

## SEMI URBAN INVESTORS ATTITUDE AND PREFERENCES IN MUTUAL FUNDS INVESTMENT: A CASE STUDY OF NAGAON DISTRICTS OF ASSAM

**SANJAY KANTI DAS\***

\*Assistant Professor,  
Department of Commerce,  
Lumding College, Lumding,  
Nagaon, Assam – 782447.

---

### ABSTRACT

A Mutual Fund is an investment tool that allows small investors access to a well-diversified portfolio of equities, bonds and other securities. Each shareholder participates in the gain or loss of the fund. Units are issued and can be redeemed as needed. There are a lot of investment avenues available today in the financial market for an investor with an investable surplus. The study aims at finding out the attitude of the investors towards investment in mutual funds in Nagaon district of Assam. The primary data was collected from the investors of mutual funds with help of the questionnaire. The secondary data were collected from the books, records and journals. By adopting convenience sampling, 250 respondents were selected for this study. Investors of Nagaon become more cautious after they lost their savings with unincorporated bodies, Chit funds, Benefit Funds and some Non-Banking Finance Companies. They are now turning more to mutual funds because of safety, liquidity, capital gains and transparency. The present investigation outlined that mostly the investors have positive approach towards investing in mutual funds.

**KEYWORDS:** Asset management, Investor's Preference, Mutual funds, Nagaon districts of Assam.

---

### INTRODUCTION

Mutual fund is a trust that pools the savings of a number of investors who share a common financial goal. This pool of money is invested in accordance with a stated objective. The joint ownership of the fund is thus "Mutual", i.e. the fund belongs to all investors. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. Mutual fund is the pool of money, based on the earnings of individuals who shares a common objective of having financial secured for future uncertainty as well as some sort of financial benefits like the capital appreciation and dividend earning. The money collected from the investors is then relocated or invested in capital market instruments such as shares, debenture, and various foreign markets. Investors invest money and get the units as per the unit value which can be called as Net Assets Value (NAV). The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost.

## MUTUAL FUND & FINANCIAL PLANNING

When an investor subscribes for the units of a mutual fund, he becomes part owner of the assets of the fund in the same proportion as his contribution amount put up with the corpus (the total amount of the fund). Mutual Fund investor is also known as a mutual fund shareholder or a unit holder.

Any change in the value of the investments made into capital market instruments (such as shares, debentures etc) is reflected in the NAV of the scheme. NAV is defined as the market value of the Mutual Fund scheme's assets net of its liabilities. NAV of a scheme is calculated by dividing the market value of scheme's assets by the total number of units issued to the investors.

Mutual funds invest in a portfolio of securities. This means that all funds are not invested in the same investment avenue. It is well known that risk and returns of various investment options do not move uniformly or in sympathy with one another. If a pharmacy company share is going down, an InfoTech company's shares could be moving up; if the equity market is moving down, the debt markets may be moving up. Therefore, holding a portfolio that is diversified across investment avenues is a wise way to manage risk. When such a portfolio is liquid and marked to market, it enables investors to continuously evaluate the portfolio and manage their risks more efficiently.

By offering ready-made diversified portfolios, mutual funds enable investors to hold diversified portfolios. Though investors can create their own diversified portfolios, the costs of creating and monitoring such portfolios can be high, apart from the fact that investors may lack the professional expertise to manage such a portfolio.

Mutual funds inform investors periodically, about the performance of the fund. They disclose the NAVs daily, and in most cases this information is available on phone and on the Internet. The complete portfolios of the fund, and commentaries of the fund managers on how they are managing the fund, are also available to investors. Many mutual funds also provide additional information on the maturity profile of their investments, credit quality of their portfolios, and the behavior of NAV over the period since inception of the fund. Investors can make informed decisions about their mutual fund investments, from these disclosures made by funds.

