Fund and 25 people are unaware of investing in Mutual Funds. Generally, People employed in Private sectors and Businessman is more likely to invest in Mutual Funds, than other people working in other professions. Generally investors whose monthly income is above Rs. 20001-30000 are more likely to invest their income in Mutual Fund, to preserve their savings of at least more than 20%.People generally like to save their savings in Mutual Fund, Fixed Deposits and Savings Account. Many people came to know about Mutual Fund from Financial Advisors, Advertisement as well as from their Peer group, and they generally invest in the Mutual Fund by taking advices from their Legal Advisors. Investors generally like to invest in Large Cap Companies like Reliance, SBI, etc. to minimize their risk. The most popular medium of investing in Mutual Fund is through SIP and moreover people like to invest in Equity Fund though it is a risky game. The main Objective of most of the Investors is to preserve their Income. The study conducted shows that most of the investors are aware of various schemes of mutual funds. The Mutual Fund investors mainly belong to the Diversification of portfolio and tax benefit is the main factors of mutual fund that allure the investors.**Priti Mane (2016)** made a study on investors' perception towards mutual funds in the city of Aurangabad. The objective which is set to study the investors view towards mutual fund as per the sample size and test which is applied to the study depicts that investors are not choosing or feeling confident in investing in mutual fund because they think that mutual fund is risky than other investment option. The awareness level of mutual fund among the investors are very low because of only having the partial knowledge about the mutual fund which prevent them to invest in mutual fund to avoid risk bearing factor and fear of losing money.The aforesaid reviews were vital in framing the objectives of this research for making a better understanding on the level of knowledge and what investors expect from their investment in mutual fund.

**Objectives of the study**

The following are the objectives for this research:

1. To study about the level of knowledge about investment in Mutual Fund;
2. To study the what do investors expect from Mutual Fund Investment;
3. To study the holding period of investment made by Mutual Fund investors;
4. To draw conclusions based on the knowledge, expectation and holding period.

**Research Methodology**

This research paper is aimed at finding out what is expected by the investors from their investments in mutual funds and to find out whether they have sufficient knowledge about the same. This research is also aimed at finding out the duration which the investors hold their investment. This small research was carried out by collecting data through properly framed questionnaire.

**Sample Size:**The sample size is 120mutual fund investors dispersedover some parts of Chennai.

**Data Collection Method:**Primary Method - Questionnaire was circulated among individuals who were spread across the city and their responses were recorded in the same questionnaire sheet.Convenience sampling method was adopted to generate responses on the questionnaire.

**Data Analysis Tools:**The research was carried out using only two tools namely Percentage analysis for demographic variables and Chi-Square Test which was determined using Statistical Package for Social Science (SPSS) Version 20.

**Table No.1 Sampling Distribution**

| Demographic Variables | No. Of Respondents | | | In % | | |
|---|---|---|---|---|---|---|
| | Men | Women | Total | Men | Women | Total |
| **Gender** | 96 | 24 | 120 | 80 | 20 | 100 |
| **Age Group -** 25 Years – 34 Years | 25 | 8 | 33 | 20.83 | 6.67 | 27.5 |
| 35 Years – 44 Years | 42 | 11 | 53 | 35.00 | 7.2 | 44.2 |
| 45 Years – 54 Years | 20 | 5 | 25 | 16.67 | 4.13 | 20.8 |
| Above 55 Years | 9 | 0 | 9 | 7.50 | 0 | 7.5 |
| | 96 | 24 | 120 | 80 | 20 | 100 |
| **Occupation -** Private Sector | 34 | 12 | 46 | 28.33 | 9.97 | 38.3 |
| Public Sector | 21 | 7 | 28 | 17.50 | 5.80 | 23.3 |
| Self Employed | 23 | 3 | 26 | 19.17 | 2.53 | 21.7 |
| Professional | 18 | 2 | 20 | 15 | 1.70 | 16.7 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | 96 | 24 | 120 | 80 | 20 | 100 |
| **Income Level -** `1,50,001 – 3,00,000 | 24 | 7 | 31 | 20 | 5.80 | 25.8 |
| `3,00,000 – 5,00,000 | 46 | 14 | 60 | 38.33 | 11.67 | 50.0 |
| Above `5,00,000 | 26 | 3 | 29 | 21.67 | 2.53 | 24.2 |
| | 96 | 24 | 120 | 80 | 20 | 100 |

