CHAPTER - II
REVIEW OF LITERATURE

The existing studies on investment patterns of investors are very few and very little information is available about investor perceptions, preferences, attitudes and behaviour. As far as the mutual funds are concerned, there are hardly few studies undertaken earlier. All efforts in this direction are fragmented. In spite of this limitation, a few of the parallel and related studies are reviewed in this chapter.

The National Council of Applied Economic Research (NCAER)\(^1\) Survey of households, (1964), entitled “Attitudes Towards and Motivations for Saving” provides one of the earliest attempts on the study of savings of households. The survey covered a sample of 4650 households spread over India. It provides an insight into the attitude towards and motivations for savings of individuals. One of the key findings was that the investment in securities was preferred only by the high-income households.

De Bondt and Thaler (1986)\(^2\) while investigating the possible psychological basis for investors’ behaviour, argue that mean reversion in stock prices is an evidence of investors’ over reaction where investors over emphasize recent firm performance in forming future expectations. DeBondt and Thaler found that “loser” portfolios outperform the market. Conversely, “winner” portfolios underperform the market.

Devakumar (1987)\(^3\) reveals that earlier to 1985, there were very few investors and they were knowledgeable. During the 1985 boom, thousands of new investors invaded the market. The new investors suffered heavy losses compared to the professionals. A good number of new investors have walked out of the stock market to safer areas like UTI units, NSC (National Savings Certificate) etc. There is a mild shift of investment preferences to mutual fund also.
Vidyasankar S (1990) identified a shift from bank or company deposits to mutual funds due to its superiority by way of ensuring a healthy and orderly development of capital market with adequate investor protection through SEBI interference. The study identified that mutual funds in the Indian capital market have a bright future as one of the predominant instruments of savings by the end of the century.

Bansal L K (1991) observes that mutual fund like other financial institutions is a potential intermediary between the prospective investor and the capital market. Mutual fund, as an investment agency was preferred since 1985-86 due to the benefits of liquidity, safety and reasonable appreciation assured by the industry. The schemes with assured returns showed tremendous progress. Majority of the funds floated by commercial banks gave an impression that the responsibility of funds laid with the respective banks and their investment was secured.

Ippolito (1992) mentions that fund/scheme selection by investors is based on past performance of the funds and money flows into winning funds more rapidly than they flow out of losing funds.

Gangadhar V (1992) in his article on “The Changing Pattern of Mutual Funds in India” has found out that mutual funds are the prime vehicle for mobilization of household sectors’ savings as it ensures the triple benefits of steady return, capital appreciation and low risk. He identified that open-end funds were very popular in India due to its size, economies of operations and its liquidity. Investors opted for mutual funds with the expectation of higher return for a given risk, greater convenience and liquidity.
An extensive study on ‘Mutual Funds and Asset Preference’ conducted under the leadership of **Dr. L.C. Gupta (1992)** hinted at investors’ preference shifting towards mutual funds. It also observed that mutual fund cult has spread much faster and wider than equity cult within a very short period.

**Ansari (1993)** has stressed the need for mutual funds to bring in innovative schemes suitable to the varied needs of the small savers in order to become predominant financial service institution in the country.

**G Raju (1993)** in his study on “Household Sector Savings and Deposit Mobilization in Kerala” mentions that 23 percent of the population covered is aware of mutual fund schemes but the awareness level is less than that of government bonds.

**Saha Asish and Rama Murthy Y Sree (1993-94)** have identified that return, liquidity, safety and capital appreciation played a predominant role in the preference of the schemes by investors. The preference of the households towards shares and debentures was 7 percent by 1989-90. Mutual funds being an alternative way for direct purchase of stocks should be managed effectively adopting investment analysis, valuation models, and portfolio management techniques. The study suggested that, fund managers could adopt portfolio selection techniques to make more informed judgments rather than making investments on an intuition basis.

**Kulshreshta (1994)** offers certain guidelines to the investors in selecting the mutual fund schemes. In 1987, when the public sector banks entered the mutual fund sector there were no regulations at all. Later guidelines were issued by RBI and the Government of India. A few articles such as guidelines for public issues, transfer mechanism of mutual funds highlighted the importance and issues for the regulation of mutual funds.
Swaminathan and Bhaskaran (1994)\textsuperscript{13} have made an attempt to focus on the implications of individual investor behavior for the pricing of close-ended funds and small firms. Specifically, they developed a two security noisy rational expectations model of close-end funds and compared their predictions to that of a model of investor sentiment. Their empirical tests examined the time series implications of the two models. The results indicated that discounts forecast small firm returns. They also showed that the forecasting power of discounts was not related to that of any known fundamental forecasting variable. This evidence provides support for the investor sentiment explanation of the pricing of close-end.