## LITERATURE REVIEW

The available literature to the present study has been reviewed to understand the work done so far by different researchers. Rajeswari and Ramamoorthy (2001) have conducted a study to understand the factors influencing the fund selection behaviour 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. Singh and Vanita (2002) have examined the investors' preferences and perception towards mutual fund investments by conducted a survey of 150 respondents in the city of Delhi. 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. King (2002) has highlighted the emergence of products like exchange traded funds, hedge funds, managed accounts etc. which offer competition to mutual funds. Sankaran (2004) proposes the future direction for investors will be to invest in pension funds, as government is envisaging a policy to cover all kinds of investors. He further opined that mutual fund industry will continue to grow in spite of competition and will be propelled in the right direction because of the investor friendly financial markets. Gupta and Gupta (2004) have studied the performance of 57 growth schemes and arrived at the finding that some funds performed better than the market because only few managers had the stock selection skills and as a result the funds were exposed to large diversifiable risk. Anand and Murugaiah (2004) had studied various strategic issues related to the marketing of financial services. They found that recently this type of industry requires new strategies to survive and for operation. For surviving they have to adopt new marketing strategies and tactics that enable them to capture maximum opportunities with the lowest risks in order to enable them to survive and meet the competition from various market players globally. Singh (2004) has 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. Ramamurthy and Reddy (2005) conducted a study to analyze recent trends in the mutual fund industry and draw a conclusion that the main benefits for small investors' due to efficient management, diversification of investment, easy administration, nice return potential, liquidity, transparency, flexibility, affordability, wide range of choices and a proper regulation governed by SEBI. Manjesh (2005) studied the pros & cons of Money Market Mutual Funds (MMMFs). Sondhi and Jain (2005) have examined the performance of equity mutual funds classified on the basis of public sector and private sector. The paper evaluated the performance by comparing the returns to benchmark indices of Nifty and Sensex and found that the returns generated by private sector and public sector mutual funds are very inferior to market returns. Desigan et al (2006) conducted a study on women investor's perception towards investment and found that women investor's basically are indecisive in investing in mutual funds due to various reasons like lack of knowledge about the investment protection and their various investment procedures, market fluctuations, various risks associated with investment, assessment of investment and redressal of grievances regarding their various investment related problems. Bodla and Garg (2007) observed that most of the schemes outperformed the market and the risk undertaken in the schemes is more than the market risk. Noronha (2007) has evaluated the performance of 11 equity schemes of three asset management companies with the help of Sharpe and Treynor measure for a period April 2002- March 2005. The study found that equity, tax plan and index funds offer diversification and are able to earn better returns as compared to sector specific funds. The study is a commendable work on performance of mutual funds highlighting the better earning capacity of equity, tax plans and index funds. Agarwal, Boyson, & Narayan (2009) have examined the performance of these funds relative to hedge funds and traditional mutual funds and found that despite using similar trading strategies, hedged mutual funds underperform hedge funds. Gil-Bazo, Javier & Pablo (2009) have examined the market for equity mutual funds and found that Funds with worse before-fee performance charge higher fees and that better fund governance may bring fees more in line with performance. Singh and Jha (2009) conducted a study on awareness & acceptability of mutual funds and found that consumers

basically prefer mutual fund due to return potential, liquidity and safety and they were not totally aware about the systematic investment plan. The investors' will also consider various factors before investing in mutual fund. Chen, Kraft & Weiss (2011) have tested mutual funds that engage in tax planning and how do they respond to changes in the capital gains tax rates was investigated. It was found that there was consistency with tax planning by managers of both open-end and closed-end mutual fund and mutual fund managers may not tax plan like individuals because fund managers have incentives to consider the tax liability of both current and potential investors. Agapova (2011) has examined the cross-sectional differences among money market mutual funds ( MMMFs) in the context of sponsoring fund families and found that flows to family non-MMMFs are negatively related to family MMMF flows, and family non-MMMF cash flow volatility is positively related to family MMMF cash flow volatility. The study has further suggested that fund family investors also use family MMMFs as cash centres by utilizing free asset transfers within the family. Application of these strategies can, translate into significant benefits for the fund family and it's invested. Badrinath & Gubellini (2011) have evaluated the return performance of long-short, market-neutral and bear mutual funds using multi-factor models and a conditional CAPM and revealed that Market-neutral funds provide a down market hedge, but bear funds do not generate the returns that investors hope for. Cao, Ghysels & Hatheway (2011) have investigated two types of funds that make more extensive use of derivatives, global funds and specialized domestic equity fund and found that risk and return characteristics of these two groups of funds are significantly different from funds employing derivatives sparingly or not at all and that Fund managers time their use of derivatives in response to past returns.

Thus, here it is observed that many researchers have studied different dimensions of investors' socio-economic profiles of investment to mutual fund schemes. They are found out some important factors influences their risk perception, investment decisions and savings patron of investors' investment.

## **OBJECTIVES OF THE STUDY**

The main aim of the paper is to focus on the preferences of the investors for Investment in Mutual Funds .The explicit objectives are as follows:

1. To study the demographic factors that influences MF investment decisions in the study area.
2. To find out the factors influencing the respondents to prefer mutual funds in Nagaon district of Assam.
3. To study the attitude of the investors towards investment on mutual funds in Nagaon district of Assam.
4. To offer suitable suggestions to improve the scope of the market of mutual funds, and to find out what should do to boost Mutual Fund Industry.

## **RESEARCH METHODOLOGY OF STUDY**

This study is descriptive in nature based on survey method. The study aims at finding out the attitude of the investors towards investment in mutual funds in Nagaon district of

Assam. This study was based mainly on primary sources. The primary data was collected from the investors of mutual funds with help of the questionnaire which are supplied among the mutual fund investors of Nagaon town, Lanka, Hojai, Doboka and Lumding Towns. The secondary data were collected from the books, records and journals. By adopting convenience sampling, 250 respondents were selected for this study. The essential data were collected with the help of questionnaire. The data collected from the period of January 2011 to April 2011. Further, the understanding of the attitude of investors towards investment in mutual funds may help the mutual funds companies to formulate strategies for further expansion in their field. The attitude level of the respondents can be examined with the help of their demographic variables. In order to study the attitude of the investors with the investment in mutual funds, various statistical tools such as chi-square test, ANOVA, and analysis of co-variance have been employed.