Source: Primary Data

It is evident from the above table that 80% of the respondents investing in mutual funds are male who gave their responses with ease and many female respondents showed reluctance in answering the questionnaire. As far as the age of the respondents is concerned, it can be understood that 72.5% of the investors are in the age above 35 years which is very crucial for any individual as investment thought processis given utmost importance and respondents below 55 years of age are found very less.Investing in mutual funds is a good idea for any individual especially for individuals other than public sector as there is a general perception that public sector employees are less vulnerable to taxation and is evidenced from the above table as only 28 investors out of 120 belong to public sector. It can be understood that 74.2% of the respondents investing in mutual funds were found to be earning more than INR 3,00,000.

**Hypothesis 1**
$H_o$ = There is no significant association between the age of investors and their knowledge level with regard to investment.

**Table No.2 Chi-Square test between Age and Knowledge level of Investors**

| Chi-Square Test | | | |
|---|---|---|---|
| | **Value** | **Df** | **Asymptotic Significance(2-sided)** |
| Pearson Chi-Square | 33.175[a] | 9 | .000 |
| Likelihood Ratio | 40.649 | 9 | .000 |
| Linear-by-Linear Association | 9.660 | 1 | .002 |
| N of Valid Cases | 120 | | |

Source: Primary Data

It is found from the above table that the “P” Value or the sig. value is less than 0.01 & 0.05, it can be inferred that the null hypotheses is rejected. Hence, there is a significant association between age of investors and their knowledge level towards mutual fund investment.

**Hypothesis 2**
$H_0$ = There is no significantassociation between the gender of investors and the knowledge level of investors

**Table No.3 Chi-Square between Gender and Knowledge Level of Investors**

| Chi-Square Tests | | | |
|---|---|---|---|
| | **Value** | **df** | **Asymptotic Significance (2-sided)** |
| Pearson Chi-Square (N = 120) | 6.111a | 3 | .106 |
| Likelihood Ratio | 6.423 | 3 | .093 |
| Linear-by-Linear Association | 3.929 | 1 | .047 |

Source: Primary Data

The table indicates that the “P” Value is more than 0.01 & 0.05 which infers that the null hypothesis is accepted. Hence, it is to be understood that there is no significant association between gender of the investors and their knowledge level towards mutual funds investment.

**Hypothesis 3**
$H_0$ = There is no significant association between the gender of investors and their expectation from mutual fund investment

**Table No.4 Chi-Square between Gender and Expectation from investment**

| **Chi-Square Tests** | **Financial Security** | | **Tax Purpose** | | **High Return** | | **Capital Appreciation** | | **Risk Aversion** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Value N – 120** | **Asymp Sig. (2-sided)** | **Value N–120** | **Asymp. Sig. (2-sided)** | **Value N – 120** | **Asymp. Sig. (2-sided)** | **Value N – 120** | **Asymp. Sig. (2-sided)** | **Value N – 120** | **Asymp. Sig. (2-sided)** |
| Pearson Chi-Square | 9.278 | 0.002 | 0.164 | 0.685 | 1.259 | 0.262 | 4.701 | 0.030 | 0.476 | 0.490 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Continuity Correction | 7.885 | 0.005 | 0.023 | 0.879 | 0.789 | 0.674 | 3.545 | 0.060 | 0.119 | 0.730 |
| Likelihood Ratio | 8.935 | 0.003 | 0.167 | 0.682 | 1.297 | 0.255 | 6.068 | 0.014 | 0.518 | 0.472 |
| Linear-by-Linear Association | 9.201 | 0.002 | 0.163 | 0.687 | 1.249 | 0.264 | 4.661 | 0.031 | 0.172 | 0.492 |

Source: Primary Data

The above table infers that the "P" value is less than 0.05 in the case of financial security and capital appreciation on the investment made. Hence, the null hypothesis is rejected for these two variables and is accepted for the remaining three variables.