Shankar (1996)\textsuperscript{14} points out that the Indian investors do view Mutual Funds as commodity products and AMCs, to capture the market should follow the consumer product distribution model.

NCAER\textsuperscript{15} undertook a study in 1996 to analyze the structure of the capital market and presented the views and attitudes of individual shareholders. The NCAER study identifies poor investment decisions of the boom years as a major cause for the slowdown since 1996.

Sikidar and Singh (1996)\textsuperscript{16} have carried out a survey with an objective to understand the behavioural aspects of the investors of the North Eastern Region towards equity and Mutual Fund’s investment portfolio. The survey revealed that the salaried and self employed formed the major investors in Mutual Fund, primarily due to tax concessions. UTI and SBI schemes were popular in that part of the country then and other funds had not proved to be a big hit during the time when survey was done.
Jambodekar (1996)\(^\text{17}\) has conducted a study to assess the awareness of Mutual Funds among investors, to identify the information sources influencing the buying decision and the factors influencing the choice of a particular fund. The study reveals, among other things, Income Schemes and Open Ended Schemes are more preferred than Growth Schemes and Close Ended Schemes during the then prevalent market conditions. Investors look for safety of principal, liquidity and capital appreciation in the order of importance. Newspapers and Magazines are the first source of information through which investors get to know about Mutual Funds/Schemes and investor service is a major differentiating factor in the selection of Mutual Fund Schemes.

Tripathy, Nalini Prava (1996)\(^\text{18}\) have observed that the Indian Capital Market expanded tremendously as a result of economic reforms, globalization and privatization. Household sector accounted for about 80 percent of country’s savings and only about one-third of such savings were available for the corporate sector. The study suggested that, 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.

Nalini J (1996)\(^\text{19}\) in her thesis entitled “Impact of Mutual Fund Schemes in the Deposit Mobilization of Commercial Banks in Kerala” aimed at analyzing the factors that influenced investors in adopting mutual fund schemes as well as their perception compared with other investment schemes. The study adopted multistage random sampling for primary data mining. It reveals that the impact of mutual funds on bank deposits is not significant. Also, mutual funds are considered as a better investment option than bank deposits due to its high yields (in the form of capital appreciation and high dividend/interest).
V. Pattabhiram (1996)\textsuperscript{20} in his article “Investment Potpourri”, explained how Indian investors were confused in making investment decisions. He suggested how investors should rank their investments by taking into consideration the effect of tax laws on income.

Goetzman (1997)\textsuperscript{21} states that investor psychology affects fund/scheme selection and switching.

Krishnamurthi S (1997)\textsuperscript{22} is of the opinion that mutual funds is an ideal investment vehicle for small and medium investors with limited resources, to reap the benefits of investing in blue chip shares through firm allotment in primary market to avoid dud shares, access to price sensitive information and spread risk along with the benefits of professional fund management.

Tommy Varghese (1997)\textsuperscript{23} had made an extensive study of individual investors in the Capital Market in Kerala. In his study, he has found that about one third of the investors entered the capital market through the investments in mutual funds. UTI funds are the favourite of the investors. The financial environment in Kerala along with its high capital market potential has inspired thousands of individual investors to enter the market.

Rao, Mohana P (1998)\textsuperscript{24} opined that, UTI followed by LIC Mutual fund dominated the market with 54 and 15 schemes respectively. His interview with 120 respondents showed that, 96 percent invested in UTI due to better service and return. 50 percent of shareholding and 25 percent of unit-holding respondents were from metro cities. Investors’ services, income-cum-growth option and capital appreciation were very important aspects while choosing a fund. He identified that the closed-ended schemes
were very popular among investors and respondents in general expected private sector funds to improve the quality of services, investors’ confidence besides reducing fraud and mismanagement.

Kumar V.K (1999)\textsuperscript{25} analysed the role, products and the problems faced by the Indian Mutual Funds of India. He suggested the turnaround strategies of awareness programs, transparency of information, distinct marketing and distribution systems to rebuild confidence.

Irissappane Aravazhi (2000)\textsuperscript{26} has elicited the views of investors belonging to Chennai, Mumbai, Pune and Delhi. The survey identified that the investors desired a return equivalent to market.