## ANALYSIS AND INTERPRETATION

Table 1 shows the gender composition of the sample investors of the mutual funds. Out of the 250 respondents, 76.80 % of the respondents were male and 23.20 % of the respondents were female. It is observed that the predominant age group of the respondents was 35-45 years. A good majority of the respondents were in the age group 45-55 years. 20 % and 9.60 % of the investors were in the age groups up to 35 years and 55 and above years respectively. A predominant literacy group (72%) of the respondents was distributed in graduation qualification. A good majority of the remaining respondents were distributed in the Degree qualifications. 8 % and 8.80 % of the investors have 12<sup>th</sup> Std./Diploma and up to 12<sup>th</sup> Std. qualifications respectively. Out of the 250 respondents, 81.60 % of the respondents were employed. 9.60 % and 8.80 % of the respondents were business and profession respectively. It is observed from the above table that 47.20 % of the sample investors made investment in mutual funds about Rs.25, 000 to 40,000. 12.80 % of the respondents made investment about up to Rs.15, 000. 26.40 % of the respondents made investment about Rs.15,000 to 25,000. 13.60 % of the respondents made investment about Rs.40, 000 and above. The income distribution of the sample investors of mutual funds in Nagaon district of Assam reveals that 30.40%, 33.60%, 24.80% and 11.20% of the respondents were in the income range up to Rs.7500, Rs.7500-10000, Rs.10000-12500 and Rs.12500 and above respectively.

**TABLE 1: PERSONAL INFORMATION OF RESPONDENTS**

Personal Information	Number of Respondents	%age
<b>Gender</b>		
Male	192	76.8
Female	58	23.2
Total	250	100
<b>Age</b>		
>35 Yrs	50	20
35yrs- 45 Yrs	112	44.8
45Yrs- 55Yrs	64	25.6

<55Yrs	24	9.6
Total	250	100
<b>Educational Qualifications</b>		
>12 std	22	8.8
12 std/Diploma	20	8
Degree	180	72
Masters	28	11.2
Total	250	100
<b>Occupation</b>		
Business	24	9.6
Profession	22	8.8
Employed	204	81.6
Total	250	100
<b>Amount of Investment</b>		
>Rupees15000	32	12.8
Rupees 15000- 25000	66	26.4
Rupees 25000- 40000	118	47.2
< Rupees 40000	34	13.6
Total	250	100
<b>Income</b>		
>Rupees 7500		30.4
Rupees 7500-10000		33.6
Rupees 10000-12500		24.8
<Rupees 12500		11.2
Total	250	100

Source: Primary Data

**TABLE 2: RELATIONSHIP BETWEEN GENDER AND SATISFACTION**

Sl. No.	Gender	Level of Satisfaction			Total	Calculated value	Table value at 5%	Significance
		Satisfied	Partially Satisfied	Dissatisfied				
1	Male	84 (33.6)	62 (24.8)	46 (18.4)	192 (76.8)	11.72	5.99	Significant
2	Female	26 (10.4)	72 (18)	12 (4.8)	58 (23.2)			
	Total	110 (44)	82 (32.8)	58 (23.2)	250 (100)			

Source: Primary Data

It is observed from Table 2, that the calculated value of  $\chi^2$  test (11.72) is greater than the table value (5.99) at 5 % level of significance. It is inferred that there is a significant relationship between the satisfaction level of male and female respondents with the investment in mutual funds. Therefore, the null hypothesis is rejected.

**TABLE 3: RELATIONSHIP BETWEEN AGE AND SATISFACTION**

Sl. No.	Source of Variation	Degrees of freedom	Sum of Squares	Mean Squares	Calculated Value	Table Value at 5%	Significance
1.	Between Groups	2	169.34	84.66	2.18	4.26	Not Significant
2.	Within Groups						

Source: Primary Data

From Table 3 it is observed that the calculated F value (2.18) is less than the table value (4.26) at 5 % level of significance. The test proves that there is no significant relationship between the satisfaction levels of sample investors belonging to different age groups with the investment in mutual funds in Nagaon. Therefore, the null hypothesis is accepted.

**TABLE 4: RELATIONSHIP BETWEEN EDUCATION AND SATISFACTION**

Sl. No.	Source of Variation	Degrees of	Sum of Squares	Mean Squares	Calculated Value	Table Value at	Significance
1.	Between Groups	2	169.34	84.66	2.46	4.26	Not Significant
2.	Within Groups	9	3264.5	362.72			

Source: Primary Data

The calculated F value (2.46) is less than the table value (4.26) at 5 % level of significance as depicted in Table 4. The test proves that there is no significant relationship between the satisfaction levels of investors belonging to different educational status with the investment in mutual funds. Therefore, the null hypothesis is accepted.

**TABLE 5: RELATIONSHIP BETWEEN OCCUPATION AND SATISFACTION**

Sl. No.	Source of Variation	Degrees of freedom	Sum of Squares	Mean Squares	Calculated Value	Table Value at 5%	Significance
1.	Between Groups	2	225.76	112.88	0.30	5.14	Not Significant
2.	Within Groups	6	4460.02	743.34			

Source: Primary Data

Form Table 5, it is observed that the calculated F value (0.30) is less than the table value (5.14) at 5 % level of significance. The test proves that there is no significant relationship between the satisfaction levels of investors belonging to different occupations with the investment in mutual funds. Therefore, the null hypothesis is accepted.



