A STUDY ON CUSTOMER OPINION AND CUSTOMER ACCEPTANCE ON MUTUAL FUNDS

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Abstract

Mutual funds were started to mobilize the savings of small investors and gradually it became the biggest avenue of investment all over the world, today every second person is indulged with mutual fund investment in one or the other way. As a matter of fact, if investment in mutual fund is considered as a service then perception and opinion of the customer becomes important. This present study will focus on this dimension and try to evaluate the preference of the investors in case of mutual fund investment. Study is based on primary data and uses ANOVA test to find the variation in the responses of the selected set of respondents regarding mutual fund investments.

Paper Identification

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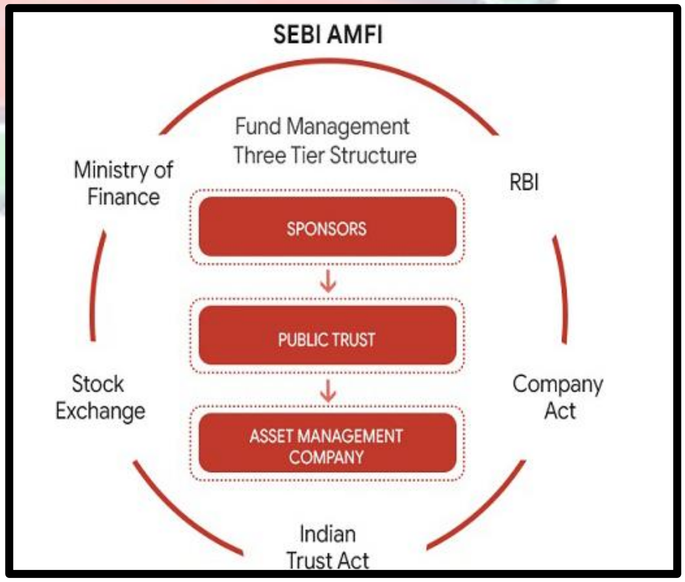
Introduction

It was 1822 when the first Mutual Fund '*Socioete Generale de Belique*' was introduced in Netherlands by King William, 1822. As far as India is concerned, UTI was the first formal mutual fund which was introduced in 1964 by passing an Act in Parliament. At that time it was introduced to mobilize the savings of first time investors and even the small investors, in the later years it became the sole motive of this industry. In the gradual progression after the introduction of UTI, many of the specialized agencies came into business and started to guide the investors for the right and profitable avenues, the major areas covered were retail speculation, presenting data of available marketers, presenting market data for budgetary concerns and even the evaluation return related problems. Along these lines Mutual Fund is a trust that pools the reserve funds of various speculators who share a typical money related objective. **[1], [2]** All speculations whether in offers, debentures or stores include hazard. Offer esteem may go down contingent on the execution of the organization, the industry, condition of capital markets and the economy.

There are many of the organization, at times, generate investment hazards i.e. default installments or may intrigue their own investment portfolios; this situation can be dealt by limiting the chances of the same. As a matter of fact the common funds in the market can also limit this speculated hazard by the way of expansion and expert administration. **[11], [14]** These tools were very effective and handy in the expansion and popularity of mutual funds in the country and even abroad. Looking at the scenario there are around 8000 mutual funds in US only and these accumulate to USD 9.5 trillion, then in the Indian context there are 44 AMFI and more than 2500 schemes constituting to around USD 77 billion. In India SEBI is the regulating authority for mutual funds. **[15]**

For a household investor mutual funds are the safe kind of investment tools i.e. many of the professional and expert agencies like AMFIs, etc. are managing the same, even though there are many avenues of individual investment as well but then again people use to take the help of such agencies to safeguard their investment and get better return out of the same. On the other hand most of the mutual fund investors use to invest in more than one stock, hence the risk factor is also reduces, in this way diversified securities use to get high level of investment and both the parties get benefitted by the same. Mutual funds are registered with SEBI. SEBI monitors the activities of Mutual funds i.e. the regulation are strong enough to curb any kind of discrepancy and fraud also this prevents the investors from the conditions of early liquidity and losses. (Given in Fig. 1)