SEBI – NCAER Survey (2000)\textsuperscript{27} was carried out to estimate the number of households and the population of individual investors, their economic and demographic profile, portfolio size, and investment preference for equity as well as other savings instruments. This is a unique and comprehensive study of Indian investors, for; data was collected from 3,00,000 geographically dispersed rural and urban households. Some of the relevant findings of the study are: Households preference for instruments match their risk perception; Bank Deposit has an appeal across all income class; 43 percent of the non-investor households equivalent to around 60 million households (estimated) apparently lack awareness about stock markets; and, compared with low income groups, the higher income groups have higher share of investments in Mutual Funds (MFs), signifying that mutual funds have still not become truly the investment vehicle for small investors.
**Shanmugham (2000)** has conducted a survey of 201 individual investors to study the information sourcing by investors, their perceptions of various investment strategy dimensions and the factors motivating share investment decisions. The study concludes that among the various factors, psychological and sociological factors dominated the economic factors in sharing investment decisions.

**Rajarajan (2000)** has attempted to identify predictors of individual investors’ expected rate of returns by investigating relationship of demographic variables such as age, income, occupation, employment status and stage in life cycle with investment behavior of an individual in the paper titled, “Predictors of Expected Rate of Return by Individual Investors”. The study was conducted by administering questionnaire to a sample size of 405 investors. The variable locus of control was inversely related to rate of return. The paper concluded that the rate of return was not strongly related to any socio economic variable except age. The author has empirically proved the significant relationship between expected rate of return on investments and demographic variables.

**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 survey reveals that the most preferred investment vehicle is bank deposits, with Mutual Funds ranking fourth in the order among 8 choices. Growth schemes are ranked first, followed by Income Schemes and Balanced Schemes. Based on the duration of operation of schemes, the first preference is for open-ended schemes (84.57%) and only 15.43 percent of the respondents favour closed-ended schemes.
Karmakar (2001) in his paper titled “Investment Behavior of Household Sectors - A Study of a Rural Block in West Bengal”, has highlighted the relationship between demographic variables and investment behavior. The paper further adds that risk - return perception of individual is dependent upon income of individual. The study found that Life Insurance Corporation was the most preferred avenue to invest and people in general were risk averse and wanted to leave in safe assets. The author has explained the risk - return relationship in relation to the income of investor.

Panda and Tripathy (2001) have undertaken a study titled “Customer Orientation in Designing Mutual Fund Products – An Analytical Approach to Indian Market Preferences” with an objective of understanding investors’ preferences and priorities towards different types of mutual fund products and for identifying key features of a mutual fund for deciphering sustainable marketing variables in the design of a new mutual fund product. The study was conducted by analyzing the questionnaire collected from an effective sample size of 300 respondents. The paper was empirically tested by applying factor analysis and principal component analysis. The factors identified in the study which have an impact on the purchasing decision of the investor are the common expectations such as hassle free trading, brand name and lock in period. The performance preferences of the investors were safety, liquidity, regular income and tax benefits. As the paper suggests that if the product designers understood the structure of the product and preference of the investor the industry would benefit from better product innovations and sustainability. The researchers have clearly identified the significant factor affecting mutual fund investments in the context of designing mutual fund product.
Venkatapathi Raju (2001)\textsuperscript{33} in his study “Mutual Funds - Perceptions of Urban and Rural Investors” has examined the spread of mutual fund cults to urban and rural areas in west Godavari District. A total of 870 investors, 558 from urban and 312 from rural areas were interviewed. Random sampling procedure, weighted average and percentage were employed for analysing the data. The study revealed that marketing strategies were strengthened so as to promote awareness and asset preference of investors.

Roshni Jayam’s (2002)\textsuperscript{34} study has brought out that equities had a good chance of appreciation in future. The researcher was of the view that, investors should correctly judge their investment objective and risk appetite before picking schemes. Diversified equity funds were typically safer than others and index funds were the best when market movements were not certain. The researcher suggested Systematic Withdrawal Plan (SWP) with growth option was more suitable for investors in need of regular cash inflows.

Rajeswari T.R (2002)\textsuperscript{35} in her thesis “Performance Evaluation of Selected Mutual Funds and Investor Behaviour- A Diagnostic and Prognostic Approach”, attempted to evaluate the performance of 115 schemes during the eight years from 1991-1992 to 1998-1999, and the investor behaviour related aspects. It was found that during the eight years sample period, none of the schemes outperformed the stock market index. The analysis of investor behaviour revealed that fund manager’s image and portfolio management, reputation of sponsor, disclosure norms and fringe benefits play an influencing role in selection of funds by investors. Investor option is for open-end funds, and the preference keep shifting between growth schemes and income schemes according to prevailing market conditions indicating investor alertness.
Joseph M.A (2002) in his thesis entitled “Mobilization of Savings through Mutual Funds- with special reference to Kerala”, has assessed the attitude of investors, their awareness and adoption level towards mutual funds. The study stated that largely urban people subscribe to mutual fund schemes and the investment by the rural people is very negligible. Professionals and businessmen are the main contributors to mutual funds. Mutual fund schemes are popular among the investors having saving habits that too for meeting contingencies.