**TABLE 6: RELATIONSHIP BETWEEN AMOUNT OF INVESTMENT AND SATISFACTION**

Sl. No.	Source of Variation	Degrees of freedom	Sum of Squares	Mean Squares	Calculated Value	Table Value at 5%	Significance
1.	Between Groups	2	169.34	84.66			
2.	Within Groups	9	852.5	94.72	1.78	4.26	Not Significant

Source: Primary Data

It is observed from Table 6 that the calculated F value (1.78) is less than the table value (4.26) at 5 % level of significance. The test is not significant. This means there is no significant relationship between the respondents belonging to different scale of investment with the mutual funds in Nagaon. Therefore, the null hypothesis is accepted.

**TABLE 7: RELATIONSHIP BETWEEN INCOME AND SATISFACTION**

Sl. No.	Source of Variation	Degrees of freedom	Sum of Squares	Mean Squares	Calculated Value	Table Value at 5%	Significance
1.	Between Groups	2	169.34	84.66			
2.	Within Groups	9	404.5	44.94	2.88	4.26	Not Significant

Source: Primary Data

Table 7 depicts that the calculated F value (2.88) is less than the table value (4.26) at 5 % level of significance. The test proves that there is no significant relationship between the satisfaction levels of the sample investors belonging to different scale of investment with the investment in mutual funds. Therefore, the null hypothesis is accepted.

**TABLE 8: GENDER AND VARIATIONS IN THE SATISFACTION**

Sl. No.	Gender	Number of Respondents	Mean Satisfaction Score	Standard Deviation	Co-variance
1	Male	192	2.19	0.87	39.70
2	Female	58	2.24	0.77	34.50

Source: Primary Data

Table 8, shows the variations in the satisfaction level of male and female investors with the investment in mutual funds. It is inferred that the variations in the satisfaction level was high among the male respondents followed by female investors.

**TABLE 9: AGE GROUP AND VARIATIONS IN THE SATISFACTION**

Sl. No.	Age Group (Years)	Number of Respondents	Mean Satisfaction Score	Standard Deviation	Co-variance
1	> 35	50	2.02	0.76	344.02
2	35-45	112	2.01	0.79	36.89
3	45-55	64	2.19	0.81	36.87

Source: Primary Data

Table 9 shows the variations in the satisfaction level of investors belonging to different age groups with the investment in mutual funds. It is inferred that the variations in the satisfaction level was high among the investors belong to up to 35-45 years followed by the age group 45-55 years. However, the variation in the satisfaction level was low among the investors belonging to 55 and above years.

**TABLE 10: EDUCATION AND VARIATIONS IN THE SATISFACTION**

Sl. No.	Educational Qualification	Number of Respondents	Mean Satisfaction Score	Standard Deviation	Co-variance
1	>12 <sup>th</sup> Std	22	2.27	0.86	37.10
2	12 <sup>th</sup> Std/ Diploma	20	2.30	0.78	33.96
3	Degree	180	2.19	0.77	35.30

Source: Primary Data

Table 10 shows the variations in the satisfaction level of investors belong to different educational status with mutual funds. It is inferred that the variations in the satisfaction level was high among the respondents belong to Degree qualifications followed by investors having qualifications up to 12<sup>th</sup> Std. However, the variation in the satisfaction level was low among the investors having Diploma qualification.

**TABLE 11: OCCUPATION AND VARIATIONS IN THE SATISFACTION**

Sl. No.	Occupation	Number of Respondents	Mean Satisfaction Score	Standard Deviation	Co-variance
1	Business	24	1.83	0.79	43.68
2	Profession	22	1.64	0.77	47.04

Source: Primary Data

Table 11 shows the variations in the satisfaction level of investors with the mutual funds in Nagaon. It is inferred that the variations in the satisfaction level was high among the professionals followed by Business and employed.

**TABLE 12: INCOME AND VARIATIONS IN THE SATISFACTION**

Sl. No.	Income Level	Number of Respondents	Mean Satisfaction Score	Standard Deviation	Co-variance
1.	> Rs.7500	76	2.24	0.74	33.08
2.	Rs.7500-10000	84	2.28	0.79	34.89
3.	Rs.10000-12500	62	2.09	0.82	39.11

Source: Primary Data.

Table 12 shows the variations in the satisfaction level of investors belong to different income groups with the investment in mutual funds. It is inferred that the variations in the satisfaction level was high among the respondents belong to the income range of Rs.10000-12500. However, the variation in the satisfaction level was low among the investors belonging to up to Rs.7500 income range.

**TABLE 13: AMOUNT OF INVESTMENT AND VARIATIONS IN THE SATISFACTION - CO-VARIANCE**

Sl. No.	Amount of Investment	Number of Respondents	Mean Satisfaction Score	Standard Deviation	Co-variance
1	>Rs.15000	32	2.19	0.81	36.88
2	Rs.15000-25000	66	2.24	0.82	36.50
3	Rs.25000-40000	118	2.17	0.78	36.15

Source: Primary Data.

