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Literature review analysis and study on current status of mutual fund market in India

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Abstract

Mutual funds is playing a vital role in the development of Indian economy as it is acting as the gap between the supply and demand for funds in the market the AUM reached Rs.37.33 trillion as on October 31,2021. In the present study we have analyzed literature review about Mutual funds in India. This paper is an attempt to understand the investors Priority to invest in mutual funds in India and analyzed it from the impact of investors' attitude and perception perspective. Hence, the research analysis consists of tools and techniques used by various researcher to understand the investor's attitude and perception analysis to understand the impact on mutual fund investment decisions. The study of literature review of the survey found that the awareness of the Mutual funds has increase over a period of time. This paper will definitely help the mutual fund industry to develop mutual fund scheme as per investors' priority which are available at low cost, low risk and high return with minimum legal formalities. The people which influence the investors in investing in mutual funds are agents, relatives and people.

Keywords: Risk, returns, equity funds, debt funds, diversified portfolio funds, AMFI India, SEBI.

Introduction

Mutual funds are investments designated for small investors to accumulate savings over a period of time and enhance their fortunes. Mutual funds allow investors to choose their investments depending on the financial goals they intend to achieve. Mutual funds offer ready-made portfolios to investors across the investment spectrum of risk and asset classes.

A mutual fund is a source for pooling the savings of investors who wish to invest in capital market instruments such as stocks, bonds, bonds, and other securities. Profits and capital increase earned by unit holders are shared in the proportion of units owned by them. Therefore, mutual funds offer investors an opportunity to invest in and diversify a professionally managed basket of securities at relatively low cost. The government views mutual funds as a way to raise risk capital and also as a way for small investors to invest in the capital markets. To induce small investors to invest and promote the concept of mutual funds, tax benefits are provided by the government on investing funds and returns. SEBI For its part, as a regulator, to protect the interests of small investors, and to promote the industry, it is constantly working to bring about changes in industry regulations and thus empower the small investor.

The Indian mutual fund industry is rapidly growing and has become the most preferred investment for small investors. Since it provides an opportunity to invest in a diversified professionally managed portfolio at a relatively low cost, a mutual fund is an important investment vehicle for the majority of investors. The traders who are looking for to maximize their return on investment, mutual price range perform this assignment by way of becoming a member of their hands with 44 asset management agencies along with Indian public sector, private sector and joint ventures with foreign gamers. The mutual fund presents an inexpensive protection to investors. Apart from this most of the mutual fund provide tax alleviation below segment 80L of the profits tax act and in addition, a few schemes offer tax relief under section 88 of the income tax act led to the growth of significance of mutual fund in the minds of the investors.

Attitudes and Mutual Fund Investment Decision

The primary objective for investing in mutual funds is to earn a decent return with a low risk.

On the basis of demographic and socioeconomic variables, it was discovered from earlier research that investors' attitudes toward mutual funds are not independent variables like age, gender, monthly income, investment level, educational qualification etc. Studying attitude of mutual fund investors' help to know in what way their attitude prevails and how they opined about the mutual fund investment. In this section, opinion of mutual fund investors will be studied by taking their opinion in relation to Gender, Occupation and their monthly income.

Objectives of the study

1. To identify the factors influencing investors' perception, investors attitude, brand image of mutual fund of various demographic factors on investors.
2. To examine the impact of investors' perception on investment decision making.
3. To find out the impact of investors' attitude on investment decision making.

Analysis:

A. Investors' Perception and mutual fund investment decision making

A study conducted on 103 samples of investors on the investor's perception towards mutual funds by Shilpa *et al.* (2019) ^[10] that concluded the demographic factors like gender and income with factors like liquidity and tax savers scheme influence investment in mutual fund and age, educational qualification and occupation has no significant correlation with influencing factors like Risk and return involved in investment, liquidity, Regular income, Tax benefit, Flexibility of investment, brokers and Performance of schemes of investment. There is a correlation between the factors which influence the Investor's perception towards mutual fund.

Sharma and Agrawal (2015) ^[5] attempt to understand the effect of demographic factors in mutual fund investment decisions. The study reveals that the investors' perception is dependent on their demographic profile. Investor's age, marital status and occupation has a direct impact on investors' choice of investment. The study further reveals that the female segment is not fully tapped. The research also reveals that the liquidity and transparency are some factors which have a high impact on investment decisions.

A research undertaken by scholar Manimurugan, (2015) ^[6] Reveal that People prefer to put their extra cash into mutual funds in order to increase their returns. The study found must Signiant factor influencing investors' attitude and perceptions towards mutual fund investment is risk and return, as well as scheme. The study show that investors' lack awareness about the mutual fund investment. The size of the investment and the tax advantages are the two most significant factors that affect mutual fund investment.

A study undertaken by Sharma (2015) ^[7] aimed at identifying behavioral dimension of investors in ELSS funds. The study observed that grievance redressal, after sales service and transparency affect customer satisfaction and increase perception towards ELSS funds.