Singh and Vanita (2002) in the paper “Mutual Fund Investors’ Perceptions and Preferences –A Survey” have examined the investors’ preferences and perception towards mutual fund investments by conducting a survey of 150 respondents in the city of Delhi. The study has investigated in the following research issues: the basic objectives for investments and average time horizon; investment experiences; risk, return, safety and diversification; preferences of financial assets and investment schemes of mutual funds. 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) in the study titled "Mutual Funds: Investment of Choice for Individual Investors" has highlighted the emergence of products like exchange traded funds, hedge funds, managed accounts etc. which offer competition to mutual funds. The paper further discusses that the introduction of these products will see major structural changes in financial system as there will be consolidation of position by various players resulting in reduced expense ratios, lower costs and greater tax efficiency for the investor.
S. Balaji Iyer and R. Kumar Shaskar (2002) in his study on “Investors’ Psychology – A Study of Investor behaviour in the Indian Capital Market” examines various aspects of individual and mass psychology. This study intends to provide an insight into the working of an investor’s mind. It identifies factors behind valuation fundamental mismatch. In a market like India, where the quest for transparency and efficiency is still on, various intriguing, valuation discordance form the highlights of the study. The study identifies the whole gamut of investors’ psychology and the resultant behaviour in stock markets in general, with particular reference to India.

Qamar (2003) in the article “Saving Behavior and Investment Preferences among Average Urban Households” has evaluated the investment preferences of 300 households in Delhi to gain an insight into the preferred mode of savings, factors influencing the selection of investment instrument and the extent of savings. The results of the study are: 1) holding a bank account does not affect investors ability to save in other investments 2) educational qualifications does not influence the magnitude of savings 3) level of educational attainments, income profile and magnitude and savings does not influence decision to invest in term deposits. The study has found that a preferred mode was savings in bank accounts, followed by post office savings schemes. The study proved that the influence of demographic variables such as level of literacy, educational attainments, occupational distribution and income profile was high in investment decision making. The author covers all the possible demographic variables required for the study.

Bansal Manish’s (2003) survey of 2819 respondents revealed that, the percentage of investors holding only UTI schemes have reduced. The unit-holders’ loyalty seemed to have become a myth as investors were looking for performance. Unit-holders spread their holdings over two or more funds with an urge to diversify increasing competitive mutual fund environment.
Jaspal Singh and Subhash Chander (2003) have made an attempt to read the mind of general investor as regards their expectations from mutual funds, taking into considerations their age group and the occupation they are in. Therefore, the need of the hour is to know what characteristics mutual funds should possess as expected by general investors. The characteristics like past record of the organization, repurchase of the units by the funds, easy transferability and return provided on investments by the fund have been rated as important because the money earned and saved is too precious and the investors do not want to compromise as regard to safety of their invested money along with receiving reasonably good returns over it. Active investors were taken into consideration and questionnaires were distributed/mailed to 400 investors in major cities of Punjab, Delhi and Mumbai, 273 responses were of business category which has given maximum weightage to the option of “repurchase of the units” by the fund followed by “easy transferability” option. Respondents in the salaried category gives highest importance to the return provided on investment by the fund.

Satish D (2004) opined that investors from seven major cities in India had a preference for mutual funds compared to banking and insurance products. Investors expect moderate return and accepted moderate risk. 60 percent of investors preferred growth schemes. The image of Asset Management Company (AMC) acted as a major factor in the choice of schemes. Investors had the same level of confidence towards shares and mutual funds.

Venkateshwarlu (2004) had analysed investors perception in the twin cities of Hyderabad and Secunderabad. Investors preferred to invest in open-ended schemes with growth objectives. Chi-square value revealed that the size of income class is independent of preference pattern, and dependent on the choice of fund floating institution.
Reasonable returns and long-term strategy adopted by the scheme were the criteria of scheme selection. Investors perceived that too many restrictions led to the average performance of mutual funds in India.

Sankaran (2004)\textsuperscript{45} states that 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 inspite of competition and will be propelled in the right direction because of the investor friendly financial markets.

Singh (2004)\textsuperscript{46} has established that middle class salaried investors and professionals preferred to have disclosure of net asset value on a day-to-day basis and wanted to invest in Mutual Funds in order to get higher tax rebates. Further, it is observed that small investors perceived Mutual Funds to be better investment alternative and public sector investments to be less risky.

Kiran and Rao (2004)\textsuperscript{47} identified investor group segments using the demographic and psychographics characteristics of investors using multinomial logistic regression and factor analysis.