Table 13 shows the variations in the satisfaction level of investors belong to the scale of investment with the mutual funds in Nagaon. It is inferred that the variations in the satisfaction level was high among the investors belong to the scale of investment less than Rs.15,000 followed by the respondents belong to the scale of investment Rs.15,000 to

25,000. However, the variation in the satisfaction level was low among the investors belonging to the scale of investment Rs.40000 and above.

**TABLE 14: FACTORS INFLUENCING WITH THE MUTUAL FUNDS**

Sl. No.	Level of Satisfaction (%age )	Satisfied	Partially satisfied	Dissatisfied	Total
1.	Overall satisfaction	110 (44%)	88(32.8%)	58(23.2%)	250(100%)
2	With the Return	132(52.8%)	64(25.6%)	54(21.6%)	250(100%)
3	With the capital gain	144(57.6%)	74(39.6%)	32(12.8%)	250(100%)
4.	With the Liquidity	106(42.4%)	82(32.8%)	62(24.8%)	250(100%)
8.	With the Tax Benefits	100(40%)	82(32.8%)	68(27.2%)	250(100%)
9.	With the brokerage sales commission	76(30.4%)	82(32.8%)	92(36.8%)	250(100%)
10.	With the safety Protection	112 44.8%)	74(29.6%)	64(25.6%)	250(100%)

Source: Primary Data.

Out of the 250 respondents, 44%, 32.80% and 23.20% of the respondents were satisfied, partially satisfied and dissatisfied with the investment in mutual funds in Nagaon. The satisfaction level of the sample investors with the earning from the investment of mutual funds in Nagaon reveals that out of the 250 respondents, 52.80%, 25.60% and 21.60% of the respondents were satisfied, partially satisfied and dissatisfied respectively. Again, out of the 250 respondents, 57.60%, 39.60% and 12.80% of the respondents were satisfied, partially satisfied and dissatisfied respectively with the capital gain. Further, out of the 250 respondents, 42.40%, 32.80% and 24.80% of the respondents were satisfied, partially satisfied and dissatisfied with the liquidity. Similarly, out of the 250 respondents, 40.80%, 24% and 35.20% of the respondents were satisfied, partially satisfied and dissatisfied respectively with the maturity. Again, out of the 250 respondents, 46.40%, 37.60% and 16% of the respondents were satisfied, partially satisfied and dissatisfied respectively with the diversification of risk. The satisfaction level of the sample investors with the range of schemes in the investment of mutual funds shows that out of the 250

respondents, 39.20%, 27.20% and 33.60% of the respondents were satisfied, partially satisfied and dissatisfied respectively with the range of schemes.

Further, out of the 250 respondents, 40%, 32.80% and 27.20% of the respondents were satisfied, partially satisfied and dissatisfied respectively with the tax benefits. Again, out of the 250 respondents, 30.40%, 32.80% and 36.80% of the respondents were satisfied, partially satisfied and dissatisfied respectively with the brokerage or sales commission. Further, out of the 250 respondents, 44.80%, 29.60% and 25.60% of the respondents were satisfied, partially satisfied and dissatisfied respectively with the investors' safety and protection in the investment of mutual funds. Moreover, out of the 250 respondents, 41.60%, 25.60% and 32.80% of the respondents were satisfied, partially satisfied and dissatisfied respectively with the market information. Finally, out of the 250 respondents, 60.80%, 27.20% and 12% of the respondents were satisfied, partially satisfied and dissatisfied respectively with the reliability of investment in mutual funds.

## OTHER PROMINENT FINDINGS OF THE STUDY

The main findings of the study relating to the perception of the investors regarding different aspects of mutual funds such as their main objective behind investing in mutual funds, their knowledge about SIP, sources of information, perception about financial advisors and brokers, etc. are summarized as under:

### 1. MAIN OBJECTIVES BEHIND INVESTING IN MUTUAL FUNDS

Every investor has one or more objectives behind their investments in mutual funds. Without any investment objective, the investment is considered as useless. According to Table 15 the main objective of the respondents behind investing in mutual funds is the tax benefits offered by it followed by high return and safety of the schemes. Therefore getting tax benefits from the scheme is the main motive of the investors behind their investment in mutual funds.

**TABLE 15: OBJECTIVES BEHIND INVESTING IN MUTUAL FUNDS**

Factors	Ranks and Scores								Total F(S)	Ranks
	1	2	3	4	5	6	7	8		
Expertise	9 (72)	15 (105)	20 (120)	25 (125)	23 (92)	37 (111)	53 (106)	68 (68)	250 (799)	<b>8</b>
Safety	47 (376)	44 (308)	25 (150)	24 (120)	42 (168)	30 (90)	25 (50)	13 (13)	250 (1275)	<b>3</b>
Liquidity	36 (288)	41 (212)	31 (186)	30 (150)	37 (148)	39 (117)	22 (44)	14 (14)	250 (1159)	<b>5</b>

Diversification	17 (136)	30 (287)	27 (162)	21 (105)	31 (124)	42 (126)	38 (76)	44 (44)	250 (1060)	<b>7</b>
Tax benefit	58 (464)	45 (315)	53 (318)	35 (175)	28 (112)	23 (69)	4 (8)	4 (4)	250 (1465)	<b>1</b>
Regular income	14 (112)	35 (245)	48 (288)	51 (255)	39 (156)	38 (114)	15 (30)	10 (10)	250 (1210)	<b>4</b>
Regular savings	13 (104)	28 (196)	35 (210)	52 (260)	33 (132)	40 (120)	24 (48)	25 (25)	250 (1095)	<b>6</b>
High returns	48 (384)	26 (182)	38 (228)	39 (195)	44 (176)	25 (75)	14 (28)	16 (16)	250 (1284)	<b>2</b>

Source: Primary Data. Note: S- Scores Figures in parentheses are scores.