Source: https://sipfund.com/blog/Regulatory-mechanism-of-Mutual-Funds.html

Figure1: Regulatory Mechanism of Mutual funds in India

Associated Risks

Like other market based securities, mutual funds are also subject to market risk and there are no assured returns from the same i.e. the returns are based on the performance of the funds and even the overall market performance. The promoters of the mutual funds use to invest further in avenues like shares, debentures, deposits, etc. this provides speculations to their investment and the same is reflected in their related mutual funds. **[18], [21]** Actual risks are like default in payments, company performance, default in payment of interest, principal on their debentures; bonds; deposits, etc. apart from this the government can also change the policies i.e. having negative impact in the investing avenues.

Popular Funds in India

- Unit Trust of India
- SBI,
- Canara Bank,
- Bank of India,
- IDBI,
- ICICI,
- GIC,
- LIC,
- Morgan Stanley,
- Templeton
- Kothari Pioneer,
- DSP Merrill Lynch,
- Sundaram,
- Kotak Mahindra,
- Cholamandalam, and others.

Customer Orientation of Mutual Funds

Selection of Fund

Choice of any scheme would depend to a large extent on the investor preferences. For the investor willing to undertakes risks, equity funds would be the most suitable as they offer the maximum returns. Debt funds are suited for those investors who prefer regular income and safety. Gilt funds are best suited for the medium to long-term investors who are averse to risk, balanced funds are ideal for medium-to long-term investors willing to take moderate risks. Liquid funds are ideal for corporate, institutional investors and business houses that invest their funds for very short periods. Tax saving funds are ideal for those investors who want to avail tax benefits. An important aspect while selecting a particular scheme is the duration of the investment. Depending on your time horizon you can select a particular scheme. **[17], [19]** Besides all this, factors like promoter's image, objective of the fund and returns given by the funds on different schemes should also be taken into account while selecting a particular scheme.

Rights of the Investor

According to SEBI:

- Receive unit certificates or statements of accounts confirming your title within 6 weeks from the date your request for a unit certificate is received by the mutual fund.
- Receive information about the investment policies, investment objectives, financial position and general affairs of the scheme.
- Receive dividend within 42 days of their declaration and receive the redemption or repurchase proceeds within 10 days from the date of redemption or repurchase.
- The trustees shall be bound to make such disclosures to the unit holders as are essential in order to keep them informed about any information which may have an adverse bearing on their investments.
- 75% of the unit holders with the prior approval of SEBI can terminate the AMC of the fund.
- 75% of the unit holders can pass a resolution to wind-up the scheme. • An investor can send complaints to SEBI, who will take up the matter with the concerned mutual funds and follow up with them till they are resolved.

Review of Literature

Majed (2018) the researcher focused on the strategies to analyze the mutual fund investment strategies and stated that in case of mutual funds individual focus is not going to work for long time i.e. collective strategies may give better results; this is only possible if the investors are making use of third party investment, this is going to increase the flexibility of investment and even the investor is going to get better results. Right from selection of funds to dispose the same can be rightly handled by the AMFIs, provided the agency is genuine and having ample experience in the field.

Vasudevan et al (2017) has analyzed that gold schemes with the facility to make periodic purchases, floated by Reliance Mutual fund, Kotak Mutual fund and SBI Mutual fund, have seen sizeable inflows, prompting other asset management companies to plan similar product launches. “ETFs were not fully exploiting the possible investor demand for gold because of the lack of awareness, but with the fund-of-fund structure, there is scope for wider investor participation,” said Lakshmi Iyer, head-fixed income and products, Kotak Mahindra Asset Management.