Ramamurthy and Reddy (2005)\textsuperscript{48} carried out a study to analyze recent trends in the mutual fund industry and concluded that the major benefits delivered to the small investors by mutual funds are professional management, diversification of investment, convenient administration, return potential, liquidity, transparency, flexibility, affordability, wide choice and proper regulation. They also analyzed certain recent trends in the mutual fund industry such as, entry and exit of mutual fund companies, compulsory certification of mutual fund sales/ marketing personnel, mutual fund
schemes related to real estate, commodity, bullion and precious metals, etc., shift from income funds to money market funds, shift from banks to mutual funds and buying and selling of mutual fund online.

Desigan et al. (2006) conducted a study on women investors’ perception towards investment and found that women investors 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. Savings is a habit specially embodied in women. Even in the past, when women mainly depended on their spouses’ income, they used to save to meet emergencies as well as for future activities. In those days, women did not have any awareness about various investment outlets. But as time passed, the scenario has totally changed.

Kavitha Ranganathan (2006) has examined the related aspects of the fund selection behaviour of individual investors towards mutual funds, in the city of Mumbai. Factor Analysis was used to determine whether there was any common constructs that represented investor concerns. To identify investors’ underlying Fund/Scheme selection criteria, factor analysis was done using Principal Component Analysis. MLR (Multiple Linear Regression) technique was employed to seek a relationship between the Factor scores and types of investors, to indicate statistically important factors that influence the fund selection behaviour of different types of investors.

Muttappan P.K (2006) has made an attempt to study the various factors influencing mutual fund investment decision making in Chennai, Coimbatore, Madurai and Trichy Cities of Tamil Nadu. Primary objectives were to study the factors that
influenced the decision making among the investors. Judgment sampling method has been adopted in the selection of investors. Statistical tools like percentage analysis and scaling techniques were used. Findings reveals that tax exemption given to the investment made in mutual funds was the most influencing factor in mutual fund investment decision making, factor which discouraged investment in mutual funds was fear of fraud i.e. security perception in the mind of the investors.

Verma B.L and Mathur Mukesh (2006) \(^{52}\), in their article on “Mutual Fund Industry in India: An analysis” have concluded that the Mutual Fund Industry in India is a major constituent of the Indian financial system today. It has the existence of hardly 40 years so far. In this short period, it grew fast and also suffered from a equally fast decline. The year 2003 witnessed a turn around in Mutual Funds. The impulses behind the turnaround have been the mergers and acquisition in Mutual Fund Industry, restructuring UTI and launching of new schemes.

In ascertaining the factors yielding behavioural biases, Kumar (2006) \(^{53}\) examined whether individual investors exhibited stronger behavioural biases when value ambiguity or information uncertainty was higher. Author used six year data from 1991 to 1996 of retail holdings and trades and found that at times when stock markets have been difficult to value, investors exhibit behavioural tendencies of overconfidence, stronger disposition effect, limited attention and representativeness. In addition when there has been greater market wide uncertainty, these behavioural biases become stronger.

Raju (2006) \(^{54}\) in the article titled “Mutual Fund Investments: Preferred or Induced” elucidates the empirical anomalies related to retail investors by examining the factors that influence the retail investor in Visakhapatnam City. The paper focuses on understanding the behavioral aspects of an individual while investing in different mutual
fund; the role of SEBI in safeguarding the interest of investors; the performance of mutual funds and the myths related to mutual fund investments. The research was undertaken by selecting 200 respondents. The study period spread between April 2005 and August 2005. It was assumed that retail investor in India are investing in mutual fund without having complete knowledge of mutual funds and their features. The findings of the study indicate that the mutual fund investor does not have complete knowledge of the mutual fund and their features; they invest with the primary investment objective of fixed return with safety as a major factor considered before investment. The author further adds that the reasons for the growth of investments in mutual fund is due to the decrease in the rate of interest on bank deposits, the aggressive marketing strategy adopted by the mutual fund companies and the introduction of derivatives making the investment in mutual funds more promising for the investor. The study is useful in understanding the behavior of mutual fund investor and their knowledge levels in a period of financial boom.

Sinha (2006)\(^5\) in the article “Investment Preference and Behavioural Pattern of Mutual Fund Investors” has studied the perception and preferences of the investor with specific reference to the Lucknow market. The paper provides a theoretical insight into the origin of mutual fund in India, mutual fund schemes available, the concept of investment equity, factors affecting investment decisions, and the reasons as to why mutual funds are better investments options as compared to others. The research was empirically analyzed using Priority Analysis (Ranking method). The findings of the study reveals that investor would prefer to invest in insurance schemes than mutual fund as an investment option; the investors are aware of the risks associated with mutual fund investments.
Sanjay Kant Khare (2007)\textsuperscript{56} opined that investors could purchase stocks or bonds with much lower trading costs through mutual funds and enjoy the advantages of diversification and lower risk. The researcher identified that, with a higher savings rate of 23 percent, channeling savings into mutual funds sector has been growing rapidly as retail investors were gradually keeping out of the primary and secondary market. Mutual funds have to penetrate into rural areas with diversified products, better corporate governance and through introduction of financial planners.

