1.1 INTRODUCTION:

Indian financial system is one of the largest financial systems in the world with a broad variety of banking, financial and capital market institutions and instruments. Indian financial system analyses the initiatives aimed at developing a healthy, efficient and market-oriented system by deregulating interest rates, development of market instruments for pricing of public debt and bank loans, upgrading of India’s regulatory and accounting standards to international norms, adjustments in monetary and financial policies, exchange rate management for an increasingly liberalized open economic and financial environment.

The investor is a person who invests money in order to make a profit. Investors who do not want to take the risk of capital market volatility, prefer mutual fund as an investment avenue. In India, the mutual fund industry has been in existence since 1963. Mutual fund raises money by selling stakes of the fund to the public, much like any other type of company that can sell stock itself to the public. It then takes the money which receives from the sale of its stakes (along with any money made from previous investments) and uses it to purchase various investment vehicles, such as stocks, bonds and money market instruments. In turn, the public had given money to the mutual fund when purchasing stakes in its underlying schemes. Each unit of these schemes reflects the share of an investor in the respective fund and its appreciation, is judged by the Net Asset Value (NAV) of the scheme. The NAV is directly linked to the bullish and bearish trends of the markets as the pooled money is invested either in equity shares or in debentures or treasury bills.¹
Today there are many investment options available to investors. Some of them include bank deposits, bonds, stocks, mutual fund investment and corporate debentures. Investors invest money in banks, bonds and corporate debentures where the risk is low. On the contrary, stocks of companies have high risk but the returns are also proportionately high. The recent trends since last year clearly suggest that the average investors have lost money in equities. People have now started opting for portfolio managers who have the expertise in stock markets. There are many institutions in India which provide wealth management services. An average investor has found a safe place with the mutual funds.

Mutual funds play a vital role in resource mobilization and its efficient allocation to the productive sources of the economic system. These funds have financial Intermediation, development of capital markets and growth of the corporate sector throughout the world. The process of liberalization, deregulation and restructuring of the Indian economy has created the necessity for efficient allocation of scarce financial resources. In this process of development, mutual funds have emerged as strong financial intermediaries and are playing an important role in bringing stability to the financial system and efficiency to the resource allocation process.

The mutual fund industry is a fast growing sector of the Indian financial markets. They have become a major vehicle for mobilization of savings, especially from the small and household savers for investment in the capital market. Mutual Funds entered the Indian Capital Market in 1964 with a view to providing the retail investors, the benefit of diversification of risk, assured returns and professional management. Since then, they have grown phenomenally in terms of number, the size of operation, investor base and scope. Being a part of financial markets although mutual funds industry is responding very fast by understanding the dynamics of investor’s perceptions towards rewards, still they are continuously following the race in their
endeavor to differentiate their products responding to sudden changes in the economy. Every type of investment, including mutual funds, involves risk. Risk refers to the possibility that investors will lose money (both principal and any earnings) or fail to make money on an investment. A fund’s investment objective and its holdings are influential factors in determining how risky a fund is. Reading the prospectus will help the investors to understand the risks associated with that particular fund. Thus, it is time to understand and analyze investors perceptions of such risks and expectations, and unveil some extremely valuable information to support financial decision making of mutual funds.

A mutual fund pools the money of people with certain investment goals. The money invested in various securities depending on the objectives of the mutual fund scheme and the profits (or loss) are shared among investors in proportion to their investment. Investments in securities are spread across a wide cross-section of industries and sectors. Diversification reduces the risk because all stocks may not move in the same direction in the same proportion at the same time. Mutual fund issues units to the investors in accordance with quantum of money invested by them. Investors of mutual funds are known as unit holders. The profits or losses are shared by the investors in proportion to their investment. The mutual funds normally come out with a number of schemes with different investment objectives which are launched from time to time. A mutual fund is required to be registered with Securities and Exchange Board of India (SEBI) which regulates securities markets before it can collect funds from the public.