## 2. FACTORS THAT CAN WIN BACK THE INVESTORS' CONFIDENCE TO INVEST IN MUTUAL FUNDS

Gaining the confidence of the investors is very essential for successful working of the mutual fund industry. In order to strengthen the investor's confidence to invest in mutual funds they must be offered transparency in services, tax benefits, minimum assured returns, consistency in performance etc. The study reveals that on the basis of qualification, occupation and annual family income the main factors that can win back the investor's confidence to invest in mutual funds are the minimum assured returns (32.14%) followed by transparency (28.58%) and consistency (22.44%).

## 3. FEATURES THAT ATTRACT THE INVESTOR'S MOST WHILE CHOOSING A MUTUAL FUND SCHEME

A lot of features are available in different mutual fund schemes that attract the investors to invest in mutual funds. These features may be their past performance, past dividend record, stability of returns etc. From the ranks assigned by the investors, it is found that, the most important feature that attract the investors while choosing a mutual fund scheme is the past performance of the scheme and the stability of the scheme which is followed by the past dividend records, the portfolio of the scheme, entry/exit load and the fund managers name as exhibited by Table 16.

**TABLE 16: RANKING AND SCORING ON CHOOSING MUTUAL FUND**

Features	Ranks and Scores						Total F(S)	Ranks
	1	2	3	4	5	6		
Past performance	77 (462)	57 (285)	47 (188)	35 (105)	24 (48)	10 (10)	250 (1098)	<b>1</b>
Fund Managers name	34 (204)	16 (80)	31 (124)	35 (105)	40 (80)	94 (94)	250 (687)	<b>6</b>
Portfolio	35 (210)	45 (225)	30 (120)	60 (180)	60 (120)	30 (30)	250 (885)	<b>4</b>
Past dividend	25 (150)	55 (275)	58 (232)	49 (147)	39 (78)	24 (24)	250 (906)	<b>3</b>
Entry/Exit load	25 (150)	45 (225)	47 (188)	40 (120)	53 (106)	40 (40)	250 (875)	<b>5</b>
Stability of returns	68 (408)	51 (255)	54 (216)	46 (138)	18 (36)	13 (13)	250 (1066)	<b>2</b>

Source: Primary Data. Note: S-Scores, Figures in parentheses are scores

#### **4. MAIN CHALLENGES BEFORE INDIA MUTUAL FUND INDUSTRY**

With the change in Indian financial set up an increase in competition, Indian mutual fund industry faces a number of challenges. In the near future industry will face many challenges in order to attract more and more investors. From the analysis of the study it is revealed that on the basis of the qualification, age, occupation and annual income, majority of respondents believes that the main challenge before Indian mutual fund industry is providing minimum assured returns to the investors (34.87%). However, according to some of the respondents educating the investors (21.53%) and managing their interests (15.38%) also acts as a challenge before Indian mutual fund industry.

#### **5. PERCEPTION ABOUT FINANCIAL ADVISORS/BROKERS OF MUTUAL FUNDS**

As per the study, the investor's perception about financial advisors/brokers reveals that, majority of respondent's perceived financial advisors and brokers are more interested in their own incentives (36.93%) provided to them by the mutual fund companies for selling



more and schemes whereas some investors believes that they don't explain full information about the funds (20%) to them. Besides this there are also few investors who believes that financial advisors/brokers and have limited knowledge (17.84%) about different mutual fund schemes. Thus it is very much clear from this study that the financial advisors and brokers are least bothered about the interest of the investors rather than they are more interested in their incentives.

## **6. OBJECTIVE BEHIND INVESTING IN SYSTEMATIC INVESTMENT PLAN (SIP)**

Nowadays investing through SIP is treated as a very fruitful route of making investment in mutual funds. SIP is a method of investing a fix sum regularly in the mutual funds. It is very similar to the regular saving schemes like recurring deposits. The study shows that a large proportion of the respondents is aware of the Systematic Investment Plan (SIP). Besides this for majority of investors the main objective behind investing in SIP (Systematic Investment Plan) is the regular investment (40.36%) of the funds followed by regular savings (38.01%). However the least preferred objective of the investors behind their investment in SIP is convenience (21.63%). This trend is seen in case of all the categories i.e. on the basis of age, qualification, occupation and annual family income of the respondents.