Subramanya PR (2015) ^[8] studied on socio economic factors like age, gender, education income and savings of investor's perception towards mutual fund is not encouraging but the age of investor's and saving habit of the respondent is closely correlated.

Mukesh (2015) ^[9] studied investor's perception on mutual fund for return, tax benefit and capital appreciation, but most of the investors lack awareness about mutual funds and their various schemes like, SIP (Systematic Investment Plan).

A research on the preference and perception of investors towards mutual funds conducted by scholar Sehdev and Ranjan (2014) ^[1] in Delhi. The study stated that balanced debt funds are more preferred by investors. Savings, security for future, regular income and capital appreciation are the reasons cited for fund investments. The investors preferred bank deposits as compared to mutual funds.

Vipin and Preeti (2014) ^[2] focused attention on various parameters that highlights investor's perception on mutual funds. It found that the scheme of mutual fund investment was not known to many of the investors as still the investors rely upon the traditional pattern of investments like investment in banks and investment in postal savings. As most of the mutual fund investors used to invest in mutual fund for not more than three years and used to quit from the fund as they were not giving desired result as stated in the objective during inception of mutual fund scheme. It was also found that maximum number of mutual fund investors has to depend upon their brokers and agent to invest in mutual fund. The investor awareness and perception towards mutual funds examined by Kumar and Goel (2014) ^[2]. The study observed that there is a strong relation between age, education and awareness of mutual funds. However, there is no relation between occupation and awareness of mutual funds. The study found strong relation between gender, age and rationale for investing in mutual fund. The study also stated that investors ranked tax benefit and flexibility as two important benefits of mutual funds. Investors who did not invest in mutual funds stated lack of knowledge as the prime reason.

Preeti Khitoliya (2014) explored that majority of the respondents in the age of 35-44 wish to invest in mutual fund having moderate risk which ensures wealth maximization followed by balanced fund and income funds. Similar results have been seen in the age group of 25-34. But a reverse trend was seen in the age group of 45 above where majority is risk averse as they wish to invest in mutual fund schemes which guarantees safety of principal amount followed by balanced fund and growth fund.

B. Investors' Attitude and mutual fund investment decision making

A study on "Understanding Individual Investors Investment Behavior in Mutual Funds" was conducted by Rakesh and Srinivas (2013). The study considered a sample of 400 investors from three districts of Andhra Pradesh. The study stated that investors in the age group of less than 35 years prefer to take more risk and anticipate more returns.

A study to probe the attitude of investors towards mutual funds which could help marketing of funds by performed by Subramanya and Murthy (2013) in Chikkamagalore district in Karnataka state. The study observed that there is significant association between age, gender, education, income, occupation and attitude towards mutual funds. The study concluded that safety of invested amount is a prime concern of the investor.

Ajaz and Gupta (2012) investigated the preferences of investors towards mutual fund schemes. The primary data was collected across the states of Jammu and Kashmir and

Punjab. Various statistical tools were applied to the data so collected. The findings of the study revealed that investment returns, perception of investors, information sources, investors valuation, investors objectives and investments decisions have significance impact on retail investors preferences

Gupta, Chawla and Harkawat (2011) carried out a study through questionnaire survey in Naranpura in Ahmadabad, Gujarat. The study suggested that the majority of investors were aware about mutual funds and were willing to invest in mutual fund. Most preferred scheme was balanced fund. The findings also suggested that investment in fixed deposit is more likely to be done than mutual funds and the occupation of the investor is not affected in investment decision for mutual funds.

An empirical study of Indian investors conducted by B.k. Singh (2011) and observed that most of the respondents do not have much awareness about the mutual funds and they are bit confused regarding investment in mutual funds. The study found that demographic factors like gender, income and level of education have significant impact over the attitude towards mutual funds. On the contrary age and occupation have not been found influencing the investor's attitude. The study noticed that return potential and liquidity flexibility, transparency and affordability have been perceived to be most lucrative benefits of investment in mutual funds.

Parihar *et al.* (2009) conducted a study on analyzing investors' attitude towards mutual funds as an investment option and found that majority of investors have still not formed any attitude towards mutual fund investments. Due to lack of awareness about the concept and working of the mutual funds. The found that demographic variables are concerned; age, gender and income have been found influencing the attitude of investors towards mutual funds significantly but education and occupation are not influencing the attitude of investors towards mutual funds.

Conclusion

According all study researcher found that the purchase decisions of mutual fund investors are influenced by salient, attention-grabbing information. Investors are more sensitive to salient in-your-face fees, like front-end loads and commissions, than operating expenses; they are likely to buy funds that attract their attention through exceptional performance, marketing, or advertising. All studies found consistently negative relations between fund flows and front-end load fees commissions charged by brokerage firms. In contrast, no relation was found between operating expenses and fund flows. Additional analyses indicate that mutual fund marketing and advertising the costs of which are often embedded in a fund's operating expenses account for this surprising result, maximum study analysed that benefits delivered by the mutual funds are concerned; return potential and liquidity, flexibility, affordability and transparency have been perceived to be the most attractive by the investors.

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