Reddy et al (2015) one of the successful recent financial innovations is the mutual funds. Mutual fund industry has evolved in to a market that caters to every investment objective of the investor, as the products offered provide a range of benefits like, retirement savings, investment products for tax, deferred individual retirement plans, capital appreciation, regular savings and return. The most important evaluation criterion an individual investor considers for investing in a fund is its past performance. The individual investors need to understand that past performance of a fund is not be read independently but jointly with investment style, expense ratios, minimum investment, fund manager and his personal investment, governance structure etc.

Odean et al (2013) have observed Mutual funds in India have not been as favorable investment alternatives as in developed countries, as assets under management of mutual funds to gross domestic product in India have been 7-8% compared to 37% globally. Further, investor base of mutual funds has been narrow, as retail investors constitute 98% of folios but contributed only 58% of investments in September 2014. To broaden the investor base for mutual funds in India, it remains imperative to understand the determinants of investment behavior of investors towards mutual funds.

Bhowal et al. (2013) the researchers had focused on the customer perception towards mutual funds, the aggrieved on the point that all the investors should be aware of the benefits as well as issues related to mutual funds and this is the responsibility of the AMFIs to win the confidence of the investors. There are a number of benefits related to mutual funds and even there are certain risks as well; the investors should be aware of the same while investing their hard earned money. On the other hand mindset or the positive perception of the investors is very important for the promoters of the Mutual fund as this is going to get them more investment and chances to increase their own wealth. The study also found that young investors are more enthusiastic as compare to middle aged investors and they are also having higher risk bearing ability.

Paul (2012) the researcher focused on the risks associated to the mutual funds and stated that there are three major risks i.e. market risk, credit risk, and inflation risk; in most of the cases investors are not aware of the same and rely on the AMFIs for the same. As a matter of fact this is the duty of regulating authorities to literate the investors about these risks and also to tell them about the ways and means to minimize the same. This will certainly increase the interest of the investors in mutual funds and also will help in developing positive perception about mutual funds.

Objectives of the Study

The main objective of the study was understand the customer opinion and customer acceptance regarding Mutual Funds and also to identify whether the customer had planned their investments and the priority of investments.

Hypothesis of the Study

Hypothesis 1

H_0: There is no significant relationship between the demographic profile of the investors and choice of mutual funds.

H_1: There is a significant relationship between the demographic profile of the investors and choice of mutual funds.

Research Methodology

Research Design

This present study includes both the descriptive and exploratory research designs and results are processed on the basis of primary data. As this study is based on survey method hence the researcher had tried to get mostly genuine respondents i.e. the people who are actually investing in mutual funds. On the other hand latest tools of analysis are used to get good results like SPSS, etc. **[9], [10]**

Universe

The study is restricted to Delhi and NCR which is economically rich region in the country. This area is having maximum mutual fund investors in the state i.e. people from many other states of the country are coming here for their jobs and business and also making investments accordingly. Also it is the biggest hub of private sector companies in the country. This present study includes only five mutual funds and collected responses from around 200 respondents, these investors are mainly from IT and ITES related companies. **[9], [10] [18], [19]**

As this present study is time bound and even the shortage of resources had compelled the researcher to focus on most popular and important mutual funds of the country, the list of selected mutual funds is as follows:

S.No.	Fund
1	SBI Diversity Equity Fund
2	Reliance Infrastructure Fund
3	HDFC Growth Fund

4	ICICI Infrastructure Fund
5	Axis Equity Fund

Sample

The sample of the study is 200, as stated above and these respondents are selected randomly from 2000 employees of HCL Tech. Ltd., Dell, HP, etc. mainly employees from middle management were selected to fill the questionnaire. It was taken care of that the selected respondents are investing in mutual funds. **[9], [10]**

Tools used

SPSS Ver. 22.0 and MS Excel.

Test of Hypothesis

The researcher had used Analysis of Variance (One way ANOVA) to test the hypothesis.