## **SUGGESTIONS AND RECOMMENDATIONS**

### **• SUGGESTIONS FOR MUTUAL FUND COMPANIES**

1. Mutual fund companies should conduct adequate awareness programs about the usefulness of investment in mutual funds and provide information to public regarding different new schemes. AMFI should frequently conduct short term courses for investor education. Adequate publicity through newspapers, magazines, T.V., radio, pamphlets and brochures should be done.
2. Mutual fund companies should dispatch their annual report in time to their investors so that the investors are informed about the company's financial position. This will help the investor to know the status of their investment.
3. Government should see that Mutual Fund companies follow corporate governance regulations. All mutual fund investors want transparency. Strict regulations should be enforced by SEBI with regard to Corporate Governance.
4. Lack of professional management of funds is one of the main factors discouraging investment in Mutual Fund. Professionals with a good background and record should be appointed to manage mutual fund. This will help to boost investor's confidence, which in turn will encourage investors to save in Mutual fund.
5. Mutual fund companies should launch new and innovative schemes according to the varied needs of the investors. There is a lack of innovative products in the market. People have the capacity to invest and this capacity has to be explored by the mutual funds companies. With the increasing awareness among the retail Investors about capital markets, the mutual Fund Companies should come with innovative schemes to fulfill the requirement of the retail investors.

Thus, mutual funds should build investors confidence through schemes meeting the diversified needs of investors, speedy disposal of information, improved transparency in operation, better customer service and assured benefits of professionalism.

#### • SUGGESTIONS FOR MUTUAL FUNDS INVESTORS

Financial goals vary, based on Investors age, lifestyle, financial independence, family commitment and level of Income and expenses among many other factors. Therefore, it is necessary for Mutual Funds Companies to assess the consumer's need. Mutual Investors should choose the right Mutual Fund Scheme which suits their requirements. The offer document of the Mutual Fund Scheme should be thoroughly read and scrutinized. Some factors to evaluate before choosing a particular Mutual Fund are the track record of the performance of the fund over the last few years in relation to the appropriate yard stick and similar funds in the same category. Other factors could be the portfolio allocation, the dividend yield and the degree of transparency as reflected in the frequency and quality of their communications.

Investing in one Mutual Fund scheme may not meet all the investment needs of an investor. They should consider investing in a combination of schemes to achieve their specific goals. It is suggested that the investors should not consider only one or two factors for investing in mutual fund but they should consider other factors such as higher return, degree of transparency, efficient service, fund management and Reputation of mutual fund in selection of mutual funds.

#### • OVERALL SUGGESTIONS

1. Mutual Fund Company needs to give the training of the Individual Financial Advisors about the Fund/Scheme and its objective, because they are the main source to influence the investors.
2. Before making any investment Financial Advisors should first enquire about the risk tolerance of the investors/customers, their need and time (how long they want to invest). By considering these three things they can take the customers into consideration.
3. Systematic Investment Plan (SIP) is one the innovative products launched by Assets Management companies very recently in the industry. SIP is easy for monthly salaried person as it provides the facility of do the investment in EMI. Though most of the prospects and potential investors are not aware about the SIP. There is a large scope for the companies to tap the salaried persons.
4. Securities and Exchange Board of India (SEBI) has to review the guidelines in regulating the operations and marketing of mutual funds from time to time, keeping in view, and the changing trends in the financial markets. There should be proper liaison between SEBI and IRDA with regard to the ELSS schemes of the Mutual Fund Agencies.
5. Government of India has to maintain consistency in offering tax incentives to the investors.

6. Mutual Fund Asset Management Companies have to follow norms of prudence in the transparency of NAV reporting. Investors should be informed of the expense ratio on periodical basis, so that they will make decisions after comparing various investment alternatives for enhancing their wealth over a period of time.
7. It was observed that large number of investor complaints and grievances regarding the mutual fund schemes are not properly resolved. Therefore, it is recommended that mutual fund organizations should be careful enough in resolving the grievance of the investors.

## CONCLUSION

There has been a tremendous growth in the mutual fund industry in India, attracting large investments not only from the domestic investments but also from the foreign investors. Increasing number of Asset based Management Companies providing opportunity to the investors in the form of safety, hedging and arbitrage. With the growing middle-class household families with limited risk bearing capacity, it provides better returns than any other long-term securities. India's high rate of savings and a rapid-liberalizing economy is expected to elevate the mutual fund sector to new hikes.

Today a lot of investment opportunities are available to the investors in the financial markets. Investors can invest in corporate bonds, debentures, bank deposits, post office schemes etc. But nowadays investors opt for portfolio managers to invest money on their behalf. These portfolio managers are experts in stock market operations and invest the money in such a way that the investors would get minimum assured returns. Today many institutions are busy in providing wealth management services to the investors. But these services are very costly. Thus in order to help the investor's mutual funds provide a protective shed to the small and big investors. The present study analyses the mutual fund investments in relation to investor's behavior. Investors' opinion and perception has been studied relating to various issues like main objective behind investing in mutual fund scheme, level of satisfaction, role of financial advisors and brokers, investors' opinion relating to factors that attract them to invest in mutual funds, sources of information, deficiencies in the services provided by the mutual fund managers, challenges before the Indian mutual fund industry etc. This study is very important in order to judge the investors' behavior in a market like India, where the competition increases day by day due to the entry of large number of players with different financial strengths and strategies. The present investigation outlined that mostly the investors have positive approach towards investing in mutual funds. In order to maintain their confidence in mutual funds they should be provided with timely information relating to different trends in the mutual fund industry.