Akhilesh Mishra (2008)\textsuperscript{57} has done a study on the topic “Mutual Fund as a Better Investment Plan” and states that many people have the fear of investing in Mutual Funds. People think their money will not be secure in Mutual funds. He also says that the investors need the knowledge of Mutual Funds and its related terms. Many of the people have not invested in Mutual funds due to lack of awareness although they have money to invest. Mishra also points out that “Brand” plays an important role in investment. Only people who invest directly know well about the Mutual fund and its operations.

Bodla B. S., and Bishnoi Sunita Sunita (2008)\textsuperscript{58} have found out in their study that the mutual fund investors in India at present have as many as 609 schemes with variety of features such as dividend, growth, cumulative interest income, monthly income plans, sectoral plans, equity linked schemes, money market schemes, etc. Though both open-ended and closed-ended schemes have registered excellent growth in fund mobilization, currently the former category of schemes is more popular among the investors. Portfolio-wise analysis has brought out that income schemes have an edge over growth schemes in terms of assets under management. Moreover UTI’s share in total assets under management has come down to 11.8 percent in 2006 from 82.5 percent in 1998.
Das Bhagaban, Mohanty Sangeeta, Shil Chandra Nikhil (2008) have thrown light on the selection behavior of Indian retail investors towards mutual funds and life insurances particularly in post-liberalization period. With this background, their paper made an earnest attempt to study the behavior of the investors in the selection of these two investment vehicles in an Indian perspective by making a comparative study.

Singh and Jha (2009) conducted a study on awareness and acceptability of Mutual Funds and found that consumers basically prefer Mutual Funds due to return potential, liquidity and safety and they were not totally aware of the Systematic Investment Plan.

Walia and Kiran (2009) studied investors’ risk and return perception towards mutual funds. The study examined investors’ perception towards risk involved in mutual funds, return from mutual funds in comparison to other financial avenues, transparency and disclosure practices. The study investigated the problems encountered by the investors due to unprofessional services of mutual funds. The study found that majority of individual investors did not consider mutual funds as highly risky investment. In fact on a ranking scale it is considered to be on higher side when compared with other financial avenues. The study also reported that significant relationship of interdependence exists between income level of investors and their perception for investment returns from mutual funds investment.

Nilamadhav Samal (2009) carried out a study entitled “The Factors Affecting Investors’ Preference for Mutual Funds in India”, stressed the various factors that influenced the fund/scheme selection behaviour of retail investors who invest in mutual funds. The investors look for safety first in Mutual Fund products, followed by good returns, tax benefits, liquidity and capital appreciation. The survey further reveals that
the scheme selection decision is made by respondents on their own, and the other sources
influencing their selection decision are News papers and magazines, brokers and agents,
television, friends suggestions and direct mail in that order. It also provides a
comparative analysis between different types of mutual funds in India and between
mutual funds and other investment products.

Kainth, Singh Gursharan and Kaur Manpinder (2009)\textsuperscript{63} have made an attempt
towards the perception of investors in Jalandhar city and examined the confidence level
of the investors in mutual funds. Analysis of micro factors influencing mutual funds
reveals that one-third (highest) of the investors depend upon the recommendation of their
friends and relatives. Safety of investment is the major macro factor (27\%) which
influence their investment. Results concluded that awareness of the industry is the major
factor for pushing the growth of industry.

Lakshmi N (2010)\textsuperscript{64} collected data from 360 investors and suggested that
investors have to make self-analysis of their needs, risk-bearing capacity, and expected
returns so as to develop a prudent investment ideology. Investors have to be aware of the
mutual fund regulations, channeling of money, objectives of schemes, besides ensuring
better diversification of investment.

Saini et., al. (2011)\textsuperscript{65} analyzed investors’ behavior, investors’ opinion and
perception relating to various issues like type of mutual fund scheme, its objective, role
of financial advisors and stock brokers, sources of information, deficiencies in the
provision of services, investors’ opinion relating to factors that attract them to invest in
mutual funds and also challenges before the Indian mutual fund industry. The study
found that investors seek for liquidity, simplicity in offer documents, online trading,
regular updates through SMS and stringent follow up of provisions laid by AMFI (Association of Mutual Funds of India).