Data Analysis and Interpretation

Result of One Way ANOVA

On the Basis of Age	**F**	**Sign.**
Choose funds with high returns	4.557	4.993
Choose funds with regular returns	5.778	6.227
Rely on respective AMFI	.628	.749
Rely on the opinion of friends and families	2.007	2.518
Invest only in popular funds	.784	.493
Invest only in long term funds	3.417	.829
Focus on short term investment only	1.543	2.321
On the Basis of Income		
Choose funds with high returns	1.998	2.553
Choose funds with regular returns	1.448	1.983
Rely on respective AMFI	1.227	2.887
Rely on the opinion of friends and families	2.583	3.403
Invest only in popular funds	1.676	2.510
Invest only in long term funds	2.772	3.903
Focus on short term investment only	2.552	3.783
On the Basis of Experience		

Choose funds with high returns	1.508	2.676
Choose funds with regular returns	2.531	3.229
Rely on respective AMFI	3.674	2.677
Rely on the opinion of friends and families	4.005	4.408
Invest only in popular funds	2.489	3.710
Invest only in long term funds	3.107	2.883
Focus on short term investment only	3.735	2.182
On the Basis of Marital Status		
Choose funds with high returns	2.551	3.491
Choose funds with regular returns	2.114	1.993
Rely on respective AMFI	6.994	7.887
Rely on the opinion of friends and families	5.004	4.537
Invest only in popular funds	2.214	2.344
Invest only in long term funds	1.772	2.448
Focus on short term investment only	1.463	2.509

Interpretation

Firstly on the basis of age most of the respondents were agreed to the point in question i.e. in most of the cases, value of 'F' ratio is sell than the 'Sign.' Value, this shows that there is minimum difference between the responses of the sample units. In case of age there is some variation in case of 'invest only in long term funds' this states that the respondents of higher are willing to invest in long term funds as compared to respondents of less years of age. Then again in case of the level of variation is almost comparable in case of 'choosing funds with higher returns' this means that most of the young investors are looking forward to funds with higher returns.

Then on the basis of age there is minimum variation in all the cases, this is because of the reason that in most of the cases income level is same i.e. the researcher has selected respondents from middle level management and at this level most of the respondents are at the same salary band.

In case of experience there is some amount of variation in case of 'rely on respective AMFIs', 'invest only in long term funds' and 'focus on short term funds' this is because of the reason that as the experience of the people increases they become more versed for their investment and fluctuate between long term and short term funds. In all other cases the results are within acceptable limits.

Then marital status is another important demographic component i.e. the need of investment changes with the marital status of the person. Here also there is some variation in case of 'choice of funds with regular returns', 'rely on opinion of others' this shows that time is relevant in case of mutual fund choice i.e. the perception of the investor changes for mutual fund after marriage. The opinion changes as per the requirement.

Result

On the basis of above analysis and interpretation it can be stated that the customer perception for mutual funds is influenced by the demographic profile of the investor and even the opinion and perception also changes according to same, hence the null hypothesis '*There is no significant relationship between the demographic profile of the investors and choice of mutual funds*' can be rejected and the alternate hypothesis can be accepted.

Conclusion

'*Mutual fund investments are subject to market risk*' this slogan we use to hear every now and then and this also true to a certain extent. Rather investment is based on a number of factors as stated in the above given matter and it is not possible for any of the individual investor to take care of all the components at the same, so they use to take help of different reference groups, agencies, AMFIs, etc. such people and agencies are liable to change the opinion of the investors for selected set of mutual funds. More over the selection of mutual fund is based on the opinion and perception of investor to a certain extent i.e. if the news from market is negative then people avoid such avenues for longer period of time and choose the funds with positive reports, if the funds are being managed by AMFIs then this elimination stops for a certain time. It can be suggested that the funds should more focus on promotion i.e. advertising about the success stories of the respective companies and win the faith of investors.

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