Investors of Nagaon districts of Assam become more cautious after they lost their savings with unincorporated bodies, Chit funds, Benefit Funds and some Non-Banking Finance Companies. They are now turning more to mutual funds because of safety, liquidity, capital gains and transparency. Moreover they wish to route their investments through mutual funds. Most of the investors rely on investment consultants to choose the right fund for them. They monitor their investments periodically. They find a need to increase the public awareness of mutual funds. According to the investors' Opinion, the main reason for the quick popularity of the mutual funds is the guaranty to redeem at net asset values. The investors have realized the benefits of investing in mutual funds. They find that there is a necessity to establish more mutual funds in India to decentralize the concentration of mutual

funds from metro to semi urban and rural areas. They determine to go for new funds for their further investments. Thus mutual fund industry has a good prospect in Nagaon Districts of Assam.

## REFERENCES

1. Agapova, Anna, 2011, 'The Role of Money Market Mutual Funds in Mutual Fund Families', *Journal of Applied Finance*, Vol. 21, Issue. 1, pp. 87-102.
2. Agarwal, Vikas; Boyson, Nicole M.; Naik, Narayan Y, 2009, 'Hedge Funds for Retail Investors? An Examination of Hedged Mutual Funds', *Journal of Financial & Quantitative Analysis*, Vol. 44, Issue 2, pp. 273-305.
3. Badrinath, S.G & Gubellini, S, (2011), 'On the characteristics and performance of long-short, market-neutral and bear mutual funds', *Journal of Banking & Finance*, Vol. 35 Issue 7, pp.1762-1776.
4. Cao, Charles; Ghysels, Eric & Hatheway, Frank, 2011, 'Derivatives do affect mutual fund returns: Evidence from the financial crisis of 1998', *Journal of Futures Markets*, Vol. 31 Issue 7, pp. 629-658 .
5. Chen Feng; Kraft, Arthur; Weiss, Ira, 2011, 'Tax Planning by Mutual Funds: Evidence from Changes in the Capital Gains Tax Rate', *National Tax Journal*, Vol. 64, Issue 1, pp. 105-134.
6. Gil-Bazo, Javier; Ruiz & Verd, Pablo, 2009, 'The Relation between Price and Performance in the Mutual Fund Industry', *Journal of Finance*, Vol. 64, Issue 5, pp. 2153-2183.
7. Rajeswari, T.R., and V.E. RamaMoorthy, 2001, 'An Empirical Study on Factors Influencing the Mutual Fund Scheme Selection by Retail Investors'. Retrieved on May 2010 < <http://www.utiicm.com/Cmc/PDFs/2001/rajeswari.pdf>>.
8. Singh, Y.P., and Vanita, 2002, 'Mutual Fund Investors' Perceptions and Preferences: A Survey', *The Indian Journal of Commerce*, Vol.55, No. 3,pp.8-20.
9. King, J.S. 2002, 'Mutual Funds: Investment of Choice for Individual Investors?' *Review of Business*, Vol.23, No. 3, pp. 35-39.
10. Sankaran, S. 2004, "Mutual Funds: can you afford to ignore them?" *Portfolio organizer special issue*, June-SEBI (MF) Regulations, 1996.
11. Gupta, P., and A. Gupta, 2004, 'Performance Evaluation of Select Indian Mutual Fund Schemes: An Empirical Study', *The ICFAI Journal of Applied Finance*, December, pp. 81-98.
12. Sondhi, H. J. and Jain, P. K, 2005, 'Financial Management of Private and Public Equity Mutual Funds in India: An Analysis of Profitability', *The ICFAI Journal of Applied Finance*, Vol. II, No. 6, pp 14-27.

13. Manjesh, S. 2005, 'Money Market Mutual Funds (MMMFs): A Macro Perspective', Portfolio Organizer, August, pp. 41-56.
14. Badla, B S., and A. Garg, 2007, 'Performance of Mutual Funds in India - An Empirical Study of Growth Schemes', GITAM Journal of Management, Vol.5, No. 4, pp. 29-43.
15. Noronha, M.R., 2007. Performance Evaluation of Equity Based Mutual Funds: A Case Study of Three Asset management Companies in India. The Management Accountant, July: 527-534.
16. Singh, Chander, 2004, 'Performance of mutual funds in India – an empirical evidence', ICFAI journal of applied finance December, pp. 81-98.
17. Anand, S. and Murugaiah, V. 2004, 'Marketing of financial services: strategic issues', SCMS Journal of Indian Management, Vol. 2, No.4, pp. 32-39.
18. Desigan et al. 2006, 'Women Investors' Perception towards Investment: An empirical Study', Indian Journal of Marketing, Vol.6, No.2, pp. 45-56.
19. Ramamurthy, B. M. and Reddy, S. 2005, 'Recent Trends in Mutual Fund Industry', SCMS Journal of Indian Management, Vol. 3, No-2, pp. 45-53.
20. Singh, B. K. and Jha, A.K. 2009, 'An empirical study on awareness & acceptability of mutual fund', Regional Student's Conference, ICWAI, pp. 49-55.