A mutual fund is a collective savings scheme. Mutual funds play an important role in mobilizing the savings of small investors and channelizing the same for productive ventures in the Indian economy. A mutual fund in India can raise resources through the sale of units to the public. It can be set up in the form of a trust under the Indian
Trust Act. The mutual fund serves as a link between the investors and the securities market by mobilizing savings from the investors and investing them in the securities market to generate returns. Thus, a mutual fund is akin to portfolio management services. Although, both are conceptually same, they are different from each other. Portfolio management services are offered to high net worth individuals; taking into account of risk profile, their investment is managed separately. In the case of mutual funds, savings of small investors are pooled under a scheme and the returns are distributed in the same proportion in which the investments are made by the investors/unit holders.

1.2 STATEMENT OF THE PROBLEM:

A mutual fund is deemed to be an institutional entity that encompasses the commonly desired and schematically accumulated financial goals of the community for investors. The money collected from a plethora of source is invested by the fund manager in various types of securities depending on their duly specified objectives. The mutual fund in its rudimentary conceptualization is a collection of stocks or bonds, where an investor holds a share, which represents a part of the fund holding. A proportionate sharing of income earned through such investors and capital appreciation witnessed by the schemes is duly carried out. It must, however, be mentioned that this proportional sharing by the unit holders is governed by the number of units owned by them. A mutual fund is, therefore, the most suitable investment option available for a common man as it provides an opportunity to invest in a diversified, yet professionally managed the portfolio. Mutual funds act as a gateway to enter into big companies hitherto to an ordinary investor with his small investment.

It is evident from the existing literature (Chapter II Review of Literature) that mutual fund companies have offered a number of schemes. The investors decision making, perception, investment strategy, expectations etc are closely related to the behaviour of
investors. Mutual fund market is highly influenced by the behaviour and attitude of investors. In India, though the mutual fund industry has been in existence since 1964, (with the establishment of UTI), no major study has been done regarding the investors perceptions related aspect with special reference to mutual funds in the study area. In Karnataka the awareness and knowledge regarding mutual funds are good. Hence, this study has made an attempt to examine the “Investors Perceptions towards Mutual Funds in Hyderabad Karnataka Area: A Study with reference to Selected Mutual Funds” to fill this research gap.

It should be noted that the “expectations” of investors play a vital role in the financial markets. They influence the price of the securities, the volume traded and various other financial operations in actual practice. These ‘expectations’ of investors are influenced by their “perception” and humans generally relate perception to action. The beliefs and actions of many investors are influenced by the dissonance effect and endowment effect\(^5\). A study on the investors perception towards investment in mutual funds is an attempt to evaluate the behavioural aspects of fund selection techniques of individual investors and also to assess the conceptual awareness of MFs during the period.

1.3 SIGNIFICANCE OF THE STUDY:

Many studies have been done previously on the mutual fund in India. The present study, not only covered the perception but also it covered the attitude of the mutual fund investors. This helps to know in detail about mutual fund industry and its business growth and future prospects. The present study would be much helpful to the policy makers and administrators of the mutual fund companies to draw appropriate policies to enhance the satisfaction of the mutual fund investors and for the betterment of the mutual fund companies. This study would also help the future researchers in carrying out their
research in the field of mutual fund and investor attitude in some other areas with multi-dimensional aspects. The present study helps the people to save and invest their surplus money for various productive purposes. It leads to capital accumulation for the nation and better returns to the investors.

1.4 SCOPE OF THE STUDY:

The present study is an attempt that has been made to know the investors perception towards mutual funds covering six districts of Hyderabad Karnataka area namely Bidar, Kalaburagi (Gulbarga), Yadgir, Raichur, Koppal and Bellary. It involves the understanding of the basic concept of mutual funds, various schemes of mutual funds, investment alternatives, factors influencing investment, investors expectation regarding the mutual funds and investors preference of different mutual funds schemes etc.

1.5 OBJECTIVES OF THE STUDY:

The following are the specific objectives set for the present study.

1. To study the various aspects relating to mutual funds industry in India.
2. To study the growth of mutual funds industry in India in terms of resource mobilisation and asset under management.
3. To examine the investment pattern of mutual funds investors.
4. To study the satisfaction level of investors towards investment in mutual funds.
5. To know the investors perception towards mutual funds.
6. To offer suggestions in the light findings of the study.
1.6 **HYPOTHESES OF THE STUDY:**

Keeping in view of the objectives of the study the following hypotheses have been formulated:

1. **H₀**: There is no significant relationship between gender of the respondents and their level of satisfaction towards investment in mutual fund.
   **H₁**: There is a significant relationship between gender of the respondents and their level of satisfaction towards investment in mutual fund.