**K. Lashmana Rao (2011)** in his study deals with mutual fund investors’ awareness and adoption of different mutual fund schemes with reference to educational levels. Educational level is an important factor that influences the behavior of investment decisions. Increasing educational level attainment is associated with decreased levels of risk tolerance. An investor’s level of formal education has found to influence risk tolerance. Three hundred and fifty respondents have been selected for this study in three districts and five schemes in Andhra Pradesh. Chi-square test has been adopted to examine the association between the formal and technical education factors with the awareness and adoption of the mutual fund schemes.

**N.S. Santhi (2011)** in her study makes an attempt to analyze the investors’ attitude towards their investment in tax saving mutual funds. The study finds that the participation of investors in tax saving mutual funds is comparatively less than other safer investment areas like Insurance, Postal Deposit Schemes and Fixed Deposits. The dynamic relationship between investors’ biographical information and their behavior has been examined by using relevant statistical techniques. The investors’ knowledge and satisfaction on tax saving mutual funds and awareness about regulating bodies has also been analyzed. The study finds that a majority of the investor does not have the knowledge on schemes and awareness about controlling authorities and they are satisfied with the overall benefits on tax saving mutual funds.

**Sonu V Gupta (2011)** in the paper titled “An Analysis of Investors’ Perception Regarding Mutual Fund” found that investment in mutual funds is effected by the perception of the investors. A common investor who invests his savings in different
assets is not very much aware of the mutual funds. The study is carried out through 
questionnaire in Naranpura area of Ahmedabad, Gujarat. Hypothesis is tested using z-test 
and Chi-square. The analysis suggests that a majority of investors are aware of mutual 
funds and are willing to invest in mutual funds. The most preferred scheme is balanced 
fund.

**D. Kandavel (2011)** in his study looks at the perception level of the retail 
investors towards investment in mutual funds. The small investors’ purchase behaviour 
does not have a high level of coherence due to the influence of different purchase factors. 
The buying intent of a mutual fund product by a small investor can be due to multiple 
reasons depending upon customers risk return trade-off. Presently, more and more 
funds are entering the industry and their survival depends on strategic marketing choices 
of mutual fund companies, to survive and thrive in this highly promising industry, in the 
face of such cut-throat competition. Therefore, the mutual fund industry today needs to 
develop products to fulfil customer needs and help customers understand how its 
products cater to their needs.

**Singh (2012)** conducted an empirical study of Indian investors and observed 
that most of the respondents do not have much awareness about the various functions of 
mutual funds and they are bit confused regarding investment in mutual funds. The study 
found that some demographic factors like gender, income and level of education have 
significant impact on the attitude towards mutual funds. On the contrary age and 
occupation have not been found influencing the investors’ attitude. The study found that 
return potential and liquidity have been perceived to be most lucrative benefits of 
investment in mutual funds and the same are followed by flexibility, transparency and 
affordability.
P.U.Mehta (2012)\textsuperscript{71} conducted a survey of 300 investors in Gujarat state to study the investors' perception towards mutual funds. It is inferred that most of respondents give first preference to children education followed by retirement planning. The main factor influencing the pattern of investment are high returns, safety, tax exemption, flexibility, liquidity, diversification of risk, market trend, choice of scheme, reliability and affordability. The most popular sources of investment according to the respondents are savings account, insurance, mutual fund, PPF and GPF accounts, gold and silver. The main factors influencing the selection of mutual fund schemes in selected cities of Gujarat state are high returns, net asset value, tax policy, repurchase facility and market trends. Qualified persons use internet for getting the information about mutual fund. Female respondents prefer to get the information through professionals. 97 percent respondents prefer to invest their savings in S.I.P. S.I.P is popular among the respondents.

Sarish and Ajay Jain (2012)\textsuperscript{72} concluded that for the purpose of investment or saving, the investors are having options to invest money in mutual funds and other financial instruments like equity shares, debentures, bonds, warrant, bank deposits. A common investor, who invests his savings into the different assets, is not very much aware of the mutual funds.

R.Manimurugan (2012)\textsuperscript{73} conducted a survey of 400 investors in Namakkal District. The study found that the 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.
Subramanya P R and T P Renuka Murthy(2013)\textsuperscript{74} conducted a study that aimed at finding out the attitude of the small investors towards investment in mutual funds in Chikkamagalore. By adopting random sampling for 150 respondents, the investigation outlined that the investors have positive approach towards investing in mutual funds. The investors opt Mutual fund for safety and investors collect the information from expert advisors and then only invest the money. Mainly investors select income, growth and equity fund for their investment in Mutual fund.

V. Rathnamani(2013)\textsuperscript{75} concluded that many investors preferred to invest in mutual funds in order to have high return at low level of risk, safety and liquidity.