**Hypothesis 4**

$H_0$ = There is no significant association between the age of investors and the holding period.

**Table No.5 Chi-Square between Age and Holding Period**

| Chi-Square Tests | | | |
|---|---|---|---|
| | **Value** | **df** | **Asymp. Sig. (2-sided)** |
| Pearson Chi-Square (N – 120) | 15.532[a] | 6 | .016 |
| Likelihood Ratio | 17.184 | 6 | .009 |
| Linear-by-Linear Association | 6.653 | 1 | .010 |

Source: Primary Data

It is inferred that "P" value is less than 0.05 and tells that the null hypothesis is rejected. It explains that there is significant association between age of investors and their holding period.

**Conclusion**

A country or a nation to grow financially sound should have vibrant financial market which strongly and widely supports the economic resources of its country. In India, there are varied financial instruments available for mobilizing the savings of the individuals in the country into meaningful investment. One most significantly recognized instrument is Mutual Fund. This research was carried out with four main objectives namely to find out what is expected out of investment, to study the knowledge level and the holding period of mutual fund investment. Only one non parametric test was used to analyze all the objectives. Investors of different age group have understood about mutual fund in their own manner and it was found that majority of the investors have sufficient knowledge about mutual fund investment. Age of investors' plays a vital role in understanding about mutual fund investment. From the study it was understood that both category of gender have same level of knowledge about mutual fund investment as gender did not have any significant association towards level of knowledge. As regards the expectation from mutual fund investment is concerned investors' of both the gender expect and consider that their investment in mutual fund gives them financial security and capital appreciation. Investors have perceived that the longer they hold the mutual fund investment, the higher is the return that is provided by such investment and leads to accumulation of financial wealth. Hence, the sustainability and the growth of mutual fund among investors' depend upon how efficiently it is marketed by the Asset Management Companies. The more the awareness created by Asset Management Companies, the higher is the level of knowledge through which the investors can gain more out of mutual fund investment.

**References**

1. Preethi Singh. (1991). Invest Management. Himalaya publishing house, 2nd revised ed. p1.
2. Gaurav,Agrawal. & Mini, Jain. (2013).Investor's preference towards mutual fund in comparison to other investment avenues, ***Journal of Indian Research,*** 1, 4, 115–131.
3. Priti Mane. (2016). A Study on investors perception towards mutual funds in the city of Aurangabad, ***The SIJ Transactions on Industrial, Financial and Business Management (IFBM)***, 4, 2, ISSN: 2321 – 242X, 30 – 38.
4. BajpaiSaurab,& Ali Anis. (2016). Risk opportunities and returns for Investors in mutual funds, ***International Journal of Technology Management and Humanities (IJTMH)***, I, 4, ISSN(e): 2454 – 566X, 2 – 13.
5. Shanmugham, R.(2000). Factors influencing investment decisions.***Indian Capital Markets – Trends and Dimensions (ed.)***, Tata McGraw-Hill Publishing Co' Ltd, New Delhi.
6. Tarak Paul. (2014). Customer communication dimension of marketing mix: A review of gap between mutual fund Investors' expectation and experience, ***Scholars Journal of Economics, Business and Management,*** P-ISSN:2348–8875, 197 – 202.
7. Chaturvedi Sharma Pooja.&PandeyAnoop. (2014). Indian mutual fund market: Retail investor's investment insight.***International Journal of Research & Development in Technology and Management Science,*** 21, 1, ISBN:978–1–63102–445–0.