2. **H₀**: There is no significant relationship between age of the respondents and their level of satisfaction towards investment in mutual fund.
   **H₁**: There is a significant relationship between age of the respondents and their level of satisfaction towards investment in mutual fund.

3. **H₀**: There is no significant relationship between the marital status of the respondents and their level of satisfaction towards investment in mutual fund.
   **H₁**: There is a significant relationship between the marital status of the respondents and their level of satisfaction towards investment in mutual fund.

4. **H₀**: There is no significant relationship between educational qualification of the respondents and their level of satisfaction towards investment in mutual fund.
   **H₁**: There is a significant relationship between educational qualification of the respondents and their level of satisfaction towards investment in mutual fund.

5. **H₀**: There is no significant relationship between the occupational status of the respondents and their level of satisfaction towards investment in mutual fund.
H$_1$: There is a significant relationship between the occupational status of the respondents and their level of satisfaction towards investment in mutual fund.

1.7 PERIOD OF THE STUDY:

The necessary secondary data for analyzing the mutual funds industry were collected from official records of Securities Exchange Board of India (SEBI) and mutual funds companies for a period of past ten financial years from 2004-05 to 2013-14. (i.e.1$^{st}$ April - 2004 to 31$^{st}$ March - 2014).

The primary data was collected from the respondents for six months i.e. June 2013 to December 2014.

1.8 RESEARCH METHODOLOGY:

This is an empirical research based on the survey method. To get a proper insight into the problems of this study, the researcher interacted with the investors who invest in various mutual funds schemes, having a specialized knowledge in the field of mutual funds.

1.8.1 SOURCES OF DATA:

The present study is conducted with the help of both primary and secondary data.

1.8.1.1 Primary Data:

Primary data has been collected from the individual investors through a sample survey. Samples of 300 individual investors have been selected for this study. A structured questionnaire has been used. The content of the questionnaire have been developed with the help of reviews, experts in the relevant field of a mutual fund, financial advisors, discussions with agents, mutual fund distributors, officials of various asset management companies etc.
1.8.1. II. Secondary Data:

The secondary data has been collected with the help of books, magazines, articles, thesis, dissertations, newspapers, websites, official publications by Government of India, Government of Karnataka, reports from Securities Exchange Board of India (SEBI), Bulletin, Handbook of statistics on Indian securities market, Association of Mutual Funds in India (AMFI), RBI publications and reports, mutual fund companies related websites etc.

1.8.2 PILOT STUDY:

In order to collect primary data in the study area from the mutual fund investors a pre-test survey was conducted with a sample of 30 investors. After pre-testing, necessary modifications were made in the questionnaire. The data were collected from the mutual fund investors in Hyderabad Karnataka area covering of six districts i.e. Bidar, Kalaburagi(Gulbarga), Yadgir, Raichur, Koppal and Bellary.

1.8.3 SAMPLING DESIGN:

According to the Association of Mutual Funds in India (AMFI), there are 44 Assets Management Companies (AMCs) are in existence during the study period. Out of 44 Assets Management Companies, 35 Assets Management Companies are in private sector and 09 are in public sector. During the pilot study, it was found that more number of investors have preferred and invested their money in public sector mutual fund companies namely UTI Mutual fund, SBI Mutual Fund and LIC Nomura Mutual Fund. The researcher has collected names and address of the unit holders (investors) of various districts of Hyderabad Karnataka area from the respective mutual fund headquarters and applied convenient sampling method for the analysis purpose. However utmost care was taken to have a representative sample and it was restricted to 300 respondents. One hundred each from UTI mutual fund, SBI mutual fund and LIC
Nomura mutual fund are selected from public sector mutual fund companies for the present study purpose.