Gaurav Agrawal and Dr. Mini Jain(2013)\textsuperscript{76} analysed 300 investors of Mathura to check the preference given to investment in mutual funds amidst availability of other traditional investment avenues. They have analysed that on the basis of tax planning, mutual funds are the most preferred avenues of investment.

Salimath H.M (2013)\textsuperscript{77} surveyed 300 investors in Hubli-Dharwad twin cities in Karnataka state to find out the awareness about mutual funds among the investors. According to his survey, majority of the respondents have knowledge about Mutual Funds and only few investors don’t have any knowledge about Mutual Funds. Moreover, only 58 percent of the respondents are investing in Mutual Funds and rest of the respondents are not investing in Mutual Funds even though they have awareness of mutual funds.

Kameshwari K (2013)\textsuperscript{78} surveyed 300 investors in Vishakapatnam. It is inferred from the analysis that a majority of 75.7 percent of the respondents preferred growth funds whereas 13.6 percent preferred balanced schemes and only 10.7 preferred income
funds. When investors are asked whether they are satisfied with their present holdings, it is revealed that 63 percent of them are satisfied whereas the remaining respondents are unsatisfied because the returns were less than they expected and the risk was high when compared to conventional fixed deposits, etc.

**Goel, Sweta (2013)** analysed 500 investors in Delhi NCR region. The researcher has found from empirical analysis that Equity Linked Saving Schemes which provide tax benefit to the investors are most efficient mutual fund schemes among all investment styles. Since individual investors don’t have proper knowledge about each of the available security and it is very difficult for them to devote their full time in tracking the performance of these securities and managing their portfolio, they require an expert for the same.

**Balamurugam A (2014)** conducted a study with 455 investors of Thoothukudi District. His study suggested that there should be more transparency about the companies and their performance so that the investors can decide their investments in the appropriate scheme of mutual funds. He also points out that innovative technologies like integration of fund managers, dematerialization, online trading, creation and development of web pages must be brought in mutual fund markets for its growth and attracting the educated investors.

**Priya S (2014)** surveyed 450 investors of Tiruvananthapuram, Ernakulam, Kozhicode to study the investors’ attitude and behaviour towards mutual funds. The study reveals that the important influencing factors among the small investors are liquidity factor, brand equity, risk involved and past performance of the fund whereas among the large investors, these influencing variables are schemes portfolio, reputation of fund manager and type of fund.
Thomas, Basil John (2014)\textsuperscript{82} in his thesis entitled “Mutual Fund Investors Behaviour in Kerala” found that long-term investors are showing more preference towards mutual fund products and the short-term investors are not interested in future buying of mutual fund products. Moreover, his study reveals that short-term investors attach more importance to safety of their investment, whereas long-term investors have given more importance to provision for contingencies and the medium-term investors invest in mutual funds for the sake of tax benefits.

Gupta, Mohit (2014)\textsuperscript{83} conducted a survey of 490 investors in three important cities Ludhiana, Jalandar, Amritsar of Punjab. His study reveals that most of the non retail mutual fund investors have portfolios greater than ₹ 10 lakhs diversified among less than 5 mutual fund schemes and 6 to 9 mutual fund companies. In contrast to the retail mutual fund investors, most of the non retail mutual fund investors have investing experience of 3 to 4 years.

Kasthuri GVK (2014)\textsuperscript{84} analysed 500 investors in the city of Vishakapatnam. The study found that the investors investing in mutual fund give more importance to the NAV as it indicates funds/schemes which are somewhat synchronized with the investors needs and objectives, which influence investments in mutual funds. It points out that the young investors below the age of 34 years prefer Equity funds as these funds promise more returns yet with a comparatively lesser risk than that of investing directly in equities. These investors are able to maximize their returns with a diversified portfolio which makes them less prone to volatility and adverse industry fluctuations. With long term preference in investment period, the investors are able to match a balance in high returns and their objectives. With longer periods of investment the fund is allowed to have time to correct any unfavorable fluctuations and also enables it to grow.

From the above review it can be inferred that Mutual Fund as an investment vehicle is capturing the attention of various segments of the society, like academicians, industrialists, financial intermediaries, investors and regulators for varied reasons.

The review of the empirical studies on mutual funds has revealed that no comprehensive study has been conducted in India to examine the perceptions of investors towards mutual funds. It has also brought to light the widely accepted parameters that are being used for the purpose of evaluating performance of mutual funds and different problems that confront mutual fund managers and the investors. The present study is an attempt to analyse and highlight the aspects related to mutual funds in India, particularly the attitude of investors towards mutual funds.
REFERENCES


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