### Table-1.1

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Districts</th>
<th>UTI Mutual Fund</th>
<th>SBI Mutual Fund</th>
<th>LIC Mutual Fund</th>
<th>Nomura Mutual Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Bidar</td>
<td>12</td>
<td>15</td>
<td>16</td>
<td></td>
<td>43</td>
</tr>
<tr>
<td>2.</td>
<td>Kalaburagi (Gulbarga)</td>
<td>38</td>
<td>40</td>
<td>39</td>
<td></td>
<td>117</td>
</tr>
<tr>
<td>3.</td>
<td>Yadgir</td>
<td>04</td>
<td>02</td>
<td>03</td>
<td></td>
<td>09</td>
</tr>
<tr>
<td>4.</td>
<td>Raichur</td>
<td>17</td>
<td>18</td>
<td>15</td>
<td></td>
<td>50</td>
</tr>
<tr>
<td>5.</td>
<td>Bellary</td>
<td>21</td>
<td>19</td>
<td>22</td>
<td></td>
<td>62</td>
</tr>
<tr>
<td>6.</td>
<td>Koppal</td>
<td>08</td>
<td>06</td>
<td>05</td>
<td></td>
<td>19</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td></td>
<td><strong>300</strong></td>
</tr>
</tbody>
</table>

Source: Primary Data

### 1.9 TOOLS AND TECHNIQUES USED FOR ANALYSIS:

The research data has been analyzed by using Statistical Package for Social Sciences (SPSS) and with the help of various statistical tools and techniques such as percentages, ratios, averages, annual growth rate, Chi-square($x^2$) test and Garrett's ranking has been computed. The Chi-square($x^2$) test has been used to test the association between the investors socio-economic characteristics and their opinions.
1.10 LIMITATIONS OF THE STUDY:

The present study is not free from certain limitations. They are as follows;
1. The study is limited to 300 respondents of the Hyderabad Karnataka area only.
2. Due to cost and time constraints, the investigation is restricted to Hyderabad Karnataka area only.
3. Due to the time lag between collection and publication of official data, it became difficult to give very recent data.
4. The reluctance of some respondents to disclose their full investment particulars has an adverse impact on the study.

1.11 CHAPTER SCHEME:

Keeping in view the objectives, the present study is organized into seven chapters. The contents of these chapters are briefly presented below:

**Chapter-I: Introduction and Research Design:**

This chapter presents the introductory part of research. It covers the introduction, statement of the problem, significance of the study, scope of the study, objectives of the study, hypotheses of the study, period of the study and research methodology covering sources of data collection, tools and techniques used for analysis, limitations of the study.

**Chapter-II: Review of Literature:**

This chapter deals with the review of literature pertaining to the domain area of the present study. Review of literature includes a review of research articles, dissertations, books and Ph.D. thesis pertaining to the mutual funds.
Chapter-III: Mutual Funds Industry in India- An Overview

This chapter is divided into two parts. **Part-A** covers various aspects relating to mutual funds industry in India such as introduction, origin of mutual fund, concept of mutual fund, definitions, characteristics, history of mutual fund, organisation of mutual fund, sponsors of association of mutual funds in India, benefits of mutual fund, limitations of mutual fund, classifications of mutual fund companies in India, growth of mutual fund industry in terms of resource mobilizations, assets under management, investment pattern, unit holding pattern of mutual fund industry in India. **Part-B** relates to detailed aspects concerned with the profile of selected mutual fund companies viz., UTI mutual fund, SBI mutual fund and LIC Nomura mutual fund.

Chapter-IV: Profile of the Hyderabad Karnataka Area:

This chapter deals with the profile of the Hyderabad Karnataka area. The study is confined to Hyderabad Karnataka area containing introduction, general profile, historical background of the Hyderabad Karnataka districts, location and boundaries, districts of Hyderabad Karnataka region, physiographic, demographic features, agriculture, industrial development, educational development, banking development, human development index, infrastructure facilities, per capita income, transportation etc.

Chapter-V: Investment Pattern of Mutual Funds Investors:

This chapter focuses on the individual investment pattern of mutual funds and cross tabulation has been made on the basis of various socio-economic factors of the investors.

Chapter-VI: Investors Perceptions Towards Mutual Funds:

The six chapter is drafted on the basis of field survey to know the perception of the respondents towards mutual funds. Tables have
been drawn wherever possible and analysis of data with the help of statistical tools has been carried out.

**Chapter-VII: Findings, Suggestions and Conclusion:**

In this chapter, the analysis of survey results is presented in the form of meaningful findings and suggestions. The conclusion emerged from the study and the scope for further research has also been presented in this chapter.

**REFERENCES:**


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